

The Insolvency Act 1986

**Statement of administrator's proposals****2.17B**

Name of Company A & R ELECTRICAL AND SOLAR SUPPLIES LIMITED	Company number 04528999
In the Manchester District Registry of the High Court [full name of court]	Court case number 3149/2016

(a) Insert full name(s) and address(es) of administrator(s) I/We (a) Phil Deyes & Sean Williams of Leonard Curtis, 36 Park Row, Leeds, , LS1 5JL

attach a copy of \*my / our proposals in respect of the administration of the above company

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

\* Delete as applicable

(b) Insert date (b) 13 January 2017

Signed



Phil Deyes & Sean Williams - Joint  
Administrator(s)

Dated 13 January 2017

**Contact Details.**

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

Leonard Curtis	
36 Park Row, Leeds, , ,	
LS1 5JL	Tel 0113 323 8890
DX Number	DX Exchange

COMPANIES HOUSE

When you have completed and signed this form please send it to the Registrar of Companies at

Companies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff



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**LEONARD CURTIS**  
BUSINESS RESCUE & RECOVERY

**A & R ELECTRICAL AND SOLAR SUPPLIES LIMITED  
(IN ADMINISTRATION)**

Registered Number. 04528999  
Court Ref: 3149/2016  
Manchester District Registry of the High Court

**Joint Administrators' Report and Statement of Proposals**

**13 January 2017**

Leonard Curtis  
36 Park Row, Leeds,  
LS1 5JL  
Tel 0113 323 8890 Fax: 0113 323 8891

Ref E/36/KT/SA783L/1040

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**TO. THE REGISTRAR OF COMPANIES  
ALL CREDITORS  
ALL SHAREHOLDERS**

**1 INTRODUCTION**

- 1 1 I refer to the appointment of Sean Williams and I as Joint Administrators ("the Joint Administrators") of A & R Electrical and Solar Supplies Limited ("the Company") on 19 December 2016 and now write to present our proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act")
- 1 2 We do not propose to convene a meeting of creditors in this instance, as we anticipate that the Company will have insufficient property to enable a distribution to be made to unsecured creditors and therefore the requirement to convene a meeting is disapplied by Paragraph 52(1)(b) of Schedule B1 to the Act
- 1 3 Creditors whose debts amount to at least 10% of the total debts of the Company may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 27 January 2016. Security for the costs of holding the meeting must also be provided.
- 1 4 In the event that no meeting is requested, the Proposals will be deemed to have been approved in accordance with Rule 2.33(5) of the Insolvency Rules 1986. Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the date given in 1.3 above.

**2 STATUTORY INFORMATION**

- 2 1 The Administration proceedings are under the jurisdiction of the Manchester District Registry of the High Court under Court reference 3149 of 2016.
- 2 2 During the period in which the Administration Order is in force, any act or function required or authorised to be done by the Joint Administrators may be exercised by both or either of them.
- 2 3 The Company's registered office is currently 27a Lidget Hill, Pudsey, Leeds, West Yorkshire LS28 7LG. The Joint Administrators have sent the relevant form to Companies House for the registered office to be changed to 36 Park Row, Leeds, LS1 5JL. However, this has yet to be filed by the Registrar of Companies. The registered number is 04528999. The Company traded as its registered name. The Company was previously called A & R Electrical and Data Supplies Limited.
- 2 4 The Company operated from leasehold premises at Units 1-3, High Mill Business Park, Mill Street, Morley, Leeds, West Yorkshire, LS27 0WJ.
- 2 5 The Company's sole director and secretary is Richard John Brooke, who was appointed on 6 September 2002.

## A & R Electrical and Solar Supplies Limited - In Administration

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- 2 6 The Company's issued share capital is 100 £1 Ordinary A, B, C and D shares, the shares being owned as follows

Name	Type of share	No. of shares	% of controlling interest
Richard John Brooke	Ordinary A	51	51%
Sarah Louise Brooke	Ordinary B	39	39%
Charlotte Brooke	Ordinary C	5	5%
Thomas Brooke	Ordinary D	5	5%
<b>Total</b>		<b>100</b>	<b>100%</b>

- 2 7 According to the information registered at Companies House, the Company has the following registered charges

Date of creation	Chargee	Type of charge	Assets charged	Amount secured (£)
10/11/2015	HSBC Bank PLC	Fixed and Floating Charge	All Assets	All Monies
22/08/2011	Lloyds Commercial Finance Limited	Fixed and Floating Charge	All Assets	All Monies
27/07/2011	Lloyds Bank PLC	Fixed and Floating Charge	All Assets	All Monies

- 2 8 The EC Regulation on Insolvency Proceedings 2000 applies to this Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

### 3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

- 3 1 The Company was incorporated on 6 September 2002.
- 3 2 The Company carried on the business of the wholesaling of electrical supplies, including solar products to a variety of corporate customers throughout the region.
- 3 3 The Company was based in Morley and operated from leasehold premises, comprising office and storage space, including a small trade counter and delivery/collections yard. The Company employed eight full-time employees including the Director.

- 34 The Company was most recently funded by Lloyds Bank Commercial Finance Limited (invoice discounting facility), Mercedes Benz Financial Services UK Limited (HP finance on vehicles), Alphabet (GB) Limited (operating lease on vehicle) and HSBC Bank PLC (overdraft facility)
- 35 Business was generated from personal relationships of the Director with key B2B customers. There were no supply contracts and the Company was reliant on repeat business. There were also ad hoc trade sales to the public.
- 36 Latest unapproved draft accounts for the 12 months to 31 March 2016 show turnover of £1.9m and a net loss of £132k.
- 37 A decline in turnover and a series of bad debts have led to severe cashflow issues and intense creditor pressure with many accounts on stop.
- 38 One particular bad debt of c£300k was with a company called Lynx Energy Limited ("Lynx"). Lynx entered into a Company Voluntary Arrangement, which was approved by creditors on 25 July 2016 and thereby binding the Company to accept a small p/£ return. This appeared to be a better outcome than a liquidation of the debtor. There was also the prospect of future business with the debtor. The Lynx CVA collapsed after one month with no dividend and no promised orders. Lynx was subsequently placed into liquidation on 17 October 2016. This left the Company in a difficult position because of bank and creditor pressure.
- 39 In addition, another debt, totalling £80k turned bad. The goods sold were recovered in mid November under retention of title but a credit note was issued, creating further and unsurmountable cash flow constraints.
- 310 The Director therefore sought advice from Leonard Curtis on the current financial position of the Company and the options available to it.
- 311 On 1 December 2016, Leonard Curtis advised the Director that the Company was insolvent as it was unable to pay its debts as and when they fell due and he must act to protect the business and assets and act in the interests of the Company and its creditors. As a result and to ensure that the Director complied with his obligations, Leonard Curtis and the Director considered which insolvency option would best protect the value of the business and assets.
- 312 It was concluded that Administration was the most suitable insolvency procedure for the Company as it would allow the business to be preserved whilst the possibility of selling the business as a going concern was explored. It was considered that a sale, without the need for ongoing trading whilst in Administration given the recent trading losses and the funding requirement (the Company had no funds to trade, with the primary funding line from Lloyds TSB Commercial Finance Limited being 'overfunded' due to the bad debts being recalled), would be preferable to allow maximum value to be realised from the Company's assets and to minimise the costs of the Administration. Consequently the Director filed a Notice of Intention to Appoint an Administrator ("NOI") to appoint Phil Deyes and Sean Williams of Leonard Curtis at Manchester District Registry of the High Court on 6 December 2016 which was served on HSBC Bank PLC, Lloyds Bank Commercial Finance Limited and Lloyds Bank PLC as holders of qualifying floating charges and the Company. Please note that as at the date of the NOI, there was no debt due from the Company to Lloyds Bank PLC, this being an account no longer in use since a transfer of general banking arrangements to HSBC Bank PLC.
- 313 Leonard Curtis instructed independent agents, namely Cerberus Asset Management ("CAM") to prepare a valuation of Company's assets (excluding debtors) and to advise on a suitable marketing exercise proportionate to the size of the business and likely third party interest. Steps were taken to market the

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business for sale by way of an advertisement on the Leonard Curtis website and the Charles Taylor (part of the Cerberus Group) website from 8 December 2016. The advert sought expressions of interest by 14 December 2016. One party expressed an interest, save for the connected company as noted within this report. However, this other interested party was unable to complete within the timescale and withdrew.

- 3.14 An indicative offer (subject to a number of conditions relating to the ownership of certain assets and prior security interests) to purchase the business and assets of the Company was received from LED Site Limited ("the Purchaser"). The Purchaser is a connected party by virtue of the fact that the sole director and shareholder of the Purchaser, Sarah Louise Brooke, is a shareholder of the Company and is also the wife of the sole director and main shareholder of the Company, Richard John Brooke. The terms of the offer are explained in further detail at section . Given the lack of any alternative offers, the offer being considerably in excess of forced sales values on a break up basis, the carrying agents' recommendations, and the inability of the business to carry on trading, the offer from the Purchaser was accepted on a subject to contract basis.
- 3.15 Following the lapse of time required to be given to the holders of a qualifying floating charge (following issue of the NOI), the Director filed a Notice of Appointment of an Administrator ("NOA") at Manchester District Registry of the High Court on 19 December 2016. On 21 December 2016 the sale of business and assets was completed. The short delay in completion was due to amendments to the SPA which could not be finalised immediately upon the Company entering into administration.
- 3.17 Phil Deyes and Sean Williams are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of Schedule B1 of the Insolvency Act 1986, the functions of the Joint Administrators may be exercised by both, acting either jointly or alone.

## 4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4.1 The Company's trading results for the 30 months ended 30 September 2016 are detailed below.

	<b>Mgmt 6 months ended 30/9/16 £'000</b>	<b>Mgmt Year ended 31/3/16 £'000</b>	<b>Signed Year ended 31/3/15 £'000</b>
Turnover	655	1,912	1,582
Gross Profit	210	527	481
Gross Profit %	32%	28%	30%
Administrative expenses	(170)	(542)	(388)
Operating Profit/(Loss)	40	(15)	93
Interest and charges	(18)	(39)	(4)
Profit/(Loss) before tax	21	(54)	89
Taxation	0	10	(21)
Profit for the year	21	(44)	68

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4 2 The balance sheets as at 31 March 2015, 31 March 2016 and 30 September 2016 are detailed below

	Mgmt 30/9/16 £'000	Mgmt 31/3/16 £'000	Signed 31/3/15 £'000
<b>Fixed Assets</b>			
Tangible Assets	<u>50</u>	<u>58</u>	<u>60</u>
<b>Current Assets</b>			
Stocks	440	450	402
Debtors	<u>408</u>	<u>472</u>	<u>457</u>
	848	922	859
Creditors Amounts Falling due within one year	<u>(895)</u>	<u>(993)</u>	<u>(818)</u>
Net Current Assets/(Liabilities)	<u>(47)</u>	<u>(71)</u>	<u>41</u>
Total Assets less Current Liabilities	3	(13)	101
Creditors Amounts falling due after more than year	(26)	(31)	(11)
Provisions for Liabilities	0	0	(12)
<b>Net Assets</b>	<u>(23)</u>	<u>(44)</u>	<u>78</u>
<b>Represented by</b>			
Called up share capital (£100)	0	0	0
Profit and Loss account	<u>(23)</u>	<u>(44)</u>	<u>78</u>
<b>Shareholders' Funds</b>	<u>(23)</u>	<u>(44)</u>	<u>78</u>

4 3 Please note that the financial information relating to the year ended 31 March 2016 and the period ended 30 September 2016 has been derived from the Company's management accounts. The figures have not been verified and therefore no reliance can be placed on the accuracy of the profit and loss accounts and balance sheets for those periods

### 4 4 Statement of Affairs

The director is required to lodge a statement of affairs as at 19 December 2016 which has to be filed with the Registrar of Companies. Although the document has not yet been received, I understand that it is in the course of preparation, with the assistance of the Company's accountants, and will be submitted shortly. In the meantime, an estimate of the financial position as at the date of the Joint Administrators' appointment is enclosed at Appendix B, together with a list of creditors including their names, addresses and details of their debts, including any security held.



The following comments are considered to be relevant and should be borne in mind when reading the figures

**4.5 Secured Creditors**

**Lloyds Bank PLC ("Lloyds Bank")**

Lloyds Bank holds a debenture, which incorporates a fixed floating charge over all of the Company's assets. It was created on 27 July 2011.

Please note that it is understood that the Lloyds Bank debenture has been fully satisfied but the appropriate Memorandum of Satisfaction has not been filed at Companies House yet.

**Lloyds Commercial Finance Limited ("Lloyds CF")**

Lloyds CF holds a debenture, which incorporates a fixed floating charge over all of the Company's assets. It was created on 22 August 2011 in respect of an invoice discounting facility to the Company.

On our appointment, we were informed by Lloyds CF that the amount advanced to the Company was c£207k and based upon the current ledger (c£200k) and the amount owed to Lloyds CF, a shortfall on the facility is expected.

Subject to Lloyds CF incurring a shortfall from debtor collections, Lloyds CF will receive a further dividend, under their fixed charge, following a sale of the goodwill.

**HSBC Bank PLC ("HSBC")**

HSBC holds a debenture, which incorporates a fixed floating charge over all of the Company's assets. It was created on 10 November 2015 in respect of an overdraft to the Company.

On our appointment, we were informed by HSBC that the amount advanced to the Company was c£20k. HSBC may receive a distribution under their fixed charge following a sale of the goodwill. Any distribution is dependent on the level of repayment of Lloyds CF from the debtor collections.

**4.6 Prescribed Part**

It is not anticipated that there will be sufficient funds to enable a distribution to creditors under their floating charge. Accordingly, it is not anticipated that there will be a requirement to set aside a prescribed part in this case.

**4.7 Preferential Claims**

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay. All employees, apart from two family members, of the business have been transferred under the relevant TUPE regulations to the Purchaser and the Joint Administrators are investigating if there are any preferential claims in this matter. It should be noted that wages liabilities do not transfer under TUPE.

Notwithstanding the above, it is not anticipated that there will be sufficient funds to allow a distribution to preferential creditors.

**4.8 Unsecured Claims**

At present, it is considered unlikely that there will be sufficient funds available to enable any form of distribution to unsecured creditors. This statement is being made in accordance with paragraph 52(1)(b) of Schedule B1 to the Act. Creditors should however continue to submit details of their claims using the statement of claim form attached at Appendix I. These claims will be collated and passed to any subsequently appointed Liquidator, should the position change.

