

The Insolvency Act 1986

Administrator's progress report

Name of Company

Kinetics Group Limited

Company number

05931864

In the High Court of Justice
Chancery Division
Birmingham District Registry

(full name of court)

Court case number

8271 of 2011

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

I/We (a)

G M Wild

Zolfo Cooper

The Zenith Building

26 Spring Gardens

Manchester

M2 1AB

K J Coates

Zolfo Cooper

The Zenith Building

26 Spring Gardens

Manchester

M2 1AB

A C O'Keefe

Zolfo Cooper

The Zenith Building

26 Spring Gardens

Manchester

M2 1AB

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

From

To

(b) Insert date

(b) 11 April 2013

(b) 7 August 2013

Signed

Joint Administrator

Dated

16-8-13

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

Leon Molson
Zolfo Cooper
The Zenith Building
26 Spring Gardens
Manchester
M2 1AB

DX Number

+44 (0) 161 838 4500
DX Exchange

SATURDAY



A14

A2EXKA5Q
17/08/2013
COMPANIES HOUSE

#38

ode

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

Joint Administrators' Final Progress Report for the period 11 April 2013 to 7 August 2013

**Kinetics Group Limited
In Administration**

16 August 2013

Contents

1	Statutory information	1
2	Joint Administrators' proposals.....	1
3	Progress of the Administration.	1
4	Investigations	2
5	Joint Administrators' remuneration	2
6	Unrealised assets.....	3
7	Outcome for creditors.....	3
8	Ending the Administration.....	4
9	Creditors' rights.....	4

Appendices

Receipts and Payments Account for the period 11 April 2013 to 7 August 2013 and a Cumulative Account for the period to 9 June 2011 to 7 August 2013.....	Appendix A
Time Analysis for the period 11 April 2013 to 7 August 2013.	Appendix B
Cumulative Time Analysis for the period 9 June 2011 to 7 August 2013	Appendix C
Additional information in relation to the Joint Administrators' remuneration pursuant to Statement of Insolvency Practice 9.....	Appendix D

Zolfo Cooper
The Zenith Building
26 Spring Gardens
Manchester M2 1AB

t: +44 (0) 161 838 4500 f: +44 (0) 161 838 4501

© Zolfo Cooper 2013. All rights reserved

www.zolfocooper.com



1 Statutory information

- 1.1 Anne O'Keefe was appointed Joint Administrator of Kinetics Group Limited (the Company) together with Graham Wild and Kevin Coates on 9 June 2011 by the Company's floating charge holder, Sovereign Capital Limited Partnership II (Sovereign), 25 Victoria Street, London, SW1H 0EX.
- 1.2 The Administration is being handled by Zolfo Cooper's Manchester office, situated at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.
- 1.3 The Administration is registered in the High Court of Justice, Chancery Division, Birmingham District Registry, under reference number 8271 of 2011.
- 1.4 The trading address of the Company was Enterprise House, Morden, Surrey, SM4 4LL.
- 1.5 The registered office of the Company has been changed to The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB and its registered number is 05931864
- 1.6 In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Joint Administrators are to be exercised by any or all of the Joint Administrators
- 1.7 The Company, The Lord Group Limited - in Liquidation (Lord), Cameron Industrial Services Limited - formerly in Administration (CIS), Hudson Engineering Services Limited - in Administration (Hudson), Seaflame Company Limited (Seaflame) - in Liquidation, Walmotts Holdings Limited - in Liquidation and T.A Horn Holdings Limited - now dissolved, together formed part of the Kinetics Group (the Group).

2 Joint Administrators' proposals

- 2.1 As advised in the Joint Administrators' Report and Statement of Proposals (the Proposals) previously sent to creditors, the Joint Administrators must perform their functions with the purpose of achieving one of the following 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.
- 2.2 The Proposals advised that the Joint Administrators were pursuing the second objective, namely 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) This was achieved via a pre-packaged sale to SCP Renewable Energy Limited, now Kinetics Facility Services Limited (KFS), which has allowed distributions to be made to the secured and preferential creditors and will allow a distribution to be made to the unsecured creditors of the Company. Further details can be found later in this report.

3 Progress of the Administration

- 3.1 Attached at Appendix A is the Joint Administrators' Receipts and Payments Account for the period 11 April 2013 to 7 August 2013 and a Cumulative Account for the period 9 June 2011 to 7 August 2013.

