

Rule 2 47

Form 2 24B

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company:
Kinetics Holdings Limited

Company number:
05929594

In the:
High Court of Justice,
Manchester District Registry
Chancery Division

Court case number:
2747 of 2012

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

We (a) Gary N Lee of Begbies Traynor, 340 Deansgate, Manchester, M3 4LY and Neil J Mather of Begbie Traynor, 32 Cornhill, London, EC3V 3BT

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

from / to

(b) Insert dates

(b) 11 February 2012 to 10 August 2012

Signed


G N Lee
Joint Administrator

Dated

30/8/12

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.

Begbies Traynor

340 Deansgate, Manchester, M3 4LY

Tel Number 0161 837 1700

Fax Number 0161 837 1701

DX Number

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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COMPANIES HOUSE

SATURDAY

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability

Kinetics Holdings Limited (In Administration)

Progress report pursuant to Rule 2.47 of the Insolvency Rules 1986

Period: 10 February 2012 to 10 August 2012

Important Notice

This progress report has been produced to comply with our statutory duty to report to creditors on the progress of the administration. 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.

Contents

- ☐ Interpretation
- ☐ Company information
- ☐ Details of appointment of administrators
- ☐ Progress during the period
- ☐ Estimated outcome for creditors
- ☐ Remuneration and disbursements
- ☐ Expenses
- ☐ Assets that remain to be realised
- ☐ Other relevant information
- ☐ Creditors' rights
- ☐ Conclusion
- ☐ Appendices
 - 1 Account of receipts and payments
 - 2 Time costs and disbursements
 - 3 Statement of administrators' expenses

1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Kinetics Holdings Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 11 August 2011
"the administrators" "we" "our" and "us"	Gary N Lee of Begbies Traynor (Central) LLP, 340 Deansgate, Manchester, M3 4LY and Neil John Mather of Begbies Traynor, 32 Cornhill, London, EC3V 3BT
"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"	<ul style="list-style-type: none">(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)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. COMPANY INFORMATION

Trading name	Kinetics Holdings Limited
Date of Incorporation	8 September 2006
Company registered number	05929594
Company registered office	340 Deansgate, Manchester, M3 4LY

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Date of administrators' appointment	11 August 2011
Date of administrators' resignation	n/a
Court	Manchester County Court
Court Case Number	2747 of 2012
Person(s) making appointment / application	Sovereign Capital Limited Partnership II, 25 Victoria Street London, SW1 0EX ("Sovereign")
Acts of the administrators	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EC Regulation on Insolvency Proceedings.	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation.

4. PROGRESS DURING THE PERIOD

Attached at Appendix 1 is our abstract of receipts and payments for the period from 11 February 2012 to 10 August 2012, and for the period of Administration as a whole (11 August 2011 to 10 August 2012).

As previously reported, we were appointed Joint Administrators over the following 'Kinetics Group' companies ("the Group") -

<u>Kinetics Facility Services Ltd</u>		
Kinetics Midlands Ltd	Kinetics South Ltd	Sureway Gas Ltd

In performing our duties as Administrators in the above matters, we became aware of certain contracts, agreements and liabilities being in the name of Kinetics Holdings Ltd, which we were unable to deal with as the Company was not subject to any insolvency proceedings.

It was considered that the Company should also enter Administration to enable Administrators to deal with its affairs and accordingly Gary Lee and Neil Mather were appointed Joint Administrators of the Company on 11 August 2011. The appointment was made by Sovereign as the Qualifying Floating Charge Holder.

You will note from our previous progress report that we had instructed solicitors to undertake a full review of Sovereign's security and indebtedness. It was discovered during this security review that dates contained within the appointment documentation were incorrect and, therefore, it was necessary to seek assistance of the Court regarding this typographical error in the original Administration Order filed in Court.

Accordingly, we sought directions of the Court to rectify this error and as a result the Court have issued a new Administration Order with retrospective effect from the date of the original appointment (11 August 2011)

IT Licences

During the administration of other group entities, our agents, Messrs GVA Grimley, identified certain IT licences that were in the name of the Company

Messrs GVA Grimley were able to find a purchaser for these licences and the sum of £2,110 was realised for the same

Insurance Refunds

We have received further insurance settlements of £250 in the period, taking total refunds in this matter to totalling £10,237.73. These insurance claims relate to 19 separate road traffic accidents involving Kinetics vehicles that were insured under the Company's policy

5. ESTIMATED OUTCOME FOR CREDITORS

Details of the sums owed to each class of the Company's creditors were provided in our progress report for the period 11 August 2011 to 10 February 2012