**4.9 Receipts and Payments**

A receipts and payments account for the period of Administration to date is enclosed at Appendix C.

**5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT**

**5.1 Sale of Business**

Prior to and upon appointment, the Joint Administrators investigated the possibility of concluding a sale of the business and assets as it was considered that a sale of the business as a going concern would allow the following:

- Maximisation of asset realisations – a pre-packaged sale allowed for customer continuity and minimal disruption in trading. In addition enhanced realisations for the Company's physical assets have been achieved, as compared to ex-situ realisations most likely achievable on a cessation of trade,
- Preservation of goodwill – a pre-packaged sale allowed for a sale of the goodwill, which is unlikely to have been available if the Company ceased to trade. It was critical in maximising realisations from the goodwill, that there was minimal disruption to trading. Trading the business during administration would not have guaranteed an improved offer, and may, conversely, have devalued goodwill,
- Mitigation of employee claims and preservation of employment for staff – a pre-packaged sale allowed for the eight staff to transfer employment to the Purchaser, including the director,
- Mitigation of claims from finance companies – the Purchaser may be able to novate some or all of the finance agreements or purchase the vehicles subject to finance. On cessation of trade or liquidation, the vehicles would have been required to be returned to the financier, which would have resulted in significant unsecured claims for the shortfall under the agreement and associated costs of uplifting, removing and selling, and
- In the opinion of our agents and advisors, a pre-packaged sale would result in a better outcome for creditors due to the enhanced level of asset realisations available in an in-situ sale rather than a forced sale basis.

An offer of £38,000 was made to the proposed Administrators by the Purchaser for the goodwill, plant and machinery and stock. Following advice from our appointed agents, CAM, who had valued the Company's physical assets and business, this offer was accepted and the business sale was concluded on 21 December 2016.

The total sale consideration of £38,000 is to be paid by the Purchaser as follows:

- £10,000 on completion (this amount has been received), and
- Six instalment payments of £4,666.67 payable on or before the 20<sup>th</sup> of each month starting on 20 February 2017.

Following the completion of the pre-packaged sale of the Company's business and assets, the Joint Administrators sent a letter to creditors on 22 December 2016 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16. A copy of the information provided is attached at Appendix J.

**5.2 Book Debts**

In addition to the above, the Company had a book debt ledger which was subject to an invoice finance agreement with Lloyds CF. As at the date of administration the gross value of the outstanding ledger was £208,222 less £8,000 for doubtful debts with a corresponding balance of £207,353 due to Lloyds CF. Lloyds CF has advised that debt collections to 5 January 2017 amount to £38,958. Based upon the current ledger and the amount owed to Lloyds CF, a shortfall is expected and there will be no surplus available in the administration.

**5.3 Potential Corporation Tax Reclaim**

The Company's accountants, BPR Heaton, have been instructed to prepare corporation tax returns up until the date of administration. Given that the Company historically traded profitably and paid the required corporation tax and that significant trading losses have been recently incurred, there may be a possible corporation tax reclaim due. Further details of any claim and the likelihood of any realisation will be communicated to creditors in future reports.

**5.4 Professional Advisors Used**

On this assignment the Joint Administrators have used the professional advisors listed below:

<b>Name of Professional Advisor</b>	<b>Service Provided</b>	<b>Basis of Fees</b>
Excello Law	Legal advice	Time costs
CAM	Asset valuation advice	Time costs
BPR Heaton	Goodwill valuation advice, Assistance with Statement of Affairs, completion of outstanding VAT and PAYE/NIC returns and completion of a loss relief claim	Time costs plus success fee on loss relief claim

**Excello Law**

Excello Law has incurred costs following the Joint Administrators' appointment. This related to completion of the sale of the business and assets. Excello Law is a specialist law firm which has significant experience in dealing with insolvency matters for banks, financial institutions, insolvency office-holders, creditors and debtors. The Joint Administrators instructed Excello Law to assist with any legal work due to its substantial expertise in this field.

**CAM**

CAM, RICS registered asset valuers, asset managers and auctioneers, provide expert advice on disposals of business and assets.

CAM operates from its head office in Manchester, offering national coverage. In addition to their property and machinery and business asset services, CAM works alongside accountants, company investors and shareholders to deliver in-depth operational reviews of a wide range of businesses.

The Joint Administrators considered that to instruct CAM would result in a better outcome for creditors given its substantial expertise in managing asset sales. In addition, in light of the work being undertaken by CAM, it was further considered that an independent valuation would promote confidence in the outcome of the asset sale.

CAM has provided advice and assistance with the following -

- Site attendance to carry out an inspection and inventory of the Company owned assets,
- Unencumbered asset valuations,
- Encumbered asset valuation,
- Stock and WIP valuation, and
- Advice and recommendations regarding the offer and marketing of the business

#### **BPR Heaton ("BPR")**

BPR is a trading style of Broadhead Peel Rhodes Limited and is registered to carry on audit work in the UK and Ireland and is regulated for a range of investment business by the Institute of Chartered Accountants in England and Wales.

BPR are the Company's accountants and have provided assistance with the following -

#### **Pre-Appointment work**

- BPR provided information as to the assessments of goodwill by reference to past filed and management accounts and drawing on their professional assessment of maintainable profits for a business such as this.

#### **Post-Appointment work**

- Assistance in connection with preparation of the Statement of Affairs of the Company as at 19 December 2016,
- Completion of outstanding VAT returns and PAYE/NIC returns up to the cessation of trade of the Company, and
- Completion of a Corporation Tax loss relief claim up to the cessation of trade of the Company.

Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix H.

## **6 ACHIEVING THE PURPOSE OF ADMINISTRATION**

6.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives:

- (a) rescuing the Company as a going concern, or (if this cannot be achieved),
- (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 (if (a) and (b) cannot be achieved),
- (c) realising property in order to make a distribution to one or more secured or preferential creditors.

6.2 The first objective is not capable of being achieved given the extent of historic liabilities.

- 6.3 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in Administration). It is considered that this objective is unlikely to be achieved as there is little prospect of a dividend to unsecured creditors.
- 6.4 The third objective is to realise property in order to make a distribution to secured and / or preferential creditors. This objective is likely to be achieved as Lloyds CF will receive a distribution under their fixed charge from debtor collections and following the sale of the goodwill. Furthermore, HSBC may receive a distribution under their fixed charge subject to the level of debtor collections.

## **7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE**

- 7.1 The Joint Administrators' Proposals for achieving the objective of Administration are attached at Appendix A.
- 7.2 Ordinarily the Joint Administrators would seek approval of the Proposals at a meeting of the creditors of the Company. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, the Joint Administrators are dispensing with the requirement to hold such a meeting as allowed by Para 52(1)(b) of Schedule B1 to the Act.
- 7.3 Creditors whose debts amount to at least 10% of the total debts of the Company, may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 27 January 2016. Security for the costs of holding the meeting must also be provided.
- 7.4 If such a meeting is requisitioned, the purpose of that meeting would be to appoint a Creditors' Committee (if desired) and to vote on the Joint Administrators' Proposals as set out at Appendix A.
- 7.5 If no meeting is requested, the Proposals will be deemed to have been approved.
- 7.6 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations.
- 7.7 Once the Administration has been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Joint Administrators will file a Notice with the Registrar of Companies that the Company be dissolved. Alternatively, if there are assets still to be realised or investigations concluded but there will be no return to unsecured creditors, the Company may be placed into Compulsory Liquidation.

## **8 EXTENSION OF ADMINISTRATION**

- 8.1 The appointment of administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment.
- 8.2 In certain circumstances it may be necessary to extend the Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding twelve months with the consent of each secured creditor of the Company.
- 8.3 The appropriate body of creditors will be contacted in due course should an extension be required.

**9 PRE-ADMINISTRATION COSTS**

9.1 Pre-administration costs are defined as

- Fees charged, and
- Expenses incurred

by the Administrator, or another person qualified to act as an insolvency practitioner before the company entered Administration (but with a view to its doing so) "Unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered Administration

9.2 Time charged and expenses incurred by the Joint Administrators and their agents and solicitors in the period prior to their appointment are summarised below

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis	Assessing the financial position of the Company, providing insolvency advice, consideration of whether an administration purpose could be achieved, liaising with the secured creditors and dealing with the marketing of the business, sales contract and preparation of the appointment papers	£22,790	Nil	N/A	£22,790
Excello Law	Preparation of the sales contract, reviewing security and general legal advice	£5,000	Nil	N/A	£5,000
CAM	Valuation of physical assets and stock, marketing and dealing with interested parties	£2,000	Nil	N/A	£2,000
BPR	Assistance in valuation of goodwill	£1,000	Nil	N/A	£1,000

**9.3 Work undertaken by Leonard Curtis**

In the period prior to administration, Leonard Curtis provided insolvency advice to the Company and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedure for the Company

The Joint Administrators has held extensive discussions with the principal secured lender, Lloyds CF, and continued to provide ongoing reports to them

The Joint Administrators evaluated the Company's financial position and advised that the Company was insolvent as it was unable to pay its liabilities as and when they fell due

Subsequently, it was advised that administration was the most suitable form of insolvency and the Joint Administrators assisted with formulating an administration strategy

The work undertaken included but was not limited to

- Advising the Company on which insolvency process would be most appropriate,
- Preparation of appointment documents, including NOI and NOA
- Dealing with all formalities relating to the appointment of Administrators including giving appropriate notification of the intention to make such appointment to the secured creditors and other parties entitled to receive notice,
- Preparing and reviewing the optimal insolvency strategy and liaising with the secured creditors,
- Attending meetings with the director and management of the business,
- Obtaining the Company's relevant financial information,
- Marketing the business and assets for sale,
- Provided instructions to, and liaised with, our agents, CAM with respect to establishing in-situ and ex-situ asset values,
- Worked with the Company's accountants in order to establish recent trading performance and tax assessments, and
- Advice in relation to the validity of the appointment following the winding up petition being presented

Enclosed at Appendix D is an analysis of the Joint Administrators' pre-administration costs. The analysis shows that total pre-administration time costs of £22,790 have been incurred which represents 56.1 hours at an hourly rate of £406.24

**9.4 Work undertaken by Excello Law**

Following the decision to place the Company into administration and acceptance of the offer from the Purchaser, costs were incurred by Excello Law in dealing with the sales documentation, which included

- Drafting the sale agreement and deeds of release, and
- Providing general legal advice in respect of the sale agreement

**9.5 Work undertaken by CAM**

CAM was instructed to provide a valuation of all of the Company's physical assets and provide advice on the best strategy for the disposal of the Company's physical assets. The work carried out included

- Preparing an inventory of the machinery and business assets,
- Obtaining details of financed assets,
- Advising on the equity position in relation to the financed assets,
- Asset and stock valuation and disposal advice,
- Advice on options and strategies for marketing the business for sale, and
- Assistance with marketing the business and assets

**9.6 Work undertaken by BPR**

BPR was instructed to provide information in order to assess the valuation of the Company's goodwill

**9.7 The payment of unpaid pre-administration costs (set out above) as an expense of the Administration is subject to the approval of the appropriate class of creditors, separately to the approval of the**

Administrators' Proposals In this case, the Joint Administrators are required to seek the approval of the secured creditors to this resolution

## **10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS**

### **10.1 General**

The basis of the Joint Administrators' remuneration may be fixed either as a percentage of the value with which they have to deal ('a percentage basis'), as a set amount, or by reference to the time properly given by the Joint Administrators and their staff in attending to matters as set out in a Fees Estimate. A combination of these bases may be fixed, with different bases being fixed in respect of different things done by the Joint Administrators. Additionally, where a percentage basis is fixed, different percentages may be fixed in respect of different things done by the Joint Administrators.

### **10.2 Approval by appropriate body**

The Joint Administrators think that the Company has insufficient property to enable a distribution to be made to unsecured creditors. In such circumstances, responsibility for approving the basis of the Joint Administrators' remuneration lies with the Creditors' Committee (if there is one), or if none (or the Committee does not make the requisite determination) each secured creditor of the Company, or where the Joint Administrators intend to make a distribution to preferential creditors each secured creditor of the Company and a majority (in value) of the preferential creditors who choose to vote on the remuneration resolution.

10.3 In the absence of a Creditors' Committee being established in this case, approval will be sought from the secured creditors and the outcome will be reported to all creditors in due course.

### **10.4 Information to be given to creditors**

The Joint Administrators wish, in this case, to seek the secured creditors' agreement to their remuneration being fixed by reference to the time properly given by them and their staff in attending to matters as set out in a Fees Estimate. Prior to seeking approval of this basis, the Joint Administrators are required to provide all known creditors with their Fees Estimate and details of the expenses that they consider will be, or are likely to be, incurred during the administration ("Statement of Likely Expenses").

### **10.5 The Fees Estimate**

The Joint Administrators' Fees Estimate for the whole of the Administration is set out at Appendix E. It includes the following:

- Details of the work that the Joint Administrators and their staff propose to undertake,
- The hourly rate or rates that Joint Administrators and their staff propose to use, and
- The time that the Joint Administrators anticipate that each part of the work will take.

Details of the Joint Administrators' time costs to 31 December 2016 have also been included for comparison purposes. In summary, time costs of £6,612.50 have been incurred to 31 December 2016 which represents 16.3 hours at a rate of £405.67 per hour. Further time costs will have been incurred by the Joint Administrators since 31 December 2016, which will be detailed in later reports.

10.6 The total amount of time costs as set out in the Fees Estimate is £63,225. Once approved by the appropriate body of creditors, the remuneration drawn by the Joint Administrators must not exceed this.



total amount without prior approval. It should be noted that in some instances payment of these costs will be limited to the amount of realisations available in the administration.

- 10.7 The Fees Estimate is based upon information currently available to the Joint Administrators. Based upon this information, the Joint Administrators do not anticipate that the Fees Estimate will be exceeded. However, should information come to light during the course of the administration which means that the Joint Administrators will be required to undertake work not envisaged at the time that the Fees Estimate was provided, it may be necessary for the Joint Administrators to revert to creditors for further approval.
- 10.8 Details of the firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix H.
- 10.9 Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded from <http://www.leonardcurtis.co.uk/resources/creditorsguides>. If you would prefer this to be sent to you in hard copy please contact Keith Turpin of this office on 0113 323 8890.

