

The Insolvency Act 1986

Administrative receiver's report

S.48(1)

Pursuant to section 48(1) of the Insolvency Act 1986 and rule 3.8(3) of the Insolvency Rules 1986

To the Registrar of Companies

For official use

--	--	--

Company number

0305912

Name of company

Insert full name of company

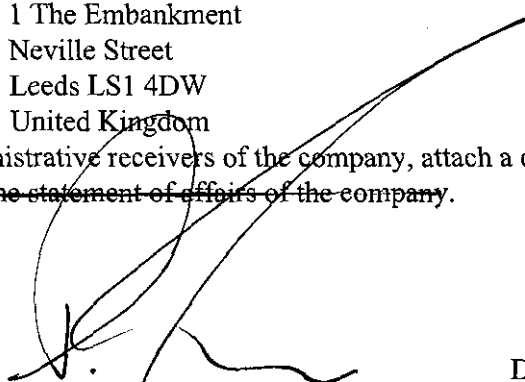
Witton Mill Company Limited

Insert full names and addresses

We, Peter Terry Paul A Flint
of 1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

the administrative receivers of the company, attach a copy of our report to creditors, ~~and a copy of the statement of affairs of the company.~~

Signed

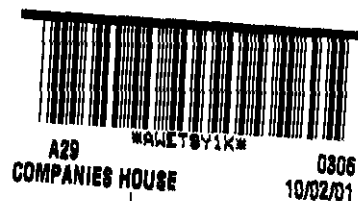


Dated 7 February 2001

Presenter's name, address and reference (if any)

1 The Embankment
Neville Street
Leeds LS1 4DW
United Kingdom

Insolv





KPMG Corporate Recovery

Pursuant to Section 48 Insolvency Act 1986
26 January 2001

Witton Mill Company Limited

**Joint Administrative Receivers'
Report to Creditors**

This report contains 5 pages

Contents

1	Introduction	1
2	Statutory information	1
3	Events leading up to receivership	2
4	Statement of affairs	3
5	Action taken since appointment	3
5.1	Trading	3
5.2	Sale of Business	3
5.3	Stock and work in progress	3
6	Debenture holder	4
7	Preferential creditors	4
8	Unsecured creditors	4
9	Section 48 meeting	5

1 Introduction

In accordance with Section 48 Insolvency Act 1986, I set out below my report on the receivership of Witton Mill Company Limited following the appointment of Peter Terry and myself as Joint Administrative Receivers of the company on 7 November 2000.

2 Statutory information

<i>Company number</i>	00305912
<i>Date of incorporation</i>	11 October 1935
<i>Registered office</i>	c/o KPMG 1 The Embankment Neville Street Leeds LS1 4DW
<i>Trading address</i>	Witton Mill Stancliffe Street Blackburn Lancashire BB2 2QU
<i>Type of business</i>	Cotton-type weaving
<i>Directors</i>	John William Walsh Norman John Walsh Elizabeth Carole Birtwell Jean Yvonne Wilson

3 Events leading up to receivership

Witton Mill Company Limited has operated predominately as a cotton weaver since its incorporation in October 1935. At the time of our appointment it was undertaking both commission weaving and manufacturing orders.

Witton Mill Company Limited is a private limited company with authorised share capital of 100 £100 ordinary shares, of which 82 have been allotted and fully paid and 100 £100 ordinary A shares, of which 72 have been allotted and fully paid.

The shares are owned by:

	Ordinary	Ordinary A
John William Walsh	26	-
Norman John Walsh	25	19
Elizabeth Carole Birtwell	16	34
Mary Christine Singleton	15	19

The company is effectively controlled by the Walsh family with John William Walsh as Chairman and Norman John Walsh as Managing Director.

