

## The Insolvency Act 1986

## Administrator's progress report

Form 2.24B(CH)

Name of Company CTS Instrumentation Limited	Company number 05792229
In the High Court of Justice, Manchester District Registry, Chancery Division (full name of court)	Court case number 2390 of 2012

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

We (a) Stephen Clancy and Steven Muncaster of Duff &amp; Phelps Ltd , The Chancery, 58 Spring Gardens, Manchester, M2 1EW,

Joint Administrators of the above company attach a progress report for the period

from

to

(b) Insert dates

(b) 14 March 2012

(b) 13 September 2012

Signed

Joint Administrator

Dated

10/10/2012

## 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

Duff & Phelps Ltd  
The Chancery  
58 Spring Gardens  
Manchester  
M2 1EW

Tel 0161 827 0000

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the pu

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11/10/2012

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COMPANIES HOUSE

When you have completed and signed this form please send it to the Registrar of Companies at  
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

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# Progress Report to Creditors CTS Instrumentation Limited (In Administration)

10 October 2012

*Joint Administrators' Progress Report to Creditors  
for the period from 14 March 2012 to 13 September 2012  
pursuant to Rule 2 47(1) of the Insolvency Rules 1986 as amended*

**Duff & Phelps Ltd.  
The Chancery  
58 Spring Gardens  
Manchester  
M2 1EW**

## Definitions

Word or Phrase	Definition
the Act	The Insolvency Act 1986 (as amended)
the Agents	JPS Chartered Surveyors, independent agents who were instructed to value and sell the assets of the Company
the Appointment Date	14 March 2012, being the date of appointment of the Joint Administrators
NatWest	National Westminster Bank Plc, with whom the Company banked and the holder of a fixed and floating charge over the Company's assets
Category 2 Disbursements	The Joint Administrators' internal costs and expenses in dealing with the Administration
the Company	CTS Instrumentation Limited (In Administration) (Company Number 05792229)
DBIS	The Department for Business Innovation and Skills
the Director	Mr Stuart Foulds, the Director of the Company
Duff & Phelps	Duff & Phelps Ltd
EC Regulation	EC Regulation on Insolvency Proceedings 2000
HMRC	HM Revenue and Customs
the Joint Administrators	Stephen Clancy and Steven Muncaster of Duff & Phelps Ltd The Chancery, 58 Spring Gardens, Manchester, M2 1EW
JM Marriott	JM Marriott and Co (North West) Limited
the Notice	Form 2 35B - Notice to move from Administration to Dissolution
Prescribed Part	Pursuant to Section 176A of the Act where a floating charge is created after 15 September 2003 a designated amount of the Company's net property (floating charge assets less costs of realisation) shall be made available to non-preferential unsecured creditors
the Proposals	The Joint Administrators First Report and Statement of Proposals dated 8 May 2012
the Purchaser	SP&D Foulds Consultancy Services, the purchaser of the business and assets of the Company
the Registrar	Registrar of Companies
RBSIF	RBS Invoice Finance Limited with whom the Company had an

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	invoice finance facility, and the holder of a fixed and floating charge over the Company's assets
RPS	Redundancy Payments Service
the Rules	The Insolvency Rules 1986 (as amended)
Shoosmiths	Shoosmiths LLP
SIP 9	Statement of Insolvency Practice 9 – Industry best practice for Insolvency Practitioners in relation to disclosure of remuneration and disbursements
SIP 13	Statement of Insolvency Practice 13, regarding the acquisition of assets of insolvent companies by Directors
SOA	Statement of Affairs, documentation supplied by the Director outlining the Company's financial position as at the Appointment Date

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**Names of Joint Administrators.** Stephen Clancy  
Steven Muncaster

**Date of Appointment:** 14 March 2012

**Date of Report:** 10 October 2012

**Appointed by:** RBS Invoice Finance Limited  
PO Box 50  
Elmwood Avenue  
Feltham  
Middlesex  
TW13 7QD

**Court Reference:** The High Court of Justice  
Manchester District Registry  
Chancery Division  
No 2390 of 2012

**1. Introduction**

- 1 1 Stephen Clancy and Steven Muncaster of Duff & Phelps were appointed Joint Administrators of the Company on the Appointment Date by RBSIF, the holder of a Qualifying Floating Charge under Paragraph 14 of Schedule B1 to the Act
- 1 2 In accordance with Paragraph 100(2) of Schedule B1 to the Act the functions of the Joint Administrators are being exercised by either of the Administrators
- 1 3 The purpose of this report is to provide creditors with details of the progress of the Administration, in accordance with Rule 2 47(1) of the Rules for the six month period from 14 March 2012 to 13 September 2012

