

The Insolvency Act 1986
Statement of
Administrator's Proposals

S.23(1)(a)

Pursuant to Section 23(1)(a) of the
Insolvency Act 1986

For official use

To the Registrar of Companies

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Company Number

02584243

Name of Company

Insert full name
of company

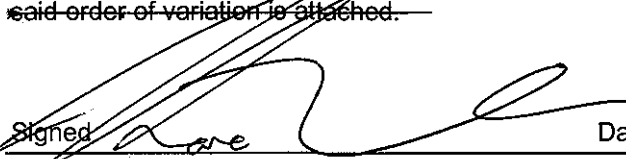
Art Pattern Limited

*/s/*We Stuart David Maddison and Richard James Rees

administrator(s) of the company attach a copy of ~~my~~ [our] proposals for
achieving the purposes set out in the administration order filed herein. A
copy of these proposals was sent to all known creditors on:

Insert date 24 April 2002

~~an order varying the administration order was made. An office copy of the
said order of variation is attached.~~

Signed  Dated 3 May 2002

Presenter's
name address
and reference (if
any)

Wayne Gilbert
PricewaterhouseCoopers
Cornwall Court, 19 Cornwall Street
Birmingham
B3 2DT

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Art Pattern Limited - in administration

**The joint administrators' proposals for
achieving the purpose of the administration order**

24 April 2002

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I Brief history of the Company

- 1.1 Art Pattern Ltd ("AP" or "the Company") was established in 1991. The then management team purchased the trade and assets from Art Pattern & Knife Co Ltd and continued to operate from Bedford Street South, Leicester.
- 1.2 From the original business of manufacturing pressings for the shoe industry, AP expanded into pressings for the envelope industry. AP then diversified into the refurbishment of envelope manufacturing machinery. Further diversification led to investment in and the development of printing machinery for the envelope industry. This has led to the current business with its three divisions of: tooling; envelope machine refurbishment; and printing machinery manufacture.
- 1.3 A summary of the Company's profit and loss accounts for the years ended 31 March 2000 and 31 March 2001, and for the 10 months ended 31 January 2002 are set out below:

	Management Accounts For period to 31 January 2002 (Unaudited) £'000	Year ended 31 March 2001 (Unaudited) £'000	Year ended 31 March 2000 (Audited) £'000
Turnover	3,398	6,270	6,948
Gross profit (loss)	462	1,407	1,146
Operating expenses	(1,271)	(1,376)	(1,072)
Operating profit (loss)	(809)	31	74
Net interest payable	(177)	(177)	(127)
Trading Loss	(986)	(146)	(53)
Stock write-down	(1,222)	-	-
Total Loss before tax	(2,208)	(146)	(53)

Events leading up to the Administration Order

- 1.4 The Company has experienced trading difficulties for several years and has consistently under-performed as against budget. The reduced turnover in both tooling and machinery sales but without corresponding reductions in direct or overhead costs have led to significant trading losses.
- 1.5 In addition difficulties within the envelope machinery refurbishment market and the printing machinery market has led to a massive devaluation in the net realisable values of machines held. This has led to a £1.2 million stock write down on machinery stocks of £1.4 million.
- 1.6 The losses have led to an increase in pressure on working capital and an overall erosion of security for all funders. The company has taken a pro-active approach and has already taken a number of steps to restructure the business. This has involved approximately 50 redundancies and the closure of a facility in Norwich.
- 1.7 Pressure from preferential creditors has also built up over the 12 months prior to the administration with total PAYE outstanding at c£406,000 and VAT due of c£74,000. In the months before the administration the company agreed a repayment plan with the Inland Revenue, which was unfortunately breached. The Inland Revenue then obtained a court judgement against AP and the company agreed a second repayment plan. Prior to the Administration the company breached this revised repayment plan. The Inland Revenue had not contacted the company at the time of our appointment, although the administrators will now contact the Inland Revenue to inform them of the current position.
- 1.8 The Company operated its bank account with Barclays Bank plc ("the Bank"), with an overdraft and loan facility, in the region of £1.1million.
- 1.9 The Company also operated an Invoice Factoring facility with Invoice Finance Ltd, known as Independent Growth Finance ("IGF"). At the date of administration IGF were owed approximately £240,000.
- 1.10 The company has also financed envelope machines for refurbishment in the region of £1,000,000 through 4 mainstream HP companies. Although these machines devalued, HP repayments continued and the company could no longer afford to service its debt position.
- 1.11 These factors led the directors of Art Pattern Ltd to conclude that the Company was insolvent, as the company could not pay its debts as they fell due, and that it was appropriate to petition the Court for the appointment of administrators.