The company's recent trading results may be summarised as follows:

	Draft management accounts six months ended 30/09/2000 £	Draft financial accounts year ended 31/03/2000 £	Audited financial accounts year ended 31/03/1999 £
Turnover	2,868,462	6,477,245	13,218,000
Gross Profit/(Loss)	1,350,370	2,659,560	5,571,000
Net Profit/(Loss) after taxation	(817,362)	(1,260,719)	145,000

The company operates from freehold premise on Stancliffe Street, Blackburn.

The Directors have attributed the following factors to the business failure:

- falling export sales due to the strength of Sterling;
- the operation of the mill at below capacity, fixed costs were not being covered by the reduced level of turnover, and;
- the high levels of stock held by the company.

Faced with increasing trading losses and severe cash flow pressure, the Directors requested the Bank to appoint Receivers and accordingly Peter Terry and myself were appointed Joint Administrative Receivers on 7 November 2000.

Lloyds TSB Bank plc hold a fixed and floating charge over all assets of the company.

4 Statement of affairs

As required under Section 47 of the Insolvency Act 1986, the Directors have been requested to prepare a statement of affairs of the company as at 7 November 2000. We have not yet received the statement but expect to be in receipt of the statement within the next few days and for it to be available at the meeting.

5 Action taken since appointment

5.1 Trading

Following our initial assessment, it was apparent that trading for a limited period in order to complete outstanding orders for major customers would be beneficial. This has been useful in enabling some of the stock to be realised and in minimising the disruption to customers and hence protecting the recovery of book debts. Furthermore, this has optimised the likelihood of finding a going concern buyer. Currently the mill is operating on skeleton staff who are completing outstanding orders and assisting with the wind down of the business.

5.2 Sale of Business

The business was advertised for sale in the Financial Times.

A sales memorandum was prepared and issued to 47 interested parties. In addition to this, in view of the potential world wide interest, the receivers also placed the details of the business, plant and machinery, stocks and processes onto a website at:

www.receivershipassets.co.uk

This has resulted in offers being received from two parties for the sale of the business as a going concern. Both offers fell below the valuation placed on it by our agents. Currently one of these parties is seeking to make a revised offer for the business.

5.3 Stock and work in progress

Significant amounts of finished goods and raw materials have been disposed of to customers. Stocks of raw materials and work in progress remain both at the mill and held by third parties within the UK. Third parties are claiming lien over goods held by them against unpaid invoices.

5.4 Employees

Prior to the receivership there were 124 employees. This was reduced throughout the receivership period in line with falling levels of production and currently stands at 21 with the remaining staff completing the existing WIP for a small number of commission

weaving customers. Once this is completed all staff will be made redundant unless a sale of the business is finalised.

6 Debenture holder

The debenture holder, Lloyds TSB Bank Plc, demanded the sum of £2,812,451.55 on 6 November 2000 under the terms of its debentures dated 1 February 1937 and 22 September 1987

It is unlikely that the debenture holder will be repaid in full.

7 Preferential creditors

Preferential creditors are estimated to be as follows:

	£
VAT	156,000
Inland Revenue - PAYE & NIC	164,000
Employees Claims - holiday pay & arrears of earnings	60,000
	<hr/>
Total preferential claims	380,000
<i>Source: company records</i>	

The above figures must be regarded purely as estimates until further investigations have been carried out. A small surplus may be available for distribution to preferential creditors.

8 Unsecured creditors

Company records show that an amount of £1,029,183 is due by the company to unsecured creditors. It is unlikely that any surplus will be available for distribution to unsecured creditors.



*Wilton Mill Company Limited
Joint Administrative Receivers' Report to Creditors
26th January 2001*

9 Section 48 meeting

This report, which is being circulated to all known creditors, will be presented to a meeting of unsecured creditors convened under Section 48 of the Insolvency Act 1986, to be held on 6 February 2001 at 3:00pm in the offices of KPMG, St James' Square, Manchester, M2 6DS, United Kingdom.

A handwritten signature in black ink, appearing to read 'PA Flint', written over a large, stylized loop.

PA Flint
Joint Administrative Receiver

26 January 2001