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

- 2 1 The Joint Administrators issued the Proposals on 8 May 2012
- 2 2 In accordance with Paragraph 52(1)(b) of Schedule B1 to the Act, a creditors' meeting was not required to be held as there will be insufficient realisations to enable a distribution to non-preferential creditors. No meeting was convened and in accordance with R2 33(5) of the Rules, the Proposals were deemed to have been approved by creditors on 21 May 2012
- 2 3 As advised in the Proposals, the Joint Administrators must perform their functions with the purpose of achieving one of the following hierarchical objectives
- Rescuing the Company as a going concern, or
  - 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
  - Realising property in order to make a distribution to one or more secured or preferential creditors
- 2 4 The Joint Administrators have previously reported that the first objective could not be achieved as the loss of major customers and lack of available funding meant that an Administration trading period, and any subsequent rescue, would not be possible
- 2 5 It was also reported that the second objective of an Administration could not be met as, whilst asset realisations in Administration were better than if the Company had been placed into Creditor's Voluntary Liquidation, there will be insufficient realisations with which to make a distribution to non-preferential creditors
- 2 6 The Joint Administrators have effected the third objective of the Administration with the indebtedness to RBSIF being repaid in full

**3. Progress of the Administration**

- 3 1 The manner in which the affairs and business of the Company have been managed since the appointment of Joint Administrators and will continue to be managed and financed are set out below

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### Sale of Business and Assets

- 3 2 The Joint Administrators reported in the Proposals that the assets of the Company were sold to the Purchaser on 26 March 2012 for £14,700 plus VAT and disbursements, following the completion of a marketing exercise by the Joint Administrators undertaken upon appointment. No other formal offers were forthcoming.

- 3 3 A breakdown of the sale consideration is summarised below

Asset	Consideration	
Stock	£	5,000
Computers, Fixtures and Equipment	£	1,600
Motor Vehicles	£	8,100
<b>Total</b>	<b>£</b>	<b>14,700</b>

- 3 4 Information regarding the Purchaser has been provided below

**The Purchaser** SP&D Foulds Consultancy Services

**Date of Transaction** 26 March 2012

**Associated Parties** The Company and the Purchaser are connected by virtue of common directorship between the following directors

- Mr Stuart Foulds

- 3 5 The consideration agreed for the sale of the assets was received in full on 27 March 2012 and has been reflected in the Joint Administrators' Receipts and Payments Account at Appendix 2

### Book Debts

- 3 6 As previously reported, the Company's debtor ledger totalled £481,454 as at the Appointment Date. However, upon further review of the books and records, the Company have processed an additional number of invoices after the Appointment Date totalling £41,093 in respect of completed orders, increasing the book debt ledger to £522,547. These debts were assigned to RBSIF under a fixed and floating charge created on 13 March 2007.
- 3 7 The indebtedness to RBSIF as at the Appointment Date was £348,958 as previously reported. RBSIF have since applied termination charges totalling £26,708, increasing the total indebtedness to £375,666.
- 3 8 Book debt collections to date total £518,240. Following the ongoing collection of the Company's book debts, RBSIF have been settled in full. Furthermore, RBSIF have remitted a book debt surplus totalling £135,481 within the reporting period. The Joint Administrators will look to receive any remaining surplus on the Company facility before closing the Administration.



- 3 9 The Joint Administrators retained the services of two employees to assist in the collection of the debtor ledger, given the good working relationship maintained with key customers. These employees have now been released and the balance of £10,638 paid in respect of these collection costs is reflected in the Joint Administrators' Receipts and Payments Account at Appendix 2

**VAT on Termination Charges**

- 3 10 The Joint Administrators have been able to recover VAT applied by RBSIF on the invoice discounting facility totalling £5,342

**Goodwill**

- 3 11 As per the Director's SOA, it was anticipated that there would be goodwill available for the benefit of the Administration estate but no realisation was capable of being realised in respect of this intangible asset

**Bank Interest**

- 3 12 Bank interest of £1 has been realised in the period
- 3 13 No additional assets have been noted as being available for the benefit of the Administration estate

**4. Investigations**

- 4 1 The Joint Administrators' investigations into the Company's affairs are complete
- 4 2 The Joint Administrators have a statutory obligation to file a report with DBIS concerning the conduct of all directors of the Company that served in the three years prior to the Joint Administrators appointment. The content of this report is confidential and was submitted to the Insolvency Practitioners Compliance Unit on 10 September 2012

