

AM03

Notice of administrator's proposals



Companies House

THURSDAY



A15 *A7GCJXFE* 11/10/2018 #184
COMPANIES HOUSE

1 Company details

Company number 0 6 1 3 1 5 5 7

Company name in full Kavell Civil Engineering Limited

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

2 Administrator's name

Full forename(s) Gregory Andrew

Surname Palfrey

3 Administrator's address

Building name/number 4th Floor, Cumberland House

Street 15-17 Cumberland Place

Post town Southampton

County/Region

Postcode S O 1 5 2 B G

Country

4 Administrator's name ①

Full forename(s) Neil John

Surname Mather

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

5 Administrator's address ②

Building name/number Tower Bridge House

Street St Katharine's Way

Post town

County/Region London

Postcode E 1 W 1 D D

Country

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

AM03

Notice of Administrator's Proposals

6

Statement of proposals



I attach a copy of the statement of proposals

7

Sign and date

Administrator's
Signature

Signature

X

G A P. [Signature]

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Signature date

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AM03 Notice of Administrator's Proposals



Presenter information

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

Contact name	Sam Tovey
Company name	Smith & Williamson LLP
Address	4th Floor, Cumberland House
15-17 Cumberland Place	
Post town	Southampton
County/Region	
Postcode	S O 1 5 2 B G
Country	
DX	
Telephone	023 8082 7600



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



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Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



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Kavell Civil Engineering Limited(in administration)

Joint administrators' Report and Statement of Proposals pursuant
to Paragraph 49 of Schedule B1 Insolvency Act 1986

8 October 2018



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1. Glossary

Abbreviation	Description
the Company	Kavell Civil Engineering Limited
the administrators/joint administrators	Gregory Andrew Palfrey and Neil John Mather
SIP	Statement of Insolvency Practice (England & Wales)
IA86	Insolvency Act 1986 If preceded by S this denotes a section number
Sch B1	Schedule B1 to the Insolvency Act 1986 If preceded by P this denotes a paragraph number
IR16	Insolvency (England and Wales) Rules 2016 If preceded by R this denotes a rule number
SOA	Statement of Affairs
ETR	Estimated to realise
CVA	Company Voluntary Arrangement
CVL	Creditors' Voluntary Liquidation
QFCH	Qualifying Floating Charge Holder - a secured creditor who has the power to appoint an administrator
Lloyds	Lloyds Bank Plc
Lloyds CF	Lloyds Bank Commercial Finance Limited

2. Introduction

We, Gregory Andrew Palfrey, of Smith & Williamson LLP, 4th Floor Cumberland House, 15-17 Cumberland Place, Southampton, SO15 2BG and Neil John Mather, of Mazars LLP, Tower Bridge House, St Katharine's Way, London, E1W 1DD both licensed insolvency practitioners, were appointed administrators of the Company on 2 October 2018.

This report sets out our proposals in respect of the administration of the Company.

Appendix I contains information in respect of the Company and the joint administrators that is required under the IR16.

Appendix VIII contains our SIP 16 statement.

We will deliver these proposals to the creditors on 10 October 2018.

3. Key points

We were appointed joint administrators of the Company on 2 October 2018 by the Directors with the consent of the floating charge creditors.

- The objective of the administration is as in P3(1)(c) Sch B1, namely realising property in order to make a distribution to one or more secured or preferential creditors.
- Prior to Smith & Williamson being engaged to advise the Company, the Company's contracts were novated to MEC Groundworks Limited ("Groundworks") ("the Purchaser") who also acquired the Company's outstanding book debts under the terms of a sale agreement dated 30 August 2018.
- The Company's employees, including the directors, transferred to Groundworks in accordance with TUPE.
- A pre-packaged sale of the Company's remaining assets to Groundworks was completed on 2 October 2018 for £78,000.
- There were a number of contracts that the Company had been invited to tender for prior to the sale to Groundworks on 30 August 2018, it has been agreed that Groundworks will make a payment of £5k for each of these contracts if they are subsequently awarded them.
- The administration objective will be achieved by utilising the funds received from the pre-packaged sale to make a distribution to Lloyds.
- Lloyds were owed a balance of circa £45k in respect of an overdraft facility secured by way of debenture.
- No preferential claims are expected as all employees transferred to the Purchaser.
- We do not believe there to be sufficient property to enable us to pay a dividend to unsecured creditors other than by way of the Prescribed Part and have made a statement pursuant to P52(1)(b) Sch B1 accordingly. A creditors' decision to approve the proposals is, therefore, not being sought.
- At this point, approval of the proposals only is being sought and we will be seeking approval of the basis of our remuneration and disbursements as set out at section 14 and of the pre-appointment costs and expenses as set out in section 13 from the secured creditors in due course.
- If 10% or more by value of the Company's creditors wish us to call a meeting to consider the proposals, details of the process is covered in section 16 below.
- We will also be seeking approval of our discharge from liability from the secured creditors in due course.

4. Background to the administration

Gregory Andrew Palfrey and Neil John Mather are both qualified insolvency practitioners and licensed by the Institute of Chartered Accountants in England & Wales. As proposed joint administrators, statements and consents to act were provided by both on 2 October 2018.

Notice of intention to appoint joint administrators ("NOI") were filed by the directors as follows:

- the first NOI was filed at the High Court of Justice Business and Property Court in Manchester on 23 August 2018;
- a second NOI was filed in the High Court of Justice, Business and Property Courts of England and Wales on 7 September 2018; and
- a third NOI was filed in the High Court of Justice, Business and Property Courts of England and Wales on 21 September 2018

Copies of these were served on the QFCHs, Lloyds and Lloyds CF, who raised no objections and both consented to the appointment of the joint administrators.

We were appointed joint administrators of the Company by the directors on 2 October 2018.

Further detail in respect of the circumstances leading up to the appointment of administrators is given in section 3 of our SIP 16 statement at appendix VIII.

5. Purpose of administration and strategy

The joint administrators must perform their functions with the objective of:

- 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.*

In this case, the third objective above is being pursued, as:

- (i) It was not possible to rescue the Company as a going concern, the Company's main business having already been sold by its directors prior to the involvement of the administrators; and
- (ii) based on the current estimated outcome, it appears unlikely that unsecured creditors will receive a return, other than from the prescribed part.

Our role, prior to appointment as joint administrators, was to advise the Company, not the directors or any party considering acquisition of the business whether by means of a pre-pack or other. Once appointed, administrators are obliged to perform their functions in the interests of the Company's creditors as a whole. Where the objective of the administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty to avoid harming unnecessarily the interests of the creditors as a whole.

Section 7 provides details of the actions taken to date in pursuit of our strategy for the administration and section 10 details our proposals to achieve the purpose of the administration and to bring it to a conclusion in due course.

6. Joint administrators' receipts and payments

No funds have yet been received into the administration bank account, the first payment of £26,000 received in respect of the pre-pack sale is being held by our solicitors, Boyes Turner LLP. We have not therefore included a summary of our receipts and payments for the administration.

7. Conduct of the administration

7.1 Pre-packaged sale

Following the completion of the pre-packaged sale of the Company's business and assets on 2 October 2018 to Groundworks, the joint administrators are obliged to provide information on the sale pursuant to the requirements of SIP 16, Pre-packaged Sales in Administration.

The joint administrators' SIP 16 statement is attached as Appendix VIII.

The following is a summary of the pre-pack sale:

- The sale completed on 2 October 2018.
- The sale comprised the Company's owned vehicles, small plant & equipment and office effects.
- The consideration for the assets above was £78k, payable in three equal instalments.

- The Purchaser also agreed to pay £5k in respect of each contracts taken on after the date of sale that had been previously tendered for, payable in two equal instalments.
- The deferred consideration is secured by way of a corporate guarantee given by the Purchaser's parent company.

7.2 Novation of contracts etc.

As detailed in our SIP 16 statement, the Company's directors sold the Company's trading business to MEC Groundworks Limited on 30 August 2018. The joint administrators did not advise on any aspects of this sale, the terms of which will be now be reviewed in the administration.

7.3 Leasehold premises

The Company occupied leasehold premises under the terms of a three year lease dated 14 February 2017 that commenced on 31 March 2017; the rent payable is £40,138 p.a. We understand that Groundworks have continued to occupy the premises since 30 August 2018 and are paying the rent as it falls due. We will ascertain Groundworks intention in respect of the lease and also appoint agents to review the terms of the lease and advise as to whether there is any value in it for the administration estate.

7.4 Book debts

As detailed in our SIP 16 statement the Company's book debts were subject to an invoice discounting agreement with Lloyds CF and the majority of the debts were acquired by Groundworks except for certain debts that were:

- Disputed debts;
- An insured debt relating to a customer in administration; and
- Retentions.

We are currently unable to quantify the above from the records we hold. A review of the amounts and any potential realisations for the administration estate will be undertaken in due course.