II The Administration

2.1 The directors petitioned the Court for an Administration Order to achieve the following purpose:

- *a more advantageous realisation of the Company's assets than would be effected in a winding up.*

2.2 The Court made the Administration Order on 22 April 2002 and Stuart D Maddison and Richard J Rees were appointed joint administrators.

2.3 The Administrators' principal aim is to maximise realisations from the assets and minimise liabilities; if achieved, this would maximise any return to secured creditors and maximise any chance of a dividend prospect for other creditors.

2.4 In order to maximise the realisation of the Company's assets the administrators' strategy is to trade the business in the short term and then sell the business as a going concern to an interested party. We are currently in preliminary discussions with the Management team. Any deal to management is by no means agreed and proper consideration will be given to any other interested party coming forward.

III Draft Statement of Affairs

3.1 The directors' draft statement of affairs is attached at Appendix B. We are hopeful that a final statement will be presented at the creditors' meeting.

3.2 The draft statement includes the book values of the assets and liabilities of the Company at the date of the administration order, together with the directors' estimates of the values that the assets will realise in the administration.

3.3 The Bank's indebtedness is shown at circa £1,100,000. A summary of the total secured creditor position at appointment is set out below:

	£
Barclays Bank plc	1,100,000
Invoice Finance Ltd Invoice Factoring Co.	240,000
Art Pattern & Knife Co Ltd (Debenture dated - 04-04-1991)	18,000
Mr Ronald Coleman (Debenture dated - 06-04-2000)	10,000

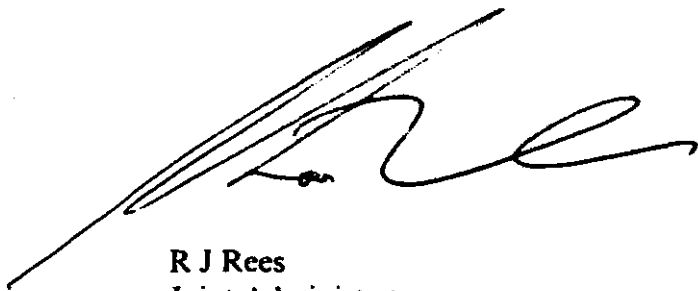
3.4 It is highly unlikely that there will be any funds available to pay a dividend to either preferential or unsecured creditors.

IV Other relevant information

- 4.1 During the course of the administration, the joint administrators have taken professional advice from:
- DLA solicitors, Birmingham - Mr Huw Dolphin
 - Bache Treharne, plant agents, Leicester - Mr Simon Halsey
- 4.2 The joint administrators have a duty to investigate the conduct of each director and, if appropriate, to submit a report to the Department of Trade & Industry. In this regard, the joint administrators invite creditors to provide them with any information, which may assist them in carrying out their duties.
- 4.3 Statement of Insolvency Practice Number 13 ("SIP13") requires the joint administrators to disclose to creditors any acquisition of assets by any connected parties in the two years prior to the administration order, and in the period since making the order. The Administrators are not aware of any acquisitions that fall within the scope of SIP13.
- 4.4 The creditors at the meeting will also be asked to consider a resolution concerning the Administrators' remuneration and a creditors guide to Administrators' fees is enclosed at Appendix C.

V Joint Administrators' proposals

- 5.1 As required by Section 23 of the Insolvency Act 1986, Stuart D Maddison and Richard J Rees, the joint administrators of the Company, make the proposals to creditors numbered 1 to 6 below for achieving the purpose of the Administration Order dated 22 April 2002.
- 5.2 We will seek approval of proposals 1-5 as the first resolution and proposal 6 as the second resolution at a meeting of creditors to be held on Friday 10 May 2002.



R J Rees
Joint Administrator
24 April 2002

Proposals

1 How do we propose to achieve the purpose of the administration order?

We will continue to manage the business, affairs and property of the Company in such manner as we consider expedient with a view to achieving the purpose(s) for which the order was made, namely:

- *a more advantageous realisation of the Company's assets than would be effected in a winding up.*

If we consider it appropriate, we will apply to the Court under Section 18 of the Insolvency Act 1986 for an order that the Administration Order be varied.