- 3.2 Please note that this report should be read in conjunction with the Proposals and the Joint Administrators' previous reports, as realisations in prior periods have not been commented on here.

Contribution to costs

- 3.3 As previously reported, a contribution of £290,000 was made by Sovereign towards the costs of the insolvency proceedings of the Group.
- 3.4 Of the £290,000 contributed by Sovereign, some £218,767 is currently held by the Company. Following the release of a number of provisions for costs, it is now estimated that only £170,000 will be required to cover the shortfall between the assets realised, excluding the settlement from Sovereign, and the costs incurred.
- 3.5 Once the costs associated with the Liquidation of the Company have been finalised, the balance of the contribution, estimated at approximately £49,000, will be distributed to Hudson where it will be utilised against its associated Administration costs.

4 Investigations

- 4.1 The Joint Administrators conducted investigations into the conduct of the directors and transactions entered into prior to the Company's insolvency, as required by the Company Directors Disqualification Act, and Statement of Insolvency Practice 2 - Investigations by Office Holders in Administrations and Insolvent Liquidations.
- 4.2 The Joint Administrators previously advised that they had identified two transactions totalling £900,000, that required further investigation.
- 4.3 The transactions related to payments made to Sovereign immediately prior to the Administration.
- 4.4 As detailed in section 7.1, as Sovereign holds a floating charge over the Company's assets, the majority of funds would have flowed to them in any event, and accordingly the actual loss to the Company's creditors is approximately £163,000. This is made up of the value of the preferential creditors and the estimated Unsecured Creditors' Fund (see section 7).
- 4.5 Following a number of discussions with Sovereign, and having taken advice from the Joint Administrators' solicitors, a full and final offer of settlement of £100,000 was accepted from Sovereign. Please note that the reduced settlement was accepted in order to avoid the need for costly and protracted litigation. This amount has been received and all investigations have now been finalised.

5 Joint Administrators' remuneration

- 5.1 The relevant creditors approved that the basis of the Joint Administrators' remuneration be fixed by reference to the time properly spent by the Joint Administrators and their staff on matters arising in the Administration.
- 5.2 The Joint Administrators' time costs for the period 11 April 2013 to 7 August 2013 are £16,980. This represents 65 hours at an average rate of £260 per hour. Attached at Appendix B is a Time Analysis for the period which provides details of the costs incurred by activity and by staff grade. Approval of the Joint Administrators' remuneration has been sought in accordance with Rule 2.106 of the Insolvency Rules 1986 as amended.

- 5.3 Principal areas of activity during the period are discussed in further detail below:
- **Administration and planning** - time has been incurred implementing and monitoring the case strategy, complying with statutory duties and performing general administrative work. Case related treasury and support time is also recorded here.
 - **Investigations** - Time spent investigating and settling the two transactions referred to in section 3 is recorded in this section.
 - **Creditors** - time has been incurred preparing statutory reports and dealing with unsecured creditor communications. As a result of the two preferential transactions, a significant amount of time has also been spent negotiating with the secured creditor.
- 5.4 A copy of 'A Creditors' Guide to Administrations' which includes guidance on Administrators' fees can be downloaded from Zolfo Cooper's creditor portal (<http://www.zcinfoportal.com>). If you would prefer this to be sent to you in hard copy please contact Rob Hart on 0161 838 4520 or rhart@zolfocooper.eu.
- 5.5 Also attached at Appendix C is a Cumulative Time Analysis for the period 9 June 2011 to 7 August 2013 which provides details of the activity costs incurred by staff grade since the Joint Administrators' appointment.
- 5.6 Fees of £228,000 plus category 1 disbursements of £12,519 have been drawn. No further fees will be drawn
- 5.7 As previously reported, £293 of Category 2 disbursements had been drawn by the Joint Administrators without the requisite approval. In addition to the £293, a further £106 of Category 2 disbursements, drawn in relation to mileage, had been paid and coded on the Receipts and Payments account as travel and subsistence. These disbursements have since been refunded to the Administration.
- 5.8 Information in relation to the Joint Administrators' policy on staffing, the use of sub-contractors, disbursements and details of their current charge-out rates by staff grade is provided in Appendix D.

