

Joint Liquidators' Annual Progress Report to Creditors & Members

**Harrison & Makin Limited (formerly trading as Engineering
Service Co) - In Liquidation**

8 February 2018

CONTENTS

- 1** Introduction and Statutory Information
- 2** Progress of the Liquidation
- 3** Creditors
- 4** Notice of Intended Dividend
- 5** Liquidators' Remuneration
- 6** Creditors' Rights
- 7** Next Report

APPENDICES

- A** Receipts and Payments Account for the Period from 9 February 2017 to 8 February 2018
- B** Time Analysis for the Period from the 9 February 2017 to 8 February 2018
- C** Additional information in relation to Joint Liquidators' Fees, Expenses & Disbursements

1 Introduction and Statutory Information

- 1.1 I, Steven Edward Butt, together with Michael David Rollings, of Rollings Butt LLP, 6 Snow Hill, London, EC1A 2AY, were appointed as Liquidators of Harrison & Makin Limited (“the Company”) on 9 February 2017. This progress report covers the period from 9 February 2017 to 8 February 2018 (“the Period”).
- 1.2 The principal trading address of the Company was Albion Works, Bridgeman Street, Bolton, BL3 6BS. The business traded under the name Engineering Service Co.
- 1.3 The registered office of the Company has been changed to 6 Snow Hill, London, EC1A 2AY and its registered number is 00533706.

2 Progress of the Liquidation

- 2.1 This section of the report provides creditors with an update on the progress made in the liquidation during the Period and an explanation of the work done by the Liquidators and their staff.
- 2.2 At Appendix A is my Receipts and Payments Account for the Period.

Administration (including statutory compliance & reporting)

- 2.3 An office holder must comply with certain statutory obligations under the Insolvency Act 1986 and other related legislation. Details about the work we anticipated would need to be done in this area was outlined to creditors in our initial fees estimate/information.
- 2.4 Where the costs of statutory compliance work or reporting to creditors exceeds the initial estimate, it will usually be because the duration of the case has taken longer than anticipated, possibly due to the time taken in realising the Company’s assets, which have in turn placed a further statutory reporting requirement on the Liquidators.
- 2.5 As noted in our initial fees estimate/information, this work will not necessarily bring any financial benefit to creditors, but is required on every case by statute.

Realisation of Assets

- 2.6 As previously disclosed, to assist with the preparation of the statement of affairs, the chattel assets of the Company were valued on an open market basis by Lambert Smith Hampton (“LSH”) in accordance with “RICS Valuation – Professional Standards January 2014”, as published by the Royal Institution of Chartered Surveyors (incorporating the International Valuation Standards) where appropriate. LSH carry professional indemnity insurance for the provision of these services.
- 2.7 Following the appointment of the Liquidators, LSH were asked to undertake a more detailed review of the Company’s motor vehicles, stock, and furniture and equipment. LSH advised that due to the age and condition of the assets, they were less valuable than their initial desktop valuation had indicated. In addition, they confirmed that on top of the costs that would be incurred in conducting a full marketing process, costs would also be likely to be incurred in removing the unsaleable items held at the Company’s former premises and in clearing those premises. Consequently, LSH advised that the greatest realisation would most likely be achieved by way of an in-situ sale of the remaining assets.
- 2.8 A summary of LSH’s valuation is provided below:

Ex situ sale	Value (£)
Asset value	7,575.00
Insurance (during marketing period)	(390.00)
Estimated marketing, sale and removal costs	(1,500.00)
Total	5,685.00

