

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company DISENCO LIMITED	Company number 04648583
In the High Court of Justice [full name of court]	Court case number 1232 of 2010

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

I/We (a) N A Bennett & M C Healy of Leonard Curtis, One Great Cumberland Place,
Marble Arch, London W1H 7LW

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

(b) Insert dates

from

(b) 17 February 2010

to

(b) 16 August 2010

Signed


 Joint Administrator

Dated

15 September 2010

Contact Details

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

Leonard Curtis	
One Great Cumberland Place Marble Arch, London W1H 7LW	
Ref SVW/18	Tel 020 7535 7000
DX Number	DX Exchange

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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18/09/2010

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COMPANIES HOUSE

SATURDAY

Please ask for
Our ref
Your ref

Samuel Wood
SVW/18/SDIS04/1010



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

15 September 2010

TO ALL KNOWN CREDITORS

PRIVATE & CONFIDENTIAL

Dear Sir(s)/Madam

DISENCO LIMITED (IN ADMINISTRATION)

In accordance with the provisions of Rule 2 47(1) of the Insolvency Rules 1986, (as amended) please find enclosed our report to creditors for the period from 17 February 2010 to 16 August 2010

Yours faithfully
for and on behalf of
DISENCO LIMITED

N A BENNETT
Joint Administrator

Licensed in the UK by the Insolvency Practitioners Association

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

BIRMINGHAM ■ BLACKBURN ■ BURY ■ LONDON
MANCHESTER ■ NEWCASTLE UPON TYNE ■ WOLVERHAMPTON

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London W1H 7LW

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LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**DISENCO LIMITED
(IN ADMINISTRATION)**

Registered Number 4648583

**Joint Administrators' First Progress Report to Creditors
for the period from 17 February 2010 to 16 August 2010**

15 September 2010

Leonard Curtis
One Great Cumberland Place
Marble Arch
London W1H 7LW
Tel 020 7535 7000 Fax 020 7723 6059
solutions@leonardcurtis.co.uk
Ref L/18/SVW/DIS04/1010

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TO ALL CREDITORS, THE COURT AND THE REGISTRAR OF COMPANIES

1 STATUTORY INFORMATION

- 1 1 I was appointed Joint Administrator of Disenco Limited ("the Company") together with M C Healy on 17 February 2010. We are both licensed in the UK by the Insolvency Practitioners Association. The appointment of the Joint Administrators ("the Joint Administrators") was made by Mr John Gunn as holder of a qualifying floating charge over the assets of the Company.
- 1 2 The Administration proceedings are under the jurisdiction of the High Court of Justice under Court reference number 1232 of 2010.
- 1 3 In accordance with paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 ("the Act"), the function of the Joint Administrators may be exercised by either or both, acting jointly or alone. There have been no changes in office-holder and the initial period of the Joint Administrators' appointment has not been extended.
- 1 4 The principal trading activity has also been the development of an m-CHP appliance that generates simultaneously heat for central and hot water heating and electricity for consumption in individual households and small and medium sized enterprise businesses. The m-CHP unit is called the Disenco Home Power Plant ("HPP").
- 1 5 The Company's registered office was changed from Unit J Sheffield Business Park, Europa Link, Sheffield, Yorkshire S91 XU to One Great Cumberland Place, Marble Arch, London W1H 7LW on 17 February 2010. The registered number is 4648583.
- 1 6 On 31 March 2010 we sent a statement of the Joint Administrators' proposals to all creditors of the Company. In accordance with paragraph 52 of Schedule B1 of the Act, a meeting of creditors was not called as we thought that, on the basis of information available at the time, the Company would have insufficient property after costs to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Act (prescribed part). No meeting of creditors was requisitioned and the proposals were therefore deemed to have been approved. There have been no major amendments to, or deviations from, those proposals.
- 1 7 The Company's main centre of operations is based in the UK. The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation.

2 STEPS TAKEN DURING THE ADMINISTRATION AND PROGRESS TO DATE

- 2 1 This report should be read in conjunction with the Joint Administrators' previous report dated 31 March 2010.
- 2 2 We instructed independent professional agents, Edward Symmons LLP ("ES"), to value the Company's business and assets. ES advised that the best strategy was for a sale of the business as a going concern. The key assets related to intellectual property rights ("IPR") owned by the Company for a product that is still 12-18 months away from commercial production.
- 2 3 Owing to the specialist nature of the business and the need to locate a buyer as soon as possible, ES advised that an extensive marketing strategy would be unhelpful as key parties in the industry were already in discussions with the Joint Administrators regarding the purchase of the business. A sale prospectus was supplied to the interested parties detailing the assets for sale and a deadline for offers was set for 4pm on 5 March 2010, at which point the following offers had been received:

- 1) Qwatee AG offered £1m and required 3 working days to pay
 - 2) Warburg Int Funding Group plc offered £300k with 10 working days from acceptance to completion
 - 3) Global Investment Strategy UK Ltd offered £330k with an early completion
 - 4) Asheville Richmond Ltd offered no payment up front but a return on future profits generated by sales
- 2 4 By the deadline, Qwatee AG did not have funding in place and, in the light of the value of their offer, it was decided to extend the deadline to 5pm on 15 March 2010 to complete. Unfortunately, Qwatee was not in a position to do so once the second deadline had passed and consequently ES recommended that the offer of £330,000 from Global Investment Strategy UK Limited ("Global"), being the next highest offer, should be accepted and was invited to complete.
- 2 5 Solicitors were instructed to prepare a contract and a sale of the business and certain assets was concluded on 17 March 2010.
- 2 6 The assets sold and the consideration agreed to be paid was as follows

Class of Asset	Consideration £
Goodwill & IPR	325,000
Plant & Equipment	4,297
Motor Vehicle	700
Trading Records	1
Stock	1
Contracts	1
	<hr/>
Total	<u>330,000</u>

- 2 7 The agreement provided that full payment of the consideration would be made on the day of completion and we can confirm that £330,000 has been received.
- 2 8 The purchaser is Somemore Limited ("Somemore"), a company nominated by Global. Mr Gunn is a director of both Global and Somemore and is a former director of the Company. However, for the purposes of the sale, we do not consider he is a connected party as defined by the Act.
- 2 9 **Stock and Chattel Assets**

Stock comprised of 3 dummy CHP display units, CHP spares and armoured and multi core cables. There were various fixtures, fittings, tools and equipment which included a small range of testing equipment and machines, test containers, workshop tooling as well as administration desks, tables, chairs and IT equipment. There was also a Renault Kangoo van that was owned by the Company which was of little value. These assets were included in the above sale agreement.

2 10 **Secured Creditors**

- 2 10 1 Innovation Norway hold a fixed charge dated 24 March 2005 over certain machinery, equipment and other tangible assets and specific intellectual property that was in existence prior to the date of their charge. At the date of appointment they were owed £342,727. As previously advised there will be no return to Innovation Norway.
- 2 10 2 Mr John Gunn holds a debenture incorporating fixed and floating charges dated 4 February 2009 over all assets of the Company. At the date of appointment he was owed £315,695. As previously advised a

payment of £270,000 on account has been made to Mr Gunn under his fixed charge. We are currently reviewing the position regarding the amounts owed to him at the date of appointment although, based on current information, it is unlikely that he will be repaid in full.

- 2.11 We have complied with our statutory obligations under the Company Directors Disqualification Act 1986 and a report has been submitted to the appropriate authority.
- 2.12 Attached as Appendix A is a summary of our receipts and payments account for the period from 17 February 2010 to 16 August 2010. This shows what assets of the Company have been realised and for what value and what payments have been made to creditors or others.

3 ACHIEVING THE PURPOSE OF ADMINISTRATION

- 3.1 As advised in our previous report dated 31 March 2010, 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
- 3.2 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.
- 3.3 In our opinion, it was not possible to achieve the first objective without significant financial investment. The Company's directors and shareholders were unable to provide further funding and no third party investor could be identified. Trading the business to find a funder was also not a viable option owing to the immediate requirement for funding.
- 3.4 Notwithstanding that the sale of the business and assets of the Company has led to a better result than would have been the case in a winding-up, in my opinion it will not be possible to achieve the second objective as there is unlikely to be any funds available for distribution to ordinary unsecured creditors after the costs of Administration have been paid and therefore a better result for creditors of the Company as a whole will not be achieved.
- 3.5 The third objective, namely realising property to make a distribution to one or more secured or preferential creditors, has been achieved as Mr Gunn, the secured creditor, has received partial repayment and may receive a further distribution under his debenture.
- 3.6 The Administration has been, and will continue to be, financed by monies received from asset realisations.

