

Rule 1.26/1.54

The Insolvency Act 1986

Notice to Registrar of Companies of
Supervisor's Progress Report**R.1.26A(4)(a)/
R.1.54**Pursuant to Rule 1.26A(4)(a) or
Rule 1.54 of the Insolvency Rules
1986

To the Registrar of Companies

For Official Use

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Company Number

05109923

(a) Insert full name of

Name of Company

KNB Contracts Limited

(b) Insert full name and
Address

I/We John A Lowe
009513
Beggies Traynor (Central) LLP
2 Merus Court
Meridian Business Park
Leicester
LE19 1RJ

Mary Anne Currie-Smith
008934
Beggies Traynor (Central) LLP
Unit 3a Crome Lea Business Park
Madingley Road
Cambridge
CB23 7PH

(c) Insert date

supervisors of a voluntary arrangement taking effect on

(c) 17 January 2011,

Attach our progress report for the period
from

(c) __ 17 January 2014 __

to

(c) __ 16 January 2015 __

Number of continuation sheets (if any) attached ____

Signed



Date

10/02/15

Presenter's name, address
and reference

KN006CVA
Beggies Traynor (Central) LLP
2 Merus Court
Meridian Business Park
Leicester
LE19 1RJ

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Liquidation Section

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COMPANIES HOUSE

LEICESTER COUNTY COURT
No 1291 of 2010

John A Lowe and Mary Anne Currie-Smith appointed joint
supervisors on 17 January 2011

**KNB Contracts Limited (Company Voluntary
Arrangement)**

Joint Supervisors' Progress Report pursuant to
Rule 1.26A of The Insolvency Rules 1986

Period: 17 January 2014 to 16 January 2015

Important Notice

This progress report has been produced by the supervisors solely to comply with their statutory duty to report to creditors on the progress of the Voluntary Arrangement. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	KNB Contracts Limited (Under a Voluntary Arrangement)
"the Supervisors"	John A Lowe of, 2 Merus Court, Meridian Business Park, Leicester, LE19 1RJ and Mary Anne Currie-Smith of Begbies Traynor (Central) LLP, Unit 3a, Crome Lea Business Park, Madingley Road, Cambridge, CB23 7PH
"the Arrangement"	The terms of the Proposal, Standard Conditions and any modifications (and/or variations) agreed by the Company's creditors
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)

2. RELEVANT INFORMATION

Name of Company	KNB Contracts Limited
Trading name(s)	N/A
Date of Incorporation	23 April 2004
Company registered number	05109923
Company registered office	15 Foxglove Road East Hamilton Leicester LE5 1TD
Commencement date of the Arrangement	17 January 2011
Duration of the Arrangement	5 Years
Main provisions of the Arrangement	<ul style="list-style-type: none">- Minimum contributions of £1,250 per month- Maximum arrangement time of 63 months- Minimum dividend of 55p/£- Directors loan account excluded for dividend purposes

Varations to the Arrangement since approval

No variation to the arrangement since approval

Dividend(s) paid to creditors

First dividend of £5,000 00 paid to sole creditor in January 2012

Anticipated further dividend(s)

The comments made in this report detail the current position that the Company is in and the lack of clarity that is surrounding the position. Once this issue is resolved it is expected that a distribution of at least 55p/£ can still be made

3. INTRODUCTION

- 3 1 Pursuant to Rule 1 26A(6) of the Rules, the Supervisors are required to send the Company, its creditors (bound by the Arrangement) and its members an abstract of receipts and payments which shows all receipts and payments of money whilst the Supervisors have been acting as supervisors of the Arrangement
- 3 2 In addition to accounting for the receipts and payments, Rule 1 26A requires the Supervisors to report on the progress of the Arrangement and the prospects for its full implementation
- 3 3 This is the Supervisors' fourth annual report, which should be read in conjunction with the third annual report circulated on 24 January 2014

4. ABSTRACT OF RECEIPTS AND PAYMENTS

Please find at Appendix 1 an abstract which shows the receipts and payments during the period of this report as well as cumulative figures showing the receipts and payments since the date of the Supervisors' appointment

The only receipt during this period has been a tax refund which is currently held in a suspense account

5. PROGRESS DURING THE PERIOD OF THIS REPORT

- 5 1 Set out below are details of the progress that has been made during the period of this report
- 5 2 You will recall that the terms of the Arrangement as modified provided for the following
- 5 3 **Voluntary contributions of £1,250/month** – The Company has made contributions totalling £23,750 to date. The contributions are currently in arrears by 29 months

This default has arisen as a result of uncertainty surrounding a number of offsets and VAT refund retentions by HM Revenue and Customs which have impacted the Company's cashflow, the director has advised they that are unable to continue to make payments into the CVA due to this. The matter is currently being investigated by HM Revenue & Customs and we expect to have a conclusion shortly. Upon receipt of a conclusion we will be in a position to either demand that the CVA is brought into line with the agreement or indeed take steps to fail the CVA.