*All figures exclusive of VAT

- 2.9 Following negotiation with the Liquidators, an offer of £7,333 plus VAT was received for the Company's remaining assets from ESCO Electrical Contractors Ltd ("the Purchaser"), a new company set-up by the former shareholders/directors of Harrison & Makin Limited. This offer included taking on the liability of clearing the Company's former premises.
- 2.10 Given the likely cost savings to the liquidation estate by the Purchaser being willing to take on this liability as well as the potential risk of being unable to sell some of the assets on the open market (e.g. the motor vehicles which required some repair work), LSH advised that this would provide a better return to the liquidation estate than if the assets were sold on an open market basis and consequently the Liquidators accepted the Purchaser's offer.
- 2.11 In accordance with Statement of Insolvency Practice 13, we are required to disclose certain additional information in relation to any connected party transactions, as summarised below:

Date of transaction	Assets involved & nature of transaction	Consideration paid (£)	Date of payment	Sold to	Relationship
22-Mar-17	Furniture & Equipment, Motor Vehicles, Stock - Bulk purchase for saleable assets and liabilities of clearing site.	7,333.33	31-Mar-17	ESCO Electrical Contractors Ltd	Directors are shareholders of Harrison & Makin Ltd.

*All figures are shown exclusive of VAT.

- 2.12 The Directors and former Secretary of the Company continued to provide assistance in the recovery of book debts owed to the Company, which as shown in the Receipts and Payments account at Appendix A, significantly exceeded the estimated to realise value shown in the Directors' statement of affairs.
- 2.13 Cash at bank realised was slightly lower than anticipated as a consequence of cut off issues in relation to certain costs paid in completion of outstanding work in progress which assisted in the enhanced recovery of book debts owed to the Company as detailed above.
- 2.14 It is considered that the work the Liquidators and their staff have undertaken to date will bring a financial benefit to creditors. This has resulted in a dividend to the Company's preferential creditors, with a further dividend to be made to the Company's unsecured creditors shortly.

Creditors (claims and distributions)

- 2.15 Further information on the anticipated outcome for creditors in this case can be found at section 3 of this report. The Liquidators are not only required to deal with correspondence and claims from unsecured creditors (which may include retention of title claims), but also those of any secured and preferential creditors of the Company. This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture. In this case there was no secured creditors.
- 2.16 Claims from preferential creditors typically involve employee claims, with payments in respect of such claims being made on behalf of the Company by the Redundancy Payments Service following dismissal of the relevant employees. This work has taken more time than was initially anticipated and as a consequence has exceeded our initial cost estimate. The clarification of employee claims has also resulted in delays to the conclusion of the liquidation which has consequently led to the liquidation continuing beyond the anniversary date.
- 2.17 Additional work was also required in respect of the Company's pension scheme and the resultant preferential creditor claim which had to be submitted to the Redundancy Payments Office.
- 2.18 The above work will not necessarily bring any financial benefit to creditors generally, however the Liquidators are required by statute to undertake this work. Similarly, if a dividend is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Liquidators in dealing with those claims.

- 2.19 We consider the following matters worth noting in my report to creditors at this stage:
- There are approximately 57 unsecured creditor claims in this case with a value as per the directors statement of affairs of £334,698
 - 19 of these claims are from former employees of the Company, whose claims have been made on their behalf by the Redundancy Payments Service.
 - Consequently, it is anticipated that the final number of unsecured creditor claims will reduce significantly.

Investigations

- 2.20 Some of the work the Liquidators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 (**CDDA 1986**) and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Liquidators can pursue for the benefit of creditors.
- 2.21 I can confirm that we have submitted a report on the conduct of the Directors of the Company to the Department for Business, Energy & Industrial Strategy under the CDDA 1986. As this is a confidential report, we are unable to disclose the contents.
- 2.22 Following appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information that was voluntarily divulged by the Directors of the Company and necessitated further detailed examination of the Company's financial books and records.
- 2.23 Our review of the Company's financial records and a detailed analysis of the financial position of the Company in the two year period preceding the liquidation continues, although we anticipate shortly being in a position to confirm whether there is the potential to pursue further asset recoveries arising from this.

Matters still to be dealt with

- 2.24 As detailed in the attached notice, we intend to make payment of a first and final distribution to the unsecured creditors of the Company in the coming months.
- 2.25 Following the payment of the unsecured dividend and resolution of the investigation issues above, and subject to receiving the relevant clearances from HM Revenue & Customs, it is my intention to conclude the liquidation of the Company.