Secured creditor

As previously advised, Sovereign Capital Limited Partnership II ("Sovereign") has a fixed and floating charge debenture which was registered at Companies House on 20 December 2006

The security of Sovereign, together with their indebtedness relating to a cross guarantee, has now been confirmed and as a result Sovereign will rank as a secured creditor in this matter for any shortfall that they suffer on their indebtedness in respect of Kinetics Group Ltd, which is estimated at £49m

I can confirm that £150,000 has been distributed to Sovereign in the period of this report

Preferential creditors

The Company had no employees and, therefore, we are unaware of any preferential claims in this matter

Unsecured creditors

The present value of unsecured creditors totals £1,129,952.55

There is no prospect of a dividend to the unsecured creditors in this matter other than by virtue of the prescribed part pursuant to Section 176A of the Act.

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Full details of how the prescribed part of the Company's net property set aside for unsecured creditors was provided in our statement of proposals. We anticipate a return to the unsecured creditors by virtue of the prescribed part, which at present is estimated to be in the region of £20k.

6. REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and we are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with our firm's policy, details of which accompanied the Statement of Proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report and have been approved by the secured creditor

Our time costs for the period from 11 February 2012 to 10 August 2012 amount to £34,934.00 which represents 129.00 hours at an average rate of £270.81 per hour. The majority of this time has been incurred in reporting to the secured creditor, providing information to the solicitors regarding the security review and ultimately the application to court.

Accordingly, our total time costs for the period 11 August 2011 to 10 August 2012 amount to £61,949.50 which represents 253.90 hours at an average rate of £243.99 per hour.

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

- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period 11 February 2012 to 10 August 2012
- ☐ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates

To date, we have drawn the total sum of £50,000. No disbursements have yet been drawn.

In addition to the table of time spent by us and our staff in attending to matters arising in the administration for the period covered by this progress report, a cumulative table of time spent and charge out value for the period from 11 August 2011 to 10 August 2012 and a description of the work undertaken since our appointment (contained in the narrative summary of time costs incurred) are also attached at Appendix 2.

7. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred during the period of this progress report is attached at Appendix 3.

8. ASSETS THAT REMAIN TO BE REALISED

We are awaiting confirmation from the Company's insurers as to whether there will be any further realisations received from road traffic accidents involving Kinetics vehicles that were insured under the Company's policy.

9. OTHER RELEVANT INFORMATION

Report on Directors' conduct

As detailed in our statement of proposals, we have a duty to submit a report to the Department for Business, Innovation and Skills on the conduct of the directors. We have complied with our duties in this respect.

Extension of administration

The administration has been extended for a period of 6 months to 10 February 2013 with the consent of the secured creditor

Proposed exit route from administration

We confirm that we are of the opinion that a distribution will be made to the unsecured creditors of the Company by virtue of the prescribed part.

As set out in the administrators proposals, which have been deemed approved by creditors, as soon as we are satisfied that we have fully discharged our duties as administrators and that the purpose of the administration has been fully achieved, the Company will automatically be placed into creditors voluntary liquidation with Gary Lee and Dean Watson acting as liquidators

Should the position change we will issue revised proposals for consideration by creditors dealing with the most appropriate exit strategy from the administration

10. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2.48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been detailed in this progress report.

Right to make an application to court

Pursuant to Rule 2.109 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may, within 8 weeks of receipt of this progress report, make an application to court on the grounds that the remuneration charged or the expenses incurred as set out in this progress report are excessive or, the basis fixed for our remuneration is inappropriate

11. CONCLUSION

We will report again in approximately six months time or at the conclusion of the administration, whichever is the sooner



Gary N Lee
Joint Administrator

Dated 30 August 2012

ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 11 August 2011 to 10 August 2012

ETR per Statement of affairs (£)	Period: 11 8 11 to 10 2.12 (£)	Period: 11.2.12 to 10 8 12 (£)	Total (£)	
ASSET REALISATIONS				
-	Cash at Bank	89,975 13	0 00	89,975 13
-	Book Debts	208,650 75	0 00	208,650 75
7,341	Insurance Refunds	9,987 73	250 00	10,237 73
-	Kinetics Midlands Ltd contribution to costs	5,087 30	0 00	5,087 30
-	Kinetics South Ltd contribution to costs	5,087 30	0 00	5,087 30
-	Bank Interest Gross	114 97	248 12	363 09
	IT Licences	0 00	2,110 00	2,110 00
<u>7,341</u>		<u>318,903.18</u>	<u>2,608.12</u>	<u>321,511.30</u>
COST OF REALISATIONS				
	IT Costs	10,174 60	0 00	10,174 60
	Office Holders Fees	0 00	50,000 00	50,000 00
	Debt Collection Commission	0 00	4,173 02	4,173 02
	Legal Fees (1)	1,000 00	2,948 00	3,948 00
	Legal disbursements	70 00	32 00	102 00
	Statutory Advertising	76 50	0 00	76 50
	Bank Charges	1 73	24 00	25 73
	Distribution to Floating Charge Creditor	0 00	150,000 00	150,000 00
		<u>11,322.83</u>	<u>207,177.02</u>	<u>218,499.85</u>
Balance		<u>307,580.35</u>		<u>103,011.45</u>

