

The Insolvency Act 1986

Administrator's progress report

Name of Company Acuitas Medical Limited
--

Company number 05780281

In the High Court of Justice, Chancery Division, Cardiff District Registry (full name of court)
--

Court case number 91 of 2016

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

We (a)
Alistair Wardell
Grant Thornton UK LLP
11/13 Penhill Road
Cardiff
South Glamorgan
CF11 9UP

Nigel Morrison
Grant Thornton UK LLP
Hartwell House
55-61 Victoria Street
Bristol
BS1 6FT

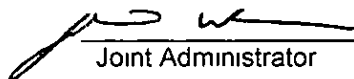
administrators of the above company attach a progress report for the period

(b) Insert date

From (b) 15 August 2016

To (b) 14 February 2017

Signed



Joint Administrator

Dated

13 March 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

Alistair Wardell
Grant Thornton UK LLP
11/13 Penhill Road
Cardiff
South Glamorgan
CF11 9UP

DX Number

02920 235591
DX Exchange

THURSDAY



A62C72G1

A13 16/03/2017 #45

COMPANIES HOUSE

de

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



Grant Thornton

Our Ref AGW/ZLC/KLM/EZF/A20597034/

To the creditors

13 March 2017

Dear Sirs

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

Acuitas Medical Limited - In Administration (the Company) **High Court of Justice, Chancery Division, Cardiff District Registry** **No 91 of 2016**

1 Introduction

1.1 Following my appointment as joint administrator of the Company with Nigel Morrison by the directors on 15 August 2016, I now report on the progress of the administration to 14 February 2017 and attach

- Appendix A, Form 2.24B, together with an account of our receipts and payments for the period from 15 August 2016 to 14 February 2017 and also for the whole administration to date
- Appendix B, a statement of the remuneration charged by the joint administrators in the period 15 August 2016 to 14 February 2017 and a statement of expenses incurred in the period
- Appendix C, an analysis of our time costs as required by Statement of Insolvency Practice 9
- Appendix D, an extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the administrator (Rule 2.48A)
- Appendix E, an extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the administrator's remuneration or expenses, if excessive (Rule 2.109)

1.2 Please note that we are both authorised by the Insolvency Practitioners Association to act as insolvency practitioners. We are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment

1.3 In accordance with paragraph 100(2) of Schedule B1 to the Insolvency Act 1986, the functions of the administrators are to be exercised by any or all of them.

2 Statutory information

2.1 The Company's statutory details are as follows

Registered number 05780281

Registered office c/o Grant Thornton UK LLP, 4 Hardman Square, Spinningfields, Manchester, M3 3EB

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales. No 00307742. Registered office, Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. 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.

3 Pre-appointment expenses

- 3.1 There were no pre-appointment expenses for which we will seek approval.

4 Progress report

- 4.1 The objective of an administration is

- to rescue the Company as a going concern
- to achieve a better result for the Company's creditors as a whole than would be likely if a Company were wound up
- if neither of these are reasonably practicable, to realise the property in order to make a distribution to one or more secured or preferential creditors

- 4.2 The rescue of the Company as a going concern was not an appropriate strategy as further funding was not available and continuing operations would have generated further losses with no benefit to the creditors while eroding the value of the assets of the business.

- 4.3 A better result for the Company's creditors as a whole than would be likely if the Company were wound up was also not achievable. In view of the amount owed to secured creditors totalling £830,000, the expected realisations from the sale of intellectual property are not sufficient to pay this debt

- 4.4 I have therefore pursued the objective of realising the assets for the benefit of preferential and secured creditors.

5 Realisation of assets

Intellectual property

- 5.1 The Company was in the process of developing medical image enhancing software which was still undergoing research and development but had never been commercialised.

- 5.2 Following efforts to market the intellectual property, four out of the 17 interested parties contacted responded with requests for further information. I requested all interested parties to submit best and final offers and by the deadline of 16 September 2016 I had a preferred bidder.