**10.10 Statement of Likely Expenses**

The Joint Administrators' Statement of Likely Expenses is set out for creditor information at Appendix F. To assist creditors' understanding of this information, it has been separated into the following categories:

- (i) **Standard Expenses** - this category includes expenses payable by virtue of the nature of the Administration process and / or payable in order to comply with legal or regulatory requirements.
- (ii) **Case Specific Expenses** - this category includes expenses likely to be payable by the Joint Administrators in carrying out their duties in dealing with issues arising in this particular case. Also included within this category are costs that are directly referable to the administration but are not paid to an independent third party (and which may include an element of allocated costs). These are known as "Category 2 disbursements" and they may not be drawn without the approval of the secured creditors in the same way as fees and the secured creditors will be contacted directly in this respect. The basis of the calculation of their recharge is detailed in Appendix H.

**10.11 Further Updates**

The Joint Administrators will provide creditors with an indication of whether the remuneration anticipated to be charged by them is likely to exceed the Fees Estimate, and if so the reasons for this, in their subsequent reports. Information will also be provided in subsequent reports on whether the expenditure detailed in the Statement of Likely Expenses has been or is likely to be exceeded and the reasons why.

**11 ESTIMATED OUTCOME FOR CREDITORS**

- 11.1 In order to assist the various classes of creditors in assessing the quantum of any dividend which may or may not be payable to them, we have produced an Estimated Outcome Statement. This is attached at Appendix G.
- 11.2 The Estimated Outcome Statement assumes the following:
- a) That asset realisations are in line with those estimated at Appendix B,
  - b) That the Joint Administrators' fees estimate (as detailed at Appendix E) is approved and is not exceeded, and

- c) That the expenses of the administration are as set out in the Statement of Likely Expenses at Appendix F and are not exceeded

**11.3 In summary**

- Secured creditors – Based upon the current ledger and the amount owed to Lloyds CF, a shortfall is expected from debtor collections. Lloyds CF will receive a further payment following the sale of the goodwill. HSBC may receive a distribution dependent on the level of debtor collections.
- Preferential creditors – The Joint Administrators are investigating whether any preferential claims are anticipated. Notwithstanding this, it is not anticipated that funds will be available to enable a distribution to any preferential creditors.
- Unsecured creditors – It is not anticipated that funds will be available to enable a distribution to unsecured creditors.

**12 RELEASE OF ADMINISTRATORS FROM LIABILITY**

- 12.1 As soon as all outstanding matters in the Administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically to dissolution.
- 12.2 The appointment of the Joint Administrators will cease as soon as this notice is issued.
- 12.3 It is ordinarily for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. However, as it is considered that there is little prospect of a dividend to unsecured creditors in this case, we are required to obtain approval to this resolution from the secured creditors. The appropriate class of creditor will be contacted directly in this respect.

**13 CONCLUSION**

- 13.1 It is important that you give careful attention to this report and its Appendices.
- 13.2 Creditors will be notified of the outcome of voting in due course.

Should you have any queries or require any further clarification please contact Keith Turpin at my office, in writing. Electronic communications should also include a full postal address.

for and on behalf of

**A & R ELECTRICAL AND SOLAR SUPPLIES LIMITED**



**PHIL DEYES**

Joint Administrator

Licensed in the UK by Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability.

APPENDIX A

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation. It is further proposed that Phil Deyes and/or Sean Williams be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved
- 4 Alternatively, if appropriate, the Joint Administrators apply to Court under Para 65 (3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration
- 5 In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved
- 6 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company
- 7 The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that Phil Deyes and/or Sean Williams be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them
- 8 The Joint Administrators shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration

## APPENDIX B

## ESTIMATED FINANCIAL POSITION AS AT 19 DECEMBER 2016

	Notes	Book value £	In Administration £
<b>Assets specifically pledged</b>			
Book debts	1	200,222	200,222
less Lloyds CF	2	(207,353)	(207,353)
<b>Deficit as regards book debts</b>		<u>(7,131)</u>	<u>(7,131)</u>
Goodwill	5	Nil	10,000
Less Lloyds CF		(7,131)	(7,131)
Less HSBC	9	(20,000)	(20,000)
<b>Deficit as regards goodwill</b>		<u>(27,131)</u>	<u>(17,131)</u>
<b>Assets not specifically pledged</b>			
Plant and Machinery and Fixtures and Fittings	3	31,867	3,000
Stock	4	439,852	25,000
Corporation Tax Claim	6	Nil	Unknown
		<u>471,719</u>	<u>28,000</u>
Costs of Administration (est )		N/A	(99,994)
Preferential creditors	7	Nil	Uncertain
<b>Net property available for prescribed part</b>		<u>471,719</u>	<u>(71,994)</u>
<b>Prescribed part calculation</b>	8	N/A	N/A
Available for floating charge creditor		471,719	(71,994)
Deficit as regards Lloyds CF		(7,131)	Nil
Deficit as regards HSBC		(20,000)	(17,131)
<b>Surplus as regards floating charge holder</b>		<u>444,588</u>	<u>(89,125)</u>
<b>Add back prescribed part</b>	7	<u>N/A</u>	<u>N/A</u>
<b>Available for unsecured creditors</b>		<u>444,588</u>	<u>Nil</u>
<b>Unsecured creditors</b>			
H M Revenue & Customs	10	(106,414)	(106,414)
Trade and expense creditors	11	(445,276)	(445,276)
Connected Party Creditors	12	(29,152)	(29,152)
<b>Total value of unsecured creditors</b>		<u>(580,842)</u>	<u>(580,842)</u>
<b>Estimated deficiency as regards unsecured creditors</b>		<u>(136,254)</u>	<u>(580,842)</u>

### NOTES TO THE ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained upon administration by independent valuers

**1 Book Debts**

The Company had a book debt ledger which was subject to a factoring agreement with Lloyds CF. As at the date of administration the gross value of the outstanding ledger was £208,222 less £8,000 for doubtful debts.

**2. Lloyds CF**

Lloyds CF holds a debenture, which incorporates a fixed floating charge over all of the Company's assets. It was created on 22 August 2011 in respect of an invoice discounting facility to the Company.

On our appointment, we were informed by Lloyds CF that the amount advanced to the Company was c£207k and based upon the current ledger and the amount owed to Lloyds CF, a shortfall on the facility is expected.

**3. Plant and Machinery and Fixtures and Fittings**

CAM provided a valuation of the unencumbered plant and machinery and fixtures and fittings owned by the Company which is in a range of £650 on an open market in-situ value basis and £210 on a market value ex-situ forced sale basis. An offer of £3,000 was received for the above assets and given that this was above the high end of the valuations, CAM recommended that this offer be accepted.

**4 Stock**

CAM provided a valuation of the unencumbered stock owned by the Company. CAM advised that the book value is inaccurate and the tradeable stock has a replacement cost price of c£75k. The inflated figure is inaccurate as it includes staff costs, obsolete stock and a significant amount of damaged and stolen stock. Of the remaining stock, 25% was considered as fast moving (0-4 months), 25% medium (0-8 months) and 50% slow moving (0-21 months). Certain stock may also be classed as waste and would incur costs to remove. CAM provided a valuation in a range of £19,875 on an open market in-situ value basis and £1,500 on a market value ex-situ forced sale basis. An offer of £25,000 was received for the above assets and given that this was above the high end of the valuations, CAM recommended that this offer be accepted.

**5 Goodwill**

This was assessed by the Joint Administrators, who have experience in dealing with similar businesses, the Company's accountants and observations from CAM. It was the considered opinion of the Joint Administrators and their instructed agents, CAM, that the value of goodwill is negligible due to the lack of maintainable earnings and is therefore valued in the range of £1,000 to £5,000 based on mere 'hope value'. The Purchaser's offer included a value of £10,000 for the goodwill. As the offer was in excess of expectations and considering the overall offer would ultimately result in a greater return than would be the case in the event of a winding-up, the offer was accepted based on agents' recommendations.

**6. Corporation Tax Claim**

The Company's accountants, BPR, have been instructed to prepare corporation tax returns up until the date of administration. Given that the Company historically traded profitably and paid the required corporation tax and that significant trading losses have been recently incurred, there may be a possible

corporation tax reclaim due. Further details of any claim and the likelihood of any realisation will be communicated to creditors in future reports.

**7. Preferential Creditors**

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay. All employees, apart from two family members, of the business have been transferred under the relevant TUPE regulations to the Purchaser and the Joint Administrators are investigating if there are any preferential claims in this matter. It should be noted that wages liabilities do not transfer under TUPE.

Notwithstanding the above, it is not anticipated that there will be sufficient funds to allow a distribution to preferential creditors.

**8. Prescribed Part**

It is not anticipated that there will be sufficient funds to enable a distribution to creditors under their floating charge. Accordingly, it is not anticipated that there will be a requirement to set aside a prescribed part in this case.

**9. HSBC**

HSBC holds a debenture, which incorporates a fixed floating charge over all of the Company's assets. It was created on 10 November 2015 in respect of an overdraft to the Company.

On our appointment, we were informed by HSBC that the amount advanced to the Company was c£20k. HSBC may receive a distribution under their fixed charge following a sale of the goodwill. Any distribution is dependent on the level of repayment of Lloyds CF from the debtor collections.

**10. H M Revenue & Customs**

These liabilities have been taken from an initial claim submitted by HMRC.

**11. Trade and expense creditors**

This figure has been extracted from the Company records and should not be regarded as an agreed amount.

**12. Connected Party Creditors**

This figure has been extracted from the Company's management accounts and should not be regarded as agreed.

## CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

COMPANY	ADDRESS				PER STATEMENT OF AFFAIRS
<b>SECURED CREDITORS</b>					
LLOYDS BANK COMMERCIAL FINANCE	3rd Floor, Lisbon House	116 Wellington Street	Leeds	LS1 4LT	207,353 00
HSBC BANK PLC	Queen Street	Morley	Leeds	LS27 8DY	20 000 00
					<b>227,353 00</b>
<b>UNSECURED CREDITORS</b>					
HM Revenue & Customs	Debt Management Enforcement & Insolvency	Durrington Bridge House, Barrington Road	Worthing, West Sussex	BN12 4SE	106 414 64
A I E W DISTRIBUTION	18B MERLIN WAY	QUARRY HILL IND PARK	ILKESTON	DE7 4RA	2 734 57
ADI-GARDINER LTD	TRANSPENNINE TRAD EST	ROCHDALE	LANCS	OL11 2PX	1,000 00
AITKEN ELECTRICS LTD	5 MATHIESON RD	RUTHERGLEN	GLASGOW	G73 1BL	1 002 31
Amitex LED Lighting Co Ltd	Unit 2A	Bridge End Industrial Estate	Hexham	NE46 4DQ	935 76
ANGLO LIGHTING	UNIT 6	BALM ROAD INDUSTRIAL PARK	BEZA STREET HUNSLET LEEDS	LS10 2BG	2 739 91
ANSELL LIGHTING	UNIT 6B	STONECROSS BUSINESS PARK	YEW TREE WAY, WARRINGTON	WA3 3JD	1 00
ARCO	PO BOX 21	WAVERLEY STREET	HULL	HU1 2SJ	283 45
ARMAFIX	UNIT 2	SWINNOW VIEW	LEEDS, WEST YORKSHIRE	LS13 4TZ	5,679 33
ARMEG LTD	CALLYWHITE LANE	DRONFIELD		S182XJ	986 17

# A & R Electrical and Solar Supplies Limited - In Administration

Ascot Cable	Unit 1	Eastern Road	Bracknell	RG12 2UP	8 263 15
AT&T GB LTD	PHOENIX TRADE PARK	EALING ROAD	BRENTFORD	TW8 9PL	1,074 62
B N THERMIC	34 STEPHENSON WAY	THREE BRIDGES	CRAWLEY, WEST SUSSEX	RH10 1TN	4,475 90
B&D BOLTS	CENTRAL WAREHOUSE	BRADFORD ROAD	BATLEY	WF17 6JL	72 22
BAPP INDUSTRIAL SUPPLIES	UNIT 5 DARTON BUSINESS PARK	BARNLEY		S75 5NQ	4 88
BATT CABLES PLC	THE BELFRY	FRASER ROAD	ERITH	DA8 1QH	9 491 33
BELL LAMPS & LIGHTING	UNIT 3 THE SHOW HOUSE	MERTON ABBEY MILLS	WATER MILL WAY LONDON	SW19 2RD	337 83
BIRCHWOOD PRODUCTS LTD	PO BOX 9018	LEICESTER		LE1 8BY	278 28
BLE GROUP		ECKINGTON	SHEFFIELD	S21 4BH	606 60
BNP PARIBUS LEASING	BORTHERN CROSS	BASING VIEW	BASINGSTOKE	RG21 4HL	539 84
BODDINGTONS ELECTRICAL LTD	PROSPECT HOUSE	QUEENBOROUGH LANE GREAT NOTLY	BRAINTREE	CM77 7AG	82 20
BPR HEATON	27A LIDGET HILL	PUDSEY	LEEDS	LS28 7UG	1 00
BSS LED Ltd	Unit5 Ashwood Business Park	Ashington	Northumberland	NE63 0XD	178 80
BTUK BUSINESS ACCOUNTS	TVTE	5TH AVENUE BUSINESS PARK	GATESHEAD	NE82 6XX	1 00
BUFFALO WEB DESIGN	PARK HOUSE	920 BRADFORD ROAD	BATLEY	WF17 9PH	200 02
CABLE GLANDS UK LTD	UNIT 17 PREMIER PARK	ACHESON WAY TRAFFORD PARK	MANCHESTER	M17 1GA	512 75
CABLEWORLD	UNIT H FARSLEY PARK	RINGGATE IND PARK	BOLTON	BLS 3XH	6 997 10
CHANNEL SAFETY SYSTEMS LTD	PETERSFIELD BUSINESS PARK	BEDFORD RD	PETERSFIELD, HAMPSHIRE	GU32 3QA	2,780 10
CLEVELAND CABLE	RIVERSIDE	PARK ROAD	MIDDLESBOROUGH	TS2 1QW	15 760 96
CLIFTON LIGHTING LTD	FLOOR 3 NORTH VALE MILLS	BRADFORD ROAD, BAILIFF BRIDGE	BRIGHOUSE	HD6 4JG	2,159 26