TIME COSTS AND DISBURSEMENTS

- 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 11 February 2012 to 10 August 2012, and
- e Cumulative table of time spent and charge-out value for the period from 11 August 2011 to 10 August 2012

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.

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 below.

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 below.

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

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

² Ibid 1

- Displaying properties for sale on the 'Accelerated Property Sales from Begbies Traynor' section of the Begbies Traynor website is charged at the rate of £75 00 per property;
- (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 Manchester 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

Time spent by support staff such as secretarial, administrative and cashiering staff is charged directly to cases. It is not carried as an overhead.

Time is recorded in 6 minute units.

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME: Kinetics Holdings Limited
CASE TYPE: ADMINISTRATION
OFFICE HOLDERS Gary N Lee and Neil John Mather
DATE OF APPOINTMENT 11 August 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**
Please refer to the report for details of the case and its complexity

1 3 **Exceptional responsibilities**
None

1 4 **The office holders' effectiveness**
Please refer to the report for details of the office holders' effectiveness

1 5 **Nature and value of property dealt with by the office holders'**
Please refer to section 4 of the report.

1 6 **Anticipated return to creditors**
Please refer to section 5 of the report

1 7 **Time costs analysis**
An analysis of time costs incurred between 11 February 2012 and 10 August 2012 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

1 8 **Approval of fees, Expenses and Disbursements**
Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and we are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with our firm's policy, details of which accompanied the Statement of Proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report and have been approved by the secured creditor

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

2 1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached

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

Kinetics Holdings Limited

50,000

Kinetics Holdings Limited
Time costs analysis for the period from 11 August 2011 to 10 August 2012

Staff Grade	Hours							Total hours	Time cost £	Average hourly rate
	Partner	Director	Senior Manager	Manager	Assistant Manager	Senior Administrator	Administrator	Junior Administrator	Support	

Administration and planning	20.50	-	-	24.00	-	-	16.30	2.30	-	63.10	16,911	268.00
Appointment and case planning	1.00	-	-	20.10	0.40	0.40	24.90	2.70	7.70	57.20	10,379	181.45
Administration and banking	7.80	-	-	15.10	-	-	19.60	-	-	42.50	9,729	228.91

Statutory reporting and statement of affairs												
Investigations	11.50	-	-	8.50	-	-	8.80	-	-	28.80	7,983	277.19

CDDA and investigations												
Realisation of assets	10.60	-	-	7.30	-	-	-	1.50	-	19.40	6,287	324.05
Debt collection	-	-	-	-	-	-	-	-	-	-	-	-
Property, business and asset sales	-	-	-	-	-	-	-	-	-	-	-	-
Retention of Title/Third party assets	-	-	-	-	-	-	-	-	-	-	-	-

Trading	-	-	-	-	-	-	-	-	-	-	-	-
Trading	-	-	-	-	-	-	-	-	-	-	-	-

Creditors	16.00	-	-	4.50	-	-	1.10	-	-	21.60	7,661	354.68
Secured	-	-	-	2.00	-	-	13.90	5.40	-	21.30	3,001	140.87
Others	-	-	-	-	-	-	-	-	-	-	-	-
Creditors' committee	-	-	-	-	-	-	-	-	-	-	-	-

Other matters	-	-	-	-	-	-	-	-	-	-	-	-
Meetings	-	-	-	-	-	-	-	-	-	-	-	-
Tax	-	-	-	-	-	-	-	-	-	-	-	-
Litigation	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-

Total hours by staff grade	67.40	-	-	81.50	0.40	0.40	84.60	11.90	7.70	253.90		
Total time cost by staff grade	26,623	-	-	21,598	82	70	11,421	1,309	847		61,950	243.99
Average hourly rate £	395.00			265.00	205.00	175.00	135.00	110.00	110.00			

Total fees drawn to date 50,000

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance to be discharged £
Legal Fees and Disbursements	George Davis Solicitors	4,050	4,050	Nil
Statutory Advertising	Courts Advertising Ltd	76 50	76 50	Nil