4 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 4.1 The Joint Administrators' proposals, as approved, stated that "The Joint Administrators think that the Company will have insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176(A)(2)(a) of the Insolvency Act 1986 (prescribed part, if any)"
- 4.2 In view of this and unless creditors establish a creditors' committee, or if the committee does not make the requisite determination, the Joint Administrators' remuneration is required to be fixed with the approval of
- (a) each secured creditor of the Company and, if we have made or intend to make a distribution to preferential creditors,
 - (b) preferential creditors whose debts amount to more than 50% of the preferential debts of the Company, disregarding debts of any creditors who do not respond to an invitation to give or withhold approval
- 4.3 In accordance with the provisions of Rule 2.106(2) of the Insolvency Rules 1986 it may be fixed either as a percentage of the assets realised and distributed in the Administration or, alternatively, by reference to the time spent. In this case, the above creditors have approved the latter
- 4.4 The Joint Administrators' time costs as at 16 August 2010, summarised at Appendix B, are £31,585 representing 129.8 hours at an average rate of £243.34 per hour. In accordance with the approval given, £30,000 has been paid on account of these costs to date
- 4.5 Further details of our company's charge out rates and policy regarding recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix D. In addition to the above, our company also incurred costs of £3,100, summarised at Appendix C, representing 11 hours at an average hourly rate of £281.82 in connection with the costs and expenses of assessing that Administration was the appropriate route and in filing the appointment documentation. These costs have been paid as an expense of the Administration pursuant to the provisions of Rule 2.67 of the Insolvency Rules 1986
- 4.6 The Joint Administrators have also received approval from those creditors mentioned in paragraph 4.2 above of the basis upon which we recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of the calculation of their recharge is also attached at Appendix D. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as "category 1 disbursement". Category 1 disbursements will generally comprise items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage
- 4.7 In this case the following Category 2 costs have been incurred and reimbursed to our company

Type	£
Internal photocopying @ 10p per copy	193.20
General stationery, postage, telephone etc @ £100 per 100 creditors/ members or part thereof	-
Room hire @£100 per meeting	-
Storage of office files (6 years) £85.40 per box	-
Other	-
Total	193.20

- 4 8 On this assignment we have used the following professional advisors, including subcontractors

Name of Professional Advisor	Service Provided	Basis of Fees
Edward Symmons LLP	Valuation Advice	Time Costs
Taylor Vinters	Legal Advice	Time Costs
Carole Money	Clerical Assistance	Time Costs

- 4 9 Details of our company's policy regarding the choice of advisors and the basis for their fees are also attached at Appendix D

5 EXTENSION OF ADMINISTRATION

- 5 1 The appointment of the Joint Administrators ceases to have effect at the end of the period of one year beginning with the date on which it takes effect

- 5 2 However, it is possible to extend the period of the Joint Administrators' term of office for a specified period not exceeding six months. If this is deemed appropriate, the Joint Administrators may seek consent of the following to such an extension

- (a) each secured creditor of the Company and, if we think that a distribution may be made to preferential creditors,
- (b) preferential creditors whose debts amount to more than 50% of the Company's preferential debts, disregarding debts of any creditor who does not respond to an invitation to give or withhold consent for such extension

- 5 3 In this case we have not sought an extension

6 FURTHER ASSETS TO BE REALISED

There are no further assets to be realised

7 OTHER RELEVANT INFORMATION

- 7 1 The automatic deadline for the Administration to end is 16 February 2011

- 7 2 Based on current information, there will be no funds available for a distribution to preferential or unsecured creditors

- 7 3 In the event that there are insufficient monies available to declare a dividend to ordinary unsecured creditors of the Company, which we expect to be the case, we will give notice to Registrar of Companies to move the Company directly from Administration to dissolution

- 7 4 In the unlikely event that funds do become available to declare a dividend to ordinary unsecured creditors of the Company, we will give notice to the Registrar of Companies to move the Company from Administration into CVL. Following this notice the appointment of the Joint Administrators will cease to have effect and the appointment of a Liquidator will be effective. In accordance with the Joint Administrators' proposals approved by creditors, I will become Liquidator

Disenco Limited – In Administration

Creditors requiring further information should contact our office, in writing. Electronic communications should also contain a full postal address.