**5. Dividend Prospects / Prescribed Part**

**Secured Creditors**

**RBSIF**

- 5 1 In consideration for the monies advanced under the Company's invoice discounting facility, the Company granted RBSIF a debenture dated 13 March 2007 and registered at Companies House on 16 March 2007, which confers fixed and floating charges over all of the assets of the Company. In addition, the invoice discounting agreement results in the assignment of all book debts
- 5 2 As at the Appointment Date, the Company's indebtedness to RBSIF was circa £348,958, subject to accruing interest and charges of £26,708
- 5 3 The collection of book debts to date has resulted in the total indebtedness to RBSIF being repaid in full and surplus collections being remitted to the insolvent estate

### **NatWest**

- 5 4 In consideration for monies advanced under an overdraft facility, the Company granted NatWest a debenture dated 26 July 2006 and registered 3 August 2006, which confers fixed and floating charges over the assets of the Company
- 5 5 As at the Appointment Date, the Company's position on the overdraft was approximately £438,000 subject to accruing interest and charges
- 5 6 Under cross guarantees and set-off arrangements in place between NatWest and the CTS Group (made up of a number of other associated companies), NatWest's indebtedness has been settled in full

### **Preferential Creditors**

- 5 7 Pursuant to the Director's SOA, the estimated preferential claims are £21,123
- 5 8 The preferential creditors' claims consist of employee claims for arrears of pay and holiday pay, the majority of which will be subrogated to the DBIS following payment to the employees by the RPS
- 5 9 The Joint Administrators have yet to receive the RPS' final preferential claim in this matter
- 5 10 Based on current information, there may be sufficient realisations to pay a dividend to the preferential creditors

### **Prescribed Part**

- 5 11 Pursuant to Section 176A of the Act where a floating charge is created after 15 September 2003 a Prescribed Part of the Company's net property shall be made available to unsecured creditors
- 5 12 RBSIF's indebtedness has been settled in full from book debt realisations. NatWest's indebtedness has been settled in full from cross guarantees in place with the associated Group. As the secured creditors have been settled in full from their respective asset assignment and cross guarantees, the Prescribed Part does not apply in this instance

### **Non-Preferential Creditors**

- 5 13 According to the Director's SOA, non-preferential creditors total £938,241. The non-preferential creditors can be summarised as follows

	£
Trade & Expense Creditors	623,844
Non-preferential Employee Claims	173,847
HMRC – PAYE/NIC	23,893
HMRC – VAT	116,657
<b>Total</b>	<b>938,241</b>

5 14 As advised in the Proposals there is no prospect of any dividend to non-preferential creditors

## **6. Joint Administrators' Receipts and Payments Account**

6 1 A detailed Joint Administrators' Receipts and Payments Account, for the period 14 March 2012 to 13 September 2012 is shown at Appendix 2

6 2 As at 13 September 2012, there was a cash balance of £50,440

## **7. Pre-Administration Costs**

7 1 On 11 May 2012, the following amounts in respect of Pre-Administration costs (plus VAT) were approved by RBSIF, to be paid out of the assets of the Company

Name of Recipient	Brief Description of Services Provided	Total Amount Approved (£)
Shoosmiths	Solicitors – preparation of the relevant documentation required to place the Company into Administration and other ad hoc legal advice	2,500 plus VAT and disbursements
JM Marriott	Insolvency Practitioners – completion of Independent Business Review of the Company, associated companies and provision of advice to the Director, RBSIF and NatWest	6,000 plus VAT and disbursements

7 2 JM Marriott have been paid £5,000 plus VAT in respect of their involvement with the Company. No further fees are anticipated to be paid to them in respect of this matter as this represents their final invoice

7 3 No payment has been made to Shoosmiths to date. However, their time costs incurred in this matter will be settled subject to the limits above

7 4 As previously reported the Joint Administrators did not seek approval of any time costs incurred in respect of pre-appointment matters

## **8. Joint Administrators' Costs and Expenses**

8 1 The Joint Administrators' remuneration was approved on the basis of time properly spent by the Joint Administrators and their staff in attending to matters during the Administration by RBSIF on 11 May 2012

8 2 The time costs charged in the period by Duff & Phelps are as analysed at Appendix 3 and total £73,143 for the reporting period