7.5 Directors' loan accounts

The Company's accounting records appear to indicate that there is a total of £15k due from the directors, this will be investigated in due course and repayment sought if considered recoverable.

7.6 Other steps taken since appointment

We summarise below the other key matters that we have dealt with since our appointment. We have:

- Notified various parties of our appointment as required by statute.
- Isolated and recovered records of the Company where required for the purposes of the administration.

8. Financial position at the date of administration

8.1 Draft management accounts balance sheet

A SOA has not yet been received from the directors, this was requested on 8 October 2018 and the directors have 11 days from the date of receiving the request to comply. Attached as Appendix **Error! Reference source not found.** is a management accounts balance sheet extracted by us from the Company's SAGE accounting software, together with a list of creditors' names and addresses, details of their debts and, where applicable, details of any security held by them.

Unfortunately, the transactions relating to the novation of contracts and certain book debts, together with any other asset sales that took place prior to the sale on 30 August 2018, have not yet been reflected in the Company's accounting records. This information has been taken from the company records but has not been subject to any review.

8.2 Charges and secured creditors

The Company granted the following charges:

Chargeholder	Type of charge	Date	Amount due £	Paid to date £
Lloyds Bank Plc	Fixed & floating charge debenture	10 July 2014	49,934	Nil
Lloyds Bank Commercial Finance Limited	Fixed & floating charge debenture	27 July 2015	140,000 ¹	Nil
Totals			189,934	Nil

¹ The amount shown as due to Lloyds Bank Commercial Finance Limited has been estimated

We have not been made aware of any deed of priority in respect of these charges.

8.3 Prescribed Part

Where a company has created a floating charge on or after 15 September 2003 Section 176A of the Insolvency Act 1986 makes provision for a share of the company's net property to be set aside for distribution to unsecured creditors in priority to the floating charge holder. The Company's net property is the balance that remains after preferential creditors have been paid and which would then otherwise be available for satisfaction of the claims of any holder of a debenture secured by a floating charge. The funds are referred to as the Prescribed Part.

The amount of the Prescribed Part is calculated as follows:

- 50% of the net property up to £10,000, plus
- 20% of the net property over £10,000
- up to a maximum Prescribed Part of £600,000.

As shown in section 8.2 the Company granted a floating charge to Lloyds on 10 July 2014.

Accordingly, we are required to set aside a Prescribed Part fund for unsecured creditors out of the Company's net floating charge property.

Based on present information, we estimate the value of the Company's net floating charge property to be £23,000. Arising from this, the value of the unsecured creditors' Prescribed Part fund is estimated to be £8,000. Please be aware that the value of this fund is likely to fluctuate during the course of the administration and further updates will be provided in our progress reports in due course.

Where there is a Prescribed Part distribution to be made, this will be distributed by the joint administrators in the administration.

8.4 Preferential creditors

No preferential claims are expected as all employees, together with associated liabilities, transferred to Groundworks.

8.5 Unsecured creditors

Unsecured creditors are estimated to be £2m in the Estimated Financial Position of the Company. In addition to the amounts in the Estimated Financial Position of the Company there are as yet, unquantified amounts due to the Landlord relating to future rents, dilapidations and other costs due under the terms of the lease. These claims could be substantial.

9. Estimated outcome for creditors

Our current assessment of the likely outcome for creditors is as follows:

- Secured creditors' position :
 - Lloyds Bank Plc will receive a payment from floating charge realisations in respect of the outstanding overdraft of circa £50k. Current estimates indicate that this balance will not be repaid in full.
 - Lloyds Commercial Finance Limited will continue to receive payments relating to the debts not acquired by Groundworks. The balance due in respect of the facility is estimated at £140K. Current estimates indicate that this balance will not be repaid in full.
- Preferential creditors' position - no preferential claims are expected to be received
- Unsecured creditors' position - It is currently estimated that there will be a distribution to unsecured creditors by way of the prescribed part. The amount and timing of any such distribution is currently uncertain.

An Estimated Outcome Statement summarising the position is attached at Appendix VII.

10. Proposals for achieving the purpose of administration

Our proposals for achieving the purpose of administration for the Company are as follows:

- i. The administrators will continue to manage the affairs of the Company in order to achieve the purpose of the administration, namely with the objective of realising property in order to make a distribution to one or more secured or preferential creditors pursuant to P3(1)(c) Sch B1.

Practical steps to be taken for this purpose include:

 - Collection of the deferred consideration payable under the terms of the pre-pack sale
 - Review of the trade debtor position and assessing any amounts potentially recoverable into the administration estate
 - Carrying out a review of the sale contract dated 30 August 2018 and of the novation of the ongoing contracts and book debts that took place prior to the pre-pack sale
 - Review and agreement of directors' loan balances
 - Investigating any matters which come to our attention as requiring further inspection and pursuing recoveries if appropriate
- ii. If having realised the assets of the Company, the joint administrators think that a distribution will be made to unsecured creditors, other than by way of any applicable Prescribed Part distribution, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the joint administrators to an end and will move the Company automatically into CVL in order that the distribution can be made.
- iii. If the administrators consider it appropriate and cost effective to do so, they may make an application to court for permission to make any distribution to the unsecured creditors that is not from the Prescribed Part in the administration instead of moving the Company to CVL and then making a distribution. (Note: If permission is granted, subject to the need for further investigations as detailed in the next section, the Company will exit into dissolution once the distribution has been made and the administration concluded).

- iv. If the joint administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the court and the Registrar of Companies for the dissolution of the Company.
- v. The joint administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 IA86, as they consider desirable or expedient to achieve the purpose of the administration.

11. Exit route from administration

It is proposed that, at the appropriate time, the joint administrators will use their discretion to exit the administration by way of one of the following means:

- i) If having realised the assets of the Company, the joint administrators think that a distribution will be made to the unsecured creditors other than by virtue of the Prescribed Part, they may file a notice with the Registrar of Companies which will have the effect of bringing the appointment of the joint administrators to an end and will move the Company automatically into CVL in order that the distribution can be made, but only if they consider that the associated incremental costs of a CVL are justified. In these circumstances, it is proposed that the joint administrators will become the joint liquidators of the CVL. The acts of the joint liquidators may be undertaken by either or both of them.

Creditors have the right to nominate alternative liquidators of their choice. To do this, creditors must make their nomination in writing to the joint administrators prior to these proposals being approved. Where this occurs, the joint administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the joint administrators will automatically become the joint liquidators of the Company in the subsequent CVL.

- ii) If the joint administrators have, with the permission of the court, made a distribution to unsecured creditors in addition to any Prescribed Part distribution, or they think that the Company otherwise has no property which might permit a distribution to its unsecured creditors, subject to there being a need for further investigations as described below, they will file a notice, together with their final progress report, at court and with the Registrar of Companies for the dissolution of the Company. 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.
- iii) Administrators have the power to bring claims against former officers of the Company in respect of transactions that may have caused or exacerbated a company's insolvency. Claims with a good prospect of success may indeed be pursued by administrators but there may be cases where it would be more appropriate if a liquidator brought the claim or where the timeframe would not be long enough, given the maximum extension period available to administrators. The proposed exit route would, in these cases, be liquidation.

If a creditors' committee is established the joint administrators will consult with the members and agree the most appropriate exit route from administration.

12. Other matters relating to the conduct of the administration

The matters detailed below are not considered to be part of the proposals but are intended to provide creditors with information concerning the remaining statutory and other matters that must be dealt with in the administration.

- Submitting confidential information relating to the conduct of the directors to the Department for Business, Energy & Industrial Strategy. This obligation arises under the Company Directors' Disqualification Act 1986. Creditors should note that the content of any submission is strictly confidential and under no circumstances will discussions be entered into regarding this.
- Agreeing the claims of and making payment to secured creditors, including floating charge holders, in accordance with their respective priorities, subject to availability of funds
- Filing corporation tax returns and obtaining tax clearance in respect of the final pre-administration period
- Filing corporation tax returns and obtaining tax clearance in respect of the administration period
- Filing VAT returns and obtaining tax clearance in respect of the final pre-administration period
- Filing VAT returns and obtaining tax clearance in respect of the administration period
- Paying all costs and expenses of the administration once any required approval has been obtained
- Further statutory reporting as required by IA86 and IR16.

13. Pre-administration costs and expenses

13.1 Pre-administration costs

Pre-administration costs are defined as fees charged and expenses incurred by the joint administrators or another person qualified to act as an insolvency practitioner before the Company entered administration (but with a view to its doing so), and "unpaid pre-administration costs" are pre-administration costs which had not been paid when the Company entered administration.