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COLLINGWOOD	BROOKLANDS HOUSE	SYWELL AERODROME	SYWELL NORTHANTS	NN6 0BT	21 72
CONCORDIA ELEC WIRE & CABLE CO	NETWORK 65 BUSINESS PARK	BENTLEY WOOD WAY	HAPTON NEAR BURNLEY	BB11 5ST	13 63
CONNECTIX	500 AVENUE WEST	SKYLINE 120	BRAINTREE	CM77 7AA	117 60
CONTACTUM LIMITED	VICTORIA WORKS	EDGEWERE ROAD	CRICKLEWOOD, LONDON	NW2 6LF	13,068 19
COUNTRYWIDE ELECTRICAL DISTRIB	44-48 FRESHWATER ROAD	DAGENHAM	ESSEX	RM8 1RX	656 16
CPC LTD	FARADAY DRIVE	FULWOOD	PRESTON	PR2 9PP	162 80
D3 OFFICE GROUP LTD	UNIT 10 SWORDFISH WAY	SHERBURN IN ELMET	LEEDS	LS25 6NG	337 91
DAISY COMMUNICATIONS LTD	DAISY HOUSE	LINDRED	ROAD BUIS PK	BB9 5SR	576 76
DART TOOL GROUP	NEXUS HOUSE	WHEATFEILD ROAD	DUNNIKER BIZ PK, KIRKCALDY	KY1 3PD	795 65
DELIGO	UNIT G3 MONARCH WORKS	HILL STREET	LYE	DY9 8TW	2,678 75
Diamond LED Lighting Ltd	Unit5,Congleton Trade Centre	Radnor Park Trading Estate	Back Lane,Congleton	CW12 4XJ	1,196 92
DIRECT CABLE SUPPLIES LTD	UNIT 6C PETRE COURT	PETRE ROAD	CLAYTON LE MOORS LANCASHIRE	BB5 5HY	1,123 98
Draper Tools Ltd	Hursley Road	Chandlers Ford	Eastleigh	SO53 5YF	698 86
DYSON PRODUCTS LTD	UNIT G BROCKMOOR PK IND EST	MOOR STREET	BRIERLEY HILL	DY5 3TG	322 93
E U FIRE AND SECURITY LTD	UNIT 4 THE PAVILIONS	BRIGEFOLD ROAD	ROCHDALE	OL11 5BY	602 64
E ON UNIT 1 GAS	BUSINESS CUSTOMER SERVICE	E ON ENERGY SOLUTIONS	PO BOX 2010	NG1 9GQ	131 39
E ON UNIT 2 ELECTRIC	UNIT 2 ELECTRIC	PO BOX 123	NOTTINGHAM	NG1 6HD	1 00
EA COMBS LTD	QUANTUM HOUSE	EASTWOOD CLOSE	LONDON	E18 1BY	466 80
EDF UNIT 2 ELECTRIC					1 00
ELAND CABLES LTD	120 HIGHGATE STUDIOS	53 79 HIGHGATE ROAD	LONDON	NW5 1TL	20,541 19

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ELD DISTRIBUTION	COMPASS HOUSE VISION PARK	CHIVERS WAY, HISTON	CAMBRIDGE	CB24 9AD	2 674 74
ELECTRIC SYSTEMS LTD	15 CARNARVON STREET	MANCHESTER		M3 1HJ	6,521 66
ELECTROMARKET	UNIT C7 J31 PARK	MOTHERWELL WAY WEST THURROCK	ESSEX	RM20 3XD	1 00
ELITE SECURITY PRODUCTS	UNIT 7 LEVISS TRADING ESTATE	STATION ROAD	STECHFORD, BIRMINGHAM	B33 9AE	300 60
ENCAPSULATE INTERNATIONAL LTD	UNIT 17 CHARTWELL BUSINESS PAR	CHARTMOOR ROAD	LEIGHTON BUZZARD BEDS	LU7 4WG	1 00
Enlight Lighting Ltd	Unit B Halesfield 14	Telford	Shropshire	TF7 4QR	1,238 42
ESR ENTERPRISE	65 CREAGH ROAD	CASTLEDAWSON	MAGHERAFELT	BT45 8EW	650 01
EUROLITE	UNIT 21 PROGRESS BUS PARK	ORDERS LANE	LANCASHIRE	PR4 2TZ	1,357 92
EUROPA COMPONENTS	EUROPA HOUSE	AIRPORT WAY	LUTON, BEDFORDSHIRE	LU2 9NH	4,600 79
EXPERT CABLES LIMITED	UNIT 12 TOFTS FARM IND EST	BRENDA ROAD	HARTLEPOOL	TS25 2BS	1 00
FAEBER LIGHTING SYSTEM UK LTD	UNIT 1 TRIANGLE BUSINESS PARK	OAKWELL WAY	BIRSTALL LEEDS WEST YORKSHIRE	WF17 9LU	1 00
FALCON ELECTRICAL	FALCON HOUSE	SHEEPSGAR STREET SOUTH	LEEDS WEST YORKSHIRE	LS7 1AZ	143 76
FALCON TRUNKING SYSTEMS	BUTTERWORTH STREET	LITTLEBOROUGH	ROCHDALE LANCASHIRE	OL15 8JS	1 631 82
FARNELL	FARNELL	MAYBROOK IND EST, CASTLETON RD	LEEDS WEST YORKSHIRE	LS12 2EN	38 69
FEDEX UK LTD					461 82
FIRST ON SCENE	WILLOW HOUSE	4 WILLOW AVENUE	BRADFORD	BD2 1LS	69 60
FITZGERALD LIGHTING LTD	NORMANDY WAY	WALKER LINES IND EST	CORNWALL	PL31 1EX	2,786 77
FM Products	Unit 7 Bagley Ind Park	Northfield Road	Dudley, West Midlands	DY2 9DY	281 78
FORGE RECYCLING					121 05
FRANK RUSSELL & SON	ST ANNES HOUSE	GUY STREET	BRADFORD	BD4 7BB	226 33

# **A & R Electrical and Solar Supplies Limited - In Administration**

GAP LIGHTING LTD	UNIT 14, SCHOONER PARK	SCHOONER COURT	CROSSWAYS BUS PARK, DARTFORD	DA2 6NW	711 42
GEWISS LTD	2020 BUILDING	CAMBOURNE BUSINESS PARK	CAMBOURNE	CB23 6DW	1 933 68
GRAX LTD	UNITS 2/3 CHATSWORTH IND EST	PERCY STREET	TONG ROAD WORTLY LEEDS	LS12 1EL	290 92
GREENVILLE IDC	16 CEDARHURST ROAD	NEWTONBREDFA FACTORY ESTATE	NEWTONBREDFA, BELFAST	BT8 7RH	61 049 73
GRIPPLE LIMITED	THE OLD WEST GUN WORKS	SAVILLE STREET EAST	SHEFFIELD	S4 7UQ	208 08
H & B WIRE FABRICATIONS LTD	30-31 TATTON COURT	KINGSLAND GRANGE	WOOLSTON WARRINGTON	CHESHIRE	258 00
HELLERMANN TYTON	UNIT 1 ROBESON WAY	SHARSTON GREEN BUSINESS PARK	WITHENSHAW MANCHESTER	M22 4TY	1 00
HISPEC ELECTRICAL PRODUCTS LTD	UNIT 21A DRUMHEAD ROAD	CHORLEY	LANCASHIRE	PR6 7BX	283 60
HS SECURITY SERVICES LTD	1 THOMPSONS YARD	WESTGATE	WAKEFIELD	WF1 2TP	1 00
HYCO MANUFACTURING LTD	NORMANDY COURT	EXPRESS WAY	CASTLEFORD	WF10 5NR	300 40
ILME UK LTD	50 EVANS ROAD	VENTURE POINT	SPEKE	L24 9PB	272 45
INDUSTRIAL SIGNS	FACTOR 21	THAMES PARK	WALLINGFORD OXFORDSHIRE	OX10 9TA	131 52
INTERNATIONAL LAMPS LTD	STADIUM WAY	HARLOW	ESSEX	CM19 5FG	1 00
ISLAND LEISURE PRODUCTS	CASTLE ROAD	SITTINGBOURNE	KENT	ME10 0RN	639 60
KELVELEC ELECTRICAL SUPPLIES	UNIT L50, LEAPINGWELLS FARM	HOLLOW ROAD	ESSEX	CO2 9DB	1,934 63
KES (UK) LTD	UNIT 4	EVAN BUSINESS CENTRE	MONKTON ROAD IND ESTATE	WF2 7AS	982 32
KOSNIC UK LTD	Unit D2 Kennetside	Bone Lane Newbury	Berkshire	RG14 5PX	126 16
KRAUS & NAIMER LTD	115 LONDON ROAD	NEWBURY	BERKSHIRE	RG14 2AH	176 20
KSR LIGHTING	UNIT E HAZELTON INTERCHANGE	LAKESMORE ROAD	HORDEAN, WATERLOOVILLE, HAMPS	PO8 9JU	2,104 55
LED SUPPLIES COM	UNIT 5 KENNET WEIR BUSINESS PK	ARROWHEAD ROAD	THEALE	RG7 4AD	1 00

# **A & R Electrical and Solar Supplies Limited - In Administration**

LEDS C4	25750 TORA		SPAIN		1 00
LEEDS RHINOS	ST MICHAELS LANE	HEADINGLEY	LEEDS	LS6 3BR	288 00
LOXA LTD	102 KIRKSTALL ROAD	LEEDS		LS3 1JA	1,721 17
LUCKINS / AMTECH GROUP LTD	BANK HOUSE	171 MIDSUMMER BOULEVARD	MILTON KEYNES	MK9 1EB	528 00
LYNTECK LTD	CHURGHILL WAY	NELSON	LANCS	BB9 6RT	419 96
M F HIRE LTD	500 CHARLOTTE ROAD	SHEFFIELD		S2 4ER	522 24
MACE SYSTEMS	66 42B HIGH STREET	KEYNSHAM	BRISTOL	BS31 1DX	1,830 70
MANROSE MANUFACTURING	1 ALBION CLOSE	SLOUGH BERKSHIRE	SL2 5DT		820 88
MARCO CABLE MANAGEMENT	UNIT 8 BRYN CEFNI INDUSTRIAL P	LLANGFNI	ANGLESEY	LL77 7XA	4 665 82
MAXILUX LED LIGHTING	UNIT 9 RUNWAY FARM	HONILEY ROAD	MEER END, KENILWORTH	CV8 1NQ	1 267 47
MCFARLANE PACKAGING	UNIT H BRUNEL RD	WAKEFIELD 41 IND ESTATE	WAKEFIELD	WF2 0XG	148 40
MERCEDES-BENZ NORTHSIDE LTD	ELLAND WAY	ELLAND ROAD	LEEDS	LS11 0EY	103 50
MICO LIGHTING LTD	TROYDALE LANE	PUDSEY	LEEDS WEST YORKSHIRE	LS28 9LD	2,088 90
ML ACCESSORIES LTD	UNIT 4, FOSTER AVENUE	WOODSIDE PARK	DUNSTABLE, BEDS	LU5 5TA	9 677 51
NATIONAL LIGHTING LTD	UNIT 2 OLYMPIA TRADE PARK	GELDERD LANE	LEEDS	LS12 6AL	1,738 02
Nationwide Trailer Parts Ltd	Unit 16	Letchmire Road	Allerton Bywater	WF10 2DB	9 98
NB ELECTRICAL	BANKFOOT PLACE	BRADFORD ROAD	BATLEY	WF17 5LQ	499 93
NEWWEY & EYRE LTD	UNIT C LATCHMORE IND PARK	LOWFIELDS ROAD	LEEDS	LS12 6DN	150 20
NORTH WEST TOOLS	62 DARLINGTON ST EAST	WIGAN		WN1 3AT	40 82
NORTHERN ALLIANCE/PREMIUM CRED	UNIT 4 SILKWOOD COURT	SILKWOOD PARK	WAKEFIELD	WF5 9TP	2,588 99

# A & R Electrical and Solar Supplies Limited - In Administration

Nuaire Ltd	Western Industrial Estate	Caerphilly		CF83 1NA	0 01
OLDFIELD LIGHTING	UNIT 4, SNAYGILL IND ESTATE	KEIGHLEY ROAD	SKIPTON NORTH YORKSHIRE	BD23 2QR	233 10
OLYMPIC FIXINGS	UNITS 2&3 VENTURE COURT	METCALF DRIVE	ALTHAM ACCRINGTON LANCs	B85 5TU	1 00
OMEGA PRODUCT SERVICES	4 KEYSTONE COURT	HALLAM WAY, WHITEHALL BIZ PARK	BLACKPOOL	FY4 5NZ	723 28
ONE OFF ACCOUNT					19,434 85
ONE OFF ACCOUNT					1,182 62
OPUS ENERGY					1 00
ORION	UNIT 4 ROYDS CLOSE	ROYDS LANE	LEEDS	LS12 6LL	1 00
P X MANUFACTURING&DIST CO LTD	MARCH TRADING PARK	40 THORBY AVE	MARCH CAMBRIDGESHIRE	PE15 0AZ	15,852 79
PARK ELECTRICAL SERVICES	UNIT2 LAKESIDE	ROTHER VALLEY WAY	SHEFFIELD	S20 3RW	709 82
PLUMB CENTER MORLEY	UNIT 7 ASHLEY IND ESTATE	ELMFIELD RD MORLEY	LEEDS	LS27 0EL	1 00
POWERLITE LIGHTING SOLUTIONS	NORTH BROOK WORKS	ALKINCOTE STREET	KEIGHLEY	BD21 5JT	1,062 36
POWERSAVER ELEC BRIGHOUSE	UNIT 1	BURNHAM TRADE PARK BUS PARK	BURNLEY	B811 4AJ	12 00
Presspahn Ltd	Wharnccliffe Works	Harrogate Road	Bradford	BD2 3TB	36 91
PROTEK ELECTRONICS LTD	PHOENIX HOUSE	PHOENIX ROAD	CANNOCK STAFFORDSHIRE	WS11 2LR	8 577 31
R S COMPONENTS LTD	PO BOX 888	CORBY	NORTHHAMPS	HH17 9RS	407 19
RAVENHALL RISK SOLUTIONS LTD	AXIS COURT	NEPSHAW LANE SOUTH	LEEDS	LS27 7UY	1 828 30
RED ARROW TRADING	Elsworth House	Herries Road South	Sheffield	S6 1QS	17,340 41
REMORA ELECTRICAL LTD	Unit 8a Shortwood Business Pk	Hoyland	Barnsley	S74 9LH	1,131 12
RONBAR FACTORS LTD	10 WALTON ROAD	PATTINSON NORTH IND ESTATE	WASHINGTON 15, TYNE&WEAR	NE38 8QA	440 89