3 Creditors

Secured Creditors

- 3.1 The Company has no secured creditors.

Preferential Creditors

- 3.2 A summary of preferential claims is detailed below:

Preferential claim	Agreed Claim (£)	Statement of Affairs Claim (£)	Dividend paid (p in the £1)
Employee claims (Total number of claims = 5)	2,075.10	Combined with BEIS claim	100
Department for Business, Energy & Industrial Strategy (BEIS)	7,224.83	7,000.00	100

- 3.3 A notice of preferential dividend was issued by the Joint Liquidators on 3 January 2018, with the final date for proving being 2 February 2018.

3.4 Whilst the distribution was not made during the period of this report, we can confirm that preferential creditors have been paid in full.

Unsecured Creditors

3.5 We have received claims totalling £334,556 from 20 creditors. We have yet to receive claims from 37 creditors though the majority of these creditors are former employees of the Company whose claims have been brought by the Redundancy Payments Office on their behalf.

3.6 The Company did not grant any floating charges to a secured creditor. Accordingly, there is no requirement to create a fund out of the Company's net floating charge property for unsecured creditors (known as the **Prescribed Part**), which only applies to charges created after 15 September 2003.

3.7 We anticipate shortly being in a position to make a distribution to the Company's unsecured creditors and provide details of the intended dividend below.

4 Notice of Intended Dividend

4.1 At present, we have funds of approximately £100,000 in hand. It is our intention to pay a first and final dividend to unsecured creditors within the two month period following the expiry of the date for proving as set out in the notice of intended dividend. We also enclose a Proof of Debt form for those creditors who have still to register their claim, to be completed and returned to us by 4 May 2018, otherwise they may be excluded from any dividend payable after that date.

4.2 Alternatively, please inform us if you have no claim in the liquidation.

5 Joint Liquidators' Remuneration

5.1 The Creditors approved that the basis of the Liquidators' remuneration be fixed by reference to the time properly spent by them and their staff in managing the Liquidation. Our fees estimate/information was originally provided to creditors when the basis of our remuneration was approved and was based on information available to us at that time.

5.2 A copy of that estimate is reproduced below:

Classification of Work Function	Partner	Manager	Associate	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & Planning	7.50	21.50	48.00	77.00	19,252.50	250.03
Creditors	2.50	7.00	23.00	32.50	7,770.00	239.08
Investigations	3.00	6.00	12.00	21.00	5,520.00	262.86
Realisation of Assets	1.50	3.50	11.50	16.50	4,002.50	242.58
Shareholders	0.50	1.00	2.00	3.50	920.00	262.86
Total	15.00	39.00	96.50	150.50	37,465.00	248.94

5.3 Our time costs for the Period are £42,300. This represents 191 hours at an average rate of £221.47 per hour. Attached as Appendix C is a Time Analysis which provides details of the activity costs incurred by staff grade during the Period in respect of the costs fixed by reference to time properly spent by me in managing the liquidation. To date, £20,000 plus disbursements of £976.26 have been drawn on account.

5.4 The Liquidators are unable to draw fees in excess of their initial fee estimate without the approval of the creditors. Should this be deemed necessary, we will send a revised fee estimate under separate cover.

5.5 A copy of 'A Creditors' Guide to Liquidators' Fees' is available on request or can be downloaded from:

<https://www.r3.org.uk/media/documents/publications/professional/Liquidations%20Creditor%20Fee%20Guide%20April%202017.pdf>

- 5.6 Attached as Appendix E is additional information in relation to the Liquidators' fees, expenses and disbursements, including where relevant, information on the use of subcontractors and professional advisers.