Set out below are details of our pre-administration costs in accordance with R2.33(2)(ka) and R2.33(2B) IR86:

- The basis of our pre-administration costs was set out in our engagement letter with the Company dated 6 September 2018. Our costs were fixed at a maximum of £20,000 plus disbursements & VAT.
- Our engagement letter covered advice and assistance provided to the Company in respect of the sale of the remaining assets and the administration appointment. Our time costs in respect of this were £21,181.50 which remain unpaid in their entirety at the date of this report. An analysis of these costs is set out at Appendix IV.
- It was necessary to carry out this work prior to the Company entering administration to facilitate the pre-packaged sale of the Company's business and assets. For the reasons set out in appendix VIII, we are of the opinion that this sale has achieved the best realisable value for the Company's remaining assets in the circumstances, and has therefore furthered the achievement of objective (c) by improving returns to secured creditors.
- We are not seeking to recover any specific separate amount in respect of the costs of the formalities of the Administrators' appointment, although an element of this time is included within the pre-appointment costs that we will be seeking approval for.

Pre-appointment fees charged and expenses incurred by us are detailed below:

Charged by/service(s) provided	Total amount charged £	Amount paid £	Who made payment	Amount unpaid £
Smith & Williamson LLP (advice in respect of the pre-pack sale and	20,000.00	Nil	N/a	20,000.00

Charged by/service(s) provided	Total amount charged £	Amount paid £	Who made payment	Amount unpaid £
appointment of administrators)				
Boyes Turner LLP (assisting with the drafting of the sale agreement and the appointment of administrators)	14,500	Nil	N/a	14,500
SIA Group (valuation of fixed assets and assistance with marketing)	2,394	Nil	N/a	2,394

The payment of unpaid pre-administration costs set out above as an expense of the administration is subject to the approval of creditors, separately from the approval of the joint administrators' proposals. As we believe that the Company has insufficient property to enable a distribution to be made to the unsecured creditors, other than via the Prescribed Part, approval will be sought from the secured and (if applicable) the preferential creditors in accordance with R 18.18 IR16.

14. Joint administrators' remuneration

The basis of the joint administrators' remuneration may be fixed on one or more of the following bases and different bases may be fixed in respect of different things done by them:

- as a percentage of the value of the assets they have to deal with, or
- by reference to time properly spent by the joint administrators and their staff in attending to matters arising in the administration, or
- as a set amount

In this case, the joint administrators are seeking approval for the basis of their remuneration as follows:

- By reference to the time properly spent by the joint administrators and their staff in attending to matters arising in the administration. As we will be seeking approval to draw fees on this basis, a fees and costs estimate will be provided to the secured and (if applicable) the preferential creditors in due course.

Where no creditors' committee is appointed, approval of the joint administrators' remuneration shall be fixed using the decision making process either at a virtual creditors' meeting or by electronic and/or postal voting. Where the joint administrators have concluded that the company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with R18.18 IR16.

The joint administrators' time costs at 5 October 2018 total £6,954; this represents 26.9 hours at an average rate of £245.13 per hour.

Attached at Appendix V is a time analysis which provides details of the activity costs incurred by staff grade to the above date.

A copy of "A Creditor's Guide to Administrator's Fees", as produced by the ICAEW, is available free on request or can be downloaded from their website as follows:

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

Details of Smith & Williamson LLP's charge out rates and policies in relation to the use of staff are provided at Appendix I.

15. Administration expenses

15.1 Subcontractors

We have not used any subcontractors in the administration to date and there are currently no plans to do so.

15.2 Professional advisors

We have used the professional advisers listed below. We have also indicated alongside the basis of our fee arrangement with them, which is subject to review on a regular basis.

Professional adviser/service	Basis of fee arrangement	Costs	Costs
		incurred	paid
		£	£
Boyes Turner LLP (post appointment sale completion and service of documents etc.)	Hourly rate and disbursements	1,205	Nil

15.3 Administrators' disbursements

We have paid and/or incurred the following disbursements in the current period:

Description	Incurred in current period	Paid in current period	Total costs
			outstanding at period end
	£	£	£
Statutory advertising	162.90	Nil	162.90
Joint Administrators' bonds	182.50	Nil	182.50
Total	345.40	Nil	345.40

15.4 Category 2 disbursements

Since our appointment we have not incurred any Category 2 disbursements.

In accordance with SIP 9, Remuneration of Insolvency Office Holders, the joint administrators will be seeking approval to draw Category 2 disbursements as and when funds are available, in accordance with Smith & Williamson's disbursement recovery policy.

15.5 Policies regarding use of third parties and disbursement recovery

Details of Smith & Williamson's policies regarding the use of subcontractors and professional advisors and the recovery of disbursements are set out at Appendix VI.

16. Creditors decisions

The joint administrators do not believe that the Company has sufficient property to enable a distribution to be made to unsecured creditors (other than via the Prescribed Part). In accordance

with P52(1)(b) Sch B1, the administrators are therefore not required to seek a decision from the Company's creditors as to whether they approve the administrators' proposals.

Unless the joint administrators receive a request for a meeting to be held to consider the proposals, from creditors with claims totalling at least 10% of the total company's debts and this request is received within 8 business days of 10 October 2018 (the date these proposals have been delivered to creditors), the proposals detailed will have gained deemed consent.

Creditors considering whether to call a meeting may wish to note that the purpose of the meeting is purely to approve or modify the proposals. It does not afford creditors the opportunity to question the directors of the Company.

The joint administrators will seek approval of their and third parties pre-appointment remuneration, costs and disbursements and their discharge from liability from the secured creditors as appropriate.

17. Privacy and data protection

As part of our role as joint administrators, I would advise you that we may need to access and use data relating to individuals. In doing so, we must abide by data protection requirements. Information about the way that we will use and store personal data in relation to insolvency appointments can be found:

- Smith & Williamson LLP at www.smithandwilliamson.com/rrsgdpr; and
- Mazars LLP Insolvency Services Privacy Statement at www.mazars.co.uk/Legal-and-privacy.

If you are unable to download either of these, please contact my office and a hard copy will be provided free of charge.

To the extent that you hold any personal data of the Company's data subjects provided to you by the Company or obtained otherwise, you must process such data in accordance with data protection legislation. Please contact us if you believe this applies.

18. Next report and creditors' rights

The joint administrators are required to provide a progress report within one month of the end of the first six months of the administration or earlier if the administration has been finalised.

From receipt of the first progress report, creditors have rights under IR16 to request further information and to challenge the joint administrators' remuneration and/or expenses incurred. In summary:

- Within 21 days of the receipt of a progress report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors or otherwise with the court's permission) may request in writing that the joint administrators provide further information about their remuneration or expenses which have been itemised in the report.
- Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors or otherwise with the court's permission) may within 8 weeks of receipt of a progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the joint administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the joint administrators, as set out in the report, are excessive.

The above rights apply only to matters which have not been disclosed in previous reports.

For further general information regarding a creditor's role throughout an insolvency process, creditors can also visit www.creditorinsolvencyguide.co.uk.

On a general note, if you have any comments or concerns in connection with our conduct, please contact:

- Smith & Williamson LLP - Gregory Andrew Palfrey in the first instance. If the matter is not resolved to your satisfaction, you may contact our Head of Legal by writing to 25 Moorgate, London EC2R 6AY or by telephone on 020 7131 4000; or
- Mazars LLP - Neil John Mather in the first instance,
<https://www.mazars.co.uk/Home/Services/Financial-Advisory-Services/Restructuring-services/Restructuring-services-complaints-procedure>.

Thereafter, if you wish to take the matter further you may contact the Insolvency Services directly via Insolvency Complaints Gateway. They can be contacted by email, telephone or letter as follows:

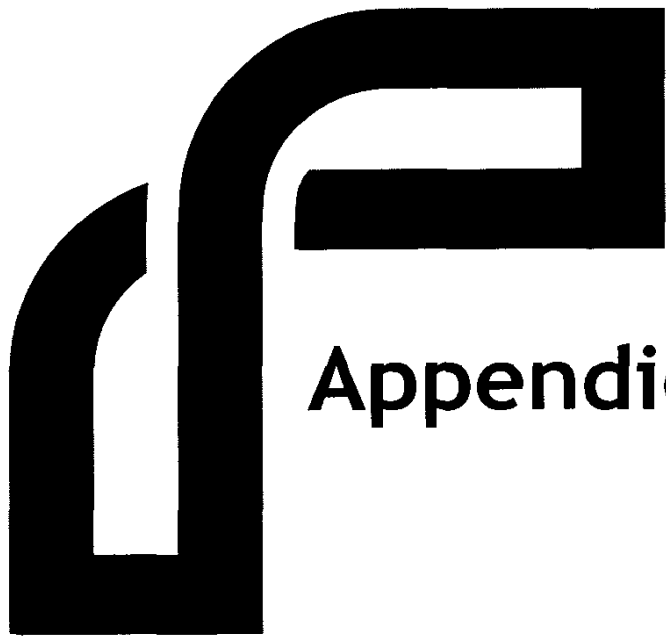
- i. Email: insolvency.enquiryline@insolvency.gsi.gov.uk
- ii. Telephone number: +44 300 678 0015
- iii. Postal address: The Insolvency Service, IP Complaints, 3rd Floor, 1 City Walk, Leeds LS11 9DA.