# A & R Electrical and Solar Supplies Limited - In Administration

RSJU UNIT 1 PROPERTY					1 00
SAFETY FIRE SOLUTIONS	LANGLEY MILLS	ROBERTTOWN LANE	LIVERSEDGE	WF15 7LF	2 170 75
SCATTERGOOD & JOHNSON LTD	LOWFIELDS ROAD		LEEDS WEST YORKSHIRE	LS12 6ET	205 87
SCHNEIDER ELECTRICAL (S-ELECT)	STAFFORD PARK 5	TELFORD	SHROPSHIRE	TF3 3BL	241 58
SCOLMORE INTERNATIONAL LTD	1 SCOLMORE PARK LANDSBERG	LICHFIELD ROAD INDUSTRIAL EST	TAMWORTH STAFFS	B79 7XB	15 260 12
SELECTRIC / LGA	COW LANE	OLDFIELD RD SALFORD	MANCHESTER	M5 4NB	613 08
SHOP 4 SECURITY	OLD LEEDS ROAD	HUDDERSFIELD		HD1 1SE	83 40
SILAVENT/ POLYPIPE	NEW HYTHE BUSINESS PARK	COLLEGE ROAD	AYLESFORD, KENT	ME20 7PJ	1 121 71
SI-LITE UK	UNIT 12 VINEHALL BUS CTR	MOUNTFIELD	ROBERTSBRIDGE EAST SUSSEX	TN32 SJW	890 22
Smann Electrical Wholesalers	315 Roundhay Road	Leeds		LS8 4HT	91 20
SMITH BROS WHOLESALE LTD	GREYFRIARS HOUSE	SIDINGS COURT	DONCASTER SOUTH YORKSHIRE	DN4 SNU	17,065 37
Solutions Lighting	Unit 15, Carlton Mills	Armley	Leeds	LS12 2QG	2 578 05
SPECIALISED WIRING ACCESSORIES	ABBAY MILLS	CHARFIELD ROAD KINGSWOOD	WOTTON UNDER EDGE GLOS	GL12 8RL	481 72
SPECIALIST SWITCHGEAR SYSTEMS	UNIT 2 ROYDS PARK	WHITEHALL ROAD	LEEDS WEST YORKSHIRE	LS12 4TU	2 333 14
STEARNS	BO-TEC CENTRE	HAMBRIDGE LANE	NEWBURY	RG14 5TN	13,211 65
Style Engravers	Unit 2 Warneford Ave	Dewsbury Road Ossett	Wakefield	WF5 9NJ	12 60
SYAM LTD	25 VENTNOR ROAD	SOLI HULL	WEST MIDLANDS	B92 9BU	82 74
SYCAMORE LIGHTING LTD	6 ASTLEY LANE IND ESTATE	LEEDS	WEST YORKSHIRE	LS26 8XT	0 02
TASS	UNIT 1 LEONARD HOUSE	38A ROSEMARY LANE BLACKWATER	CAMBERLEY SURREY	GU17 0LT	520 26
TELE-FONIKA KABLE SA	ul Hipolita Cegielskiego 1	32-400 Myslenice	Poland		14,940 39

# **A & R Electrical and Solar Supplies Limited - In Administration**

Termination Technology	UNIT 4C, CROFT END IND ESTATE	CROFT END ROAD	ST GEORGE BRISTOL	B55 7UW	1,430 46
TERRATRUCK LTD	34-36 GIPSEY LANE	LEICESTER		LE46TD	1 601 16
TEST INSTRUMENT CALIBRATIONS	1ST FLOOR MIDDLE MILL	CARLINGHOW MILLS	501 BRADFORD ROAD	WF17 8LN	270 72
TEST INSTRUMENT SOLUTIONS	1ST FLOOR MIDDLE MILL	CARLINGHOW MILLS	501 BRADFORD ROAD	WF17 8LN	32 40
The Fuse Company	Unit 11 Invincible Way	Gillmoss Ind Est,Hermes Rd	Liverpool	L11 0ED	60 48
THE LIGHTING INDUSTRY ASSOC	STAFFORD PARK 7	TELFORD	SHROPSHIRE	TF3 3BQ	234 00
TOBBELL ELECTRICAL	UNIT 4 ROSEVILLE BUSINESS PARK	ROSEVILLE ROAD	LEEDS	LS8 5DR	6 00
TORNADO FIXINGS LTD	BELGRAVE WORKS	DONISTHORPE STREET	LEEDS	LS10 1PL	1 112 67
TOTAL GP LTD	BRIDGE GATE 55 57 HIGH STREET	REDHILL	SURREY	RH1 1RX	1,607 87
TRENCH LTD	UNIT 5 CMT TRADING ESTATE	BROADWELL RD	OLDBURY	B69 4BQ	11 367 56
TUFFNELLS	SHEPCOTE HOUSE	SHEPCOTE LANE	SHEFFIELD	S9 1UW	1 00
TYRES AND EXHAUSTS	BRITANNIA ROAD	MORLEY	LEEDS	LS27 0AR	1 00
UNICRIMP	Unit3 Scolmore Park	Lichfield Rd Industrial Estate	Tamworth	B79 7XB	1,504 57
UNITRUNK	4 ALTONA ROAD	LISBURN	CO ANTRIM	BT27 5QB	3 497 18
UNIVOLT (UK) LTD	QUADRANT PARK	MUNDELLS	WELWYN GARDENS CITY	AL7 1FS	835 90
VENTURE LIGHTING EUROPE LTD	TRINITY COURT	BATCHWORTH ISLAND, CHURCH ST	RICKMANSWORTH, HERTFORDSHIRE	WD3 1RT	40 817 29
VIDECON	UNIT 1 CONCEPT BUSI PK	SMITHIES LANE	HECKMONDWIKE	WF16 0PN	1 00
V TAC UK LTD	UNIT NO 9 ARMSTRONG WAY	GREAT WESTER IND PARK	MIDDLESEX, LONDON	UB2 4SD	1 00
WIREFIELD LTD	UNIT 1 MATRIX PARK	TALBOT ROAD	SEGENSWORTH, FAREHAM	PO15 5AP	1 416 43
WISKA UK LTD	UNIT 11	DUNVETH BUSINESS PARK	WADEBRIDGE	PL27 7FE	2,155 27

**A & R Electrical and Solar Supplies Limited - In Administration**

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WIZARD POWER TOOLS	121A HIGH STREET	MORLEY	LEEDS WEST YORKSHIRE	LS27 0DE	1 00
YORKSHIRE WATER	PO BOX 52		BRADFORD	BD37YD	114 19
<b>Total Unsecured Creditors (excl HMRC)</b>					<b>445,275 71</b>
<b>Total Unsecured Creditors (incl. HMRC)</b>					<b>551,690 35</b>
<b>Connected Party Creditors</b>					<b>29,152 00</b>
<b>Total Creditors</b>					<b>808,195 35</b>

**PLEASE NOTE THAT ONLY LLOYDS BANK COMMERCIAL FINANCE AND HSBC BANK PLC HAVE SECURITY**



APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM  
19 DECEMBER 2016 TO 13 JANUARY 2017

	Statement of Affairs £	Received to date £	Received/Paid by Lloyds CF
<b>RECEIPTS</b>			
Debtors	200,222	Nil	38,958
Plant and Machinery and Fixtures and Fittings	3,000	Nil	Nil
Stock	25,000	Nil	Nil
Goodwill	10,000	Nil	Nil
	<u>38,000</u>	<u>Nil</u>	<u>38,958</u>
<b>PAYMENTS</b>		Nil	
Lloyds CF		<u>Nil</u>	<u>(38,958)</u>
<b>BALANCE IN HAND</b>		<u>Nil</u>	<u>Nil</u>

The initial consideration of £10,000 has been received into the Joint Administrators' solicitors account and will be transferred to the Joint Administrators' trust account in due course

## SUMMARY OF JOINT ADMINISTRATORS PRE-ADMINISTRATION COSTS

	Director		Senior Manager		Manager 1		Administrator 4		Total	Average	
	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Hourly	
		£		£		£		£		Rate	
										£	
Financial assessment	288	12,960 00			-	-	-	-	288	12,960 00	450 00
Strategy & purpose evaluation	30	1,350 00			90	3,285 00	-		120	4 635 00	386 25
Preparation of documents	-		50	2,050 00	20	730 00	20	300 00	90	3,080 00	342.22
Chargeholder	35	1,575 00			-				35	1,575 00	450 00
Legal Services	4	180 00		-	-		19	285 00	23	465 00	202 17
Court related issues	-			-	-		5	75 00	5	75 00	150 00
Total	357	16 065 00	50	2,050 00	110	4,015 00	44	660 00	561	22,790 00	
Average Hourly Rate (£)		450 00		410 00		365 00		150 00		406 24	

All Units are 6 minutes

**DETAILED ANALYSIS OF PRE-ADMINISTRATION COSTS**

**Financial Assessment**

This involved reviewing and assessing the financial information provided by the Company to ensure that the statutory purpose of the administration could be achieved

This involved -

- Review of the Company's business plan, forecasted sales and stock mix review with subsequent discussions with the director,
- Review of the Company's cash forecast, debt ledger and banking with subsequent discussions with the director,
- Preparation of an estimated outcome statement,
- Review of potential ROT claims,
- Review of pending litigation, and
- Review of finance agreements

Time was also spent considering the winding up petition issued against the Company, and notifying the secured creditors of the same. Further time was spent assessing the Company's options in light of the petition

**Strategy & Purpose Evaluation**

In the period prior to administration, Leonard Curtis provided insolvency advice to the Company and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedure for the Company

The Joint Administrators evaluated the Company's financial position and advised that the Company was insolvent as it was unable to pay its liabilities as and when they fell due

Subsequently, it was advised that administration was the most suitable form of insolvency and the Joint Administrators assisted with formulating an administration strategy

The work undertaken included but was not limited to

- Advising the Company on which insolvency process would be most appropriate,
- Dealing with all formalities relating to the appointment of Administrators including giving appropriate notification of the intention to make such appointment to the secured creditor and other parties entitled to receive notice,
- Preparing and reviewing the optimal insolvency strategy and liaising with the secured creditor,
- Attending meetings with the director and management of the business,
- Obtaining the Company's relevant financial information, and
- Marketing the business and assets for sale

**Preparation of Documents**

Time has been incurred preparing the engagement letter and verifying the director and shareholders identity in compliance with money laundering obligations. This also included setting up the case file and ensuring statutory requirements were met.

Time has also been spent in commencing drafting the Initial Letter to Creditors Pursuant to Statement of Insolvency Practice 16.

**Chargeholder**

A significant amount of time was spent reviewing the Company's security position with HSBC, Lloyds CF and Lloyds Bank. This involved correspondence with HSBC, Lloyds CF and Lloyds Bank.

**Legal Services**

Time has been spent in relation to liaising with Exello Law in respect of Court related issues and liaising with Exello Law with respect to the Sales and Purchase Agreement.

**Court Related Issues**

Time has been necessarily spent filing the Notice of Intention to Appoint at Court.

JOINT ADMINISTRATORS' FEES ESTIMATE INCORPORATING TIME INCURRED TO 31 DECEMBER 2016

	FEES ESTIMATE			INCURRED TO DATE		
	Units	Cost	Average hourly rate	Units	Cost	Average hourly rate
	No	£	£	No	£	£
Statutory and review	190	5,959 50	313 66	10	450 00	450 00
Receipts and payments	104	2,599 50	249 95	-	-	-
Insurance, bonding and pensions	27	943 50	349 44	-	-	-
Assets	590	21,210 00	359 49	-	-	-
Liabilities	411	12,004 00	292 07	115	4,602 50	400 22
Landlords	17	565 00	332 35	-	-	-
Debenture Holder	51	1,854 50	363 63	-	-	-
General Administration	181	4,813 50	265 94	5	75 00	150 00
Appointment	80	2,375 00	296 88	33	1,485 00	450 00
Planning & Strategy	24	796 00	331 67	-	-	-
Post Appointment Creditors Meetings	171	5,212 50	304 82	-	-	-
Investigations	120	3,842 00	320 17	-	-	-
Legal Services	50	1,050 00	210 00	-	-	-
Total	2,016	63,225 00	313 62	163	6,612 50	405 67

**APPENDIX E (CONTINUED)**

**JOINT ADMINISTRATORS' FEES ESTIMATE**

**DETAILS OF WORK PROPOSED TO BE UNDERTAKEN**

**Statutory and Review**

This category of activity encompasses work undertaken for both statutory and case management purposes. Whilst this work will not directly result in any monetary value for creditors, it will ensure that the case is managed efficiently and resourced appropriately, which will be of benefit to all creditors. The work to be carried out under this category will comprise the following:

- Case management reviews. These will be carried out periodically throughout the life of the case. In the early stages of the case this will involve weekly team meetings to discuss and agree case strategy and a month 1 review by the firm's Compliance team to ensure that all statutory and best practice matters have been dealt with appropriately. As the case progresses we will as a minimum carry out three monthly and six monthly reviews to ensure that the case is progressing as planned.
- Allocation of staff, management of staff, case resourcing and budgeting.
- Review of time costs data to ensure accurate posting of time and to ensure compliance with Statement of Insolvency Practice 9.
- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice.
- The team is required under the Company Directors' Disqualification Act 1986 to review the Company's records and consider information provided by creditors on the conduct of the all directors involved in the Company during the three years leading up to the insolvency. This will result in the preparation and submission of statutory returns or reports on all directors to the Insolvency Service. Evidence of unfit conduct can result in directors being disqualified for periods of up to 15 years.
- Review of directors' sworn statement of affairs and filing of document at Companies House in accordance with statutory requirements, and
- Completion of case closing procedures at the end of the case.

**Receipts and Payments**

This category of work will not result in a direct financial benefit for creditors. However, close monitoring of case bank accounts is essential to ensure that bank interest is maximised where possible, estate expenses are properly managed and kept to a minimum and amounts payable to creditors are identified and distributed promptly.

- Opening of case bank accounts.
- Management of case bank account(s) to ensure compliance with relevant risk management procedures.
- Regular review of case bank account by senior member of staff to ensure that fixed and floating charge assets have been properly identified and prescribed part funds have been set aside where appropriate.
- Preparation of periodic receipts and payments accounts for inclusion in statutory reports.
- Timely completion of all post appointment tax and VAT returns, and
- Managing estate expenses.