We will investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or the Insolvency Act 1986.

In addition we shall do all such other things and generally exercise all our powers as joint administrators as we, in our discretion, consider desirable in order to achieve the purposes of the Administration Order; or to protect and preserve the assets of the Company; or to maximise their realisations for any other purpose incidental to these proposals.

2 What is the future for the Company itself?

Under the provisions of the Insolvency Act 1986, administrators have no power to agree the claims of creditors or make distributions.

If it remains clear that there will be insufficient realisations to repay the secured creditors in full and no funds will be available for the preferential and non preferential unsecured creditors, once all the assets have been disposed of, we will proceed to seek our discharge, after which we would expect the Company to be struck off the Register in due course.

3 What investigation work will the administrators undertake?

The Administrators may investigate transactions in the period leading up to the administration order.

4 How long will the administration order remain in force?

We shall apply for the discharge of the administration order once the Company's assets have been realised and the proceeds have been paid to the secured creditors entitled to them.

5 Will there be a creditors' committee?

A creditors' committee may be formed if three or more creditors are willing to serve on it.

If a committee is formed, we shall consult with it from time to time on the conduct of the administration and the implementation and development of these proposals. Where we consider it appropriate, we will seek the committee's sanction to proposed action on our part instead of convening a meeting of all the creditors.

6 How will the joint administrators' fees be calculated?

The creditors' committee will fix our fees as administrators. If no creditors' committee is formed, our fees will be calculated on the time properly spent on the administration by us and the various grades of our staff according to our firm's usual charge out rates for work of this nature. We will be authorised to draw such fees and reasonable disbursements on account from time to time. An extract from Statement of Insolvency Practice 9; creditors guidance to fees in administrations, is enclosed at Appendix C.

Art Pattern Limited - in administration

Appendix A

Name: Art Pattern Limited

Company No: 02584243

Registered Office: Bedford Street South, Leicester, Leicestershire, LE1 3JP

Date of incorporation: 21 February 1991

Company Type: Private, limited company

Directors: Eric Chapman, Roy Fuller, P Franks

Issued Share Capital: 102.004

No. of Charges: 4

Art Pattern Limited - in administration
Draft Statement of Affairs as at 22 April 2002

Appendix B

	Book Value £ 000's	Estimated to Realise £ 000's
Assets specifically pledged		
Debtors	240	240
Less IGF	(240)	(240)
	0	0
Machine Stocks	1,000	505
Less Finance Companies	(998)	(998)
	2	(493)
Plant and Machinery	100	145
Less Chattel Mortgage	(145)	(145)
	(45)	0
Plant and Machinery	200	100
Less HP Companies	(100)	(100)
	100	0
Investment in Subsidiary	162	162
Debtors	340	240
Corporation Tax	9	9
Less Art Pattern & Knife Co Limited	(18)	(18)
Less Charge to Bank	(1,100)	(1,100)
Less Charge to R Coleman	(10)	(10)
Deficit as regards Fixed Charges	(617)	(717)
Net Fixed Charge Realisations	102	0
Assets not specifically pledged		
Development Costs	156	0
Vehicles	5	0
Plant and Machinery	300	23
Stock and WIP	310	20
Fixtures and Fittings	12	0
Total Charged Assets	783	43
Estimated total assets available for preferential creditors, subject to costs	885	43
Preferential creditors		
VAT	(74)	
PAYE	(406)	
Employee Claims	(100)	(580)
Estimated deficiency as regards preferential creditors, subject to costs		(537)
Floating Charge creditors		
Bank	(707)	
R Coleman	(10)	(717)
Estimated deficiency as regards floating charge creditors, subject to costs		(1,254)
Unsecured Creditors		
Trade	(360)	
Finance companies	(493)	
DTI	(120)	
Redundancy	(10)	(983)
Estimated deficiency as regards creditors subject to costs		(2,237)
Share Capital		(102)
Estimated deficiency as regards members subject to costs		(2,339)



STATEMENT OF INSOLVENCY PRACTICE 9

Appendix C: Administrators Guidance

A creditors' guide to administrators' fees

England and Wales

1 Introduction

1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court in order to achieve one or more of the following statutory purposes:

- the survival of the company and its business in whole or in part,
- the approval of a company voluntary arrangement,
- the sanctioning of a scheme under section 425 of the Companies Act 1985,
- a better realisation of assets than would be possible in a liquidation

Administration may be followed by a company voluntary arrangement or liquidation.

