

2.24B

The Insolvency Act 1986

Joint Administrators' progress report

| |
|--|
| Name of Company Syncro Limited - In Administration |
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| |
|-----------------------------------|
| Company number 03096287 |
|-----------------------------------|

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|--|
| In the High Court of Justice, Chancery Division Companies Court (full name of court) |
|--|

| |
|--|
| Court case number 5310 of 2007 |
|--|

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

I/ We (a) Asher Miller and Paul Appleton of David Rubin & Partners, Pearl Assurance House, 319 Ballards Lane, London N12 8LY and Lee Manning and Neville Kahn of Deloitte & Touche LLP, Athene Place, 66 Shoe Lane, London EC4A 3BQ

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

(b) Insert date

| | |
|---------------------------------|----------------------------------|
| From (b) 24 July 2007 | To (b) 23 January 2008 |
|---------------------------------|----------------------------------|

Signed *Asher Miller*
Joint / Administrator(s)

Dated 22 February 2008

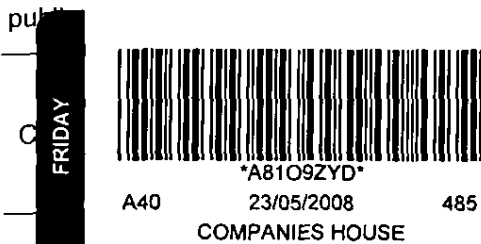
Contact Details

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

| | |
|---|--|
| Asher Miller A C A David Rubin & Partners Pearl Assurance House 319 Ballards Lane London N12 8LY | |
| DX Number 57368 | 020 8446 8203 DX Exchange Finchley1 |

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

When you have completed and signed this form, please send it to the Registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff



**SYNCRO LIMITED
(IN ADMINISTRATION)
("the Company")**

Court No. 5310 of 2007

**SIX MONTHLY PROGRESS REPORT TO CREDITORS
PURSUANT TO RULE 2.47 OF THE INSOLVENCY RULES 1986**

22 February 2008

This report has been prepared for the sole purpose of advising the Creditors. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by Creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.

Asher Miller, Paul Appleton, Lee Manning and Neville Kahn were appointed as Joint Administrators of the Company on 24 July 2007. They are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales and contract as agents of the Company without personal liability.

**Asher Miller and Paul Appleton
David Rubin & Partners
Pearl Assurance House
319 Ballards Lane
London
N12 8LY**

**Lee Manning and Neville Kahn
Deloitte & Touche LLP
66 Shoe Lane
Athene Place
London
EC4A 3BQ**

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- 1. Statutory information**
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- 4. A Creditors' guide to Administrator's fees**

1. INTRODUCTION

1.1 Introduction

This report has been prepared in accordance with Rule 2.47 of The Rules to provide creditors with an update on the progress of the Administration of the Company since our first report to creditors dated 17 September 2007.

Given the information previously provided to creditors in our first report to creditors, we have not included detailed background information in respect of the Company and have focussed on progress of the administration since the first creditors meeting on 1 October 2007.

The main purpose of the creditors' meeting held on 1 October 2007 was to consider and vote on the Administrators' proposals. These are referred to in section 2.1 below.

A schedule of statutory information in respect of the Company is attached at Appendix 1

1.2 Details of the appointment of the administrators

Asher Miller and Paul Appleton of David Rubin & Partners, Pearl Assurance House, 319 Ballards Lane, London N12 8LY and Neville Kahn and Lee Manning of Deloitte & Touche LLP, 66 Shoe Lane, Athene Place, London EC4A 3BQ were appointed Joint Administrators of the Company by the registered fixed and floating charge holder on 24 July 2007

For the purposes of Paragraph 100(2) of Schedule B1 of the Act, the Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally

2. THE ADMINISTRATORS' PROPOSALS

2.1 Introduction

As previously reported to creditors, the Administrators concluded that the first prescribed objective under paragraph 3(1)(a) of Schedule B1 of the Act namely "rescuing the Company (the legal entity) as a going concern" is not achievable in respect of the Company in administration.