for and on behalf of
DISENCO LIMITED



N A BENNETT
Joint Administrator

Licensed in the UK by the Insolvency Practitioners Association

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

**Summary of Joint Administrators' Account of Receipts and Payments
from 17 February 2010 to 16 August 2010**

	Statement of Affairs £	Fixed £	Floating £	Total £
RECEIPTS				
Intangible Fixed Assets	325,000	325,000 00	-	325,000 00
Fixtures, Fittings, Tools & Equipment	4,300	-	4,297 00	4,297 00
Motor Vehicle	700	-	700 00	700 00
	<u>330,000</u>	<u>325,000 00</u>	<u>4,997 00</u>	<u>329,997 00</u>
Stock, Trading Records and Contracts		3 00	-	3 00
Deposit Interest Gross		40 74	-	40 74
		<u>325,043 74</u>	<u>4,997 00</u>	<u>330,040 74</u>
PAYMENTS				
Solicitors' Fees & Expenses		7,099 25	-	7,099 25
Bordereau Fee		-	90 00	90 00
Statutory Advertising		-	75 60	75 60
IT Licence Fee		-	75 00	75 00
Insurance			376 39	376 39
Storage Charges		-	261 05	261 05
Other Professional Fees			103 13	103 13
Sundry Disbursements			242 00	242 00
Leonard Curtis Pre Appointment costs		3,100 00	-	3,100 00
Joint Administrators' Remuneration		30,000 00	-	30,000 00
VAT Input Tax		6,844 25	280 69	7,124 94
		<u>47,043 50</u>	<u>1,503 86</u>	<u>48,547 36</u>
		277,956 50	3,493 14	281,493 38
PAID TO CREDITORS				
Secured Creditor				
John Gunn - on account of fixed charge		270,000 00	-	270,000 00
		<u>7,956 50</u>	<u>3,493 14</u>	<u>11,493 38</u>
Balance in Hand		7,956 50	3,493 14	11,493 38

Disenco Limited
(In Administration)

Summary of Joint Administrators' Time Costs from 17 February 2010 to 16 August 2010

	Director		Senior Manager		Manager 2		Senior Administrator		Administrator		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	10	450 00	55	1,787 50	-	-	30	450 00	-	-	95	2,687 50	282 89
Receipts & Payments	-	-	10	325 00	-	-	-	-	-	-	10	325 00	325 00
Insurance	-	-	10	325 00	-	-	-	-	-	-	10	325 00	325 00
Assets	80	3,600 00	238	7,735 00	-	-	90	1,350 00	-	-	408	12,685 00	310 91
Liabilities	10	450 00	63	2,047 50	-	-	435	6,525 00	-	-	508	9,022 50	177 61
Landlords	-	-	10	325 00	-	-	-	-	-	-	10	325 00	325 00
Debiture Holder	20	900 00	15	487 50	7	140 00	-	-	-	-	42	1,527 50	363 69
General Administration	10	450 00	-	-	-	-	40	600 00	-	-	50	1,050 00	210 00
Appointment	10	450 00	30	975 00	-	-	25	375 00	10	100 00	75	1,900 00	253 33
Post Appointment Credits Mings	10	450 00	5	162 50	-	-	30	450 00	-	-	45	1,062 50	236 11
Investigations	-	-	-	-	-	-	45	675 00	-	-	45	675 00	150 00
Total	150	6,750 00	436	14,170 00	7	140 00	695	10,425 00	10	100 00	1,298	31,585 00	
Average Hourly Rate (£)		450 00		325 00		200 00		150 00		100 00		243 34	

All Units are 6 minutes

APPENDIX B

Summary of Leonard Curtis Pre-Appointment Time Costs for the period

from 11 February 2010 to 17 February 2010

	Director		Senior Manager		Manager 2		Administrator		Total		Average
	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Hourly Rate
		£		£		£		£		£	£
Financial assessment	10	450 00	10	325 00	30	600 00			50	1,375 00	325 00
Strategy & purpose evaluation	10	450 00	10	325 00	10	200 00	-		30	975 00	325 00
Preparation of documents			10	325 00	-				10	325 00	325 00
Chargeholder	-		10	325 00	-				10	325 00	325 00
Court related issues							10 00	100 00	10	100 00	100 00
Total	20	900 00	40	1 300 00	40	800 00	10 00	100 00	110	3 100 00	
Average Hourly Rate (£)		<u>450 00</u>		<u>325 00</u>		<u>200 00</u>		<u>100 00</u>		<u>281 82</u>	

All Units are 6 minutes

APPENDIX D

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

The following information relating to the policy of Leonard Curtis is considered to be relevant

Charge out Rates

With effect from 1 January 2005 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

Director	£450
Principal Manager	£350
Senior Manager	£325
Manager 1	£250
Manager 2	£200
Manager 3	£175
Senior Administrator	£150
Administrator	£100
Support	£75

Staff Allocation, Support Staff and the Use of Subcontractors

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 charged. Details of any subcontractor(s) used are given in the attached report.

Professional Advisors

Details of any professional advisor(s) used are given in the attached report. Unless otherwise indicated the fee arrangement for each will be 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 will be 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.

Disbursements

Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a 'category 1 disbursement'. Category 1 disbursements will generally comprise supplies of incidental services specifically identifiable to the case, typically for items such as identifiable telephone calls, postage, case advertising, invoiced travel and properly reimbursed expenses, including car mileage at 40p a mile, incurred by personnel in connection with the case. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and document storage.

Where we propose to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, documents storage or communication facilities provided by us) they must be disclosed and be authorised by those responsible for approving the joint administrators' remuneration. Such expenditure is referred to as a 'category 2 disbursement'. 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
Room Hire	£100
Storage of office files (6 years)	£88.75 per box