- 5.3 The preferred bidder initially requested a period of exclusivity to the middle of December 2016 and subsequently to 31 March 2017 in order to take steps to protect and preserve the intellectual property (IP).

- 5.4 I agreed this extension on the basis that the preferred bidder would increase their offer for the IP and that I would be reimbursed for holding costs as incurred

- 5.5 I am currently in the process of reviewing and agreeing a sale and purchase agreement and expect to complete the sale by 31 March 2017

Other assets

- 5.6 Other assets of the Company included IT equipment, mobile phones and office furniture
- 5.7 The preferred bidder has offered to purchase the IT equipment and mobile phones
- 5.8 The office furniture was considered to have no resale value and was surrendered to the landlord.
- 5.9 On advice of the directors and with the consent of the preferred bidder, on 16 October 2016 the Company carried out experimental data analysis for NASA with the assistance of two former employees. The Company received £1,495 in connection with this work from KBR Wyle Laboratories Inc.
- 5.10 A VAT refund has also been received from HMRC totalling £130. This was received after the reporting period and therefore is not shown in the receipts and payments account

6 Liabilities

Secured Creditors

- 6.1 The table below sets out the amounts owed to the secured creditors along with priority debt

Secured creditor	£	Comment
Altima Restructure Fund	80,000	Priority secured debt
Altima Restructure Fund	250,000	Secured debt
Finance Wales Investments	250,000	Secured debt
Lady Kathleen and Sir Martin Wood	<u>250,000</u>	Secured debt
	<u>830,000</u>	

Preferential creditors

- 6.2 The only known preferential creditors are the former employees of the Company who were made redundant on 15 August 2016. My agents, ERA Solutions Limited (ERA), estimated the preferential claims at £11,648 arising for employee arrears of wages and unpaid holiday pay

Unsecured creditors

- 6.3 In the statement of affairs, the directors estimated the indebtedness of unsecured creditors to be £264,629. This sum includes trade creditors, HMRC and unsecured employee claims.
- 6.4 Realisations from the sale of intellectual property will not be sufficient to pay the secured creditors and therefore there will be no dividend paid to preferential or unsecured creditors

Prescribed part – Unsecured creditors

- 6.5 There will be no prescribed part of floating charge assets set aside for the benefit of unsecured creditors under Section 176A of the Insolvency Act 1986.

7 Joint administrators' remuneration and expenses

- 7.1 The basis of the administrators' remuneration is to be agreed by secured creditors with reference to our time costs

- 7.2 Our time costs were initially underwritten up to £15,000 plus VAT by Altima Restructure Fund (the secured creditor) unless payable from the sale of assets.
- 7.3 The secured creditor has paid £2,000 to cover out-of-pocket expenses and holding costs. These costs total £2,017 as at 15 February 2017.
- 7.4 In our proposals dated 22 September 2016 we estimated that our total time costs would be £60,065.
- 7.5 Our actual time costs exceed this sum as the original fee estimate did not include work in respect of
- considerable additional time spent in dealing with the protection of the IP, including renewing patents and facilitating the data analysis for NASA
 - dealing with preferred bidder and various matters during the extended period of exclusivity.
- 7.6 You will note from the SIP 9 table attached at Appendix C that our time costs to date are £84,993. Expenses relating to travel, transport of IP documentation and court fees total £478. You will note from the receipts and payments account attached at Appendix A that no fees have been drawn.
- 7.7 I expect to invoice circa £21,000 in time costs and £478 in expenses and the balance of the time costs totalling £63,993 will be written off.
- 7.8 Background information regarding the fees of administrators can be found at https://www.r3.org.uk/media/documents/technical_library/SIPS/SIP%209%20Dec%202015.pdf. Alternatively, we will supply this information by post on request. Time is charged in 6 minute units.

8 Other expenses incurred by the joint administrators

- 8.1 JLT Specialty Limited (JLT) was paid £384 for providing appropriate insurance cover. Further insurance costs of £193 have been billed but not yet been paid.
- 8.2 Cobweb Solutions Limited has been paid £557 for providing continued email services. Further costs of £145 have been accrued but not yet paid.
- 8.3 ERA has billed £450 for dealing with employee claims but this has not yet been paid.
- 8.4 Storage costs are anticipated to be £150 and have been accrued for but not yet paid.