We have discussed the future of the business with the director and he advises that conclusion of the above matter will enable the Company to bring the contributions up to date

- 5 4 **Review of trading performance** – The Company is continuing to work on a number of projects across Europe and the Middle East. Detailed management accounts have not been prepared on a regular basis however it is apparent that the trading performance is behind forecast
- 5 5 **Dividends to be issued annually on 31 January** – The proposals provide for an annual dividend payment by 31 January. Pursuant to Clause 23(c)(ii) of the Standard Terms & Conditions (which were enclosed with the original proposals) states that “No creditor shall be entitled to receive any payment or dividend from the Supervisor or any other person under the terms of the Arrangement unless the Supervisor has admitted his claim for the purpose of participation in any payment or dividend under the Arrangement”. No further payments will be made until such time as creditor’s claims have been agreed and admitted
- 5 6 **Post approval returns and liabilities** - The arrangement states that all returns and payments due to HMRC following approval are to be provided within the prescribed statutory time limits. To the best of our knowledge the Company have complied with this to date

6. PROSPECTS FOR FULL IMPLEMENTATION OF THE ARRANGEMENT

- 6 1 Pursuant to Rule 1 26A of the Insolvency Rules 1986. The joint supervisors consider that the arrangement still has the possibility of being implemented in full in accordance with the terms of the Proposal and the agreed modifications. This however very much depends upon the outcome of the ongoing investigation

7. ESTIMATED OUTCOME FOR CREDITORS

- 7 1 The total amount owed to creditors at the commencement of the Arrangement was £104,540.48 however £15,000 is excluded for dividend purposes, being the monies due to the director under his loan account. The Company’s accountants have also withdrawn their claim as they continue to provide accountancy and support services to the Company. This leaves HMRC as the sole creditor with an estimated claim of £86,602.98. We are still awaiting details to finalise and agree the claim

8. JOINT SUPERVISOR’S REMUNERATION & DISBURSEMENTS

The Supervisors’ remuneration has been fixed by reference to the time properly given by them (as Supervisors) and the various grades of their staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP for attending to matters arising in the Arrangement, however the Supervisors’ fees have been limited to £15,000. They are also authorised to draw disbursements, including disbursements for services provided by their firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with their firm’s policy, details of which are attached at Appendix 2 of this report, the Supervisors disbursements are limited to £620

The Supervisors' time costs for the period from 17 January 2014 to 16 January 2015 amount to £12,584 00 which represents 41 8 hours at an average rate of £301 05 per hour

The Supervisors' time costs for the period from 17 January 2011 to 16 January 2015 amount to £38,931 00 which represents 157 hours at an average rate of £247 97 per hour

An analysis of time costs incurred in this period and prepared in accordance with Statement of Insolvency Practice 9 is attached at Appendix 2 showing the number of hours spent by each grade of staff on the different types of work involved in the case, and giving the average hourly rate charged for each work type. It is intended that the Time Costs Analysis and the information contained in this report will provide sufficient information to enable the body responsible for the approval of the Supervisors' fees to consider the level of those fees in the context of the case

The following further information in relation to the Supervisors' time costs and disbursements is set out at Appendix 2

- ☐ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates
- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period 17 January 2014 to 16 January 2015
- ☐ Table of time spent and charge-out value for the period 17 January 2011 to 16 January 2015

For the period from 17 January 2011 to 16 January 2015 the Supervisors have drawn the sum of £9,500 00 by way of remuneration plus disbursements of £135 00. The Supervisors have not drawn any remuneration during the period of this report.

A copy of 'Voluntary Arrangements – A Creditors' Guide to Insolvency Practitioners' Fees (E&W) 2010' which provides guidance on creditors' rights can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact my office and I will arrange to send you a copy.

9. OTHER RELEVANT INFORMATION

We do not believe there is any further information of relevance at this stage. Should creditors have any queries, we shall be happy to provide further information.

10. CONCLUSION

The Supervisors will report again in approximately 1 year's time or at the conclusion of the Arrangement, whichever is the sooner.



John A Lowe
Joint Supervisor

Dated 21 January 2015

JOINT SUPERVISORS' ACCOUNT OF RECEIPTS AND PAYMENTS

Period 17 January 2014 to 16 January 2015 complete with period
account for 17 January 2011 to 16 January 2015

KNB Contracts Limited
(Under a Voluntary Arrangement)

Summary of Receipts & Payments

RECEIPTS	Statement of Affairs (£)	From 17/01/2011 To 16/01/2014 (£)	From 17/01/2014 To 16/01/2015 (£)	Total (£)
Debtor Contributions		23,750 00	0 00	23,750 00
Suspense Account		0 00	2,410 56	2,410 56
		23,750.00	2,410 56	26,160 56

PAYMENTS

Office Holders Fees	9,500 00	0 00	9,500 00
Office Holders Expenses	135 00	0 00	135 00
Nominees Fees	5,000 00	0 00	5,000 00
Nominees Expenses	50 00	0 00	50 00
Legal Fees (1)	50 00	0 00	50 00
Trade & Expense Creditors	5,000 00	0 00	5,000 00
	19,735.00	0.00	19,735 00

Net Receipts/(Payments)	4,015 00	2,410.56	6,425 56
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MADE UP AS FOLLOWS

Vat Receivable	1,447 00	0 00	1,447 00
Bank 1 Current	2,568 00	2,410 56	4,978 56
	4,015 00	2,410 56	6,425 56



John A Lowe
Joint Supervisor

JOINT SUPERVISORS' TIME COSTS AND EXPENSES

- a Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements,
- b Begbies Traynor (Central) LLP's charge-out rates,
- c Narrative summary of time costs incurred, and
- d Table of time spent and charge-out value for the period from 17 January 2014 to 16 January 2015, and
- e Cumulative table of time spent and charge-out value for the period from 17 January 2011 to 16 January 2015

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

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

Where the office holder's remuneration is proposed to be fixed on an additional or alternative basis, sufficient information will be provided to creditors in order to allow them to consider whether to approve the proposed basis or bases of the office holder's remuneration. Following approval further information will be provided to creditors regarding the office holder's fees as required by the legislation and best practice guidance.

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

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

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear in Appendix 3.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed in Appendix 3. This is only applicable to those cases where the office holder is remunerated on a time costs basis.

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

Best practice guidance classifies expenses into two broad categories:

- ☐ *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- ☐ *Category 2 disbursements (approval required)* - items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

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

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 per meeting,
- Car mileage is charged at the rate of 45 pence per mile,
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a

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

² Ibid 1

particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates

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

- Telephone and facsimile
- Printing and photocopying
- Stationery

BEGBIES TRAYNOR CHARGE-OUT RATES

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

	Standard 1 May 2011 – until further notice Regional
Partner	395
Director	345
Senior Manager	310
Manager	265
Assistant Manager	205
Senior Administrator	175
Administrator	135
Trainee Administrator	110
Support	110

Prior to 1 May 2011, the following rates applied

Grade of staff	Charge-out Rate (£ per hour)
Partner 1	395
Partner 2	350
Director	325
Senior Manager	295
Manager	250
Assistant Manager	195
Senior Administrator	160
Administrator	130
Junior Administrator	100
Support	100

Time spent by support staff for carrying out shorter tasks, such as typing or dealing with post, is not charged to cases but is carried as an overhead. Only where a significant amount of time is spent at one time on a case is a charge made for support staff.

Time is recorded in 6 minute units

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME KNB Contracts Limited

CASE TYPE COMPANY VOLUNTARY ARRANGEMENT

OFFICE HOLDERS John Lowe & Mary Currie-Smith

DATE OF APPOINTMENT 17 January 2011

1 CASE OVERVIEW

1.1 This overview and the time costs analysis attached is intended to provide sufficient information to enable the body responsible for the approval of the office holders' fees to consider the level of those fees in the context of the case

1.2 Complexity of the case

This case is relatively straightforward and there is nothing extraordinary for the supervisors to deal with. The director spends the majority of his time overseas project managing the main customers requirements

1.3 Exceptional responsibilities

There were no exceptional responsibilities in this case

1.4 The office holders' effectiveness

Voluntary contributions are currently in arrears by 29 months, there is an ongoing matter with HMRC which upon resolution we are advised that the Company may be in a position to bring the CVA up to date

1.5 Nature and value of property dealt with by the office holders'

The only realisations are voluntary contributions from the ongoing trading of the Company

1.6 Anticipated return to creditors

As stated in the proposal we estimate creditors will be paid at least the minimum dividend of a 55p/£

1.7 Time costs analysis

An analysis of time costs incurred between 17 January 2014 and 16 January 2015 prepared in accordance with Statement of Insolvency Practice 9 is attached showing the number of hours spent by each grade of staff on the different types of work involved in the case, and giving the average hourly rate charged for each work type

The time costs analysis provides details of work undertaken by the office holders and their staff following their appointment only

1.8 The views of the creditors

Creditor's queries have been dealt with in an appropriate and timely manner as and when they have arisen

1.9 Approval of fees

The Supervisors' remuneration has been fixed by reference to the time properly given by them (as Supervisors) and the various grades of their staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP for attending to matters arising in the Arrangement up to a limit of £15,000 plus VAT

1 10 Approval of Expenses and Disbursements

The supervisors are authorised to draw disbursements of £620 00 plus VAT, including disbursements for services provided by their firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with their firm's policy

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

2 1 Begbies Traynor's policy for charging fees and expenses incurred by office holders is attached at Appendix 2

2 2 The rates charged by the various grades of staff who may work on a case are attached at Appendix 2

3 SUMMARY OF WORK CARRIED OUT SINCE OUR LAST REPORT

3 1 Since the date of our last report, the following work has been carried out

- Liaising with accountants and director to ensure the company has submitted any overdue accounts and returns
- Liaising with accountants and ensuring the company has submitted / discharged any post approval returns and liabilities
- Liaising with accountants re trading performance
- Liaising with HMRC re ongoing issue