Gregory Andrew Palfrey and Neil John Mather

Joint Administrators

Date: 8 October 2018



Appendices

I. Statutory information

Relevant Court	High Court of Justice, Business and Property Courts of England and Wales
Court Reference	008009 of 2018
Trading Name(s)	Kavell
Trading Addresses	Discovery Court Business Centre, 551-553 Wallisdown Road, Poole BH15 5AG
Registered Office	4th Floor Cumberland House, 15-17 Cumberland Place, Southampton, SO15 2BG (Formerly Discovery Court Business Centre, 551-553 Wallisdown Road, Poole BH15 5AG)
Registered Number	06131557
Joint Administrators	Gregory Andrew Palfrey of 4th Floor Cumberland House, 15-17 Cumberland Place, Southampton, SO15 2BG and Neil John Mather of Tower Bridge House, ST Katharine's Way, London, E1W 1DD (IP No(s) 9060 and 8747) In accordance with P100 (2) Sch B1 1A 86 a statement has been made authorising the Joint Administrators to act jointly and severally.
Date of Appointment	2 October 2018
Appointor	Philip Keith Knight
Director(s)	Philip Keith Knight Dean Warren Vaughan
Shareholder(s)	Philip Keith Knight (36%) Dean Warren Vaughan (36%) Gillian Marie Knight (14%) Victoria Fabri (14%)
Secretary (if applicable)	Philip Keith Knight
EU Regulations	The EU Regulation on Insolvency Proceedings 2015 applies to the administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

II. Prior professional relationship

Statement of prior professional relationship of Gregory Andrew Palfrey in respect of the appointment of joint administrators

We have a prior professional relationship with the Company to the extent that my firm, Smith & Williamson LLP, was instructed by the Company in September 2018 to provide services connected with its financial position. These services involved advising the Company in respect of its options including in respect of a prospective pre-pack sale of the assets of the business and other advice in respect of the anticipated appointment of administrators.

No fees have been received in respect of the services referred to above.

We confirm that we have fully considered the relevant guide to professional conduct and ethics issued by our professional body and are satisfied that the existence of this prior relationship does not create any conflict of interest or threat to independence for us as office holders.

We confirm that we considered whether the interests of creditors would be better served by the appointment of other insolvency practitioners as the joint administrators and are satisfied that, with the implementation of the safeguards explained above, the interests of creditors will not be prejudiced by our appointment as the joint administrators. We also made full disclosure and sought the views of Lloyds Bank Plc, Lloyds Bank Commercial Finance Limited and Travis Perkins Plc before we accepted the appointment. No objections were received.

III. Draft management accounts balance sheet

	£	£	£
Fixed Assets			
Plant and Machinery		426,177	
Office Equipment		2,214	
Furniture and Fixtures		9,677	
Motor Vehicles		198,050	
Computer Equipment		<u>3,007</u>	
			639,124
Current Assets			
Work in progress		52,894	
Trade debtors		(16,319)	
Accrued Income		479,694	
Retentions		367,813	
Prepayments		18,015	
Other debtors		216,250	
Petty Cash		20	
Directors current account		<u>15,561</u>	
		<u>1,133,927</u>	
Current Liabilities			
Trade creditors	1,151,635		
Payroll Taxation	80,885		
Wages	17,207		
Credit Card (Creditors)	2,503		
CIS Control Account	17,710		
Funding Circle Loan	73,197		
Other creditors	6,407		
Accruals	(2,500)		
Pension Fund (Payroll)	9,944		
Factoring account	963,104		
Kavell LLP Loan	34,642		
Bank Account	47,141		
VAT Liability	<u>650,066</u>		
		(3,051,940)	
Current Assets less Current Liabilities:			<u>(1,918,013)</u>
Total Assets less Current Liabilities:			<u>(1,278,889)</u>
Long Term Liabilities			
Creditors : HP accounts		127,190	
Creditors : Taxation		<u>117,812</u>	
			245,002
Total Assets less Total Liabilities:			<u>(1,523,891)</u>
Capital & Reserves			
Share Capital		100	
Reserves		555,736	
Dividends		(292,040)	
P & L Account		<u>(1,787,687)</u>	
			<u>(1,523,891)</u>

List of creditors as per the Company's accounting records

<u>Name</u>	<u>Address 1</u>	<u>Address 2</u>	<u>Address 3</u>	<u>Address 4</u>	<u>Address 5</u>	<u>Amount Owed</u>
2M Electrical Contractors Ltd	4 Honeysuckle Lane	Creekmoor	Poole	Dorset	BH17 7YZ	300.00
A1 Hire & Sales	76 - 88 Old Wareham Road	Parkstone	POOLE	BH12 4QR		14.40
Active Drainage Solutions	Unit 46	Uddens Trading Estate	WIMBORNE	BH21 7NL		2,065.20
AFC Bournemouth Ltd	Goldsands Stadium	Dean Court	Bournemouth	Dorset	BH7 7AF	2,520.00
Aggregate Industries UK Ltd	Bardon Hill	COALVILLE	Leicestershire	LE67 1TL		8,867.40
AJ & MJ Plant Sales Ltd	The Plant Yard	Walton Road	Farlington	Hants SO51 7AA	PO6 1UJ	20,763.60
Allied Office Machines Ltd	11 Westlink	Belbins Business Park	ROMSEY	Bromley	BR2 0EY	1,436.57
Altodigital Networks Ltd	Carlton Chambers	5 Station Road	Shortlands	Dorset BH21 3AP		108.00
Avon Material Supplies Ltd	Canford Recycling Centre	Magna Road	WIMBORNE	EN1 1TH		840.00
Ardent Hire Solutions Ltd	32 Crown Road	Enfield	Middlesex			508.08
Ashtead Plant Hire Ltd	P O Box 119	WARRINGTON	WA3 6YT			2,508.00
Astra Site services Ltd	Easter Inch Estate	Bathgate	West Lothian	EH48 2FH		2,379.00
ATF Supplies Nationwide Ltd	Boundary House	36a Watworth Road	Walworth Business Park	Andover, Hants	SP10 5LH	7,464.79
Autoglass						1,671.83
AYS Skip Hire Ltd	Baillie Gate Industrial Estate	Sturminster Marshall	Wimborne	Dorset	BH21 4DB	264.00
BizSpace Limited	3rd Floor	Winston House	2 Dollis Park	London	N3 1HF	9,924.43
Breedon Southern Ltd	Breedon Quarry	Main Street	Breedon on the Hill	Derby	DE73 8AP	31.49
Buildbase Ltd	Gmgb Civils & Intels	Suite 3, Unit 2	1.1 Cambuslang Road	Investment Park	Glasgow G32 8NB	118.98
Clive Barford Ltd	Dummers Drove	Horton Heather	SOUTHAMPTON	SO50 7DP		3,898.76
CF Yates General Builder	15 St Annes Road	Upton	Poole	BH16 5PT		7,576.00
Charminster Auto Repairs Ltd	Unit 135A Hankinson Road	Charminster	Bournemouth	Dorset	BH9 1HR	4,665.33
Clayson Scaffolding Ltd	Unit 1	The Old Sawmills	Middlemarsh	Dorset	DT9 5QW	788.40
Cobra Concrete Pumps Ltd	Unit 25, Ware Road	Stanford in the Vale	Oxford	Oxfordshire	SN7 8NY	3,963.00
Commercial Recycling Ltd	Canford Recycling Centre	Magna Road	WIMBORNE	BH21 3AP		69.60
Conquip Engineering Group	Waterbrook Estate	Alton	Hants	GU34 2UD		1,616.64
County Town Aggregates Ltd	Unit 4, Enterprise Park	Piddlehinton	Dorchester	Dorset	DT2 7UA	492.15
G Crook & Sons	Lower Glebe Farm	West Knighton	DORCHESTER	DT2 8PE		18,633.07
Dorset County Council	Corporate Resources	Directorate County Hall	DORCHESTER	DT1 1XJ		285.00
The Dorset Construction Training	c/o Strouden Joinery	54 Balane Close, Creekmoor	Poole	Dorset	BH17 7DY	817.92
Dorset soils stone zone & aggreg	Unit 4, 13 Cobham Road	Ferndown Industrial Estate	Wimborne	Dorset	BH21 7PE	487.20
Dynahurst	Ivy House	Milwich	Stafford	Staffordshire	ST18 0EG	4,898.36
Eagle Plant	Great Western Business Ctr	Business Close	Chard	Somerset	TA20 1BB	11,638.15
Eco Sustainable Solutions Ltd	Chapel Lane	Parley	CHRISTCHURCH	BH23 6BG		1,089.84
E Williams Landscapes	25 Oak Road	Dibden Purlieu	Southampton	Hants	SO45 4PH	449.36
Express Hire	The Barn	Slepe Farm	POOLE	BH16 6HS		639.00
Ferndown Commercial Ltd	18 & 20 Haviland Road	Ferndown Industrial Estate	Wimborne	Dorset	BH21 7RG	182.84
Fleetmatics	Imperium	Imperial Way	Reading	Berkshire	RG2 0TD	1,611.18

Name	Address 1	Address 2	Address 3	Address 4	Address 5	Amount Owed
Gibbs & Dandy	P O Box 7357	GLASGOW	G51 9AB			791.12
GAP Group Ltd	Carrick House	40 Carrick Street	Glasgow	G2 8DA		3,480.53
Guys Plant Hire Ltd	Unit K, Longmeadow Ind Estat	Ringwood Road	Three Legged Cross	WIMBORNE BH21 6RD		52,501.59
Hills Quarry Products Ltd	Wiltshire House	County Park Business Centre	Shrivenham Road	Swindon	SN1 2NR	11,679.51
Hopkins Building Contractors	The Tythings Commercial Cnrl	Southgate Road	WINCANTON	BA9 9RZ		6,291.06
Hopkins Concrete Ltd	Showground Road	Bridgewater	Somerset	TA6 6AJ		12,005.02
Hy-Ten Ltd	2 Holton Road	Holten Heath Trading Park	POOLE	BH16 6LT		3,273.00
I.M Currie	60a Pentire Avenue	Upper Shirley	Southampton	SO15 7RS		71,049.68
John Davidson Pipes Ltd	Townfoot	Longtown	Carlisle	Cumbria	CA6 5LY	1,579.77
Jewson Ltd	P O Box 7357	GLASGOW	G51 9AB			578.30
J Suttle Transport Ltd	Swanworth Quarry	Worth Matravers	SWANAGE	BH19 3LE		109,682.74
Kendall Bros. Portsmouth Limited	Kendalls Wharf	Eastern Road	Portsmouth	PO3 5LY		1,333.38
Keyline Builders Merchants Ltd	PO Box 807	Kirkintilloch	GLASGOW	G66 1XL		164,373.45
K R M Concrete Ltd	Kendall's Wharf	Eastern Road	Portsmouth	Hampshire	PO3 5LY	15,476.04
Land Development Services	Apothecary House	32 Fowlers Rd	Salisbury	Wilts	SP1 2QU	11,892.85
Lapwing	New Road	PERSHORE	Worcs	WR10 1BY		280.61
L&S Waste Management Limited	Pegham Industrial Park	Laveys Lane	Fareham	Hampshire	PO15 6SD	345.44
M & J Engineers Ltd	Cashel Hose	Cadwell Lane	Hitchin	Hertfordshire	SG4 0SQ	3,938.40
MAC Contracting Ltd	Griff Lane,	Bermuda Park	Nuneaton	Warwickshire	CV10 7PP	19,175.56
Manna Kitchen Ltd	Discovery Court Cafe	551-553 Wallisdown Road	Poole	Dorset	BH12 5AG	105.60
M B Wilkes Ltd	Old Market Road	Corfe Mullen	WIMBORNE	BH21 3QZ		2,724.67
MID HANTS Ltd	New Farm	Pickaxe Lane	South Warrimborough, I	Hants	RG29 1SH	20,468.41
Nationwide Concreting Ltd	Tarodene Hose	Gore Road	New Milton	Hants	BH25 65A	7,644.00
New Milton Concrete Ltd	Caird Avenue	NEW MILTON	Hants	BH25 5PX		33,897.64
New Milton Sand & Ballast	Caird Avenue	NEW MILTON	Hants	BH25 5PX		12,630.82
Oema Chem Limited	Unit 4 Westwood Court	Brunel Raod, Totton	Southampton	SO40 3WX		918.00
Pirtek Poole	Unit 12	Dawkins Road Industrial Estate	Poole	Dorset	BH15 4JP	365.58
Pirtek Southampton	18 City Commerce Centre	Marsh Lane	Southampton	Hampshire	SO14 3EW	144.54
Plastech (Southern) Ltd	102 - 120A North Lane	Aldershot	Hants	GU12 4ON		6,543.72
Portland Stone Ltd	26 Trade Croft Estate	Wide Street	PORTLAND	DT5 2LN		38,472.94
Pro Mech ground support system	7A The Gardens	Fareham	PO16 8SS			5,207.54
Red Survey Limited	Park Street	Castle Cary	Somerset	BA7 7EJ		891.60
Rentool Ltd	Victory Close	Chandlers Ford Ind Estate	EASTLEIGH	SO53 4BU		8,454.35
R V Maidment Ltd	Unit 1 Western Works	Salisbury Road	Sutton Manderville	SALISBURY SP3 5NL		7,242.72
Southern Chasing Ltd	90 Alexandra Road	Parkstone	Poole	Dorset	BH14 9EP	4,406.40
S Morris Ltd	Tout Quarry	Charlton Adam	Somerton	Somerset	TA11 7AN	17,062.20
SOCOTEC UK Ltd	SOCOTEC House	Bretby Business Park	Ashby Road	Burton Upon Trent	DE15 0YZ	2,778.60
South Coast Tool Hire	60 Nuffield Road	Nuffield Industrial Estate	Poole	Dorset	BH17 0RT	32,187.10
Southern Electric Power Dist. PLC	Cable Damage South	Walton Park, walton Road	Portsmouth	Hants	PO6 1UJ	5,661.62
Scottish & Southern Energy	Payment Centre	P O Box 17	HAVANT	PO9 5DD		226.90
STAFF EXPENSES						12.13
Stanley John Limited	PO Box 10484	Harlow	CM20 9GY			2,424.00
Suttle Projects Ltd	Swanworth Quarry	Worth Matravers	Swanage	Dorset	BH19 3LE	2,600.00

Name	Address 1	Address 2	Address 3	Address 4	Address 5	Amount Owed
T & L TRANSPORT LTD	135 MANOR ROAD	VERWOOD	DORSET	BH31 6DX		1,487.28
Tacklestore Ltd	PO BOX 10484	Harlow	Essex	CM20 9GY		30.06
Lafarge Tarmac Trading Limited	Accounts Receivable	PO Box 16766	Portland House, Bicker Solihull, Birmingham	B37 9DE		1,804.23
Mr T Hayes	64 Wessex Estate	RINGWOOD	Hants	BH24 1XE		3,600.00
Travis Perkins Trading Co Ltd	Lodge Way House	Lodge Way	Harlestone Road	NN5 7UG		272,903.24
T J Transport Ltd	Charity Farm	127 Wickham Road	FAREHAM	PO17 5BP		723.73
Treken Information Management	Discovery Court	551-553 Wallisdown Road	POOLE	BH12 5AG		451.68
Tyreland	Southern Drive	Kineton Road Ind Est	Southam	Warks		368.14
Upton Specialised Tree Services	Pillmore	Whitesheet	Holt	WIMBORNE BH21 7DA	CV47 0RB	9,342.00
Viking Direct	PO Box 9998	LEICESTER	LE41 9GS			317.24
Wessex Macadams	1 Thorne Way	Woolbridge Industrial Park	Three Legged Cross	WIMBORNE BH21 6FB		3,740.10
Wessex Water Services Ltd	Claverton Down	BATH	BA2 7WW			323.00
Wiltshire Concrete	Hopton Park Industrial Estate	Hopton Road	Devizes	Wiltshire	SN10 2EY	22,861.97
Wolseley	PO Box 68	Boroughbridge Road	RIPON	HG4 1XY		10,039.13
Funding Circle	71 Queen Victoria Street	London			EC4V 4AY	75,000.00
HM Revenue & Customs	Enforcement & Insolvency	Durrington Bridge House	Barrington Road	Worthing BN12 4SE	BN12 4SE	752,681.40
Kavell Plant LLP	Discovery Court Business Cent	551-553 Wallisdown Road	Poole		BH12 5AG	34,641.68
						<u>2,018,701.58</u>

IV. Time analysis for the pre-appointment period

From 5 September 2018 to 2 October 2018

Activity Description	Partner	Manager	Hours	Totals £	Average Hourly Rate £
AML, conflict & ethics checks, engagement letters	0.25	5.70	5.95	1,429.50	240.25
Initial meetings	7.55	1.65	9.20	3,150.25	342.42
General advisory with insolvent	-	1.70	1.70	399.50	235.00
Appointment formalities	7.75	6.00	13.75	4,355.00	316.73
Preparation of pre appointment documents	0.75	0.40	1.15	379.00	329.57
Sale of business	7.25	28.70	35.95	9,499.50	264.24
Creditors (including employee) queries	2.00	1.05	3.05	1,006.75	330.08
Job planning/strategy	1.85	-	1.85	962.00	520.00
Total £	27.40	45.20	72.60	21,181.50	291.76
Sub-Total	10,599.50	10,582.00			

Explanation of major work activities undertaken

The major activity undertaken both prior to our appointment has been the pre-packaged sale of the Company's remaining assets as per our SIP 16 statement, appendix VIII. Full detail has been set out in the body of this report and appendix VIII but in summary this has included:

- Identifying and approaching potential purchasers
- Identifying and valuing the relevant assets to be included in the sales
- Obtaining offers from interested parties
- Negotiations with the preferred purchasing parties once identified
- Review and execution of contractual documentation in relation to the sale.
- Preparation of supporting schedules for the sale contract
- Calculation of outcomes from the proposed sales
- Drafting the SIP 16 statement

V. Time analysis for the period from 2 October 2018 to 5 October 2018

Activity Description	Partner	Manager	Other Senior Professionals	Totals Hours	Average Hourly Rate £
Administration & planning					
Statutory, returns, reports and meetings	2.00	18.20	-	20.20	5,037.00
Initial post-appointment work	-	0.85	3.50	4.35	714.75
Sub-Total	2.00	19.05	3.50	24.55	5,751.75
Realisation of assets					
Sale of business - post completion matters	2.00	0.05	-	2.05	771.75
Sub-Total	2.00	0.05	-	2.05	771.75
Trading					
Premises issues (inc. landlord and site clearance)	-	0.15	-	0.15	35.25
Sub-Total	-	0.15	-	0.15	35.25
Creditors					
Floating charge creditors	-	0.10	-	0.10	23.50
Unsecured creditors	-	0.05	-	0.05	11.75
Sub-Total	-	0.15	-	0.15	35.25
Total Hours	4.00	19.40	3.50	26.90	
Total £	1,520.00	4,559.00	515.00	6,594.00	245.13

Explanation of major work activities undertaken

As mentioned in the body of the report, there are matters that have not brought any direct financial benefit to creditors but are required to be undertaken by statute and best practice guidelines.

Administration and Planning

- Issue of notice to creditors, tax authorities, pension authorities and other parties as required
- Statutory duties associated with the appointment
- Maintaining bank accounts
- Setting up case files
- Updating estimated outcome statements
- Finalising the SIP 16 statement
- Drafting the administrators' statement of proposals

Creditors

- The time spent includes the following matters:
- Recording and maintaining the list of creditors
- Recording creditor claims
- Dealing with creditor queries.

VI. Staffing, charging, subcontractor and adviser policies and charge out rates

Introduction

Detailed below are:

- Smith & Williamson LLP's policies in relation to:
 - Staff allocation and the use of subcontractors
 - Professional advisers
 - Disbursement recovery
- Smith & Williamson LLP's current charge out rates

Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The constitution of the case team will usually consist of a partner and a partner or director or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required.

Details of any subcontractors' services utilised in the period covered by this report are set out in the body of this report.

Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including:

- The industry and/or practice area expertise required to perform the required work.
- The complexity and nature of the assignment.
- The availability of resources to meet the critical deadlines in the case.
- The charge out rates or fee structures that would be applicable to the assignment.
- The extent to which we believe that the advisers in question can add value to the assignment.

Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent

third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 disbursement, namely business mileage at HMRC's approved mileage rates at the relevant time. Current mileage rates are 45p per mile plus 5p per passenger per mile. Prior to 7 July 2012 approval may have been obtained to recover other types of Category 2 disbursements.

Details of any Category 2 disbursements incurred and/or recovered in the period covered by this report are set out in the body of this report.

Charge out rates

The rates applicable to this appointment are set out below. There have been no changes to the charge out rates during the period of this report.

Smith & Williamson LLP	£/hr
Restructuring & Recovery Services	
Charge out rates as at 1 July 2018	
Partner / Director	360-380
Associate Director	290-320
Managers	225-310
Other professional staff	140-320
Support & secretarial staff	60-140

Notes

1. Time is recorded in units representing 3 minutes or multiples thereof.
2. The firm's cashiery function is centralised and London rates apply. The cashiery function time is incorporated within "Other professional staff" rates.

Mazars LLP	£/hr
Restructuring & Recovery Services	
Charge out rates	
Partner	550
Director	450
Assistant managers	270
Administrators	105

Notes

Time is recorded in units representing 6 minutes or multiples thereof.

VII. Estimated Outcome Statement

		£	£
Receipts			
Pre-pack sale			78,000
Contracts			<u>10,000</u>
			88,000
Costs			
Pre-appointment	Administrators' remuneration	20,000	
	Legal fees	14,500	
	Agents	2,400	
Post-appointment	Administrators' remuneration	20,000	
	Administrators' expenses	500	
	Legal fees	2,500	
	Estimated other	5,000	
			<u>(64,900)</u>
Net property			<u>23,100</u>
Less: Prescribed Part			(7,620)
Available for floating chargeholder			<u>15,480</u>

VIII. Joint Administrators' Statement in Accordance with Statement of Insolvency Practice 16

1. Pre-packs and the regulatory requirements

Where a sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of joint administrators and they effect the sale immediately on or shortly after appointment, this is known as a pre-packaged sale.

The statutory purpose of administration is for the joint administrators to perform their functions with the objective of either 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 rather than being placed into administration first. If neither of these objectives is reasonably practicable, the third objective of realising property in order to make a distribution to one or more secured or preferential creditors of the company may be pursued providing the joint administrators avoid unnecessarily harming the interests of the creditors as a whole.

In this case, the joint administrators considered a pre-packaged sale of the Company's remaining owned vehicles, small plant & machinery and office effects to be necessary to facilitate an orderly and efficient disposal, the Company's business having been previously sold by its directors. The statutory objective being pursued is that of realising property in order to make a distribution to the Company's secured creditors.

As referred to above, the Company's directors sold the Company's trading business to MEC Groundworks Limited on 30 August 2018; as detailed in Section 3 below. The joint administrators did not advise on any aspects of this sale, the terms of which will be reviewed in the administration.

Set out below is further information containing a summary of the circumstances relevant to the pre-packaged sale of the Company's remaining assets to MEC Groundworks Limited ("the Purchaser") in accordance with the provisions of Statement of Insolvency Practice 16. In agreeing to the pre-packaged sale, we can confirm that the joint administrators have considered the purpose of the administration and the fulfilment of our statutory obligations to creditors under paragraphs 3(2) and 3(4) of Schedule B1 to the Insolvency Act 1986.

Creditors are advised that our role, prior to appointment as joint administrators, is to advise the Company, not the directors or any party considering acquisition of the business by means of a pre-pack, which was set out in our engagement letter dated 6 September 2018. Once appointed, administrators are obliged to perform their functions in the interests of the Company's creditors as a whole.

2. The purpose of the administration

When an administrator is appointed the law requires them to perform their role with a view to achieving one of the three statutory purposes of administration. The purposes are for the joint administrators to:

- (a) perform their functions with the objective of either rescuing the company as a going concern or if this objective cannot be achieved;
- (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up rather than being placed into administration first or if neither of these objectives is reasonably practicable,
- (c) realising property in order to make a distribution to one or more secured or preferential creditors of the company may be pursued.

Purpose (c) should only be pursued where in doing so the joint administrators avoid unnecessarily harming the interests of the creditors as a whole.

Here, the administrators are pursuing purpose (c) as:

- (i) It was not possible to rescue the Company as a going concern, the Company's main business having already been sold by its directors prior to the involvement of the administrators; and
- (ii) based on the current estimated outcome, it appears unlikely that unsecured creditors will receive a return, other than from the prescribed part.

3. Background

The Company was incorporated in February 2007 and commenced trading immediately as a Civil Engineering contractor specialising in groundwork and allied activities. The Company had traded profitably since it commenced trading and draft management accounts for the year to 31 March 2018 showed net assets of circa £350k. In May 2018 it became apparent that one of the main contractors that the Company was working for, Herbert H Drew & Sons Limited ("Drew") was in financial difficulties and was subsequently placed into administration. At the date that Drew was placed into administration the Company was owed circa £280k in respect of work carried out on behalf of Drew and it was expected that the majority of this would not be recovered. As well as the potential debt write-off the Company suffered a downturn in turnover and profitability due to the cessation of work for Drew.

As a consequence of this potential write-off and its affect on profitability and operational cash flows, it became apparent that the Company would struggle to meet its debts as they fell due. After discussions with their accountants it was agreed that the directors should discuss the Company's financial position with a firm of Insolvency Practitioners and they subsequently met with David Meany of Quantuma LLP ("Quantuma"). After discussing the Company's position and future prospects it was decided that the Company would not be able to continue trading and that steps should be taken to appoint administrators. A Notice of Intention to Appoint Administrators from Quantuma ("NOI") ("the First Notice") was filed at the High Court of Justice Business and Property Court in Manchester on 23 August 2018 in order to give breathing space whilst a buyer for the business was sought. The First Notice expired on 6 September 2018.

Copies of the First Notice were served on Lloyds Bank Plc ("the Bank") and Lloyds Bank Commercial Finance Limited ("Lloyds CF") as Qualifying Floating Charge Holders.

The directors report that the advice received from Quantuma was that all staff should be made redundant and then a pre-pack sale of some contracts and the assets be pursued. We are advised that Lloyds CF expressed concern that this approach would result in the immediate determination of the contracts resulting in greater loss of value in the outstanding debtor book and potential loss of value that could be achieved for the business and assets. Lloyds CF suggested that by advancing further funds to meet employee and creditor payments due that week there would be time for the contracts to be reviewed to understand the potential for them to be novated to a buyer who was able to complete the works and preserve better value. Quantuma instructed a firm of contract debt valuers, Leslie Keats ("LK"), to review the contracts and debtor ledger to ascertain a course of action. We understand that the advice from LK was that on a close down of the business the value of the ledger of £1.2m would realise perhaps £150k. We understand that LK advised that the debts should be novated if a party could be found to novate them to.

Lloyds CF were owed in the order of £500k under an invoice discounting agreement and the debt was also secured by way of a fixed and floating charge debenture and unlimited personal guarantees from both directors. Lloyds Bank were also owed circa £50k by way of an overdraft facility and had security comprising a fixed and floating charge debenture.

During the period of the First Notice Lloyds CF continued to advance funds to meet wages and introduced the Purchaser to the Directors with a view to the Purchaser acquiring the business, consisting of the ongoing contracts, and the Company's book debts ("the Offer") as well as taking on all of the employees. The Directors indicated to the Purchaser that they were unhappy with the advice previously received from Quantuma and the Purchaser suggested that the Directors speak to Smith & Williamson. The Directors and the Purchaser initially met with David Blenkarn ("Mr Blenkarn") of Smith & Williamson on 30 August 2018 to discuss the current position.

At the meeting on 30 August 2018 the directors advised that a sale of the book debts and goodwill of the Company was due to take place immediately and that some novations of the ongoing contracts were also occurring that day. The directors said that the deals needed to be novated that day so that wages could be paid and that the customers who were hearing about the problems at the Company did not decide to

terminate the ongoing contracts. The directors advised us that it was planned that the vehicles and small plant & equipment would not be sold to allow for a formal valuation to be obtained and a sale process to commence. At the end of this meeting Mr Blenkarn stated that as Smith & Williamson were not yet formally engaged to provide advice, the directors should speak to solicitors and obtain their own independent legal advice.

The Offer was discussed by the Directors and the Purchaser with Lloyds CF and it was agreed that the Purchaser would acquire certain of the book debts and contracts, the goodwill and intellectual property etc. for a total of £400k to be paid directly to Lloyds CF in part settlement of the outstanding balance due to them in respect of an outstanding invoice discounting facility. It was also agreed that the Company's employees would transfer to the Purchaser who would assume the related employment liabilities, including unpaid wages. The Purchaser also undertook to pay certain liabilities in respect of outstanding hire contracts for plant & machinery that were considered critical for the ongoing performance of contracts and also take over the existing hire agreements.

We are advised that the Purchaser made the following payments to ensure the continuance of the business prior to the purchase:

	£
Net Wages	39,911
Weekly Subcontract Labour	17,439
Vehicles inc. lease settlement	2,539
Various Site Expenses	1,189
	<hr/> 61,078
Future payments to be made to HMRC	17,692
	<hr/> 78,770
Further TUPE liabilities	Unknown

A review of this sale will be undertaken during the course of the administration to ascertain whether or not it represented the best outcome for all creditors, that the consideration was reasonable and that the assets were subject to Lloyds CF charge and the consideration was rightly paid to Lloyds CF.

The outstanding book debts and contracts were reviewed on behalf of Quantuma by Leslie Keats Quantity Surveyors. Other than the schedule provided in the contract, we have not been provided with a detailed report on the book debts and contracts, but have requested a full copy and will review it now we have been appointed.

As detailed above, the Purchaser contacted the main contractors for whom the Company was already engaged as a sub-contractor and arranged the novation of the majority of the ongoing contracts. The sale agreement was concluded on 30 August 2018. We will be reviewing the position with regard to any contracts that were not novated to confirm whether or not there are any potential realisations for the administration estate. The Purchaser acquired the contracts under novation agreements and therefore took on full liability/responsibility for all contractual liabilities on works done to date.

The Purchaser subsequently approached the directors with a view to acquiring the unencumbered motor vehicles and plant & machinery and office effects ("the Second Offer")("the Assets"). The Directors discussed the Second Offer with Mr Palfrey and it was agreed that this should be considered once Smith & Williamson LLP had formally been appointed to advise the Company and an independent valuation of the remaining assets had been obtained and that in order to protect the Company from any action by creditors a second NOI should be filed once the First Notice had expired. It was agreed that the Purchaser would make an offer to acquire the Company's owned vehicles and that they would also be offered to the market. The Purchaser subsequently agreed to pay an amount of £5k in respect of each contract that the Company had tendered for prior to the sale and which is subsequently won and awarded to the Purchaser, for a period of 6 months after the completion of the sale ("the New Contracts").

On 7 September 2018 a second NOI was filed in the High Court of Justice, Business and Property Courts of England and Wales, copies of the Second Notice were served on Lloyds and Lloyds CF as Qualifying Floating Charge Holders. A further NOI was filed in the High Court of Justice, Business and Property Courts of England and Wales, on 21 September 2018 and copies of the third NOI were served on Lloyds and Lloyds CF as Qualifying Floating Charge Holders.

4. Initial introduction

As set out above the initial introduction of Smith & Williamson was via the Purchaser.

The joint administrators confirm that they have not previously been engaged by either the Purchaser or any of its directors. Smith & Williamson did sell a business to one of the Purchaser's directors approximately 15 years ago.

We confirm that neither the joint administrators nor Smith & Williamson Holdings Limited nor any of its subsidiaries have had a prior material personal or professional relationship with the Company or its directors. Appropriate checks were carried out before accepting formal engagement from the Company on 6 September 2018.

5. Pre-appointment considerations

The following courses of alternative action were considered with management prior to the joint administrators' appointment and the pre-packaged sale:

- Continued trade both with or outside a formal Company Voluntary Arrangement ("CVA")
- Sale of the business and assets as a going concern by the joint administrators
- Liquidation and subsequent forced sale of the Company's assets
- Sale of the remaining assets by the Company

5.1 Trading the business

It was not appropriate to trade the business as a decision had previously been made by the Directors to sell the business and book debts and transfer all of the employees to the Purchaser and arrange for novation of the majority of the ongoing contracts to the Purchaser, the business had effectively ceased. It was considered that should the proposed administrators intervene and delay the sale it would have been detrimental to the value of the contracts and the transfer of employees and related liabilities to the Purchaser, potentially increasing the Company's liabilities. Furthermore, significant funding would have been required to continue work on the ongoing projects. We understand that whilst this had been discussed with Lloyds CF, the Company's directors did not want to increase their unlimited personal guarantee liability by so doing and Lloyds CF would not offer unsecured facilities of the level that would have been required.

5.2 Other alternative courses of action

a) CVA

A CVA was not considered to be appropriate as the Company's trade had already been disposed of, the Company would not therefore be able to generate ongoing cashflows to propose a viable CVA. Furthermore, the remaining assets were secured under the existing Lloyds floating charge; it is unlikely that any finance could be raised against these assets to provide a lump-sum contribution for a CVA.

b) Sale of the business as a going concern

As previously disclosed the Company's trade had already been sold, it was not therefore possible to sell the business as a going concern.

c) Liquidation

As disclosed below the agent's valuation of market value in an ex-situ situation was lower than that expected to be received from an in-situ sale and it was considered a significant risk for the vehicles to be used by a third party, the Purchaser, without having been sold to it, over a period of several weeks, which could have affected the price obtained and security thereof. Furthermore, the liquidators would not have been able to sell the encumbered assets, which have been acquired by the Purchaser together with the related liabilities. The encumbered assets would then have been repossessed by the finance companies leading to increased unsecured claims in the liquidation.

d) Sale by the Company

Consideration was given to a sale being carried out by the Company prior to the appointment of either administrators or liquidators. If such a sale had taken place, then the payment would have cleared the Company's bank overdraft leaving very little, if anything for other creditors. We advised the Directors that they could be criticised for such a transaction.

6. Comparative outcome

The joint administrators are satisfied that the sale of the Company's assets under the terms of the pre-packaged sale has resulted in the best outcome reasonably obtainable for creditors in the circumstances. The following table provides a comparative outcome with a sale of the Company's assets in liquidation or through a restricted marketing period post administration as against the outcome obtained via the pre-packaged sale:

Details of Assets	Sale in Liquidation/under Restricted Marketing conditions £	Pre-packaged sale in Administration £
Plant and Machinery	5,000	7,000
Motor Vehicles	50,000	69,250
Office effects	1,000	1,750
	56,000	78,000

On liquidation the assets would have been collected, stored and auctioned, the costs of which would have significantly reduced the amount realised for the estate.