6 Creditors' Rights

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

7 Next Report

- 7.1 We are required to provide a further report on the progress of the liquidation within two months of the next anniversary of the liquidation, unless we have concluded matters prior to this, in which case we will write to all creditors with our final account.
- 7.2 If you have any queries in relation to the contents of this report, please do not hesitate to contact my colleague Harry Collins in the first instance by telephone on 020 7002 7960 or by email at harry.collins@rollingsbutt.com

Yours faithfully
For Harrison & Makin Limited



Steve Butt
Joint Liquidator

Harrison & Makin Limited (In Liquidation)
Joint Liquidators' Summary of Receipts & Payments
9 February 2017 to 8 February 2018

S of A (£)		£
	ASSET REALISATIONS	
1,250.00	Furniture & Equipment	1,175.00
9,000.00	Motor Vehicles	5,991.66
1,000.00	Plant/Stock	166.67
35,705.00	Book Debts	50,270.35
101,394.00	Cash at Bank and in Hand	99,956.17
148,349.00		157,559.85
	COST OF REALISATIONS	
	Statement of Affairs fee	4,000.00
	Statement of Affairs expenses	668.21
	Office Holders Fees	20,000.00
	Office Holders Expenses	976.26
	Pension Scheme Agents	900.00
	Agents/Valuers Fees	1,349.60
	ERA Solutions	1,000.00
(30,811.00)	VAT	NIL
	Stationery & Postage	240.96
	Insurance of Assets	1,415.70
	Bank Charges	56.37
(30,811.00)		30,607.10
	PREFERENTIAL CREDITORS	
(7,000.00)	Employee Arrears/Hol Pay	NIL
(7,000.00)		0.00
110,538.00		126,952.75

Harrison & Makin Limited - In Liquidation
Time Analysis for the Period 9 February 2017 to 8 February 2018

Classification of Work Function	Partner	Manager	Associate	Total Hours	Time Cost (£)	Average Hourly Rate (£)
100 : Administration & Planning	0.00	4.80	2.90	7.70	1,948.00	252.99
101 : Administrative Set-Up	0.20	0.00	0.20	0.40	134.00	335.00
102 : Appointment	7.80	0.00	9.80	17.60	5,506.00	312.84
103 : Background Information	0.00	0.00	0.20	0.20	32.00	160.00
104 : Case Management	0.10	5.40	2.60	8.10	2,106.00	260.00
105 : Case Planning	0.00	0.50	2.50	3.00	642.50	214.17
106 : Maintenance Of Records	0.00	0.00	10.80	10.80	2,160.00	200.00
107 : Statutory Reporting	0.00	0.00	1.60	1.60	320.00	200.00
108 : Statutory Compliance	0.00	0.00	1.20	1.20	240.00	200.00
109 : Review	0.00	0.00	2.00	2.00	400.00	200.00
111 : Billing	0.20	0.00	1.40	1.60	325.00	203.12
112 : Post Appointment Tax	0.00	1.90	7.90	9.80	1,966.50	200.66
116 : Case Accounting	0.00	0.20	11.60	11.80	1,785.00	151.27
117 : Bank Reconciliations	0.20	0.00	1.80	2.00	342.00	171.00
118 : Receipts & Payments	0.00	0.20	0.40	0.60	137.00	228.33
Administration & Planning	8.50	13.00	56.90	78.40	18,044.00	230.15
500 : Creditors	0.10	0.40	16.80	17.30	3,521.00	203.53
507 : Preferential Creditors	0.00	0.00	0.70	0.70	140.00	200.00
508 : Employees	0.20	1.30	16.80	18.30	3,824.50	208.99
510 : Pre Appointment Tax	0.00	0.80	4.80	5.60	1,062.00	189.64
511 : Pensions	0.00	0.40	9.50	9.90	2,014.00	203.43
Creditors	0.30	2.90	48.60	51.80	10,561.50	203.89
200 : Investigations	0.70	0.00	12.90	13.60	2,909.00	213.90
201 : CDDA Reports	1.10	3.20	8.50	12.80	3,129.00	244.45
Investigations	1.80	3.20	21.40	26.40	6,038.00	228.71
300 : Realisation Of Assets	1.30	1.40	1.70	4.40	1,350.00	306.82
302 : Identifying, Securing, Insuring Assets	0.00	0.00	2.80	2.80	560.00	200.00
303 : Book Debts	0.50	0.60	15.20	16.30	3,439.00	210.98
304 : Debt Collection	0.00	0.90	0.00	0.90	256.50	285.00
305 : Property, Business & Asset Sales	0.00	0.10	8.00	8.10	1,628.50	201.05
306 : Freehold/Leasehold Property	0.00	0.50	1.40	1.90	422.50	222.37
Realisation of Assets	1.80	3.50	29.10	34.40	7,656.50	222.57
Total Hours	12.40	22.60	156.00	191.00	42,300.00	221.47