9 Conclusion of the administration

- 9.1 The administration will end within the next six months, at which point the joint administrators will require their discharge from liability.

Should you have any further queries, please do not hesitate to contact Heather Thomson by phone on 0161 214 6369 or by email at Heather.ME.Thomson@uk.gt.com.

Yours faithfully
for and on behalf of Acutas Medical Limited



Alistair Wardell
Joint Administrator

*The affairs, business and property of Acutas Medical Limited are being managed by
Alistair Wardell and Nigel Morrison, appointed as joint administrators on 15 August 2016.*

Enc

Acuitas Medical Limited - in administration
 Joint Administrators' receipts and payments account
 from 15 August 2016 to 14 February 2017

Receipts	Statement of Affairs (£)	Total (£)
Intellectual Property	175,500.00	0.00
Data Analysis		1,494.60
IT Equipment	1,000.00	0.00
Misc Float Receipts		2,000.00
		<hr/>
		3,494.60
		<hr/>
Payments		
Telephone and IT Services		557.32
Insurance		191.63
Professional Fees		25.00
Insurance		192.50
Professional Fees		219.30
Storage Costs		381.34
Re-Direction of Mail		175.00
Statutory Advertising		68.25
Vat on Purchases		206.38
		<hr/>
		2,016.72
Balance - 14 February 2017		<hr/>
		1,477.88
		<hr/>
Made up as follows		
Floating Current Account NIB		1,477.88
		<hr/>
		1,477.88
		<hr/>

B Remuneration charged and expenses incurred by the administrators in the period

	Charged/incurred in period 15/08/2016 to 14/02/2017	Cumulative charged/incurred to 14/02/2017	Of which paid to 14/02/2017
	£	£	£
Joint administrators' fees:	84,993	84,993	0
Time costs			
Expenses	478	478	0
Professional fees			
Bevan and Buckland	25	25	25
Murray Mann	60	60	60
Mr J Stearn	159	159	159
Insurance			
JLT	384	384	384

C SIP 9 information

Introduction

The following information is provided in connection with the liquidators' remuneration and disbursements in accordance with SIP 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 on the attached schedule. Details of the hourly charge-out rates are made available to creditors or committees at the time of fixing the basis of our fees. Support staff (ie secretaries, cashiers and filing clerks) are charged to the case for the time they work on it.

	From 01/07/14 to date
	£
Partners up to	740
Managers up to	470
Administrators up to	345
Assistants and support staff up to	230

Disbursements

Out of pocket expenses are charged at cost and mileage is charged at standard rates. VAT is added to disbursement charges as necessary

Acuitas Medical Limited - A20597034 - SIP 9 TIME COST ANALYSIS

Transaction period All transactions

	Partner		Manager		Executive		Administrator		Total		
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Avg. Hrly Rate
Administration and Planning	21.75	10,766.25	46.75	19,727.50	27.00	6,002.50	34.00	4,038.75	129.50	40,535.00	313.01
Creditors			6.75	3,737.50	11.25	2,352.50	8.70	819.00	28.70	6,909.00	240.73
Hiatus period											
Investigations			2.00	860.00	2.00	580.00			4.00	1,440.00	360.00
Pensions			.80	416.00	3.00	555.00	1.10	170.50	4.90	1,141.50	232.96
Realisation of Assets			59.50	25,585.00	14.40	2,147.50	28.40	3,887.00	102.30	31,719.50	310.06
Taxation			2.55	1,293.50	2.80	789.00	7.80	1,165.50	13.15	3,248.00	247.00
Trading											
Total	21.75	10,766.25	120.35	51,619.50	60.45	12,425.50	80.00	10,180.76	262.65	84,993.00	300.81