6 Unrealised assets

- 6.1 All assets have now been realised and the Receipts and Payments Account at Appendix A reflects the final position on both realisations achieved and payments discharged during the course of the Administration.

7 Outcome for creditors

Secured creditor - Sovereign

- 7.1 The Company granted a fixed and floating charge to Sovereign on 8 April 2011. At the date of appointment, Sovereign was owed £49 million (excluding interest and charges) under its security across the Group. To date, distributions totalling £683,449 have been made from the Company. Additional distributions have been made from the other Group companies, however, Sovereign will still suffer a significant shortfall on its lending

Preferential creditors

- 7.2 Preferential claims totalling £15,449 were paid in full on 2 November 2012.

Unsecured Creditors' Fund

- 7.3 Pursuant to section 176A of the Insolvency Act 1986, where there is a floating charge which post-dates 15 September 2003, the Joint Administrators are required to create a fund from the Company's net property available for the benefit of unsecured creditors (Unsecured Creditors' Fund).
- 7.4 As the Company granted a floating charge to the secured creditor after 15 September 2003, the Joint Administrators were required to create an Unsecured Creditors' Fund.
- 7.5 The Company had no net property available for distribution to preferential and unsecured creditors. As detailed in section 3, the Joint Administrators accepted a full and final settlement of £100,000 towards the losses incurred by the creditors of the Company. After payment of the preferential creditors, detailed above, the sum of £84,551 will be available for the unsecured creditors.

Unsecured creditors

- 7.6 Unsecured creditors claims received to date total £3.6 million compared to the directors' statement of affairs which values unsecured claims at £36.1 million. As detailed above, the Joint Administrators confirm that there will be £84,551, before costs, available for distribution to the unsecured creditors. Based on claims received to date the estimated dividend to unsecured creditors will be approximately two pence in the pound.

8 Ending the Administration

Creditors Voluntary Liquidation (CVL)

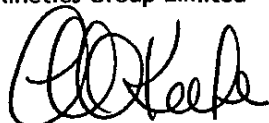
- 8.1 As there are sufficient realisations to allow a distribution to unsecured creditors by virtue of the Unsecured Creditors' Fund, the Joint Administrators have filed a notice at the Registrar of Companies in order that the Administration ceases and the Company automatically moves into CVL. The Joint Administrators will send copies of these documents to the Company and its creditors. The Joint Administrators' appointment will end following the registration of the notice by the Registrar of Companies. In accordance with the Proposals, the Joint Administrators will become the Joint Liquidators of the CVL.

9 Creditors' rights

- 9.1 Within 21 days of the receipt of the report, a secured creditor, or an unsecured creditor (with the agreement of at least 5% of the value of the unsecured creditors), may request in writing that the Joint Administrators provide further information about their remuneration or expenses (other than pre-Administration costs) which have been itemised in this progress report.

- 9.2 Any secured creditor, or an unsecured creditor (with the agreement of at least 10% of the value of unsecured creditors), may, within eight weeks of receipt of this report, make an application to court on the grounds that the basis fixed for the Joint Administrators' remuneration is inappropriate, or that the remuneration or the expenses incurred by the Joint Administrators as set out in this progress report are excessive.

For and on behalf of
Kinetics Group Limited



Anne O'Keefe
Joint Administrator

Encs

**Receipts and Payments Account for the period
11 April 2013 to 7 August 2013 and a Cumulative
Account for the period 9 June 2011 to
7 August 2013**

Appendix A

Statement of Affairs		Period	Cumulative
£		£	£
Fixed charge assets			
Receipts			
Goodwill		-	500,000
Contribution to costs		5,007	10,249
Right to novate contracts		-	180,449
		5,007	690,698
Payments			
Joint Administrators' fees		5,000	5,000
Legal fees		-	5,249
		(5,000)	(10,249)
Distributions			
Fixed chargeholder		-	680,449
		-	(680,449)
Balance of fixed charge assets		7	-
Floating charge assets			
Receipts			
50,000	Fixtures and fittings	-	45,950
	Insurance refund	-	500
	Cash at bank	-	37,575
	Rent	-	19,573
	Bank interest	39	347
	Vans sold pre-appointment	-	2,900
	Third party contribution to costs	(5,007)	208,518
	Investigation settlement	100,000	100,000
	Sundry receipts	-	33,708
		95,032	449,071