Additional Information in Relation to the Joint Liquidators' Fees, Expenses & Disbursements

1 Staff Allocation and the Use of Sub-Contractors

- 1.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 1.2 The constitution of the case team will usually consist of a Partner, a Manager, and an Associate. 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.
- 1.3 On this case we have used the services of the following sub-contractors

Service(s)	Provider	Basis of fee arrangement	Cost to date (£)
Employee claims processing	ERA Solutions	Fixed fee	1,000.00
Pension scheme review and claim processing	20:20 Trustees Limited	Fixed fee	900.00
Asset valuers/agents	Lambert Smith Hampton	Fixed fee, % of realisations and expenses	1,349.60

2 Professional Advisors

- 2.1 On this assignment we have not used any professional advisers.

3 Joint Liquidators' Expenses & Disbursements

- 3.1 An analysis of the expenses paid to the date of this report, together with those anticipated to be incurred, and a comparison to the estimate of expenses (including disbursements) which were anticipated at the outset of the liquidation was provided to creditors when the basis of my fees were approved, is set out below:

Expenses and Category 1 disbursements	Initial Estimated cost (£)	Paid directly in the period (£)	Paid as disbursement (£)	Anticipated further cost (£)	Total anticipated costs (£)
Agents' costs for managing sale of assets	2,500.00	1,349.60	Nil	Nil	1,349.60
Agents' costs for managing employee claims	1,000.00	1,000.00	Nil	500.00	1,500.00
Agent's costs for managing pension scheme and claims	Nil	900.00	Nil	Nil	900.00
Insurance	2,075.70	1,415.70	Nil	Nil	1,415.70
Statutory advertising	302.00	Nil	347.30	77.45	424.75
Specific penalty bond	680.00	Nil	680.00	Nil	680.00
External storage of company's books and records	60.00	Nil	Nil	60.00	60.00
External meeting room hire	75.00	Nil	62.50	Nil	62.50
Re-direction of the Company's mail	120.00	Nil	Nil	Nil	-
Case related travel & subsistence	480.00	Nil	338.60	Nil	338.60
External printing & postage provider	500.00	240.96	168.12	500.00	909.08
Postage	50.00	Nil	15.66	20.00	35.66
Bank charges	Nil	56.37	Nil	Nil	56.37
Category 2 disbursements					
Printing	50.00	Nil	32.29	20.00	52.29
Total	7,892.70	4,962.63	1,644.47	1,177.45	7,784.55

*All figures are shown exclusive of VAT.

- 3.2 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 of 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. These disbursements are included in the tables of expenses above.

3.3 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. Details of Category 2 disbursements charged by this firm (where appropriate) were provided at the time the Liquidators' fees were approved by creditors. Any Category 2 disbursements incurred are specifically highlighted in the tables of expenses above.

4 Charge-Out Rates

4.1 Rollings Butt LLP's charge-out rates effective from 1 April 2016 to the end of the period are detailed below. Please note this firm records its time in minimum units of 6 minutes.

Grade	Rate (£ per hour)
Partner	470
Director	370
Manager	285
Associate	130-200