8 3 Remuneration of £73,143 plus VAT and disbursements has been paid to date. Details of payments are shown on the receipts and payments account at Appendix 2

- 8 4 Information regarding the fees of Joint Administrators called a "Creditors' Guide to Administrators' Fees" can be found on the Duff & Phelps' website at [www.duffandphelps.com/uk-restructuring/creditor-guides](http://www.duffandphelps.com/uk-restructuring/creditor-guides) Should you require a copy, please contact this office
- 8 5 The Joint Administrators have incurred the following expenses in the period of this report in dealing with the Administration of the Company,

Company	Role	Amount Incurred £
CTS Group E&I Limited	Payments forwarded to an associated company to settle employee wages in respect of the ongoing book debt collections	10,638
Royal Mail Group Limited	Re-direction of mail	27
Courts Advertising	Statutory Advertising	77
Bank Charges	Ongoing bank charges	21

- 8 6 The Joint Administrators' choice of Agents and Solicitors instructed was based on their perception of the ability and experience to perform this type of work, the complexity and nature of the assignment and the basis of the Joint Administrators' fee arrangement with them
- 8 7 In accordance with Rule 2 48A of the Rules, secured creditors and unsecured creditors (with the concurrence of at least 5% in value of total unsecured claims) may make a request in writing to the Joint Administrators for further information about the remuneration or expenses set out in this progress report This should be done within 21 days receipt of this report, after which the Joint Administrators have 14 days to respond
- 8 8 In addition to the above, any Secured Creditor, or any unsecured creditor (with the support of at least 10% in value of the unsecured creditors) or the permission of the court, may apply to the court on the grounds that the remuneration or basis fixed for the Joint Administrators' remuneration or the expenses incurred by the Joint Administrators are considered to be excessive In accordance with Rule 2 109 of the Rules, this application must be made no later than 8 weeks after receipt of the progress report, where the charging of the remuneration or the incurring of expenses in question occurs

## 9. EC Regulation

- 9 1 It is the Joint Administrators' opinion that the EC Regulation applies and these proceedings are main proceedings, as defined in Article 3 of the EC Regulation The centre of main interest of the Company is in England

## 10. Conclusion and Ending the Administration

- 10 1 The Joint Administrators' Proposals advised that Administration automatically comes to an end after one year, unless an extension is granted by the Court or with the creditors' consent

- 10 2 As it is anticipated that the Company will have no property with which to make a distribution to non-preferential creditors, the Notice will be submitted to the Registrar pursuant to Paragraph 84 of Schedule B1 to the Act
- 10 3 Following registration of the Notice by the Registrar, the Joint Administrators appointment will cease to have effect and they will be discharged from liability under Paragraph 98 of Schedule B1 to the Act
- 10 4 At the end of three months beginning with the date of the Notice being registered by the Registrar the Company will be dissolved

**11. Next Report**

- 11 1 The Joint Administrators are required to provide a Progress Report within one month of the end of the next six months of the Administration. This report will be provided no later than 13 April 2013 or earlier if the Administration has been finalised
- 11 2 If you have any queries or require any further assistance, please do not hesitate to contact my colleague Pete Broadbent of this office

  
**Stephen Clancy**  
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators, Stephen Clancy and Steven Muncaster, who act as agents for the Company and without personal liability. Both are licensed by the Insolvency Practitioners Association.

**Appendix 1**

**Statutory Information**

**Statutory Information**

<b>Date of Incorporation</b>	24 April 2006
<b>Registered Number</b>	05792229
<b>Company Director(s)</b>	Mr Stuart Foulds
<b>Company Secretary</b>	Mr Stuart Foulds
<b>Shareholders</b>	CTS Group (Holdings) UK Limited 1 Ordinary Share
<b>Trading Address</b>	Eagle House 175 Hornby Road Blackpool Lancashire FY1 4JA
<b>Registered Office</b>	<b>Current:</b> The Chancery 58 Spring Gardens Manchester M2 1EW  <b>Formerly:</b> Eagle House 175 Hornby Road Blackpool Lancashire FY1 4JA
<b>Any Other Trading Names</b>	None noted