**Insurance, Bonding and Pensions**

Insolvency Practitioners are obliged to comply with certain statutory requirements when conducting their cases. Some of these requirements are in place to protect company assets (see insurance and bonding matters below), whilst requirements in respect of company pension schemes are there to protect the pension funds of Company.

## **A & R Electrical and Solar Supplies Limited - In Administration**

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employees Whilst there is no direct financial benefit to Company creditors in dealing with these, close control of case expenditure is crucial to delivering maximum returns to the appropriate class of creditor

- Reviewing and progressing any pre-appointment insurance claims,
- Notification and progression of post-appointment insurance claims,
- Periodic review of insurance requirements over physical assets, to minimise costs to the estate,
- Calculation and request of joint administrators' bond in accordance with the Insolvency Practitioners' Regulations 2005 A Bond is a legal requirement on all administrations and is essentially an insurance policy to protect creditors against the fraud or dishonesty of the Insolvency Practitioner The bond is calculated by reference to the value of assets which are estimated before costs to be available to unsecured creditors,
- Periodic review of bonding requirements to ensure that creditors are appropriately protected The bond is reviewed upon each large receipt of monies into the case and also at three month intervals in accordance with best practice,
- Completion and submission of statutory notifications under the Pensions Act 2004 This includes liaising with the Company directors to establish the existence of Company pension schemes, making the statutory notifications under s22 and s120 of the pensions legislation, liaising with pensions providers to understand the nature of the scheme, and submitting claims to the Redundancy Payments Service for reimbursement of unpaid contributions to the scheme
- Liaising with pension companies to arrange for prompt wind up of schemes

### **Assets**

- Agreeing strategy for realisation of Company assets
- Instruction of and liaising with agents and accountants as required
- Liaising with Company's bankers re pre-appointment bank accounts,
- Liaising with Company's accountants in connection with the potential corporation tax refund,
- Identification and return of third party assets, and
- Identification and dealing with any assets subject to retention of title
- 

The Company has a number of assets An amount of time has and will be spent during the period of the Administration realising assets for the benefit of the Company's creditors Time recorded to this category involved

#### *Physical Assets – unencumbered/encumbered*

Time recorded to this category also includes correspondence and telephone calls with CAM in relation to the valuation of the unencumbered/encumbered motor vehicles subject to finance agreements Time was spent by senior members of LC reviewing the valuations provided which indicated that there was no equity in the agreements

#### *Sale of Business*

The Joint Administrators have spent time liaising with CAM and our solicitor, completing a sale of the business Further time will be spent monitoring the deferred consideration payments

## **Liabilities**

This category of time includes both statutory and non-statutory matters

### *Statutory*

- Processing of claims from the Company's creditors – the Company has over 170 creditors and an amount of time will be spent notifying creditors of the administration, in addition to time spent processing a number of queries and claims that have been submitted to the Joint Administrators. This includes a significant amount of time preparing the initial letter to creditors pursuant to SIP16
- Preparation, review and submission of pre-appointment tax and VAT returns, and
- Preparation and submission of periodic progress reports to creditors

### *Non-statutory*

- Dealing with enquiries from the Company's creditors, and
- Dealing with enquiries from the Company's employees

## **Landlords**

- Review of current leases in respect of Company premises, and
- Liaising with landlords in respect of premises

## **Debenture Holders**

- Corresponding by telephone with the debenture holders in relation to the Administration,
- Corresponding with the fixed charge holder to obtain fee approval, and
- Providing regular updates to the secured creditors

## **General Administration**

- General planning matters,
- Setting up and maintaining the liquidators' records,
- Arranging collection and storage of company records, and
- Dealing with general correspondence and communicating with directors and shareholders

## **Appointment**

- Statutory notifications to creditors and other interested parties following the administrators' appointment,
- Preparation of case plan, and
- Formulation of case strategy, including recording of any strategic decisions

## **Planning & Strategy**

- Monitoring the administration to ensure the strategy and purpose can be achieved

## **Post Appointment Creditors' Meetings**

- Preparation of Joint Administrators' Proposals for achieving a statutory purpose of the administration,
- Preparation of Fees Estimate and Statement of Expenses in accordance with Insolvency (Amendment) Rules 2015, and
- Convening a meeting by correspondence to agree Fees Estimate with appropriate body of creditors,



## **A & R Electrical and Solar Supplies Limited - In Administration**

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- Reporting on outcome of voting

### **Investigations**

- Collecting and reviewing the Company's records, and
- Conducting initial investigations into the Company's affairs/records to identify the possibility of further realisations and enable the submission of returns due under the Companies Directors Disqualification Act 1986

### **Legal Services**

- Preparation of documents
- Mitigation of claims

## JOINT ADMINISTRATORS' STATEMENT OF LIKELY EXPENSES

## Standard Expenses

Type	Description	Amount £
AML Checks	Electronic client verification	10 00
Bond Fee	Insurance bond	40 00
Company Searches	Extraction of company information from Companies House	10 00
Document Hosting	Hosting of documents for creditors	42 00
Software Licence Fee	Case management system licence fee	87 00
Statutory Advertising	Advertising	89 50
Storage Costs	Storage of books and records	100 00
	<b>Total standard expenses</b>	<b>378 50</b>

## Case Specific Expenses

Type	Description	Amount £
Agents' Fees	Assistance with completion of sale of the business and collection of books and records	1,500 00
Legal Fees	Legal advice	2,000 00
Staff Mileage	Category 2 disbursement requiring specific creditor / committee approval	100 00
Statement of Affairs Fee	Fee in respect of preparation of Company's Statement of Affairs as at 19 December 2016	750 00
Accountant's Fee	Fee in respect of completion of outstanding VAT returns and PAYE/NIC returns and completion of Corporation Tax loss relief claim	1,250 00 plus 15% success fee on any tax recovered in relation to the loss relief claim
	<b>Total case specific expenses</b>	<b>5,600 00</b>

## ESTIMATED OUTCOME STATEMENT

	Secured £'000	Financed £'000	Preferential £'000	Unsecured £'000
Estimated realisable value of assets available for class of creditor per Appendix B	210	Nil	28	Nil
Less Pre-Appointment Costs	-	-	(31)	-
Less Joint Administrators' Fees Estimate per Appendix E	-	-	(63)	-
Less Likely Expenses per Appendix F	-	-	(6)	-
Amount available to class of creditor	210	Nil	(72)	Nil
Amount due to creditor per Appendix B				(581)
Lloyds CF	(207)	N/A	N/A	N/A
HSBC	(20)	N/A	N/A	N/A
	(227)	Nil	N/A	(581)
Estimated dividend rate (as a %)	93%	Nil%	Nil%	Nil%

**LEONARD CURTIS CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF DISBURSEMENTS**

The following Leonard Curtis policy information is considered to be relevant to creditors

**Staff Allocation and Charge Out Rates**

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution of the secured creditors, a creditors' committee or creditors generally, that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below.

With effect from 6 January 2014 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

6 Jan 2014 onwards	Standard
	£
Director	450
Senior Manager	410
Manager 1	365
Manager 2	320
Administrator 1	260
Administrator 2	230
Administrator 3	210
Administrator 4	150
Support	0

**Subcontractors**

Details and the cost of any work which has been or is intended to be sub-contracted out that could otherwise be carried out by the office holders or their staff will be provided in any report which incorporates a request for approval of the basis upon which remuneration may be charged.

**Professional Advisors**

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

**Expenses**

We are required to provide creditors with an estimate of the expenses we expect to be incurred in respect of an assignment and report back to them on actual expenses incurred and paid in our periodic progress reports. There are two broad categories of expenses: standard expenses and case specific expenses. These are explained in more detail below.

- a) **Standard Expenses** – this category includes expenses which are payable in order to comply with legal or regulatory requirements and therefore will generally be incurred on every case. They will include:

Type	Description	Amount
AML checks	Electronic client verification in compliance with the Money Laundering Regulations 2007	£5.00 plus VAT per individual
Bond / Bordereau fee	Insurance bond to protect the insolvent entity against and losses suffered as a result of the fraud or dishonesty of the IP	£10.00 to £1,200.00 dependent on value of assets within case

## A & R Electrical and Solar Supplies Limited - In Administration

Company searches	Extraction of company information from Companies House	£1 00 per document																								
Document hosting	Hosting of documents for creditors	<table> <tr> <th>Type</th><th>100 creds</th><th>Every addtl 10</th></tr> <tr> <td>ADM</td><td>£14 00</td><td>£1 40</td></tr> <tr> <td>CVL</td><td>£7 00</td><td>£0 70</td></tr> <tr> <td>MVL</td><td>£7 00</td><td>£0 70</td></tr> <tr> <td>CPL</td><td>£7 00</td><td>£0 70</td></tr> <tr> <td>CVA</td><td>£10 00</td><td>£1 00</td></tr> <tr> <td>BKY</td><td>£10 00</td><td>£1 00</td></tr> <tr> <td>IVA</td><td>£10 p a or</td><td>£25 for life of case</td></tr> </table>	Type	100 creds	Every addtl 10	ADM	£14 00	£1 40	CVL	£7 00	£0 70	MVL	£7 00	£0 70	CPL	£7 00	£0 70	CVA	£10 00	£1 00	BKY	£10 00	£1 00	IVA	£10 p a or	£25 for life of case
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CVA	£10 00	£1 00																								
BKY	£10 00	£1 00																								
IVA	£10 p a or	£25 for life of case																								
Post re-direction	Redirection of post from Company's premises to office-holders' address	0-3 months £160 00 3-6 months £240 00 6-12 months £390 00																								
Software Licence fee	Payable to software provider for use of case management system	£87 00 plus VAT per case																								
Statutory advertising	Advertising of appointment, notice of meetings etc - London Gazette - Other	£78 75 plus VAT per advert Dependent upon advert and publication																								
Storage costs	Costs of storage of case books and records	£5 07 plus VAT per box per annum plus handling charges																								

- b) Case-specific expenses – this category includes expenses (other than office-holders' fees) which are likely to be payable on every case but which will vary depending upon the nature and complexity of the case and the assets to be realised. They will include

Type	Description	Amount
Agents' fees	Costs of appointed agents in valuing and realising assets	Time costs plus disbursements plus VAT
Debt Collection fees	Costs of appointed debt collectors in realising debts	Generally agreed as a % of realisations plus disbursements plus VAT
Legal fees	Costs of appointed solicitors. Will generally comprise advice on validity of appointment, drafting of sale contracts, advice on retention of title issues and advice on any reviewable transactions	Time costs plus disbursements plus VAT
Other disbursements	See <b>disbursements</b> section below	See <b>disbursements</b> section below

### Disbursements

Included within both of the above categories of expenses are disbursements, being amounts paid firstly by Leonard Curtis on behalf of the insolvent entity and then recovered from the entity at a later stage. These are described as Category 1 and Category 2 disbursements.

- a) **Category 1 disbursements** These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses (excl. mileage), and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) **Category 2 disbursements** These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£70 40 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.

STATEMENT OF CLAIM FORM

Date of administration order.

19 December 2016

Name of creditor:

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Address of creditor:

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Gross amount of claim  
(ie including VAT)

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Amount of VAT

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Details of any document by  
reference to which the debt can be  
substantiated  
(eg invoices)

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Particulars of how and when debt  
incurred.

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Particulars of any security held, the  
value of the security and the date it  
was given

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Signature of creditor or person  
authorised to act on his behalf

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Name in BLOCK CAPITALS

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Position with or relation to creditor:

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**INFORMATION IN RELATION TO THE PRE-PACKAGED SALE  
OF THE BUSINESS AND ASSETS IN ACCORDANCE WITH  
THE PROVISIONS OF STATEMENT OF INSOLVENCY PRACTICE 16**

**1 INITIAL INTRODUCTION**

- 1.1 The Company was formally introduced to Leonard Curtis by the Company's accountants, BPR Heaton on 1 December 2016. Leonard Curtis provided advice to the Company with regards to its current financial position, particularly with respect to its invoice finance facility given that it was severely overdrawn following the issue of a large credit note in the region of £81k during November 2016.
- 1.2 At that meeting, a number of financial documents were reviewed, including recent and historic accounts, a trading forecast for 2017 and aged creditors and debtors' reports. Subsequent to that emails and discussions took place with Lloyds, concerning immediate trading prospects and agents were instructed to obtain up to date stock reports and valuations of the Company's assets. A review was also undertaken of current litigation against the Company from certain creditors and the need to seek protection from potential litigation while all options for the Company were explored. It was clear from the review of all information that the Company was insolvent and could not pay its debts as and when they fell due. The business was also balance sheet insolvent, following updated costed assessments of the Company's remaining stock, including the stock recovered from the uplift of goods following the credit note as referred to above.
- 1.3 Leonard Curtis was formally instructed to assist placing the Company into Administration on 6 December 2016, when the NOI was filed with the Manchester District Registry.
- 1.4 We do not believe that there are any significant personal or professional relationships between the Company or its Director and Leonard Curtis and we confirm that we carried out the appropriate conflict review prior to accepting the appointment.