3 The creditors' committee

3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors which the administrator is required to hold within 3 months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 3 months of its establishment, and subsequent meetings must be held either at specified dates agreed by the

committee, or when a member of the committee asks for one, or when the administrator decides he need to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

4 Fixing the administrator's fees

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.47 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage, fix the percentage to be applied. Rule 2.47 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

5 What information should be provided by the administrator?

5.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The administrator should always make available an up to date receipts and payments account. Where the fee is to be charged on a time basis the administrator should be prepared to disclose the amount of time spent on the case and the charge-out value of the time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case. Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 The payment of expenses and disbursements is not subject to approval by the committee or the creditors. However, where an administrator makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee or the creditors when seeking approval of his fees, together with an explanation of how those charges are made up and the basis on which they are arrived at.

6 What if a creditor is dissatisfied?

6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors. If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

Appendix D

Art Pattern Limited - In Administration

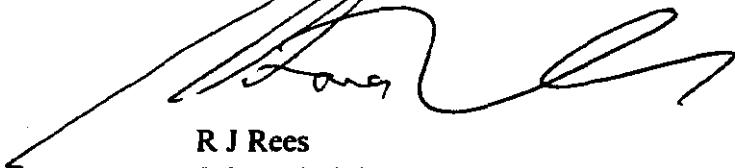
NOTICE OF CREDITORS' MEETING IN ADMINISTRATION PROCEEDINGS

Notice is hereby given that a meeting of creditors in the above matter is to be held on Friday 10 May at 2:30 pm at PricewaterhouseCoopers, Victoria House, 76 Milton Street, Nottingham, NG1 3QY to consider the administrators' proposals under Section 23(1) of the Insolvency Act 1986 and to consider establishing a creditors' committee.

Votes at the meeting are based on the value of your debt. If you are not a limited company, you may vote by simply attending the meeting, bringing a statement of your claim. If you do not wish to attend the meeting, you may send in the enclosed proxy so that someone else nominated by you, or the chairman of the meeting, can use your vote. If you are a limited company and wish to attend and vote at the meeting, you should complete and return the proxy form to PricewaterhouseCoopers, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT, marked for the attention of Wayne Gilbert.

All proxies must be accompanied by a statement of your claim and be received by no later than 12 noon on the business day before the day fixed for the meeting. The proxy form must be signed.

Yours faithfully
For and behalf of
Art Pattern Limited



R J Rees
Joint Administrator

Stuart David Maddison and Richard James Rees are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

Stuart David Maddison and Richard James Rees have been appointed as joint administrators to Art Pattern Limited to manage its affairs, business and property as its agents.

Rule 8.1

Insolvency Act 1986

Proxy (Administration)

Art Pattern Limited

Notes to help completion of the form

Please give full name and address for communication

Name of creditor.....

Address

.....

Please insert name of person (who must be 18 or over) or the "chairman of the meeting" (see note below). If you wish to provide for alternative proxy-holders in the circumstances that your first choice is unable to attend please state the name(s) of the alternatives as well

Name of proxy-holder

1.....

.....

2.....

.....

3.....

.....

Please delete words in brackets if the proxy-holder is only to vote as directed ie he has no discretion

I appoint the above person to be my/the creditor's proxy-holder at the meeting of creditors to be held on 10 May 2002, or at any adjournment of that meeting. The proxy-holder is to propose or vote as instructed below [and in respect of any resolution for which no specific instruction is given, may vote or abstain at his/her discretion].

Please complete paragraph 1 if you wish to nominate or vote for a specific person as liquidator

Voting instructions for resolutions

1. For the acceptance/rejection of the administrator's proposals/revised proposals as circulated

2. For the appointment of of

.....

representing.....

as a member of the creditors' committee.....

This form must be signed

Signature Date

Name in CAPITAL LETTERS

Only to be completed if the creditor/member has not signed in person

Position with creditor or relationship to creditor or other authority for signature:

.....

.....