**Appendix 2**

**Joint Administrators' Receipts and Payments Account**



**CTS Instrumentation Limited  
(In Administration)  
Joint Administrators' Abstract of Receipts & Payments**

**Statement  
of Affairs**

**From 14/03/2012  
To 13/09/2012**

	SECURED ASSETS	
500 00	Goodwill	NIL
411,399 00	Book Debts	NIL
		<b>NIL</b>
	SECURED CREDITORS	
(391,809 00)	RBS Invoice Finance Limited	NIL
		<b>NIL</b>
	ASSET REALISATIONS	
600 00	Fixtures and Fittings	1,600 00
8,100.00	Motor Vehicles	8,100 00
5,000 00	Stock	5,000 00
1,000 00	Computer Equipment	NIL
	Debtors	135,480 77
	VAT Element of RBSIF Termination Ch	5,341 58
	Bank Interest Gross	0 80
		<b>155,523.15</b>
	COST OF REALISATIONS	
	Debt Collection Costs	10,637 57
	Joint administrators' remuneration	73,142 50
	Joint administrators' disbursements	507 90
	Accountants Fees	5,000 00
	Re-Direction of Mail	27 20
	Statutory Advertising	76 50
	Bank Charges	63 00
		<b>(89,454.67)</b>
	PREFERENTIAL CREDITORS	
(21,123 00)	Employee Arrears/Hol Pay	NIL
		<b>NIL</b>
	UNSECURED CREDITORS	
(623,844 00)	Trade & Expense Creditors	NIL
(173,847 00)	Employees	NIL
(23,893 00)	HMRC - PAYE/NIC	NIL
(116,657 00)	HMRC - VAT	NIL
		<b>NIL</b>
<b>(924,574.00)</b>		<b>66,068.48</b>
	REPRESENTED BY	
	VAT Receivable	15,628 50
	Floating/main current account	50,439 98
		<b>66,068.48</b>

Stephen Clancy  
Joint Administrator

**Appendix 3**

**Analysis of Time Charged and Expenses Incurred**

40896 CTS INSTRUMENTATION LIMITED

ANALYSIS OF TIME COSTS FOR THE PERIOD 14/03/2012 to 13/09/2012

ADM-Admin - Post Appt

Classification of Work Function	Hours					Total Hours	Time Cost	Avg Hourly Rate
	Partner	Manager	Senior	Assistant	Support			
<b>Administration and Planning</b>								
Case review and Case Diary management	2 20	6 50	0 00	5 80	0 00	14 50	4 140 50	285 55
Cashiering & accounting	0 00	0 50	1 80	4 30	0 00	6 60	1 423 50	215 68
Dealings with Directors and Management	0 00	1 50	0 00	2 10	0 00	3 60	856 50	237 92
IPS set up & maintenance	0 00	0 00	0 00	2 70	0 00	2 70	283 50	105 00
Insurance	0 00	0 00	0 00	1 10	0 00	1 10	209 00	190 00
Statutory matters (Meetings & Reports & Notices)	10 10	32 50	1 30	16 20	0 00	60 10	17 974 50	299 08
Strategy planning & control	3 30	5 00	0 00	0 00	0 00	8 30	3 334 00	401 69
<b>Creditors</b>								
Communications with Creditors/Employees	1 00	0 00	0 00	19 70	0 00	20 70	4 053 00	195 80
Non Pref Creditors/Employee claims handling	0 00	0 00	0 00	7 50	0 00	7 50	787 50	105 00
Secured Creditors	1 20	0 00	0 00	0 00	0 00	1 20	576 00	480 00
<b>Investigations</b>								
CDDA & reports & Communication	4 20	1 50	0 00	9 00	0 00	14 70	4 183 50	284 59
<b>Realisation of Assets</b>								
Book debts	2 50	81 00	0 00	0 40	0 00	83 90	23 971 00	285 71
Freehold and Leasehold Property	0 00	1 00	0 00	0 30	0 00	1 30	362 00	278 46
Sale of business	1 60	17 50	0 00	0 20	0 00	19 30	6 143 50	318 32
<b>Trading</b>								
Trading - Hire Purchase Matters	0 70	0 00	0 00	0 00	0 00	0 70	336 00	480 00
Trading - Insurance	0 00	0 00	0 00	2 70	0 00	2 70	283 50	105 00
Trading - Retention of Title & Claims handling	0 00	7 00	0 00	11 00	0 00	18 00	4 225 00	234 72
<b>Total Hours</b>	<b>26 80</b>	<b>154 00</b>	<b>3 10</b>	<b>83 00</b>	<b>0 00</b>	<b>266 90</b>		<b>274 04</b>
<b>Total Fees Claimed</b>	<b>12,864 00</b>	<b>45,227 50</b>	<b>853 50</b>	<b>14,197 50</b>	<b>0 00</b>		<b>73,142 50</b>	

Category 2 Disbursements