**2 PRE-APPOINTMENT CONSIDERATIONS**

**The extent of the Administrators' involvement prior to the appointment and the Role of the Insolvency Practitioner ("IP")**

- 2.1 Following our instruction, we wrote formally to the Director of the Company informing him that our role before any formal appointment would involve providing the following services:
- i) advising him on which insolvency process would be most appropriate for the Company,
  - ii) dealing with all formalities relating to the appointment of Administrators including giving appropriate notification of the intention to make such appointment to secured creditors and other parties entitled to receive notice,
  - iii) preparing any report(s) necessary and attending Court hearings if appropriate,
  - iv) advising him on the financial control and supervision of the business between the date of our engagement and the date of the appointment of Administrators,

- v) advising him on whether an early sale of the Company's business and trading assets would be likely to be in the interests of creditors
- 2.2 We made it clear that these services were to be given for the benefit of the creditors of the Company and that our role was not to advise the Director in his personal capacity. We recommended that he seek his own independent advice if he was uncertain on any matter, particularly if he had expressed, or were likely to express, an interest in purchasing the Company's business and trading assets. We also wrote to all interested parties who we believed to be connected to the Company advising them of the IP's obligations under Statement of Insolvency Practice 16 ("SIP 16") regarding the marketing of the business and assets of the Company and of their ability to make a submission, or submissions, to the Pre-Pack Pool.
- 2.3 Finally, we explained that initially an IP acts as professional adviser to the Company with responsibilities only to it and its Director. At this stage of the process the IP will assist the Director in making the right decision about what is the correct option for them to pursue in the best interests of creditors having regard to the Company's circumstances. In this case, we advised the Director that the Company was insolvent and that immediate steps be taken to place it into Administration.
- 2.4 Once the Company has been placed into Administration, the IP becomes Administrator with different functions and responsibilities. The Administrator is obliged to perform his functions and responsibilities in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, he has a duty not to unnecessarily harm the interests of creditors as a whole.
- 2.5 Below is information in relation to the pre-packaged sale of the Company's business and assets which the Joint Administrators are required to disclose. The information included has been obtained from
- Meetings and discussion with the Company's Director and accountant,
  - The financial records of the Company,
  - Cerberus Asset Management ("CAM") – valuation of the Company's plant and machinery, motor vehicles and work-in-progress
  - Information from the Lloyds Bank Commercial Finance Limited invoice discounting facility

#### **4 COMPANY HISTORY AND BACKGROUND**

- 4.1 The Company was incorporated on 6 September 2002.
- 3.2 The Company carried on the business of the wholesaling of electrical supplies, including solar products to a variety of corporate customers throughout the region.
- 3.3 The Company was based in Morley and operated from leasehold premises, comprising office and storage space, including a small trade counter and delivery/collections yard. The Company employed eight full-time employees including the Director.
- 3.4 The Directors of the Company within the last three years were as follows -



## A & R Electrical and Solar Supplies Limited - In Administration

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Name	Appointed
Richard John Brooke	6 September 2002

Richard John Brooke was also Company Secretary

3 5 The shareholdings at the date of Administration were

Name	Type of share	No. of shares	% of controlling interest
Richard John Brooke	Ordinary A	51	51%
Sarah Louise Brooke	Ordinary B	39	39%
Charlotte Brooke	Ordinary C	5	5%
Thomas Brooke	Ordinary D	5	5%
<b>Total</b>		<b>100</b>	<b>100%</b>

- 3 6 The Company was most recently funded by Lloyds Bank Commercial Finance Limited (invoice discounting facility), Mercedes Benz Financial Services UK Limited (HP finance on vehicles), Alphabet (GB) Limited (operating lease on vehicle) and HSBC Bank PLC (overdraft facility)
- 3 7 Business was generated from personal relationships of the Director with key B2B customers. There were no supply contracts and the Company was reliant on repeat business. There were also ad hoc trade sales to the public.
- 3 8 The Company had traded successfully for the last fourteen years.
- 3 9 Latest unapproved draft accounts for the 12 months to 31 March 2016 show turnover of £1.9m and a net loss of £132k.
- 3 10 However a decline in turnover and a series of bad debts have led to severe cashflow issues and intense creditor pressure with many on stop.
- 3 11 One particular bad debt of c£300k was with a company called Lynx Energy Limited ("Lynx"). Lynx entered into a Company Voluntary Arrangement, which was approved by creditors and thereby binding the Company to accept a small p/£ return. This appeared to be a better outcome than a liquidation of the debtor. There was also the prospect of future business with the debtor. The Lynx CVA collapsed after one month with no dividend and no promised orders. Lynx was subsequently placed into liquidation on 17 October 2016. This left the Company in a difficult position because of bank and creditor pressure.
- 3 12 In addition, another debt, totalling £80k turned bad. The goods sold were recovered in mid November under retention of title but a credit note was issued, creating further and unsurmountable cash flow constraints.
- 3 13 The Director therefore sought advice from Leonard Curtis on the current financial position of the Company and the options available to it.
- 3 14 On 1 December 2016, Leonard Curtis advised the Director that the Company was insolvent as it was unable to pay its debts as and when they fell due and he must act to protect the business and assets and act in the interests of the Company and its creditors. As a result and to ensure that the Director complied with his

obligations, Leonard Curtis and the Director considered which insolvency option would best protect the value of the business and assets

- 3 15 It was concluded that Administration was the most suitable insolvency procedure for the Company as it would allow the business to be preserved whilst the possibility of selling the business as a going concern was explored. It was considered that a sale, without the need for ongoing trading whilst in Administration given the recent trading losses and the funding requirement (the Company had no funds to trade, with the primary funding line from Lloyds TSB Commercial Finance Limited being 'overfunded' due to the bad debts being recalled), would be preferable to allow maximum value to be realised from the Company's assets and to minimise the costs of the Administration. This is detailed further at section 4.4 below. Consequently the Director filed a Notice of Intention to Appoint an Administrator ("NOI") to appoint Phil Deyes and Sean Williams of Leonard Curtis at Manchester District Registry of the High Court on 6 December 2016 which was served on HSBC Bank PLC, Lloyds Bank Commercial Finance Limited and Lloyds Bank PLC as holders of qualifying floating charges and the Company. Please note that as at the date of the NOI, there was no debt due from the Company to Lloyds Bank PLC, this being an account no longer in use since a transfer of general banking arrangements to HSBC Bank PLC.
- 3 16 Leonard Curtis instructed independent agents, namely Cerberus Asset Management ("CAM") to prepare a valuation of Company's assets (excluding debtors) and to advise on a suitable marketing exercise proportionate to the size of the business and likely third party interest. Steps were taken to market the business for sale by way of an advertisement on the Leonard Curtis website and the Charles Taylor (part of the Cerberus Group) website from 8 December 2016. The advert sought expressions of interest by 14 December 2016. One party expressed an interest, save for the connected company as noted within this report. However, this other interested party was unable to complete within the timescale and withdrew.
- 3 17 An indicative offer (subject to a number of conditions relating to the ownership of certain assets and prior security interests) to purchase the business and assets of the Company was received from LED Site Limited. The Purchaser is a connected party by virtue of the fact that the sole director and shareholder of the Purchaser, Sarah Louise Brooke, is a shareholder of the Company and is also the wife of the sole director and main shareholder of the Company, Richard John Brooke. The terms of the offer are explained in further detail at section 4.5. Given the lack of any alternative offers, the offer being considerably in excess of forced sales values on a break up basis, the carrying agents' recommendations, and the inability of the business to carry on trading, the offer from the Purchaser was accepted on a subject to contract basis.
- 3 18 Following the lapse of time required to be given to the holders of a qualifying floating charge (following issue of the NOI), the Director filed a Notice of Appointment of an Administrator at Manchester District Registry of the High Court on 19 December 2016, and on 21 December 2016 the sale of business and assets was completed. The short delay in completion was due to amendments to the SPA which could not be finalised immediately upon the Company entering into administration.
- 3 19 Phil Deyes and Sean Williams are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of Schedule B1 of the Insolvency Act 1986, the functions of the Joint Administrators may be exercised by both, acting either jointly or alone.

**4 ALTERNATIVE COURSES OF ACTION CONSIDERED**

4 1 The following courses of alternative action were considered with management prior to our appointment and the pre-packaged sale

**4 1 Sale of the Company Shares**

Given the level of historic debts, lack of recent profitability and insolvency of the Company, it was considered that there would not be any interest in the Company shares. The Company also had insufficient funding in order to continue to trade whilst a purchaser was sought and extensive DD undertaken.

**4 2 Liquidation**

The Director could have placed the Company into Creditors' Voluntary Liquidation ("CVL") or allowed a creditor to commence enforcement action, including one trade creditor who had commenced litigation proceedings, including winding up proceedings, which would have resulted in the Company being placed into compulsory liquidation. This would have led to the immediate closure of the business, following the issuing of the petition on 8 December 2016. Also the Company's bank accounts would have been frozen as the Company's lenders would have become aware of the impending insolvency proceedings. The Company was not in a position to settle the amount claimed, approximately £20,000.

On cessation of trade all physical assets would have been sold on a forced sale basis, resulting in lower realisations, as well as additional costs for removal of the assets.

Furthermore, the goodwill would hold little or no value in a liquidation scenario given the cessation of trade.

Closure of the business and the termination of contracts may have impacted on realisations from the Company's major asset, the book debt ledger. There would not have been any customer continuity, which, in our experience, is likely to have resulted in disputes and reasons for non payment. It is likely that reduced collections would be achieved and the costs of the debt collection process would have increased.

Any asset realisations in a compulsory liquidation would be subject to Secretary of State fees further reducing the amounts available to creditors.

All employment contracts would terminate on a compulsory liquidation (and in practical terms the result would be the same in a CVL). The closure of the business would give rise to additional preferential claims from employees in respect of arrears of wages and holiday pay, in addition to an increase in unsecured creditors in respect of pay in lieu of notice and redundancy pay.

In a liquidation scenario all remaining equipment subject to finance would ordinarily be collected by the relevant financier. This would result in shortfalls to the asset finance creditors after the application of costs of collection and sale. In Administration, the Purchaser may have the opportunity to novate some or all of these agreements resulting in a better overall result for creditors.

The Landlord may also submit a claim in a liquidation in relation to the forfeiture/breach of the lease and potential dilapidations, therefore giving rise to significant further unsecured claims. In an Administration it is unlikely there will be any claims in this regard as the Purchaser will take on responsibility for the agreement.

Overall, placing the Company into CVL or a compulsory winding up of the Company would have resulted in a worse overall outcome for creditors

**4.3 Company Voluntary Arrangement ("CVA")**

The Director could have put forward a proposal to the Company's creditors for the implementation of a CVA. A CVA would not stop any enforcement action being commenced by creditors and as a result, assets may have been seized in settlement of sums due to creditors prior to any creditors meeting held. Given the lack of funding available in order to continue to trade and the level of recent profitability, this option was not considered viable. Forecasts for the next 12 months did not show expected profits at levels to facilitate any contributions from those profits towards the payment of unsecured debts totalling in the region of £350k. The Company had no surplus assets to immediately liquidate for the benefit of creditors and any CVA was therefore determined exclusively on the ability to generate surplus cash from future trading. Furthermore, ongoing funding could not be guaranteed. Consequently, the CVA option was not considered viable.

**4.4 Administration**

It was considered that Administration would best prevent enforcement action being commenced or continued against the Company. Furthermore, Administration would allow a sale of the business and assets to be negotiated and concluded, likely providing improved realisations in respect of the fixtures and fittings, plant and machinery, goodwill and debtors, and the preservation of the employees' employment.

A pre-packaged sale was considered necessary to allow the following:

- Maximise asset realisations – a pre-packaged sale has allowed for customer continuity and minimal disruption in trading which should result in enhanced collections from the debtors than if the Company ceased trading. In addition, enhanced realisations for the Company's physical assets have been achieved compared to ex-situ realisations most likely achievable on a cessation of trade, particularly the Company's stock,
- Preservation of goodwill – a pre-packaged sale has allowed for a sale of the goodwill, which is unlikely to have been available if the Company ceased to trade. It was critical in maximising realisations from the goodwill, that there was minimal disruption to trading. Trading the business during Administration would not have guaranteed an improved offer, and may, conversely, have devalued goodwill. Furthermore, there was no cash with which to trade and no orders to trade with.
- Mitigation of employee claims and preservation of employment for staff – a pre-packaged sale has allowed for the eight staff to transfer employment to the Purchaser,
- Mitigation of claims from the landlord – a pre-packaged sale has allowed the Purchaser to enter into negotiations with the landlord in respect of future occupation, therefore potentially mitigating claims from the landlord for the remainder of the lease and dilapidations,
- Mitigation of claims from finance companies – the Purchaser may be able to novate some or all of the finance agreements or purchase the vehicles subject to finance. On cessation of trade or liquidation, the vehicles would have been required to be returned to the financier, which would have resulted in significant unsecured claims for the shortfalls under the agreements and associated costs of uplifting, removing and selling, and

- In the opinion of our agents and advisors, a pre-packaged sale would result in a better outcome for creditors due to the enhanced level of asset realisations available in an in-situ sale rather than a forced sale basis. This is demonstrated by the assets appraisal assessments the administrators have obtained.

It was concluded that Administration was the most suitable insolvency procedure for the Company as it allowed the business to be preserved whilst the possibility of selling the business as a going concern was explored. It was recognised that a sale, without the need for ongoing trading whilst in Administration, was preferable to allow maximum value to be realised from the Company's debtors, goodwill, stock, fixtures and fittings (including IT equipment), as well as reducing the costs of the Administration. It was the opinion of the Administrators that any period of trading whilst in Administration would have likely been loss making, given the run off in trade up to Christmas and the early planned payment of December wages and office shut down. Further details on why trading the business during Administration was not appropriate are detailed at 4.6 below.

Given all of the above it was considered that Administration provided the best prospect of achieving the best outcome for all stakeholders when compared to liquidation, the only other realistic alternative. The business was advertised for sale on the Leonard Curtis and Charles Taylor websites. Further details of the marketing strategy adopted are provided in section 5 below.

There was a single offer received as noted within this report.

We were therefore of the opinion that a pre-packaged sale of the business ("pre-pack") was the most appropriate process to maximise realisations.

#### **4.5 Whether efforts were made to consult with major creditors and the outcome of any consultations**

It was considered that to consult with general body of creditors prior to the Administration could have resulted in enforcement action being taken, which would have had an adverse impact on the continuation of trade and the likelihood of a going concern sale being achieved. Furthermore, it was considered that to consult with trade creditors may have reduced the value of any goodwill. The Company operates within a highly competitive electrical wholesale market, driven by intense price competition and the need to supply goods on a just in time basis. Many of its customers will 'shop around' for the best deal and will quickly shift to new suppliers if same day or next day orders cannot be guaranteed. Goodwill was expected to evaporate quickly if the market became aware of the Company's precarious financial position. The Company was on stop with just about all of its key suppliers and was on a cash with order basis, drawing as much from stock as possible to improve margins.

The sale of the Company's business and assets was discussed with the Company's secured creditors, mainly the principle creditor, namely Lloyds Bank Commercial Finance Limited who were owed in excess of £200k and who also held the first ranking debenture.