**Receipts and Payments Account for the period
11 April 2013 to 7 August 2013 and a Cumulative
Account for the period 9 June 2011 to
7 August 2013 (cont'd)**

Appendix A

Statement of Affairs £	Period £	Cumulative £
Payments		
Joint Administrators' fees	28,000	223,000
Category 1 disbursements:		
Stationery and postage	30	1,155
Redirection of mail	-	54
Storage costs	-	6,255
Specific penalty bond	-	210
Travel and subsistence	(106)	3,795
Telephone	-	123
Company search	-	121
Sundry	358	806
Category 2 disbursements:		
Photocopying	(293)	-
Legal fees	2,500	30,647
Agent's/valuer's fees	-	5,968
Public relations	-	844
Employee agents	-	1,982
Rents payable	-	19,573
Insurance	-	475
Bank charges	2	323
	<u>(30,491)</u>	<u>(295,331)</u>
Distributions		
Preferential creditors:		
Redundancy payments service, 100p/£, 2/11/2012	-	11,281
Employees, 100p/£, 2/11/2012	-	4,168
Floating chargeholder	-	3,000
	<u>-</u>	<u>(18,449)</u>
Balance of floating charge assets	<u>64,541</u>	<u>135,291</u>
Balance available for Liquidation		<u>135,291</u>

Time Analysis for the period 11 April 2013 to 7 August 2013

Appendix B

	Employee grade (hours)				£		
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Strategy and control	1.0		0.6	-	1.6	557.00	348
Statutory duties		0.1	0.2	0.1	0.4	87.00	218
Case administration	0.1		0.7		0.8	204.00	255
Accounting and treasury	0.8		3.9	4.5	9.2	1,748.50	190
Internal documentation	0.2			0.4	0.6	122.00	203
Investigations							
Director conduct reports			0.4		0.4	96.00	240
Other investigations	3.0		2.3		5.3	1,797.00	339
Realisation of assets - floating charge							
Recovery of assets	3.5		-		3.5	1,452.50	415
Asset accounting and administration	0.1		-		0.1	36.00	360
Creditors							
Creditor claims			-	0.1	0.1	12.50	125
Reporting to creditors	7.3		20.5	0.9	28.7	7,894.50	275
Unsecured creditors	1.1	0.1	0.8	4.8	6.8	1,208.00	178
Employees	1.3		4.1	2.5	7.9	1,764.50	223
Totals	18.4	0.2	33.5	13.3	65.4	16,979.50	260

Cumulative Time Analysis for the period 9 June 2011 to 7 August 2013

Appendix C

	Employee grade (hours)				£		
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Planning	4.0	-	6.6	-	10.6	2,878.00	272
Strategy and control	45.7	15.4	16.1	7.5	84.7	26,811.50	317
Statutory duties	0.7	3.2	7.2	11.4	22.5	4,240.50	188
Case administration	3.4	6.8	10.4	31.2	51.8	9,383.00	181
Accounting and treasury	7.7	1.3	32.1	78.8	119.9	18,445.00	154
Travel and waiting time	-	11.0	1.8	2.7	15.5	4,189.50	270
Internal documentation	1.3	0.6	9.1	13.5	24.5	4,218.50	172
Investigations							
Director conduct reports	19.5	1.5	19.9	0.5	41.4	11,988.50	290
Other investigations	26.9	3.2	32.1	1.8	64.0	17,990.50	281
Internal documentation	-	-	0.8	0.1	0.9	189.50	211
Realisation of assets - fixed charge							
Asset identification and valuation	1.0	-	2.0	0.2	3.2	878.00	274
Sale of assets	1.5	0.8	-	-	2.3	844.50	367
Recovery of assets	4.5	-	-	-	4.5	1,787.50	397
Dealing with third party assets	-	-	7.2	-	7.2	1,656.00	230
Asset accounting and administration	-	-	0.4	-	0.4	92.00	230
Realisation of assets - debtors							
Debt collection	30.9	58.8	58.3	7.8	155.8	43,149.50	277
Debtor litigation	1.5	-	0.6	-	2.1	648.00	309
Internal and external documentation	1.5	0.7	22.0	-	24.2	5,790.50	239
Realisation of assets - floating charge							
Asset realisation strategy	1.1	-	-	-	1.1	426.50	388
Asset identification and valuation	-	0.4	2.2	0.1	2.7	643.50	238
Sale of assets	-	0.5	2.7	0.1	3.3	790.00	239
Recovery of assets	5.8	0.8	2.8	-	9.4	3,055.50	325
Dealing with third party assets	-	4.9	39.5	0.8	45.2	10,647.50	236
Asset accounting and administration	0.1	-	1.4	-	1.5	358.00	239
Trading							
Trading strategy	-	-	6.0	-	6.0	1,320.00	220
Trading activities	-	-	0.8	1.2	2.0	322.00	161
Accounting and administration	1.7	0.3	6.2	9.5	17.7	3,156.50	178
Creditors							
Creditor claims	-	1.0	0.1	0.3	1.4	373.50	267
Internal documentation	-	-	0.3	0.7	1.0	149.50	150
Creditor strategy	2.0	0.4	-	-	2.4	806.00	336
Reporting to creditors	71.4	3.6	71.5	7.5	154.0	45,938.00	298
Creditor meetings	-	-	0.3	1.4	1.7	230.00	135
Secured creditors	3.3	8.0	0.2	-	11.5	3,715.50	323
Preferential creditors	0.9	0.4	3.7	12.1	17.1	2,664.50	156
Unsecured creditors	3.9	7.9	50.5	72.0	134.3	23,613.00	176
Employees	3.5	9.5	27.9	15.5	56.4	12,168.00	216
Totals	243.8	141.0	442.7	276.7	1,104.2	265,558.00	240