Furthermore, there are potential additional realisations in respect of contracts that the Company tendered for prior to the sale to MEC Groundworks Limited ("the New Contracts"). It has been agreed that the Purchaser would pay the sum of £5,000 for each such contract entered into within 6 months of the pre-pack sale. The consideration for the New Contracts is deferred as set out in section 9.3 below.

We are not aware of the existence of any pension scheme that would require advance notice to the Pension Protection Fund ("PPF") and no occupational pension schemes were found when we carried out a search via the PPF website.

An estimated outcome statement is shown below:

		Liquidation		Pre-pack sale	
		£	£	£	£
Receipts					
Sale of vehicles etc			56,000		78,000
Contracts			-		10,000
			<u>56,000</u>		<u>88,000</u>
Costs					
Pre-appointment	Liquidators	7,500		-	
	Administrators	-		10,000	
	Legal	-		2,500	
	Agents			2,500	
Post-appointment	Liquidators	15,000		-	
	Administrators	-		15,000	
	Agents	7,000		-	
	Estimated other	5,000		5,000	
			<u>(34,500)</u>		<u>(35,000)</u>
			<u>21,500</u>		<u>53,000</u>
Less: Preferential claims			-		-
Net property			<u>21,500</u>		<u>53,000</u>
Less: Prescribed Part			<u>(7,300)</u>		<u>(13,600)</u>
Available for floating chargeholder			<u>14,200</u>		<u>39,400</u>

Discussions were held with the Bank and Lloyds CF outlining the proposed transaction and they both confirmed that they had no objections to the proposed transaction and consented to the appointment. Furthermore, the proposed pre-pack sale was discussed with the largest single unsecured creditor, Travis Perkins (via its appointed representatives Freeths & Mazars); no objections were raised to the proposal. We are not aware of the existence of any pension scheme that would require advance notice to the Pension Protection Fund ("PPF") and no occupational pension schemes were found when we carried out a search via the PPF website.

The following charges are registered against the Company:

Charge in favour of	Type of charge	Date of Creation
Lloyds Bank Plc	Fixed & floating charge debenture	10 July 2014
Lloyds Bank Commercial Finance Limited	Fixed & floating charge debenture	27 July 2015

7. Valuation of the Assets

The agents used were SIA Group ("SIA") and the valuation was carried out by a RICS qualified valuer, SIA confirmed that they are independent.

A summary of the valuation provided by SIA is as follows:

Details of Assets	Market value In-Situ £	Market value Ex-Situ £
Plant and Machinery	12,000	5,000
Motor Vehicles	64,000	50,000
Office effects	4,000	1,000
	80,000	56,000

The latest management accounts available, at 31 March 2018, showed the net book value of the remaining assets, less the related HP & finance liabilities, to be £103k. When comparing the book value with the valuation above it should be noted that the book value would need to be adjusted for depreciation charges from April to August 2018, the annual accounts disclose a depreciation rate of 25% per annum for all assets, apart from small plant & equipment at 18% per annum. The resulting net book value, adjusted for depreciation, would be circa £90k.

The reported In-Situ valuation assumed:

- A reasonable marketing period
- That there would be sufficient prospective purchasers to generate competitive offers
- Tenure of the existing premises will be available at a commercial rate

The Ex-Situ valuation assumed:

- All costs of sale are excluded
- A 4 week marketing period
- That there would be sufficient prospective purchasers to generate competitive offers
- An appropriate marketing budget would be made available
- The assets would be sold as individual items for removal at the expense of the purchaser
- All assets are sold in the stated time period

As stated above, the Ex-Situ valuation excludes any costs of sale, in our experience the average costs of disposal are between 10% and 15% of realisations, i.e. between £5,600 and £8,400 based on the above Ex-Situ value.

In their valuation report SIA advised that the owned plant & machinery is comprised of small tools only, we understand the Company had disposed of any major items of plant in March 2018 and the funds realised have been used to support the Company's trading. These prior transactions did not involve the Purchaser and will be reviewed in due course.

8. Marketing of the business and assets

The remaining assets consisted mainly of owned vehicles together with some small tools and office effects, the majority of the value being with the vehicles, i.e. 80%. The vehicles were all sign-written with the Company name, therefore it should be expected that the best value would be obtained from the Purchaser as they would not need to undertake an exercise to repaint the vehicles, as they had already purchased the Company's trading name. Furthermore, the vehicles were with existing employees, so disruption for the employees would be minimised. As expected this was reflected in the offers received, the highest offer being the £78,000 accepted from the Purchaser, who had previously inspected the assets, the only other indicative offers received were for £40,000 and £56,000, subject to inspection.

The administrators discussed potential interested parties and the marketing strategy with SIA and it was agreed that taking account of the nature (including the fact that the vehicles were sign-written), number and value of the assets there would only be a limited number of potential purchasers and that these would be contacted directly by SIA. The administrators are of the opinion that the marketing strategy adopted was:

- appropriate to the situation

- represented the best approach to ensure that the outcome for creditors was maximised
- an appropriate broadcast medium in the circumstances
- undertaken for an appropriate length of time

The remaining assets were not actively marketed by the Company or the directors, our independent valuation agents contacted a number of parties that were thought likely to have an interest in the remaining assets.

Due to the nature of the assets it was agreed that the assets would not be advertised via the internet. This was due to both the agent's and administrators' previous experience that such advertising does not generate much in the way of serious interest.

9. Details of the assets sold and the nature of the transaction

9.1 Purchaser and related parties

- The sale of the owned vehicles, small plant & equipment and office effects took place on 2 October 2018.
- The Purchaser was MEC Groundworks Limited, CRN 06280807, Registered Office address Suite D The Business Centre, Faringdon Avenue, Romford, Essex, RM3 8EN.
- There was no connection between the director/shareholders and the Purchaser prior to the pre-pack sale, other than the sale of the Company's trade, book debts and goodwill etc.
- Both of the Directors, Philip Knight and Dean Vaughan are now employed by the Purchaser, having transferred at the same time as the Company's other employees when the Purchaser acquired the Company's trade, book debts and goodwill etc.
- We understand that the Directors had previously given personal guarantees to Lloyds, Lloyds CF and Funding Circle and certain trade creditors. We understand that the Purchaser has entered into a financing agreement with Lloyds CF to assist them in financing the contracts acquired and meet future working capital requirements.

9.2 Assets

- The Purchaser acquired the Assets.
- The Purchaser has also agreed to make additional payments in respect of the benefit (but subject to the burden) of any Contract Negotiations which the Purchaser adopts and which result in a contract entered into between the Purchaser and a customer of the Company (whether new or existing) within 6 months of completion.
- We confirm that the assets had not been acquired from an insolvency practitioner within the previous 24 months.

9.3 Sale consideration

- The consideration paid is to be paid as follows:
 - The Assets: The consideration was £78,000 to be paid as follows:
 - £26,000 was paid on completion;
 - £26,000 is due to be paid on 2 November 2018: and
 - £26,000 is due to be paid on 2 December 2018
 - The New Contracts: £5,000 is due on each contract, to be paid:
 - £2,500 within 7 Business Days of receipt of payment by the Buyer for its first months' work under each of the New Contracts; and

- £2,500 due on the earlier of:
 - 7 Business Days of receipt of final payment by the Buyer under each of the New Contracts; or
 - 30 July 2019
- A corporate guarantee was obtained from the Purchaser's parent company, ME Construction Limited (Company No. 06280807, Registered office - Suite D, The Business Centre, Faringdon Avenue, Romford, Essex, RM3 8EN)
- An apportionment of the sale consideration is given in section 6 above, the realisations are floating charge realisations;
- The purchaser also agreed novations in respect of the financed vehicles and taken on the existing liabilities, these were circa £135k against assets valued on an in-situ basis at £119k;
- Other than detailed above, there were no options, buy-back arrangements, deferred consideration or other conditions attached to the contract of sale;
- The sale is not part of a wider transaction.

10. Pre-pack pool ("the Pool")

As mentioned above, the Company's two directors joined the Purchaser around the time that they acquired the Company's business, consisting of the ongoing contracts and the book debts. Consequently, we believe that the purchaser then had a significant prior connection to the company i.e., was a "connected party". In accordance with requirements of SIP 16 we wrote to the directors on 6 September 2018 informing them of the existence of the Pool and the process to be followed should they wish to make a submission to the Pool.

The directors advised us that they did not make a submission to the Pool and no viability statement has been prepared.

The joint administrators confirm that that the pre-packaged sale of the Company's assets enables the statutory purpose to be achieved and that the sale price achieved was the best obtainable in all the circumstances.



Gregory Andrew Palfrey and Neil John Mather

Joint Administrators

Date: 8 October 2018