#### **4.6 Why it was not appropriate to trade the business, and offer it for sale as a going concern, during the Administration**

Trading in Administration was not considered viable for the following reasons:

- A period of uncertainty whilst trading in Administration was likely to lead to a loss of customers, and customers placing orders with competitors which would erode any value in the goodwill of the business. Ongoing warranties could be lost,
- Trading the business would not have guaranteed an improved offer for the assets and may, conversely, have devalued the Company's goodwill,

## A & R Electrical and Solar Supplies Limited - In Administration

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- There are no formal contracts in place with customers and therefore turnover would be uncertain. Forecasts had shown that the Company was entering a very quiet trading quarter and would be closed during the Christmas holidays. Direct costs, such as ongoing rent, could not be met with any gap in trading to statutory closures and holidays.
- The Company in Administration would have required significant funding for payment of the December wages and needed supplies with no certainty of a third party buyer being found given that the business had been already been advertised for sale.
- The Company's invoice discounting facility was also heavily 'overfunded' due to the recent issuing of a large credit note, such that the Company could not draw down funds from the facility to meet current and future overheads. The HSBC facility was overdrawn and it was not prudent or desirable for the Company to further utilise the facility where there was no guaranteed prospect of the overdraft being repaid and,
- Trading the business would have resulted in increased professional costs in addition to the above overheads associated with trading and these costs would have been paid as an expense of the Administration.

Given the above, the proposed Joint Administrators did not consider that trading the Company would result in an increase in realisations sufficient enough to outweigh the costs associated with trading and losses incurred. The Company has suffered significant trading losses in the recent past. Given the nature of the business it was considered that to trade whilst in Administration would have required significant funding and any losses incurred in Administration would have significantly worsened the position for all stakeholders. It was therefore concluded that trading the Company in Administration was not a viable option.

### 4.7 Details of requests made to potential funders to fund working capital requirements

Requests to commercial funders to fund working capital requirements were not considered a viable option given the Company's financial position, lack of meaningful security available, the limited stocks from which to fulfil orders and the fact that the current funding arrangements were already overstretched.

The Company's management were not in a position to introduce funds into the Company personally to provide additional working capital in its current form, and the existing funder was not prepared to increase their facilities in the circumstances. Following notification of the Company's position, the invoice discounting facility and overdraft were frozen. The business could no longer trade in any meaningful way, save to preserve a skeleton business to facilitate the marketing of the business for sale and achieve the eventual going concern sale.

### 4.8 Details of registered charges and dates of creation

According to Companies House, the following charges are registered against the Company

Date of creation	Chargee	Type of charge	Assets charged	Amount secured (£)
10/11/2015	HSBC Bank PLC	Fixed and Floating Charge	All Assets	All Monies
22/08/2011	Lloyds Commercial Finance Limited	Fixed and Floating Charge	All Assets	All Monies
27/07/2011	Lloyds Bank PLC	Fixed and Floating Charge	All Assets	All Monies

Please note that it is understood that the Lloyds Bank plc debenture has been fully satisfied but the appropriate Memorandum of Satisfaction has not been filed at Companies House yet

**4.9 Details of any acquisition of business assets from an insolvency practitioner**

We confirm that the business, or business assets, of the Company were not acquired from an insolvency practitioner within the 24 months prior to our appointment

**5 MARKETING OF THE BUSINESS AND ASSETS**

5.1 The Administrators, their agents and former accountants of the Company reviewed the business, its assets and prospects of finding a buyer. Opinions and advice were sought on a number of considerations as to the level of any potential interest from third parties and what level of marketing would be appropriate. It was concluded that the performance of the Company was heavily reliant on the Director and his close business relationships with key customers and in the absence of recent profitability there would be little interest in the business. The business did not have any specific USP, held little in the way of stock and assets and held no order book of any particular description. The business relied on daily sales orders from multiple sub-contractors who could readily source the same product from many other local wholesalers. The premises were leasehold (with unpaid rent) and held little 'location value', and the stock mix was poor. As such it was concluded that the cost of an extensive marketing campaign would exceed the likely realisation and realise little or nothing in terms of interest. It was considered that the business sale would only generate minimal interest and that an internet based marketing strategy would be sufficient. Little value could be extracted from expected future profits and any offer would be based on 'hope value' rather than guaranteed revenue and profits flowing from any perceived guaranteed trade.

5.2 The business and assets of the Company were subsequently advertised on the Leonard Curtis website and the Charles Taylor website on 8 December 2016, requesting expressions of interest by 14 December 2016. This generated one expression of third party interest, however the interested party was unable to complete within the timescale and withdrew. Consequently only one formal offer was received. It was not possible to trade the business in Administration in our opinion as detailed at section 4.6 above, so it was imperative that a pre-pack sale in place at the time of appointment.

5.3 The business remained available from 8 December 2016 to the date the sale completed on 21 December 2016 inclusive, but no other interest or offers were received except for those disclosed above. The Director was not aware of any interested parties, other than the Purchaser. We confirm that the marketing undertaken conformed with the marketing essentials set out in the Appendix to SIP16.

**6 VALUATION OF THE BUSINESS AND ASSETS**

**Details of valuers/advisors**

**6.1 CAM**

CAM, RICS registered asset valuers, were instructed on 5 December 2016 to prepare an indicative valuation report in respect of the Company's interest in the assets (excluding debtors) in order to assist with the initial appraisal of the business. CAM were instructed to value the assets on a market value basis with the added assumption that the assets were valued as a whole in their workplace (in-situ) and on a market value basis subject to marketing constraints and the added assumption that the assets were valued for removal from the premises at the expense of the purchaser as a forced sale (ex-situ).

CAM has confirmed their independence to act and have confirmed they hold the requisite level of professional indemnity insurance. In addition, CAM has advised that they have the appropriate level of experience, skill and competence to conduct the valuation of the above assets.

In addition to instructions from the eventual Administrators, Cerberus Receivables Management ("CRM"), part of the Cerberus group along with CAM, also received instructions from Lloyds Commercial Finance Limited to collect the Company's book debts. The debts are owned exclusively by Lloyds Commercial Finance Limited and for reasons of confidentiality and perceived risk to the ledger we are unable to disclose their report. Based upon the current ledger and the amount owed to Lloyds Commercial Finance Limited, a shortfall on the facility is expected.

## 6.2 The valuations obtained of the business or the underlying assets

Category of asset	Note	Book value £	Open Market In-Situ/High £	Open Market with constraints/Low £	Value achieved £
<b>Fixed Charge Assets</b>					
Book Debts	6.3	200,222	n/a	n/a	n/a
Encumbered Motor Vehicles – less HP	6.4	4,687	(7,931)	(8,931)	Nil
Goodwill and Intellectual Property	6.7	Nil	5,000	1,000	10,000
<b>Floating charge assets</b>					
Plant and Machinery, Fixtures and Fittings	6.5	31,867	650	210	3,000
Stock	6.6	439,852	19,875	1,500	25,000
<b>TOTAL</b>		<b>690,660</b>	<b>25,525</b>	<b>2,710</b>	<b>38,000</b>

**Book value** – The management accounts as at the 6 months ended 30 September 2016 detail the book value of the unencumbered assets and the negative equity in encumbered assets. The book value of the book debts is net of doubtful debts. No book values are detailed in the accounts for the goodwill.

**Open market value with the added assumption the assets are valued as a whole in its workplace (in-situ)**

The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently without compulsion.

**Market value subject to marketing constraint and the added assumption the assets are valued for removal from the premises at the expense of the purchaser as a forced sale (ex-situ)**

- The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- With the added assumption that the equipment is valued for removal from the premises at the expense of the purchaser following a restricted marketing period (30 days).
- The value was provided to enable the client to decide on the opportunity costs of holding the assets, which may affect the realisation strategy.

**Value achieved** – The value realised for the business and assets.

## A summary of the basis of valuation adopted and an explanation of the sale of the assets compared to those valuations

## 6.3 Book Debts

The Company held a book debt ledger with a gross value of £208,222 with £8,000 of doubtful debts. The ledger is subject to a fixed charge in favour of Lloyds Commercial Finance Limited, who was owed £207,353 on our



appointment, prior to costs of collection and any additional charges to be applied. It is expected that there will be a shortfall on the ledger.

No valuation has been obtained in respect of the debtor ledger as this was specifically excluded from the sale. As noted, CRM has been instructed separately by Lloyds Commercial Finance Limited to assist in collecting the ledger on their behalf. Creditors will be updated in future reports on the anticipated collections.

**6.4 Motor Vehicles - Encumbered**

As detailed in 6.1 above, CAM provide a valuation of the negative equity in the encumbered motor vehicles held by the Company which is in a range of £(7,931) on an open market in-situ value basis and £(8,391) on a market value ex-situ forced sale basis. Due to the negative equity in the motor vehicles, the motor vehicles were not sold.

**6.5 Plant and Machinery and Fixtures and Fittings**

As detailed in 6.1 above, CAM provide a valuation of the unencumbered plant and machinery and fixtures and fittings owned by the Company which is in a range of £650 on an open market in-situ value basis and £210 on a market value ex-situ forced sale basis. An offer of £3,000 was received for the above assets and given that this was above the high end of the valuations, CAM recommended that this offer be accepted.

**6.6 Stock**

As detailed in 6.1 above, CAM provided a valuation of the unencumbered stock owned by the Company. CAM advised that the book value is inaccurate and the tradeable stock has a replacement cost price of c£75k. The inflated figure is inaccurate as it includes staff costs, obsolete stock and a significant amount of damaged and stolen stock. Of the remaining stock, 25% was considered as fast moving (0-4 months), 25% medium (0-8 months) and 50% slow moving (0-21 months). Certain stock may also be classed as waste and would incur costs to remove. CAM provided a valuation in a range of £19,875 on an open market in-situ value basis and £1,500 on a market value ex-situ forced sale basis. An offer of £25,000 was received for the above assets and given that this was above the high end of the valuations, CAM recommended that this offer be accepted.

**6.7 Goodwill and Intellectual Property**

This was assessed by the Joint Administrators, who have experience in dealing with similar businesses, the Company's accountants and observations from CAM. In terms of valuing the goodwill, it was considered problematic to generate value due to the following factors:

The Company had encountered difficulties in trading due to a bad debt of c£241,000 (nett).

The historical business results are as follows -

**Filed Accounts 6 months to 31.3.14**

Turnover £1,204,369, Gross Profit £268,682, Profit after tax £24,325 after directors' salaries of £13,688

**Filed Accounts 12 months to 31.3.15**

Turnover £1,581,830, Gross Profit £480,602, Profit after tax £68,323 after directors' salaries of £6,946

**Draft Accounts 12 months to 31 3 16 not filed and after bad debt of £241,000**

Turnover £1,911,660, Gross Profit £527,051, Net Loss £132,000 after directors' salaries of £3,000

Apart from taking into account the above results the following factors need also taking into consideration

- 1) The Company has not paid the market salary for the Director This is estimated to be at least £60k p a
- 2) ~~There is repeat business but none of this is secured by contract~~
- 3) There are very few, if any, barriers to entry in the sectors the Company trades in
- 4) The business is dependent on its director

Taking into account the above results, in particular adjustments for paying a market rate director's remuneration, we believe that the Company generates minimal maintainable post-tax profits

In light of the above points, it was the considered opinion of the Joint Administrators and their instructed agents, CAM that the value of goodwill is negligible due to the lack of maintainable earnings and is therefore valued in the range of £1,000 to £5,000 based on mere 'hope value'

The Purchaser's offer included a value of £10,000 for the goodwill As the offer was in excess of expectations and considering the overall offer would ultimately result in a greater return than would be the case in the event of a winding-up, the offer was accepted based on agents' recommendations

**If no valuation has been obtained, the reason for not having done so and how the administrator was satisfied as to the value of the assets**

- 6 8 Valuations were obtained for all assets included in the sale As detailed at 6 3 above, no valuation has been obtained for the book debts as these were specifically excluded from the sale

**7 THE TRANSACTION**

- 7 1 Details of assets sold to the Purchaser (CRN 10175312) on 21 December 2016 and the apportioned purchase price is as follows

**FIXED CHARGE ASSETS**

Goodwill (including Intellectual Property)	10,000
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**FLOATING CHARGE ASSETS**

Plant and Machinery and Fixtures and Fittings	3,000
Stock	25,000

<b>TOTAL</b>	<b><u>38,000</u></b>
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- 7 2 The total sale consideration of £38,000 is to be paid by the Purchaser as follows

Initial Consideration of £10,000 followed by 6 monthly payments of £4,666 67p payable on or before the 20<sup>th</sup> of each month starting on 20 February 2017

- 7 3 Please be advised that the initial payment of £10,000 has been received The deferred element of the consideration has been secured by way of personal guarantees from Richard John Brooke and Sarah Louise Brooke Security over the purchaser was considered worthless given the security to be put in place to funding ongoing trading

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- 7 4 The Purchaser is a connected party by virtue of the fact that the sole director and shareholder of the Purchaser, Sarah Louise Brooke, is a shareholder of the Company and is also the wife of the sole director and main shareholder of the Company, Richard John Brooke
- 7 5 All employees, apart from two family members, of the business have been transferred under the relevant TUPE regulations to the Purchaser
- 7 6 The sale is not the part of a wider transaction and no clauses are included as part of the agreement
- 7 7 The funders of the Company are not funding the Purchaser
- 7 8 Richard Brooke provided personal guarantees in the Company on the following -
- Lloyds Commercial Finance Limited - Invoice Finance facility
  - HSBC Bank PLC – Overdraft facility

### **7 9 Pre-Pack Pool**

The Purchaser, as an interested party and connected to the Company, was advised of the Pre-Pack Pool ("Pool") prior to the appointment and a letter was issued on 13 December 2016 detailing further information with regards to the Pool. It should be noted that the Pool has not been approached in this instance by the Purchaser

### **7 10 Viability Statement**

A letter was sent and emailed to the director of the Purchaser on 13 December 2016 requesting a copy of the viability statement together with any submissions to the Pool. The Purchaser did not prepare a viability statement stating how the purchasing entity will survive for at least 12 months from the date of the proposed purchase

## **8 STATUTORY PURPOSE OF ADMINISTRATION**

- 8 1 The Joint Administrators must perform their functions with the objective of
- (a) Rescuing the Company as a going concern, or (if this cannot be achieved)
  - (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 (if (a) and (b) cannot be achieved)
  - (c) Realising property in order to make a distribution to one or more secured or preferential creditors
- 8 2 As mentioned previously, we are obliged to perform our functions in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of the creditors as a whole
- 8 3 In this instance and given the lack of available tangible assets it is not considered that objective (a) will be achieved given the level of historic debts of the Company. Objective (b) is not considered to be achievable as it is

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not anticipated that there will be funds available for a distribution to unsecured creditors. It is considered that objective (c) will be achieved as Lloyds Bank Commercial Finance Limited will receive a distribution under their fixed charge from debtor collections and following a sale of the goodwill.

- 8.4 We confirm that, in our opinion, the transaction will enable the statutory purpose to be achieved and that the sale price achieved was the best reasonably obtainable in all the circumstances.