Additional information in relation to the Joint Administrators' remuneration pursuant to Statement of Insolvency Practice 9

Appendix D

1 Policy

Detailed below is Zolfo Cooper's policy in relation to:

- staff allocation and the use of sub-contractors,
- professional advisors; and
- disbursements.

1.1 Staff allocation and the use of sub-contractors

The Joint Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The case team will usually consist of a partner, a senior associate, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Joint Administrators' charge-out rate schedule below provides details of all grades of staff and their experience level.

With regard to support staff, time spent by treasury in relation to specific tasks on an assignment is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution.

The following services have been provided on this assignment by external sub-contractors.

Service type	Service provider	Basis of fee arrangement	Cost to date £
Employee claim processing	INSOL Group Limited	Fixed rate per employee	1,982

1.2 Professional advisors

On this assignment the Joint Administrators have used the professional advisors listed below. The Joint Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
DLA Piper UK LLP (legal advice)	Hourly rate and disbursements
Willis Limited (insurance)	Risk based premium
GVA Grimley Limited (valuation and disposal advice)	Fixed fee
Hill & Knowlton Limited (public relations)	Hourly rate and disbursements
Speechley Bircham LLP (legal advice)	Hourly rate and disbursements

The Joint Administrators' choice was based on their perception of the professional advisors experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them.

1.3 Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case, eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Any properly reimbursed expenses incurred by the Joint Administrators and their staff will also be chargeable.

Category 2 disbursements require prior approval by creditors before they are paid. The Joint Administrators have refunded the disbursements previously drawn, as they do not have the required approval.

2 Charge-out rates

A schedule of Zolfo Cooper charge-out rates for this assignment effective from 1 April 2013 is detailed below, together with those applicable prior to that date. Time is charged by partners and case staff in units of six minutes.

Rates from 1 April 2013		Rates pre 1 April 2013	
Description	£	Description	£
Partner 1*	445	Partner 1*	445
Partner 2*	415	Partner 2*	395
Director	360	Director	340
Associate director*	320	Senior associate 1*	315
Senior associate	280	Senior associate 2*	265
Associate	240	Associate	230
Analyst	220	Analyst	220
Junior analyst	125	Junior analyst	115
Senior treasury associate	170	Senior treasury associate	155
Treasury associate	110	Treasury associate	105
Treasury analyst	85	Treasury analyst	80
Support	79	Support	75

***Key**

Partner 1 - partners with three or more years' experience at partner level

Partner 2 - partners with fewer than three years' experience at partner level

Promotion from senior associate to associate director from 1 April 2013 is on the basis of performance and experience. Prior to that, the distinction from senior associate 2 to senior associate 1 was made for staff with two or more years' experience at senior associate level.