

AM03

Notice of administrator's proposals



Companies House

FRIDAY



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01/12/2017

#142

COMPANIES HOUSE

1 Company details

Company number 05314796

Company name in full Owen Pugh Holdings Limited

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

2 Administrator's name

Full forename(s) Christopher

Surname Petts

3 Administrator's address

Building name/number Grant Thornton UK LLP

Street Rotterdam House

116 Quayside

Post town Newcastle upon Tyne

County/Region

Postcode NE13DY

Country

4 Administrator's name

Full forename(s) David

Surname Dunckley

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

5 Administrator's address

Building name/number Grant Thornton UK LLP

Street 30 Finsbury Square

Post town London

County/Region


Postcode EC2P2YU

Country

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

AM03

Notice of Administrator's Proposals

6		Statement of proposals																	
		<input checked="" type="checkbox"/> I attach a copy of the statement of proposals																	
7		Sign and date																	
Administrator's Signature	Signature	<input checked="" type="checkbox"/>  <input checked="" type="checkbox"/>																	
Signature date		<table border="1"><tr><td>d</td><td>d</td><td>m</td><td>m</td><td>y</td><td>y</td><td>y</td><td>y</td></tr><tr><td>3</td><td>0</td><td>1</td><td>1</td><td>2</td><td>0</td><td>1</td><td>7</td></tr></table>	d	d	m	m	y	y	y	y	3	0	1	1	2	0	1	7	
d	d	m	m	y	y	y	y												
3	0	1	1	2	0	1	7												

AM03 Notice of Administrator's Proposals



Presenter information

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

Contact name

Company name

Grant Thornton UK LLP

Address

Rotterdam House

116 Quayside

Post town

Newcastle upon Tyne

County/Region

Postcode

N

E

1

3

D

Y

Country

DX

Telephone



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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



Important information

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



Where to send

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

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



Further information

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

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



Our Ref CJP/ZLC/BLA/EZF/O20597005/7

To the creditors

Recovery and Reorganisation

Grant Thornton UK LLP
4 Hardman Square
Spinningfields
Manchester M3 3EB

T +44 (0)161 953 6900
F +44 (0)161 953 6317
grantthornton.co.uk

30 November 2017

Dear Sirs

Owen Pugh Holdings Limited - In Administration (the Company)
High Court of Justice, Business and Property Court No 906 of 2017

1 Introduction

- 1.1 I was appointed as Joint Administrator of the Company with David Dunkley by the directors on 9 October 2017. We are both authorised by the Insolvency Practitioners Association to act as insolvency practitioners and are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment.
- 1.2 Following on from our appointment, we are submitting our proposals pursuant to paragraph 49(1) of Schedule B1 to the Insolvency Act 1986 for achieving the objectives of the Administration.
- 1.3 This report contains the information required by rule 3.35 of the Insolvency (England and Wales) Rules 2016.
- 1.4 In accordance with paragraph 100(2) of Schedule B1 to the Insolvency Act 1986, the functions of the Administrators are to be exercised by either or both of them.

2 Statutory information

- 2.1 The Company's statutory details are as follows:

Registered number	05314796
Date of incorporation	16/12/2004
Issued share capital	91668
Shareholder	Red Poll Holdings Limited

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No OC307742. Registered office: 30 Finsbury Square, London EC2A 1AG
A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions. A list of personnel permitted by Grant Thornton to accept appointments as insolvency practitioners and of their respective authorising bodies may be inspected at the above address. Please see grantthornton.co.uk for further details.

Directors	Shareholding
John Dickson	Nil
Robin Armstrong	Nil
Mark Colley	Nil
Alan Park	Nil
 Secretary	 Shareholding
Katherine Applegarth	Nil

- 2.2 The Administration constitutes "main proceedings" under the EU Regulation on Insolvency Proceedings (article 3(1)) as the Company's registered office is and always has been in England and its management and principal trading activities are conducted in the United Kingdom.