Total fees billed to date (Time) : £

Acuitas Medical Limited - A20597034 - SIP 9 TIME COST ANALYSIS

Transaction period All transactions

	Partner		Manager		Executive		Administrator		Total	
	Hrs	£	Hrs	£	Hrs	£	Hrs	£	Hrs	£
Administration and Planning (incl statutory reporting)	21.75	10,766.25	40.75	17,147.50	27.00	6,002.50	33.70	4,014.75	123.20	37,931.00
Changeholders (incl bank reporting)			8.00	3,440.00	4.00	600.00			12.00	4,040.00
Corporation Tax			2.55	1,293.50	2.30	644.00	5.50	852.50	10.35	2,780.00
Hiatus period									.00	
Investigations and reports on directors			2.00	860.00	2.00	580.00			4.00	1,440.00
Legal			6.00	2,580.00			.30	24.00	6.30	2,604.00
PAYE and VAT					.50	145.00	2.30	313.00	2.80	458.00
Pensions			80	416.00	3.00	555.00	1.10	170.50	4.90	1,141.50
Preferential creditors					.30	45.00	3.40	307.00	3.70	352.00
Realisation of Assets Debtors					2.00	287.50	30	24.00	2.30	311.50
Realisation of Assets Other assets			50	215.00	7.10	1,065.00	14.00	2,100.00	21.60	3,380.00
Realisation of Assets Property plant vehicles etc (incl HP leasing and third party)					50	75.00	1.50	155.00	2.00	230.00
Realisation of Assets Stock and WIP (incl ROT)									.00	
Sale of business			59.00	25,370.00	4.80	720.00	12.60	1,708.00	76.40	27,798.00
Trading									.00	
Unsecured creditors			.75	297.50	6.95	1,707.50	5.30	512.00	13.00	2,517.00
Total	21.75	10,766.25	120.35	51,619.50	60.45	12,425.50	80.00	10,180.75	282.55	84,993.00

Total fees billed to date (Time) : £

Acuitas Medical Limited - In Administration

Costs incurred in the period 15 August 2016 to 14 February 2017

TASKS	Incurred to date		
	Av Hry Rate	Hrs	£
STATUTORY AND ADMINISTRATIVE TASKS	313	130	40,535
File reviews			
Bank account administration (treasury)			
Maintenance of records			
Reports to creditors			
Statement of Affairs			
REALISATION OF ASSETS	310	102	31,720
Take control of company books and records			
Review company's bank statements and records			
Initial letters to various parties inc banks, agents			
Sale of Intellectual property			
Correspondence with lawyers			
Corresponding with interested parties/ purchaser			
CREDITORS	241	29	6,909
Correspondence with secured creditor			
Correspondence in relation to employees			
Correspondence with unsecured creditors			
INVESTIGATION	360	4	1,440
Prepare D Returns and attachments			
Correspondence with directors			
TAXATION	247	13	3,248
Tax compliance			
VAT compliance			
Pensions	233	4.90	1,142
Liaising with the Pensions Regulator / Schemes			
Total costs	301	283	84,993

D An extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the administrator

Rule 2.48A

- (1) If
 - (a) within 21 days of receipt of a progress report under Rule 2.47 -
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).
- (2) The administrator complies with this paragraph by either -
 - (a) providing all of the information asked for, or
 - (b) so far as the administrator considers that
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information,
 giving reasons for not providing all of the information.
- (3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of -
 - (a) the giving by the administrator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),
 and the court may make such order as it thinks just.
- (4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just.

E An extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the administrator's remuneration or expenses if excessive

Rule 2.109

- (1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)
- (1A) Application may be made on the grounds that -
 - (a) the remuneration charged by the administrator,
 - (b) the basis fixed for the administrator's remuneration under Rule 2.106, or
 - (c) expenses incurred by the administrator,
 is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.
- (1B) The application must, subject to any order of the court under Rule 2.48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").
- (2) The court may, if it thinks that no cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.
- (3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders -
 - (a) an order reducing the amount of remuneration which the administrator was entitled to charge
 - (b) an order fixing the basis of remuneration at a reduced rate or amount
 - (c) an order changing the basis of remuneration
 - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration
 - (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify
 and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration