

2.24B

The Insolvency Act 1986

Administrator's progress report

Name of Company
Presto International Limited

Company number
05766212

In the High Court, Leeds District Registry <small>(full name of court)</small>

Court case number
1479 of 2008

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

I/We (a)
 Christopher Michael White
 The P&A Partnership
 93 Queen Street
 Sheffield
 S1 1WF

Gareth David Rusing
 The P&A Partnership
 93 Queen Street
 Sheffield
 S1 1WF

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

(b) Insert date

From
(b) 10 December 2007

To
(b) 9 June 2008

Signed

C. White
 Joint / Administrator(s)

Dated

9 July 2008

Contact Details

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to

contact you if there is a query on the form

The contact information that you give will be visible to searchers of the public record

Christopher Michael White & Gareth David Rusing The P&A Partnership 93 Queen Street Sheffield S1 1WF T 0114 275 5033 F 0114 276 8556 DX Number 10616
DX Exchange Sheffield

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COMPANIES HOUSE

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IN THE HIGH COURT OF JUSTICE

NO 1479 of 2007

CHANCERY DIVISION

HIGH COURT, LEEDS DISTRICT REGISTRY

IN THE MATTER OF PRESTO INTERNATIONAL LIMITED

AND

**IN THE MATTER OF THE INSOLVENCY ACT 1986 AS AMENDED BY THE
ENTERPRISE ACT 2002**

**JOINT ADMINISTRATORS' REPORT TO CREDITORS
PURSUANT TO RULE 2.47 OF THE INSOLVENCY
RULES 1986 AS AMENDED BY THE INSOLVENCY
(AMENDMENT) RULES 2003**

1 INTRODUCTION

1 1 This report to creditors is made pursuant to Rule 2 47 of the Insolvency Rules 1986 as amended by the Insolvency (Amendment) Rules 2003

2 STATUTORY INFORMATION

Company name	Presto International Limited
Registered address	93 Queen Street Sheffield S1 1WF (formerly Penistone Road Sheffield South Yorkshire S6 2FN)
Company number	05766212
Other trading names of the Company	None
Date of incorporation	3 April 2006
Objects	Tooling Manufacturer
Authorised share capital	820,209 Ordinary Shares of £1 each
Issued share capital	820,209 Ordinary Shares of £1 each

Shareholders	Shaohua Chen
Floating Charge Holder	RBS Invoice Finance Limited Fixed and Floating Charge 17 October 2006
Director	Richard Patrick Cosgrove Shaohua Chen
Company Secretary	Richard Patrick Cosgrove

3 COURT HAVING CONTROL OF ADMINISTRATION PROCEEDINGS AND JOINT ADMINISTRATORS' APPOINTMENT

3 1 The High Court of Justice, Chancery Division, High Court, Leeds District Registry is the Court seized of the Administration proceedings. The Court reference number is 1479 of 2007.

3 2 On 10 December 2007 Richard Patrick Cosgrove, a director of the Company, filed a Notice of Appointment of Administrators pursuant to Paragraphs 22 and 29 of Schedule B1 to the Insolvency Act 1986. Gareth David Rusling and Christopher Michael White of The P & A Partnership, 93 Queen Street, Sheffield, S1 1WF were appointed Joint Administrators of the Company.

3 3 Gareth David Rusling and Christopher Michael White are Insolvency Practitioners licensed by the Insolvency Practitioners Association of Valiant House, 4-10 Heneage Lane, London EC3A 5DQ.

3 4 In accordance with Paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 both of the Joint Administrators may exercise any or all of the functions of the Joint Administrators jointly or alone.

4 JOINT ADMINISTRATORS' STRATEGY

4 1 The proposals of the Joint Administrators as ratified by creditors on 30 January 2008 were to continue to wind down the business in an orderly manner and realise the assets of the Company in such a manner as they consider expedient with a view to 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).

4 2 This objective has been achieved as the continued trading of the Company under Administration has resulted in enhanced realisations compared to projected realisations if the Company was wound up (without first being in Administration). Furthermore, a dividend to all classes of creditor is anticipated.

5 PROGRESS REPORT

5.1 This report covers the period following the appointment of the Joint Administrators on 10 December 2007 until 9 June 2008

5.2 Shown below is a summary of the Joint Administrators' receipts and payments covering the period between 10 December 2007 and 9 June 2008

	Statement of Affairs (£)	Actual (£)
RECEIPTS		
Sales	NIL	1,666,787
Book Debts	1,162,980	1,782,975
Plant & Equipment	253,000	500,000
Sale of Business (see 5.36)	710,000	650,000
Rent	NIL	37,504
Cash at Bank	64,000	29,446
		<hr/> <u>4,666,712</u>
PAYMENTS		
Sales Discounts Allowed		696
Exchange Rate Differences		3,340
Purchases		412,813
Sub-Contract Treatments		51,658
Pension Contributions/UNUM		80,833
Wages		890,767
Wage Deductions		15,842
Consumable Stores		15,099
Rents		65,000
Rates		24,336
Electricity		91,653
Telephone		6,114
Carriage		81,819
Insurance		39,961
Professional Fees		2,405
Bank Charges		6,688
HP/Lease Payments		7,442
Hire of Equipment		1,625
Repairs & Maintenance		19,306
Sundry Expenses		2,028
Sales Commission		16,935
Vehicle Running Costs		582
Stationery		6,160
Debt Collection Costs		148,197
RBS Invoice Finance Termination Fees		31,725
RBS Invoice Finance Limited		728,398

ROT Settlement	139
Specific Bond	2,294
Office Holders' Fees	795,000
Incidental Outlay -	
<i>Category 1 Disbursements</i>	
Company Search Fee	15
Money Laundering Search	15
<i>Category 2 Disbursements</i>	
Postage & Stationery	2,573
Motor Expenses	2,188
Room Hire	100
Agent's/Valuer's Fees	588
Pension Advice Fees	750
Accountant's Fees	8,000
Statutory Advertising	521
	<hr/>
	3,563,605
	<hr/>
Balance in Hand	1,103,107
	<hr/>

- 5 3 As referred to in the Administrators' Proposals, following the appointment of the Joint Administrators it was resolved to continue to trade the business whilst instructing our appointed agents, Charterfields Limited ("Charterfields"), to market it for sale as a going concern. Continuing to trade the business preserved the value in the Company's debtors ledger and order book and also assisted in preserving the goodwill of the customer base. It was also noted that stock realisations were likely to be maximised in the event of continuing trade.
- 5 4 Continuing to trade whilst negotiating a sale of the business as a going concern also mitigated considerable claims from the employees in respect of wage arrears, holiday pay, redundancy and pay-in-lieu of notice along with the lease related liabilities for the Company's occupation of the trading premises, both of which would crystallise upon cessation of trade.
- 5 5 As referred to at 5.3, Charterfields were instructed to market the business and assets for sale as a going concern. The Company is a substantial trading organisation with a large number of tangible production assets together with stock with a cost value of £5-6 million, although the majority of this stock had been written off in the Company's accounts as slow moving or obsolete. Under the circumstances, Charterfields advised that for them to fully assess and effectively advise upon the best method of disposal of the assets, they would require time to analyse the trading of the business, the customer base and impact of insolvency proceedings upon the saleability of the trading venture. They estimated therefore that their investigation into opportunities to realise the assets and their estimation of the realisations achievable was likely to take a number of weeks. It was therefore resolved that the marketing exercises would be delayed until the first week in January and Charterfields would undertake an extensive review of the business in this period. This demonstrated further benefit in continuing to trade the business.

- 5 6 Immediately following our appointment, the Joint Administrators' representatives attended site to supervise the ongoing trading of the business and began servicing the Company's order book, which showed ongoing orders with a value of £1 3 million from domestic, EEC and non-EEC customers Meetings were conducted with the Company's senior management team who were briefed on the Administrators' strategy with regard to ongoing trading
- 5 7 A full review of the Company's business and an assessment of all outstanding customer orders was undertaken It was resolved that the Joint Administrators would complete the works where financially beneficial to the Company and this review also revealed that considerable stock levels remained at the trading premises Historically, the Company held various buffer stocks whilst continuing to order new raw materials, resulting in the large accumulation of stock An in-depth review of the stock was undertaken, as its utilisation would minimise the costs of trading and maximise the realisation of these slow moving or obsolete stocks with only a scrap value upon sale
- 5 8 The Joint Administrators subsequently based their strategy for the continuing trading of the business upon servicing the existing order book using, where possible, the remnant stocks accumulated at the trading premises This was designed to keep the costs of trading to a minimum and enhance the profitability of the Administrators' trading period A number of performance measures were implemented to ensure targets per the Joint Administrators' trading plans were met
- 5 9 Funding requirements for the Administrators' trading of the business were satisfied by agreeing a confidential invoice discounting facility with RBS Invoice Finance Limited ("RBS Invoice Finance"), alongside an informal overdraft that was agreed with The Royal Bank of Scotland plc The Company's existing invoice discounting facility was cancelled upon the Company entering into Administration and RBS Invoice Finance levied their termination charges against the account The confidential invoice discounting facility was granted to fund the Joint Administrators' trading period on the basis that they personally indemnify RBS Invoice Finance against any liabilities arising from the use of the facility
- 5 10 Negotiations were entered into with certain of the Company's suppliers and hauliers who had attempted to claim a lien over the Company's assets whilst in their possession After extensive negotiations, they agreed to trade with the Joint Administrators Further negotiations were held with the Company's suppliers and new terms and conditions of trade were agreed to support future sales and ensure a continued relationship Negotiations were also entered into to agree the continuation of vital utilities and communication facilities that were required for the trading of the business
- 5 11 As part of the Joint Administrators trading of the business and in order to comply with requirements to consult with employees about a possible transfer or potential redundancies, the employees were balloted for the election of representatives from each department to form an employee representatives committee The Joint Administrators commenced weekly consultation meetings with employee representatives including representatives of the Transport and General Workers

Union These consultation meetings preserved the goodwill of the staff and ensured their ongoing support by keeping them informed of the Company's position and the likely outcome of the Administration Following the initial consultation meeting, eight employees elected for voluntary redundancy

- 5 12 This consultation is also required under the provisions of Section 188(1) of the Trade Union & Labour Relations (Consolidation) Act 1992, which states that (for a company with in excess of ninety nine employees) a consultation process of ninety days should be carried out to discuss the redundancy proposals and measures with regard to the employees' continued employment The weekly employee consultation meetings have therefore prevented considerable potential claims for protective awards due to non-consultation arising in the Administration Such awards are calculated based upon ninety days gross pay per employee, of which the first £800 could rank as preferential Completion of the consultation process has therefore negated potential preferential and unsecured claims totalling £101,600 and £553,001 respectively
- 5 13 Sales generated since our appointment amount to £2,129,544, of which £1,465,534 relates to UK customers, £360,665 to EEC customers and £303,345 to non-EEC customers
- 5 14 As referred to at 5 9, the Joint Administrators' sales were financed by way of a confidential invoice discounting facility with RBS Invoice Finance As is usual under such circumstances, a team of third party specialist debt collectors were engaged to collect the ledger on behalf of RBS Invoice Finance P & A Receivable Services plc ("P & A Receivables") were formally instructed by RBS Invoice Finance to undertake the collections Following repayment of the indebtedness of RBS Invoice Finance and to ensure a seamless collection of the sales, the Joint Administrators subsequently engaged P & A Receivables to continue their collection of the outstanding sales balances The basis of their instruction by the Joint Administrators was that their remuneration would be calculated on a time costs basis in relation to their collection of the debts.
- 5 15 Of the £2,129,544 of sales generated by the Joint Administrators, £1,666,787 has been paid to date The balance of the sales are being actively pursued by P & A Receivables
- 5 16 Continuance of trade also allowed the orderly processing of the numerous retention of title claims received over the Company's stock Since our appointment we have received and undertaken an extensive review of all claims and adjudicated upon fifteen such claims
- 5 17 Six claims have been agreed following the claimants proving valid retention of title over the goods supplied to the Company The most significant of these claims are those of Lidster Paragon Tool Company Limited ("Lidster Paragon"), Erasteel (UK) Limited ("Erasteel"), M R Tool (Atherstone) Limited ("M R Tools") and Kite Packaging Limited ("Kite Packaging")

- 5 18 With regard to Lidster Paragon, their claim relates to a number of machines held under retention of title which were due to be shipped to a customer abroad. In order to preserve the goodwill with this customer, the Joint Administrators negotiated a sale of the machines in question on behalf of Lidster Paragon. This has reduced Lidster Paragon's claim in the Administration by £47,500.
- 5 19 Erasteel, M R Tools and Kite Packaging have all proved valid retentions however the use of their goods was required in the interest of future trading. Negotiations were therefore entered into with these claimants to secure the use of the goods in respect of which they have proved title. It was resolved that the Joint Administrators would raise purchase orders to secure the acquisition of any goods required to continue trading and that any remnant stocks following the conclusion of trading would be returned to the claimants. Reaching such agreements with these claimants has reduced their respective claims in the Company's Administration by a total of £122,132.
- 5 20 The remaining claims were either abandoned by the claimants or rejected by the Joint Administrators.
- 5 21 The Joint Administrators have prepared weekly cashflow and profit and loss forecasts throughout the course of the Administration which have shown continual trading surpluses, due principally to minimising the costs of trading by utilising the remnant stocks and implementing increased performance measures.
- 5 22 Initially, the Joint Administrators did not anticipate that their trading of the business would continue beyond the end of February 2008. This was on the basis that it was likely to be necessary to order further supplies to facilitate continued trading and whilst previous trading accounts showed significant surpluses, there was no guarantee that these would be maintained at the same levels to ensure that no losses were incurred as a consequence of increased costs resulting from the acquisition of further supplies.
- 5 23 Charterfields advised however that the potential realisations that could be achieved for a sale of the business would be significantly enhanced if trading was continued than the likely value achievable upon cessation of trade. Charterfields, who were now involved in fluid negotiations with various interested parties, advised that in order to achieve the optimal realisations for the business and assets, trading should be continued to allow their negotiations with potential purchasers to be finalised and allow a sale to be completed.
- 5 24 Trading was therefore continued into March 2008, with the Joint Administrators enforcing increased measures of control to ensure trading remained profitable. Charterfields continued their negotiations with parties interested in the acquisition of the business, which will be commented upon in further detail later in this report. As anticipated, stocks remaining at the premises began to deplete as completion of work in progress continued. A slight downturn in sales also reduced the workload of the employees and potential imminent redundancies were to the detriment of staff morale. Productivity amongst staff was therefore reduced and with a going concern sale including all contracts of employment becoming increasingly unlikely, it was

resolved to commence the redundancy of a number of the staff. This also negated considerable labour costs and enhanced the profitability of trading in this period.

- 5 25 As referred to 5 11 and 5 12, the Joint Administrators had conducted weekly consultation meetings with employee representatives to discuss their redundancy proposals and measures with regard to continued employment, in order to satisfy the provisions of Section 188(1) of the Trade Union & Labour Relations (Consolidation) Act 1992. This Act requires the Administrators to consult with employees for a ninety day period. Consultation was commenced upon the appointment of Joint Administrators on 10 December 2007 and therefore the consultation period ended on 9 March 2008. Under such circumstances, claims for protective awards were avoided as a result of the Joint Administrators' completion of the consultation process and on 31 March 2008, eighty four of the Company's employees were formally made redundant. The claims of the employees in this matter were significantly reduced by the ongoing trading of the business as their wages and holiday pay had been paid by the Joint Administrators, thereby negating any preferential claims for wage arrears.
- 5 26 The Joint Administrators retained a total of twenty staff to assist in continued trading of the business, the collection of book debts and post-appointment sales.
- 5 27 Trading continued at a reduced capacity as extensive marketing and negotiations with regard to the sale of the business were continued by Charterfields in conjunction with the Joint Administrators.
- 5 28 Detailed trading accounts have been prepared by the Joint Administrators for their trading period. Such accounts show a net profit of £236,054 has been achieved during the period 10 December 2007 to 28 April 2008.
- 5 29 As referred to previously, Charterfields had been instructed to market the business for sale as a going concern. The extensive marketing of the business incorporated an advertisement in the Financial Times, the circularisation of an industry database, mailshots of both Charterfield's in-house and a corporate finance organisation's mailing lists and extensive marketing on Charterfield's website.
- 5 30 Responses were received from forty six organisations and a sales pack detailing the assets and opportunities was forwarded to each applicant with a request for confirmation of continuing interest.
- 5 31 Responses to our requests and instructions to commence negotiations were received from sixteen of the organisations, of which fourteen attended one or more site meetings to inspect the facility and discuss in detail the format of a proposed sale and purchase agreement. In addition to the fourteen site meetings, two further organisations entered into negotiations without viewing, based upon their interest in acquiring either part of the facility or the facility together with the landlords' interest in the premises.
- 5 32 Bids were subsequently received on a number of bases, including bids for stock only, bids for production assets only and bids for the entire trading entity.

- 5 33 As realisations would be significantly enhanced in the event of a sale of the trading entity rather than a piecemeal disposal of the various elements of the business, detailed negotiations were entered into with three of the interested parties who had expressed an interest in acquiring the business as a whole. These negotiations took place over an eight week period during which time, further site meetings were undertaken. During this extended negotiation period, background negotiations in respect of a disposal of specific asset types, were maintained.
- 5 34 Of the three primary interested parties, no single party had expressed an interest in acquiring the whole enterprise. Two bidders however offered enhanced realisations for two areas of the business when compared to all comparative offers. Such bidders instructed lawyers to commence negotiations in respect of a proposed sale and purchase agreement.
- 5 35 One such interested party was Tiangong International Company Limited ("Tiangong International"), an unconnected third party company based in the Cayman Islands. Tiangong International had an interest in acquiring the Company's plant and equipment free from security and after extensive negotiations, an offer of £500,000 was received by our solicitors. This offer was referred to Charterfields who confirmed that the offer represented a fair market value for the assets and offered significantly enhanced realisations when compared to the comparative offers. As such, their offer was accepted and an agreement relating to the sale of these certain assets was drawn up by our solicitors. The consideration of £500,000 was received by our solicitors upon completion of the agreement on 28 April 2008.
- 5 36 The other interested party was Wakeco (361) Limited ("Wakeco 361"), a vehicle of the current director and shareholder, Shaohua Chen. Wakeco 361 expressed an interest in acquiring the Company's business intellectual property, customer lists, finished goods, equipment, goodwill, information technology and stock. Wakeco 361's interest incorporated the entire trading entity with the exception of the plant and equipment in respect of which separate negotiations had been entered into with Tiangong International. As a sale of the entire trading entity would offer enhanced realisations and the offer from Wakeco 361 was the only vehicle to achieve this, negotiations were entered into to facilitate a sale of these assets.
- 5 37 The terms of the potential offer from Wakeco 361 required the continuing occupation of the Company's trading premises at Albert Works, Penistone Road, Sheffield. The Company occupied these premises by way of a lease dated 14 October 2002, made between Ascot Properties Limited and Kennametal Hertel Limited, as supplemented by an agreement dated 30 November 2007 between Elmsdale Estates Limited and the Company.
- 5 38 Upon the appointment of Joint Administrators, it was estimated that there would be liabilities under the lease relating to dilapidations in the sum of £350,000. Further investigations by the Joint Administrators have revealed that in fact the liabilities for dilapidations would be far in excess of this figure, as the terms of the lease also required a full clearance of the site.

- 5 39 Clearance contractors have indicated that the removal of the Company's production assets alone could take anything up to six months to complete and the associated costs are likely to be a substantial six figure sum. Furthermore, all the production machines require lubrication oils which are pumped from a central area to service the machines via an extensive and complex network of pipes. The removal of these items would require the engagement of specialist contractors with significant associated costs and would have various environmental, contamination and health and safety issues for the Joint Administrators.
- 5 40 Extensive and protracted negotiations were entered into with the landlords in order to address the various issues surrounding the Company's occupation and potential vacation of the premises, along with discussing the implications of the Company's potential sale.
- 5 41 Following intense negotiations with the landlord, an agreement was reached whereby the Company would surrender its interest in the lease with no claim for dilapidations, which as noted previously, has negated substantial dilapidations claims in the Administration which were originally estimated at £350,000 but would in fact have a significantly greater value due to the points noted above.
- 5 42 These negotiations also incorporated an agreement for Wakeco 361 to occupy the premises following the Company's surrender of its interest in the lease. Additionally, a rent deposit had been paid by the Company of £130,000 plus VAT. The Joint Administrators have secured the repayment of this deposit, however £92,496 has been retained by the landlord in exchange for the first six months of Wakeco 361's rent.
- 5 43 Extensive negotiations were therefore conducted with Wakeco 361, culminating in an offer being received of £950,000 for the assets referred to at 5.36. Charterfields advised that this offer was acceptable as it offered enhanced realisations, offered the remaining employees continuity of employment (hence minimising employee claims) and was the only realistic offer for the business as a trading entity.
- 5 44 The offer of £950,000 from Wakeco 361 was therefore accepted and negotiations were commenced to draw up a sale and purchase agreement. It was agreed that £500,000 would be payable by the purchaser upon completion of the sale agreement and the remaining £450,000 would be payable by the 30th day after completion of the agreement.
- 5 45 Incorporated into the sale and purchase agreement was the six months rent in advanced retained by the landlord from the return of the rent deposit to the Company, as referred to at 5 42, which amounted to £92,496. It was resolved that payment of these monies would be deferred into six monthly instalments, the first three amounting to £21,666 and the final three in the sum of £9,166. Payment is to be made on the first day of each month, effective from 1 May 2008 and ending on 1 October 2008.
- 5 46 A supplementary agreement was also entered into with DIY Hardware Tools (China) Co Limited, Suncraft International Corp and Shaohua Chen, all creditors of the

Company connected to the proposed purchaser, with regard to their right to claim a dividend in the Administration. In consideration for the Company agreeing to enter into the sale agreement with Wakeco 361 to sell the distribution business and certain assets, in particular with regard to the acceptance of deferred payment terms, the aforementioned creditors agreed to postpone their right to receive the dividend and to assign the right to receive the dividend to the Company and/or its Administrators in the event of any default by Wakeco of its obligations under the sale agreement.

- 5 47 The sale and purchase agreement was subsequently completed on 28 April 2008 and the Company's business and assets were sold to Wakeco 361, a company connected by way of a common director and shareholder in Shaohua Chen.
- 5 48 The remaining twenty employees of the Company were transferred to Wakeco 361 upon completion of the sale agreement under the TUPE regulations. This has negated potential claims from these employees in respect of redundancy, holiday pay and pay-in-lieu of notice which would amount to £170,716.
- 5 49 The Administrators have received the initial part consideration payment of £500,000 from the purchaser pursuant to the 28 April 2008 asset sale agreement ("ASA").
- 5 50 As to the deferred consideration balance of £542,496 payable in the various part amounts and stages as set out in the ASA with effect from 1 May 2008, the purchaser fell into and remains in material default from that time and we and our solicitors have formally notified the purchaser and its solicitors that as a result the whole of that amount and all interest and costs of recovery became immediately due and payable by the purchaser to the Administrators.
- 5 51 The purchaser has subsequently offered to pay over a longer timescale and has tendered £150,000 of the whole deferred consideration balance due. We have therefore, through our solicitors, advised the purchaser's solicitors that late lower provisional amount has only been accepted by the Administrators without prejudice to the fact that all monies (and all default costs and compensation) continue to be immediately due and payable in full, and that the purchaser will not be regarded as having complied with its obligations until the full balance and all associated costs have been paid by it to the Administrators in full. The Joint Administrators therefore regard themselves as having reserved all their rights and remedies to recover in that respect from the purchaser.
- 5 52 Notwithstanding any other monies outstanding a further £150,000 was promised by the Purchaser to be paid to the Administrators on 2 July 2008. However, this has not been received. The Joint Administrators are currently considering their position and determining what steps they may wish to take in terms of any possible enforcement action to recover all outstanding sums due from the purchaser.
- 5 53 The Company's book debts were subject to a confidential invoice discounting facility with RBS Invoice Finance. Upon our appointment, the Company's debtor ledger had a balance of £2,047,336 against RBS Invoice Finance's indebtedness of £728,398 (including final termination charges).

- 5 54 To assist in the collection of the ledger, RBS Invoice Finance engaged P & A Receivables to collect the Company's book debts on their behalf. The terms of this engagement were that P & A Receivables would receive an agreed rate which would rank as a first charge after payment of the principal debt to RBS Invoice Finance.
- 5 55 To date, collections amount to £1,782,975. RBS Invoice Finance's indebtedness has been paid in full including their final termination charges. In addition, the sum of £171,493 is due to the Joint Administrators from RBS Invoice Finance. This arises from monies paid directly to RBS Invoice Finance after repayment of their indebtedness had occurred.
- 5 56 P & A Receivables have continued to collect the remaining debtors ledger, which currently has a balance of £264,361, on behalf of the Joint Administrators.
- 5 57 It was estimated on the Statement of Affairs that preferential creditors' claims would be in the region of £114,000 and unsecured creditors' claims would be £4,149,881. Preferential and unsecured creditors' claims received to date total £1,926 and £1,475,992 respectively. Such claims have been reduced significantly due to ongoing payment of wages and holiday pay and the transfer of employees made under the TUPE regulations. In particular, see 5 4, 5 12, 5 18, 5,19, 5 25, 5 41 and 5 48 for examples regarding the substantial reduction of these claims.
- 5 56 RBS Invoice Finance has a Fixed and Floating Charge over the Company's assets as a result of a debenture dated 17 October 2006. They have however been repaid in full under their fixed charge and as such, Section 176A(5) of the Insolvency Act 1986 does not apply and there is no Prescribed Part.
- 5 57 Based upon current information, it is anticipated that a dividend will be declared to both preferential and unsecured creditors. The quantum and timing of such a dividend is dependant upon future realisations and will be reported upon in due course.
- 5 58 The Joint Administrators' enquiries have revealed a number of areas where further investigation is necessary to determine whether there will be future recoveries. In particular it has been revealed that there is a potential asset with a value of approximately £800,000 and future realisations may be achieved from this source. These investigations are continuing and will be reported on in due course.
- 5 59 The Joint Administrators are to be reimbursed for any expense or necessary disbursements properly charged or incurred in the course of carrying out their duties in this matter. These expenses include category 1 and 2 disbursements such as mileage at "AA" rate, meeting room hire, photocopying, stationery, postage, searches, redirection of mail, storage of the Company's books and records on a commercial basis within the Joint Administrators' storage facility and any other costs appertaining to the conduct of this Administration. Such expenses or disbursements are to be paid from the assets of the Company in accordance with the proposals of the Joint Administrators approved by Creditors on 30 January 2008. Please refer to the attached Creditors' Guide to the Fees, Expenses and

Disbursements charged by The P & A Partnership A Creditors' Guide to Fees is available and provides explanations of creditors' rights This can be accessed via the Internet at www.thepandapartnership.com/resources or alternatively a copy can be requested by telephoning The P&A Partnership Help Desk +44 (0)114 275 5033

5 60 The Proposals of the Joint Administrators ratified by Creditors on 30 January 2008, approved that the Joint Administrators' Remuneration shall be calculated by reference to the time properly given by the Administrators and their staff in attending to all matters arising during the course of the Administration The Joint Administrators' time costs to date total £824,698, of which £795,000 has been drawn on account An analysis of the time spent is shown below

Classification of Work	Partner (Hours)	Manager (Hours)	Other Senior Professionals (Hours)	Assistants (Hours)	Total (Hours)	Time Cost £	Average Hourly Rate £
Function							
Case Specific Matters	3 00	0 00	66 20	0 00	69 20	20,473 00	295 85
Trading	588 00	0 00	650 60	4 50	1,243 10	384,232 00	309 09
Investigations	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Realisation of Assets	360 50	0 00	252 00	2 00	614 50	201,015 50	327 12
Creditors	88 80	0 00	118 50	0 30	207 60	70,297 00	338 62
Administration & Planning	110 70	40 30	269 60	200 50	621 10	148,680 50	239 38
Totals	1,151.00	40.30	1,356.90	207.30	2,755.50	824,698.00	229.28
Total Time Cost (£)	489,175 00	15,314 00	301,597 00	18,612 00			

5 61 Due to the complexity of this case and the unusually high level of the Joint Administrators' responsibility, the partners' and managers' time has been charged out at a premium This is on the basis that the Administration required the continuing trading of a large industrial company for a sustained period, which involved considerable responsibility and required a high level of supervision The conclusion of the Administration and the planning and title issues dealt with thus far have required the significant involvement of senior staff

5 62 A summary of some the remaining matters to be dealt with by the Joint Administrators are as follows -

- Investigation of potential further assets and determine recoveries;
- Collection of the remaining debtor ledger,
- Collection of the remaining post-appointment trade debtors,
- Collection of outstanding deferred consideration,
- Collection of outstanding deferred rent payments,
- Agreement of final retention of title claims,
- Agreement of final employee claims,
- Agreement of final supplier claims,
- Agreement of final creditor claims,
- Payment of preferential creditors, and
- Finalisation of the Joint Administrators' various statutory duties

Dated this 9th day of July 2008



GARETH DAVID RUSLING
JOINT ADMINISTRATOR

Acting as agent of the Company without Personal Liability

Creditors Guide to the Fees, Expenses and Disbursements charged by The P&A Partnership

Rates applicable from the 1st April 2007

Details of Insolvency Practitioners Licensing Bodies

Allan Cooper, John Russell, Brendan Ambrose Guilfoyle, Andrew Philip Wood, Derek Leslie Woolley, Christopher Michael White, Gareth David Rusling and Ashleigh William Fletcher are all licensed by the Insolvency Practitioners Association of Valiant House, 4-10 Heneage Lane, London, EC3A 5DQ Philip Andrew Revill is licensed by the Institute of Chartered Accountants of England & Wales of Silbury Court, 412/416 Silbury Boulevard, Milton Keynes, MK9 2AF

Insolvency Practitioners Fees

Where it has been agreed by resolution of the secured creditors, creditors or the creditor's committee that the office holders remuneration will be calculated by reference to the time properly given by the insolvency practitioner and his staff in attending to matters arising in the administration, then such remuneration will be calculated in units of 6 minutes at the following hourly standard rates -

Grade	Total Hourly Standard Rates £	Total Hourly Complex Rates £
Partners/Associate	285	425
Partners & Directors		
Senior Manager & Managers	195-255	290-380
Administrators	160-195	
Assistants & Support Staff	40-160	

These are our current hourly charge out rates and are exclusive of value added tax. Rates are reviewed annually and creditors will be advised of any alteration thereto. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the secured creditors, creditor's committee or the creditors generally, that their remuneration on such time as is agreed, shall be charged on the above higher hourly complex rate. Where creditors so resolve, the insolvency practitioners remuneration may be calculated as a percentage of the assets realised and monies distributed to creditors or on the Official Scale in accordance with regulations currently in force.

For remuneration purposes, the insolvency practitioner's staff includes other partners and associate partners in The P&A Partnership together with The P&A Partnership's employees, and directors retained by The P&A Partnership to assist in the administration of appointments held by its partners, associate partners or directors.

Debt Collection, Contested Asset Recovery and Related Services

Contested debt collection will be referred to P&A Receivables Services PLC, an associated company of The P&A Partnership and its dedicated legal firm James Peters & Co. The fees of P&A Receivables Services PLC shall be charged by reference to the time properly given by their staff, such fees will be calculated in units of 6 minutes at the hourly rate of £80. P&A Receivable Services PLC may also be used to recover items such as plant and machinery, to locate debtors and to serve documents. The fees for work of this nature will be calculated in accordance with P&A Receivables Services PLC's standard rates. James Peters & Co fees will be charged by reference to time costs properly incurred, calculated in 6 minute units at an hourly rate of between £106 and £195, plus their disbursements. These fees are in accordance with the guideline rates for summary assessment of costs following consultation between the legal profession and the Designated Civil Judge and are typical of legal firms in this geographical area.

Expenses and Disbursements

The payment of **Category 1** disbursements will be a charge against the estate to recover the cost of the actual disbursement, including insolvency bonds, swearing fees, redirection of mail, accommodation and subsistence, hire of meeting rooms or any other miscellaneous item paid out in respect of the administration of the estate. A separate amount will be charged by way of an expense to recover the cost of **Category 2** disbursements for services provided by the insolvency practitioner's firm. **Category 2** disbursements will include storage of company's books and records at the insolvency practitioner's own storage facility. The books and records will be stored in banker's boxes and a storage fee will be charged at the rate of £5 per box per month. This charge covers the transportation of records from the company's premises, storage, retrieval of books and records in storage for administration purposes and the destruction of such books and records after the first anniversary of the completion of the insolvency administration. The recharge for company searches and identification procedures for all new clients will depend on the documentation requested. The charges will be £10 per set of financial accounts, £5 for an annual return, £5 for a mortgage summary, £10 for a company report, £35 for the Memorandum and Articles of Association, £15 for credit references and £5 for any other documents. These charges reflect the insolvency practitioners costs to cover the administration costs of collating the information in addition to the direct costs in obtaining the documents. The charge for the use of meeting rooms will be a flat rate of £100 per meeting. This includes where requested, the use of computer and media facilities. Travelling by motor vehicle on business for the administration of the insolvency will be charged to the estate per mile at the appropriate rate currently published by the "AA" for the type of vehicle and engine size used. All circulars will be sent out by first class post and the actual postage costs will be charged as an expense to the estate. In respect of circulars, stationery and photocopying will be charged out at the rate of 50p per letterhead, 25p per copy paper or facsimile, 09p per proxy form, 09p creditor's guide, 20p large envelope, 18p small envelope, 16p address labels. No charge will be made in respect of individual letters relating to the administration of the estate as the costs of these disbursements are reflected in the hourly rate. The charges stated above are subject to small annual increments and creditors will be advised of these with future circulars.

Introduction to Lending Sources

The P&A Partnership may make referrals to P&A Lender Services Ltd ('PALS') being an associated company. PALS and its authorised representatives are not authorised under the Financial Services and Markets Act 2000 or by the Financial Services Authority to provide specific investment advice but they may be able to introduce funding seeking parties ('FSP's') to one or more reputable lending services ('Lender').

In such circumstances where any party associated with the referral is subsequently subject to any formal insolvency procedure and the Partners of The P&A Partnership are appointed office holders in relation to any formal insolvency, then any arrangement fees or commissions or payments becoming due to PALS (if any) from any Lender in respect of the acquisition or future trading of the business and assets of the insolvent party, will be paid into the realisation fund in the formal insolvency for the benefit of creditors.