

The Insolvency Act 1986

Statement of administrator's proposals

Pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986
and Rule 2.25 of the Insolvency (Scotland) Rules 1986

Name of Company Consolidate Limited	Company number SC275090
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(a) Insert full name(s) and
address(es) of
administrator(s)

We, John Gerard Montague of Grant Thornton UK LLP, 1/4 Atholl Crescent,
Edinburgh, EH3 8LQ and Robert Caven of Grant Thornton UK LLP, 95 Bothwell
Street, Glasgow, G2 7JZ

attach a copy of our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) Insert date

2 November 2010

Signed


Joint Administrator

Dated: 2 November 2010

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 must be clearly visible

Euan McCorquodale, Grant Thornton UK LLP	
1/4 Atholl Crescent, Edinburgh, EH3 8LQ	
	Tel 0131 659 8552
DX Number	DX Exchange



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COMPANIES HOUSE

When you have completed and signed this form please send it to the Registrar of Companies at:

Companies House, 4th Floor, Edinburgh Quay 2, 139 Fountainbridge, Edinburgh, EH3 9FF
DX 235 Edinburgh / LP 4 Edinburgh-2

Our Ref JGM/ARE/TM/EKM/C00912/7

TO THE CREDITORS

Recovery and Reorganisation

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01 November 2010

Dear Sirs

Consolidate Limited - In Administration ("the Company")

1 INTRODUCTION

- 1.1. Following my appointment, together with my partner Rob Caven, as joint administrators of the above Company by the directors on 9 September 2010, I am submitting my proposals, pursuant to paragraph 49 (1) of Schedule B1 to the Insolvency Act 1986, for achieving the objectives of the administration.
- 1.2. This report contains the information required by Rule 2.25 of the Insolvency (Scotland) Rules 1986.
- 1.3. In accordance with paragraph 100 (2) of Schedule B1 to the Insolvency Act 1986 the functions of the administrators are to be exercised by any or all of them.

2 STATUTORY INFORMATION

- 2.1. The Company's statutory details are as follows:

Registered number SC275090

Date of incorporation 22 October 2004

Registered office
c/o Grant Thornton UK LLP
1/4 Atholl Crescent
EDINBURGH
EH3 8LQ

Chartered Accountants

Member firm within Grant Thornton International Ltd

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No. OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP
A list of members is available from our registered office.

Grant Thornton UK LLP is authorised and regulated by the Financial Services Authority for investment business.

A list of personnel permitted by Grant Thornton to accept appointments as insolvency practitioners and of their respective authorising bodies may be inspected at the above address.

Authorised share capital	1,000 A Ordinary Shares 30,250 Preferential Shares
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Issued share capital	1,000 A Ordinary Shares 30,250 Preferential Shares
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Directors:

Shareholding

William James Beaton Sutherland	300 A Ordinary Shares 24,250 Preference Shares
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Paul Burns	300 A Ordinary Shares 2,000 Preference Shares
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Gary Craig Miller	300 A Ordinary Shares 2,000 Preference Shares
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Francis William Edward Bartlett	100 A Ordinary Shares 2,000 Preference Shares
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Secretary

Shareholding

William James Beaton Sutherland	300 A Ordinary Shares 30,250 Preference Shares
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- 2.2. The administration constitutes "main proceedings" under the EC Regulation on Insolvency Proceedings.

3 BACKGROUND TO ADMINISTRATOR'S APPOINTMENT

- 3.1. Following the downturn in activity in the construction sector, the directors had instructed the discrete marketing of the Company via professional business advisors. This exercise identified 4 potential purchasers for the Company. The Company held detailed discussions with a number of parties and the directors believed that offers would be forthcoming. During this marketing period the Company experienced delays in the commencement of contracts, resulting in losses and an increasing cash requirement.

- 3.2. The Company sought additional cash facilities from its lenders, believing that once contract delays were overcome, the business could be restored to profitability. Following an independent review of the Company and its forecasts, undertaken by Zolfo Cooper, Corporate Advisors, the Bank declined to provide additional facilities. My firm was first consulted by the managing director of the Company, Beaton Sutherland ("Beaton Sutherland") very briefly in the period before the independent review, and next following the decision by the bank not to extend its support. Prior to these consultations, neither I nor my firm, had any dealings or involvement with the Company, the directors or its secretary.
- 3.3. Based upon the information available to the directors, there were insufficient resources to meet ongoing wages and the business could no longer continue to trade.
- 3.4. Accordingly, on 27 August 2010 all the employees, with the exception of the directors, were made redundant and the directors took steps to secure the appointment of administrators. On 9 September 2010 the directors appointed Rob Caven and John Montague of Grant Thornton UK LLP as Joint Administrators pursuant to Paragraph 22 of Schedule B1 of the Insolvency Act 1986.
- 3.5. Both Rob Caven and I are authorised by the Institute of Chartered Accountants of Scotland.

4 CONDUCT OF THE ADMINISTRATION

- 4.1. Upon our appointment, we visited the Company's premises in Livingston and took immediate control of the Company's assets. The business had ceased trading prior to our appointment and all employees were made redundant on 27 August 2010 with the exception of the Company Directors, who were made redundant on 10 September 2010. Thainstone Specialist Auctions ("Thainstones") were appointed to prepare an inventory and valuation of the plant, equipment, vehicles, fittings and stock of the Company.
- 4.2. I met the directors to discuss the position of the Company and the options surrounding realisation of assets.
- 4.3. The Company's accountant was re-engaged to ensure that the Company's records were brought up to date and to assist the directors with preparation of the Statement of Affairs.
- 4.4. Following my discussions with the directors, I concluded that, due to the specialist nature of the Company's assets, the best way of achieving the objective of the administration was to attempt to sell all the assets of the Company to a single purchaser rather than on a piecemeal basis. This strategy was also agreed with the major hire purchase creditors, which owned the largest part of the Company's plant and equipment.
- 4.5. Immediately upon our appointment, we contacted 42 parties who had previously been identified as potential purchasers for the Company together with a number of other parties to establish if they were interested in acquiring assets from the administrators.
- 4.6. The Company was already in discussions with 2 parties as part of the directors efforts to secure the future of the business and both of these parties were encouraged to progress their interest. In support of this, the joint administrators agreed to fund a visit by Beaton Sutherland to Birmingham

to meet one of the interested parties.

- 4.7. Of all parties that were contacted, 5 were provided with detailed information on the Company. Only 2 parties submitted indicative offers for the whole business and these were referred to the major finance creditor for their consideration. Following direct discussions by the interested parties with the major finance creditor, it did not prove possible to reach a sale on acceptable terms.
- 4.8. Following this, both parties were invited to submit offers for the unencumbered assets only, comprising plant and stock. On 29 September 2010, these were sold for £200,000 (plus VAT) to Forkers Limited.

Other Actions Following Appointment

- 4.9. The other key actions taken by the Joint Administrators since their appointment also include the following;
- Initial notification of the appointment to all employees, creditors, HP/leasing companies and carrying out all statutory duties
 - Ensuring relevant returns submitted to HMRC
 - Reporting to secured creditors
 - Corresponding with the landlord
 - Facilitating the return of assets to HP/leasing companies
 - Liaising with insurers to ensure appropriate cover in place.
 - Securing funds from the Company's bank account
 - Assisting employees with submissions of claims for arrears of wages, holiday pay and redundancy
- 4.10. My receipts and payments account covering the period to 26 October 2010 is attached (Appendix B).

5 PROPOSALS FOR ACHIEVING THE OBJECTIVE OF THE ADMINISTRATION

- 5.1. The Joint Administrators propose the following;
- To pursue the objective of realising property in order to make a distribution to one or more secured or preferential creditors.
- 5.2. This objective will be achieved through the sale of the business and assets of the Company, as outlined in section 4. The Joint Administrators propose that:

- the joint administrators continue to manage the affairs and assets of the Company, including realising the assets of the Company for the benefit of creditors and settlement of all realisation expenses.
- the joint administrators be authorised to agree the claims of secured, preferential and unsecured creditors of the Company, unless the joint administrators conclude, in their opinion that the Company will have no assets available for distribution;
- the joint administrators be authorised to distribute funds to the secured and preferential creditors as and when claims are agreed and funds permit. In relation to distributions to unsecured creditors the Administrators be authorised to seek the consent of the Court to make a distribution to the unsecured creditors pursuant to paragraph 65 of Schedule B1 of Insolvency Act 1986;
- in the event that the creditors of the Company so determine to appoint a Creditors Committee in the Administration, the joint administrators will
 - i. consult with the Committee at appropriate intervals concerning the conduct of the Administration
 - ii. agree with the Committee the implementation and further development of these proposals, as necessary
 - iii. obtain approval of the Committee for the future fees of the Administrator
- the Administrators fees and expenses for the Company be approved for payment pursuant to Rule 2.39 of the Insolvency (Scotland) Rules 1986, by a resolution of the creditors committee (formed at the initial meeting of creditors) or, in the absence of a committee by a creditors resolution passed at a meeting of creditors. Where the joint administrators issue a statement pursuant to Section 52 (1)(b) of Schedule B1 of Insolvency Act 1986, the administrators fees may be approved by the secured and preferential creditors only.
- the joint administrators become the Liquidators of the Company, should it become appropriate to place the company into Creditors Voluntary Liquidation. In accordance with paragraph 83(7) and Rule 2.47, creditors may nominate a different Liquidator provided nomination to that effect is received before approval of these proposals.
- that on completion of realisation of the assets and distribution of funds to creditors, as quickly and efficiently as is reasonably possible, the joint administrators seek and implement the most cost effective steps to formally conclude the Administration.

6 ASSETS AND LIABILITIES

- 6.1. The directors have provided a statement of affairs of the Company, a summary of which is attached at Appendix A together with my comments thereon.
- 6.2. Appendix A also includes details of the prescribed part of the Company's net property under Section 176A of the Insolvency Act 1986, being the amount available for the satisfaction of unsecured liabilities. The joint administrators estimate the prescribed part available to creditors will be in the region of £28,000.
- 6.3. In the opinion of the joint administrators, the Company has insufficient property to enable a distribution to be made to the creditors other than by virtue of Section 176A (2)(a) of the Insolvency Act 1986 i.e. the prescribed part referred to in Paragraph 6.2

7 ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 7.1. The creditors committee, if appointed, should determine the basis of the joint administrator's remuneration. If no committee is appointed, a resolution of the creditors will be required. This may be restricted to the secured and preferential creditors as noted above.
- 7.2. Background information regarding the fees of administrators can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees'). Alternatively I will supply this information by post on request.
- 7.3. The joint administrators will request that their remuneration be calculated on the agreed basis with the Floating Chargeholders prior to the commencement of the administration, namely,

Base administration fee	£17,000
15% of realisations	tbc

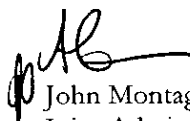
- 7.4. The administrator will charge out of pocket expenses at cost. Mileage is charged at standard rates which comply with HM Revenue and Customs limits or AA recommended rates. VAT is added to disbursement charges as necessary.
- 7.5. Payments of the administrator's remuneration and disbursements are to be met from funds held in the administration in priority to the claims of creditors, and, after approval of the basis, the administrators may draw sums on account.

8 MEETING OF CREDITORS

- 8.1. A meeting of creditors has not been convened because, in accordance with paragraph 52(1)(b) of Schedule B1 to the Insolvency Act 1986, I am of the opinion that the Company has insufficient net property to enable a distribution to unsecured creditors other than the prescribed part estimated at £28,000.
- 8.2. The proposals contained in this statement will be deemed to have been approved by the creditors unless, within 12 days of this statement being sent out, a meeting is requisitioned by creditors whose debts amount to at least 10% by value of the total debts of the Company.
- 8.3. Please contact Tony McDaid of this office on 0141 223 0822 should you have any further queries.

Yours faithfully

for and on behalf of
Consolidate Limited



John Montague
Joint Administrator

The affairs, business and property of Consolidate Limited are being managed by John Montague and Robert Caven of Grant Thornton UK LLP, appointed as Joint Administrators on 9 September 2010, who act as agents of the Company and without personal liability.

Appendix A

Directors Statement of Affairs as at 09 September 2010

		Estimated book value £	Estimated to realise £	Notes
ASSETS SPECIFICALLY PLEDGED				
	Estimated to realise £	Due to secured creditor £		
Plant & Machinery	529,485	981,739	(452,254)	1
ASSETS NOT SPECIFICALLY PLEDGED				
Plant, machinery and vehicles			280,599	
Leasehold property			40,905	
Furniture & Fittings			15,515	
Stock			319,774	
Trade Debtors			67,875	
Funds at HSBC			64,916	
Cash			329	
			<u>789,913</u>	
			<u>274,288</u>	
Estimated Total Assets			274,288	
Preferential Creditors			(62,314)	3
Net Property			<u>211,974</u>	
Prescribed Part			(45,395)	*4
Funds Available to Floating Charge Holders			166,579	
Holders of Floating Charges			(811,000)	
Surplus/(Deficit) to Floating Charge Holders			(599,026)	
Unsecured Creditors			(635,769)	
Estimated Surplus/(Deficiency) to Unsecured Creditors			(1,234,795)	
Issued and called up share capital			(31,250)	
Estimated Surplus/(Deficiency) to Members			(1,266,045)	
 Funds available to unsecured creditors as per Directors Statement of Affairs before costs			<u>45,395</u>	
 Joint Administrators estimate of Prescribed Part funds available to unsecured creditors after realisation and administration costs			<u>28,000</u>	

Administrator's Comments to Director's Statement of Affairs

- 1 Specifically secured plant & machinery predominantly consists of a number of ground drilling rigs on Hire Purchase with HSBC and Lombard Finance.
- 2 In the opinion of the joint administrators there will be costs associated with the collection of book debts and thus the recovery estimated by the Directors may be overstated.
- 3 Included within preferential creditors is a claim relating to Landlord's Hypothec. At the date of appointment, the Company had outstanding rent arrears which entitled the landlord to a claim over the assets held within the Company's premises. The practical effect is to provide the landlord with a priority ranking. The final quantum of this claim remains to be agreed. The balance of preferential claims relates to employee claims for arrears of wages and holiday pay arising prior to their redundancy.
- 4 The figures stated in the directors statement of affairs are subject to the costs of the administration. Taking into account administration costs, the joint administrators estimate a prescribed part distribution to unsecured creditors of circa £28,000.

APPENDIX B

Receipts and Payments Account for period to 26 October 2010

	£
RECEIPTS	
Cash at Bank	65,137
Funds at HSBC	1
Proceeds of Sale	<u>200,000</u>
TOTAL RECEIPTS	265,138
PAYMENTS	
Insurance	406
Hire of Equipment	590
Agents/Valuers Fees	1,400
Specific Bond	158
Quantity Surveyors Fees	116
Professional Fees	1,002
Liens	1,002
VAT Memo	28
Vat Receivable	1
	<u>245</u>
TOTAL PAYMENTS	4,948
BALANCE OF FUNDS IN HAND	<u>260,190</u>