3 Background to administrators' appointment

- 3.1 The Company is part of a wider group of companies consisting of:
- Owen Pugh Holdings Limited (the parent);
Owen Pugh & Company Limited
Owen Pugh Civil Engineering Limited;
Owen Pugh Aggregates Limited;
Owen Pugh Contracts Limited;
Owen Pugh Properties Limited; and
H C S Drain Services Limited (together the Group)
- 3.2 The Group is a long established contractor, providing a range of vertically integrated services to the construction sector, including civil engineering, earth moving, ground works, and drain services, in addition to being the owner and operator of Marsden Quarry & landfill site.
- 3.3 The Company employed 22 staff. A total of 289 people were directly employed across the Group, plus additional agency labour.
- 3.4 The Group had been suffering from working capital pressure and cash flow constraints in recent years and Grant Thornton UK LLP (the firm) was first engaged by the Company on 14 September 2015 to undertake a covenant and cash flow review in respect of the Group. The firm was subsequently engaged to undertake a follow-up assignment in January 2016.
- 3.5 The firm was then re-engaged in April 2017 to further review the financial position of the Group and provide advice to the senior secured lender, HSBC Bank plc (the Bank).
- 3.6 The fortunes of each member of the Group were linked through intra-Group trade and subcontracting, in order to deliver Group's projects.
- 3.7 It is, therefore, necessary to understand the position of the Group as a whole to understand why the Company entered Administration.

- 3.8 There is no single project or event that can be highlighted as leading to the failure of the Company and the Group, but, as larger and more complex civil engineering projects were undertaken, which was the Group's strategy, the level of working capital required to continue trading increased, particularly as the Group encountered problems in recovering payment from customers for work performed, which was often disputed by the end customer.
- 3.9 In April 2017, there was a request of the Bank for additional Group funding. The Bank agreed to provide additional funding to the Group, but it was conditional on the Group taking steps to improve its financial performance and seeking the support of other stakeholders to effect change.
- 3.10 All members of the Group are members of a VAT group, meaning that each Group member is jointly and severally liable for the VAT liabilities of the Group.
- 3.11 In May 2017, the Group sought a Time To Pay (TTP) arrangement from HM Revenue & Customs in the sum of £1 million, covering a range of Group VAT and payroll liabilities. The TTP request was granted against the backdrop of the Group looking to effect a turnaround and the additional lending that had been provided by the Bank.
- 3.12 Despite the significant levels of support from key stakeholders, the Group was unable to effect the necessary changes quickly enough and a further cash requirement arose by the end of June 2017.
- 3.13 As the Bank and HM Revenue and Customs had provided significant additional financial support in April and May 2017, it fell to the shareholders of the Group to provide additional support, beyond that already received. The shareholders were unable to provide the necessary additional financial support to the Group.
- 3.14 Alternative solutions were therefore explored, including an additional equity investment, or a sale of the business. The Company's shares were sold at the end of July 2017 to Red Poll Holdings Limited, a company owned by Merino Industries Ltd (Merino).
- 3.15 Merino provided a £1 million loan to the Group in order to provide additional working capital and sought to provide a stable platform on which to effect the necessary change within the Group.
- 3.16 Despite the support of the Bank, Merino, and the Time To Pay arrangement with HM Revenue and Customs, the Group remained in a highly distressed state.
- 3.17 During August and September 2017, the new owners of the Group looked to effect an operational restructure to support its turnaround strategy.
- 3.18 Meanwhile, the Group was engaged in a number of adjudications in which it was seeking recourse for amounts it felt were due from customers under a number of contracts. Despite significant resources and costs being incurred in preparing the adjudications, the ultimate adjudication awards were significantly below management's expectations and provided no solution to the mounting cash challenges within the Group.

- 3.19 On 2 October 2017, the Directors and shareholders of the Group presented the Group-wide restructuring plan to the Bank. The plan required significant funding to implement, estimated at at least £1 million, which was requested of the Bank.
- 3.20 Whilst the Bank considered the request in detail, during the week commencing 2 October 2017, winding up petitions were presented in court against Owen Pugh Civil Engineering Limited and Owen Pugh Contracts Limited. In addition, agency labour and hired plant had been withdrawn, resulting in certain works being at a standstill and the erosion of customer goodwill.
- 3.21 Given the high degree of uncertainty in the Group's ability to successfully deliver the restructuring plan and the trading funding required, the Bank was unable to agree to provide the additional lending being requested.
- 3.22 Having considered all the options, the directors concluded that the best route for the Company was for it to be placed into Administration and subsequently, on 9 October 2017 made the direct appointment of Administrators in accordance with paragraph 22 of Schedule B1 to the Insolvency Act 1986.
- 3.23 The objective of an Administration is to rescue the Company as a going concern, or to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, or, if neither of these is reasonably practicable, to realise property in order to make a distribution to one or more secured or preferential creditors.

4 Assets and liabilities

- 4.1 The directors have prepared a statement of affairs of the Company, which is attached at Appendix A. Please note that asset valuations are the directors' estimates only and may or may not reflect the ultimate realisable value of the assets. The property valuations are estimates and are not meant as a guide price.
- 4.2 The floating charge debt is cross-guaranteed by each of the Group companies. Therefore the amount shown in the statement of affairs is the total Group debt, for which the Company is jointly and severally liable.

5 Conduct of the Administration **Trading and financing of the Administration**

- 5.1 The Company was the holding company and employed staff to carry out central head office functions such as payroll, HR and finance, the costs of which were recharged to other Group Companies as appropriate.
- 5.2 As there was no business to trade and given that all other Group companies had ceased to trade, it was necessary to make a number of redundancies following our appointment. 15 employees were made redundant shortly after of our appointment.

- 5.3 The Administrators have retained a small number of employees to assist with the orderly wind-down of the Group, complete various statutory obligations and to continue to provide head office functions such as payroll and HR.
- 5.4 In this Administration, the rescue of the Company as a going concern is not an appropriate strategy because the Company was not a trading company and there was therefore no trade and business to rescue.
- 5.5 Our receipts and payments account covering the period from 9 October 2017 to 30 November 2017 is attached at Appendix B.

6 Proposals for achieving the objective of the Administration

- 6.1 The Administrators will pursue the objective of realising assets for the benefit of preferential and secured creditors. The rescue of the Company cannot be achieved because its sole purpose was the holding company of the Group and its only asset was its investment in the other Group companies. With all the Group entities in Administration, there was no trade and business to rescue. A better result for the Company's creditors as a whole than would be likely if the Company were wound up cannot be achieved as the realisable value of the Company's assets is not expected to be sufficient to permit payment in full of the preferential and secured creditors.
- 6.2 It is proposed that the Administration will end by the Administrators filing a notice to dissolve the Company, or if more time is needed to complete realisations or distributions after any extension of the Administration, the Administrators may present a petition to wind up the Company and then seek their appointment as Liquidators.

7 Agents and outsourcing

- 7.1 We instructed ERA Solutions Limited to assist with the management of the employees' rights and their claims. Their costs are included within professional fees in the receipts and payments account at Appendix B.
- 7.2 DLA Piper UK LLP has been instructed to act as legal advisors in regards to the Administration.

8 Administrators' remuneration and disbursements

- 8.1 The basis of the Administrators' remuneration is to be fixed by the creditors. If a creditors committee is appointed, then this is a matter for the committee. If no committee is appointed, then as we are of the opinion that the Company has insufficient property to enable any distribution to be made to unsecured creditors other than by virtue of section 176A of the Insolvency Act 1986, approval will be obtained from the secured and preferential creditors.
- 8.2 Pre-Administration costs unpaid at the date of appointment of the Administrators may also be approved as above under rule 3.52 to rank as an expense of the Administration. Approval of the statement of proposals does not constitute approval either of the Administrators' remuneration or of unpaid pre-Administration costs.

- 8.3 In the period immediately prior to the appointment, my firm held meetings to consider the logistical arrangements following appointment. The Company instructed DLA Piper UK LLP to draft the legal documents to place the Group into Administration.
- 8.4 Solicitors' costs incurred for the pre-Administration work amount to £2,272 and this has yet to be paid as an expense of the Administration.
- 8.5 My firm has not charged any of its time or expenses incurred in the period immediately prior to appointment and we are not seeking to recover these costs.
- 8.6 The Administrators will charge out of pocket expenses at cost, subject to creditor approval. Mileage is charged at 45p a mile. VAT is added to disbursement charges as necessary.
- 8.7 The Administrators' remuneration and disbursements are paid from funds held in the Administration in priority to the claims of creditors.
- 8.8 Time costs to date amount to £29,990. An analysis of time in accordance with Statement of Insolvency Practice 9 is attached at Appendix C. Prior to seeking approval of the basis of remuneration, a detailed fees estimate will be provided.

9 Decision of creditors

- 9.1 A decision of the creditors is not required because, in accordance with paragraph 52(1) of Schedule B1 to the Insolvency Act 1986, we are of the opinion that the company has insufficient property to enable a distribution to be made to unsecured creditors, other than by virtue of section 176A of the Insolvency Act 1986
- 9.2 The proposals contained in this statement will be deemed to have been approved by the creditors unless, within eight business days of this statement being sent out, creditors whose debts amount to at least 10% by value of the total debts of the Company request that the Administrators seek a decision from the creditors as to whether they approve the proposals.
- 9.3 Background information regarding the fees of Administrators can be found at https://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_fees_April_2017.pdf. Alternatively, we will supply this information by post on request free of charge.

Yours faithfully
for and on behalf of Owen Pugh Holdings Limited

A handwritten signature in black ink, appearing to read 'C Petts', with a stylized flourish at the end.

Christopher Petts
Joint Administrator

The affairs, business and property of Owen Pugh Holdings Limited are being managed by Christopher J Petts and David J Dunckley, appointed as joint administrators on 9 October 2017.

A Owen Pugh Holdings Limited - in Administration
Estimated statement of affairs as at
9 October 2017

Statement of Affairs

Statement as to affairs of

Owen Pugh Holdings Limited

On the 9 October 2017, the date of the Joint Administrators' appointment

Statement of Truth

I believe that the facts stated in this statement of the affairs are true

Full name: Alan Park

Signed Alan Park

Dated: 30 November 2017

A – Summary of Assets

Assets

Assets subject to fixed charge:

Investment in subsidiaries

Assets subject to floating charge:

Fixtures and fittings:

- Navision finance system
- Remote access application system
- Computer room server
- Various computer laptops etc.

Estimated total assets available for preferential creditors

Book Value £	Estimated to Realise £
12,330,000	0
13,834	0
4,674	0
12,204	0
279	0
12,360,991	0

Signature  Date: 30 November 2017

A1 – Summary of Liabilities

		Estimated to realise £
Estimated total assets available for preferential creditors (carried from page A)	£	0
Liabilities	£	
Preferential creditors:-		(11,000)
Estimated deficiency/surplus as regards preferential creditors	£	(11,000)
Estimated prescribed part of net property where applicable (to carry forward)	£	0
Estimated total assets available for floating charge holders	£	(11,000)
Debts secured by floating charges	£	(6,659,245)
Estimated deficiency/surplus of assets after floating charges	£	(6,670,245)
Estimated prescribed part of net property where applicable (brought down) £		0
Total assets available to unsecured creditors	£	(6,670,245)
Unsecured non-preferential claims (excluding any shortfall to floating charge £ holders)		(243,516)
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	£	(243,516)
Shortfall to floating charge holders (brought down)	£	(6,670,245)
Estimated deficiency/surplus as regards creditors	£	(6,913,761)
Issued and called up capital	£	91,668
Estimated total deficiency/surplus as regards members	£	(6,822,093)

Signature



Date: 30 November 2017

COMPANY CREDITORS

Name of creditor	Address 1	Address 2	Address 3	Address 4	Amount of debt (£)	Security held by creditor	Date security given	Value of security
HSBC Bank plc	8 Canada Square	London	E14 5HQ		5,659,245	Fixed and floating debenture	Oct-05	
Memo Industries LTD (As Security Agent)	Golden Cross House	8 Duncannon Street	London	WC2N 4JF	1,000,000	Fixed and floating debenture	Jul-17	
Grahame White						Fixed and floating charge	Sep-13	
HSBC Asset Finance (UK) LTD	8 Canada Square	London	E14 5HQ		650,000	Fixed charge chattels	Aug-13	
HSBC Equipment Finance (UK) LTD	8 Canada Square	London	E14 5HQ			Fixed charge chattels	Aug-13	
Aon Limited	Brindley House	Kingsmead	Farnborough	Hampshire GU14 7TE	6,150			
Barbour ABI	Hinderton Point	Lloyd Drive	Cheshire Oaks	Cheshire CH65 9HQ	1,374			
British Standards Institution	Annexes Receivable	PO Box 3000	Milton Keynes	MK1 9EL	1,111			
Capri Corporate Finance Ltd	City Quadrant	11 Waterloo Square	Newcastle Upon Tyne	NE1 4DP	36,320			
QCLodsmiths	Kiosk 4 Caster Court	Manor Walls Shopping Centre	Camlington	Northumberland NE23 6UT	1,180			
Civil Engineering Contractors Assoc (NE)	Fenham Hall Studios	Fenham Hall Drive	Newcastle Upon Tyne	NE4 9YH	1,550			
Civil Engineering Training Group NE	Fenham Hall Studios	Fenham Hall Drive	Newcastle upon Tyne	NE4 9YH	102			
Arnold Clark Finance Ltd	454 Hillington Road	Fenham Hall Drive	Glasgow	G52 4FH	5,629			
Clavering Stationers	19E & F Airport Industrial Estate		Newcastle Upon Tyne	NE3 2EF	855			
Cose Brothers Asset Management	The Courtyard	Kingsdon Park	Newcastle Upon Tyne	NE3 2EF	1,631			
Collinswood Legal Ltd	30 Riverside Studios	Sapfield Road	Cuddfield	RH17 5JT	17,803			
Common Fire Protection Ltd	Unit 12, Delaval Trading Estate	Amethyst Road	Newcastle Upon Tyne	NE4 7YL	204			
Corroth Fire & Security Systems Limited	Contech House	Seaton Delaval	Whitley Bay	Tyne & Wear	250			
Credicase Business Solutions Ltd	Bryn House	Ellington Terrace	Ashington	Northumberland NE63 8PY	1,717			
Dell Incorporated	Section B o/o Citibank UK Loddbox	Caerphilly Business Park, Van Road	Caerphilly	Mid Glam CF83 3GG	3,136			
Gallen Limited	31 Hazel Road	Queens Park	London	E14 1HH	454			
GVA Grimley Ltd	3 Brindley Place	Birmingham	Gateshead	Tyne & Wear NE8 2EP	4,044			
Hawthorn Blue Ltd	Allegiate House	Birmingham	B1 2JB		10,080			
Hays Specialist Recruitment Ltd	Hays House, St Georges Square	Belmost Business Park	Durham	DH1 1TW	3,680			
Mobile Mini (UK) Ltd	Old British Coal Transport Department	High Street	New Malden	Surrey KT3 4JQ	290			
Naylor Properties (Northern) Ltd	Hadrian House	Philadelphia Lane	Loughdon Le Spring	Tyne & Wear DH4 4TG	11,103			
Opus Building Services Ltd	Unit 7	Higham Place	Newcastle Upon Tyne	NE1 8AF	2,923			
Owen Pugh and Company Limited	Dudley	Boldon Court	Boldon	Tyne & Wear NE35 9LZ	435			
Owen Pugh Training School	Dudley	Camlington	Northumberland	NE23 7PR	45			
Narrative Integrated Communications Ltd	NE England BIC	Wearfield	Northumberland	NE23 7PR	3,000			
SAR/AM Properties Ltd	Commer House	Wearfield	Sunderland	SRS 2TA	924			
Shuremoor Carpet Centre	Earsdon Road	Seaton Road	Tadcaster	North Yorkshire LS24 9JF	627			
Tal Walker	Bulman House, Regent Centre	Shuremoor	Newcastle Upon Tyne	NE27 ORR	7,200			
Technology Services Group	One Gosforth Parkway	Gosforth	Newcastle Upon Tyne	NE3 3LS	24,108			
Watson Burton LLP	1 St James Gate	Gosforth Business Park	Newcastle upon Tyne	NE12 8ET	26,573			

Signature

Neel Patel

Date: 30 November 2017

SCHEDULE OF EMPLOYEES

Per attached document

Signature  Date: 30 November 2017

CONSUMER CREDITOR SCHEDULE

None

Signature Deborah Date: 30 November 2017

B Owen Pugh Holdings Limited - in Administration
Receipts and payments account
9 October 2017 to 30 November 2017

Receipts	Statement of Affairs (£)	Total (£)
Misc Float Receipts		18.37
Vehicle Licence Refunds		<u>420.00</u>
		438.37
Payments		
Statutory Advertising		68.70
Bank Charges		13.82
Vat on Purchases		<u>13.74</u>
		96.26
Balance - 30 November 2017		<u><u>342.11</u></u>
Made up as follows		
Floating Current Account NIB		342.11

C SIP 9 time analysis

Introduction

The following information is provided in connection with the administrators' remuneration and disbursements in accordance with Statement of Insolvency Practice 9.

Explanation of Grant Thornton UK LLP charging and disbursement recovery policies

Time costs

All partners and staff are charged out at hourly rates appropriate to their grade, as shown below. Tasks are allocated to staff at the appropriate level. Support staff (ie secretaries, cashiers and filing clerks) are charged to the case for the time they work on it.

Current rates from 1 October 2017	£
Partner	485-615
Director	485
Manager	445-485
Other senior professional	245-315
Administrators	170-235
Assistants and support staff	155-180

Disbursements

Out of pocket expenses are charged at cost. Mileage is charged at 45p a mile. VAT is added to disbursement charges as necessary.

Owen Pugh Holdings Limited - SIP 9 TIME COST ANALYSIS

	Partner			Manager			Executive			Administrator			Total		
	Hrs	£		Hrs	£		Hrs	£		Hrs	£		Hrs	£	Avg. Hrly Rate
Administration and Planning (incl statutory reporting)	3.85	1,893.25		13.9	6,133		13.85	3,459		21.35	1,987.25		52.95	13,472.5	254.44
Chargeholders (incl bank reporting)	1.75	848.75											1.75	848.75	485
Corporation Tax				0.7	330					11.5	1,082.5		12.2	1,412.5	115.78
Investigations and reports on directors	1	485					.25	61.25					1.25	546.25	437
Legal							0.1	24.5					0.1	24.5	245
PAYE and VAT							0.7	171.5					0.7	171.5	245
Pensions						4,037.5				0.6	96		8.2	4,133.5	504.09
Preferential creditors	1	485		3.75	1,925.25		11.3	2,768.5		1.9	76		17.95	5,254.75	292.74
Realisation of Assets: Other assets										2.1	84		2.1	84	40
Realisation of Assets: Property plant vehicles etc (incl HP leasing and third party)							1.65	404.25		.25	41.25		1.9	445.5	234.47
Sale of business										1.1	44		1.1	44	40
On site matters	0.5	242.5					3.1	759.5		2.4	386		6	1,398	233
Unsecured creditors				0.5	222.5		5.75	1,430.75		4.7	500.5		10.95	2,153.75	196.69
Total	8.1	3,954.5		26.45	12,648.25		36.7	9,079.25		45.9	4,307.5		117.15	29,989.5	255.99

Total fees billed to date (Time) : Nil