Consequently the Administrators have performed their functions in relation to the Company with the objective set out in paragraph 3(1)(b) of Schedule B1 of the Act which is "to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up".

The Administrators' proposals in order to achieve this objective, which were approved by the creditors of the Company at the meeting of creditors held on 1 October 2007 are as follows.

- 1) the Joint Administrators continue to manage the affairs and assets of the Company including the collection of monies from ongoing WIP realisations and debts due to the Company and the settlement of all administration expenses,
- 2) the Joint Administrators be authorised to compromise any debtor balances where applicable;
- 3) the Joint Administrators continue with their enquiries into the conduct of the Directors of the Company and continue to assist any regulatory authorities with their investigation into the affairs of the Company;
- 4) the Joint Administrators be authorised to agree the claims of the secured, preferential and unsecured creditors of the Company (where applicable);
- 5) the Joint Administrators be authorised to distribute funds to the secured and preferential creditors (where applicable), as and when claims are agreed;
- 6) the Joint Administrators' fees and expenses be fixed by reference to the time properly given by them and their staff in the performance of their functions and duties. The Joint Administrators will also be seeking the approval of the secured creditor in relation to their fees and expenses in accordance with rule 2.106(5A);
- 7) the Joint Administrators be discharged from liability in respect of any action of theirs as Joint Administrators on vacation of office (whether because they vacate office by reason of resignation, death or otherwise, because they are removed from office or because their appointment ceases to have effect), in accordance with schedule B1 paragraphs 98 and 99 of the Act;

- 8) the Joint Administrators be authorised to seek an extension to their term of office if deemed necessary by them; firstly by consent from the secured creditors (and the requisite majority of preferential creditors if the Joint Administrators think that there will be a distribution to them) under paragraph 76(2)(b) of schedule B1 to the Act for a six month period and if a further extension is required, by an application to court under paragraph 76(2)(a) of schedule B1 to the Act;
- 9) when it is considered that no further distributions to creditors will be made and that the Joint Administrators have concluded their duties, the Joint Administrators be authorised to take the necessary steps to move the Company from administration to dissolution, pursuant to paragraph 84 of schedule B1 to the Act,
- 10) if the Joint Administrators think that a distribution will be made to unsecured creditors of the Company, that they be authorised to take the necessary steps to move the Company into creditors' voluntary liquidation pursuant to paragraph 83 of schedule B1 to the Act. If this route is deemed appropriate, the Joint Administrators will seek the appointment of Asher Miller and Paul Appleton of David Rubin & Partners and Neville Kahn and Lee Manning of Deloitte & Touche LLP as joint liquidators of Syncro Limited. In accordance with paragraph 83(7) of schedule B1 to the Act and rule 2.117(3) of the Rules, creditors may nominate a different person as proposed liquidator, provided that the nomination is made after the receipt of the proposals and before the proposals are approved,
- 11) if the Joint Administrators deem it appropriate, that they be authorised to make an application to court pursuant to paragraph 79 of schedule B1 to the Act to end the administration and petition the court for the winding up of the Company. If appropriate, the Joint Administrators will apply to be appointed as joint liquidators pursuant to section 140(1) of the Act.

2.2 Progress on and achievement of the approved proposals

We have summarised below the progress and current status in respect of each of the approved proposals

| Proposal | Current status |
|----------|---|
| 1) | The Joint Administrators managed to sell the Facilities Management division of the business as a going concern to Syncro Facilities Management Limited. The Joint Administrators continue to collect monies from the debts due to the Company through negotiation with the Company's Facilities Management and Construction clients Debts with a book value of approximately £2.6 million remain outstanding as at the date of this report. |
| 2) | As noted above, the Administrators continue to realise the outstanding debtors of the business. As at the date of this report, debtor realisations total approximately £800,000. |
| 3) | The investigation into the conduct of the Directors of the Company remains ongoing |
| 4) & 5) | To date, the only class of creditor to whom distributions have been made is the secured creditor. The Administrators have not commenced agreeing the claims of either preferential or unsecured creditors at this stage as sufficient funds are yet to be |

| | |
|-----------|---|
| | realised to allow for a distribution to either of these classes of creditors. |
| 6) to 11) | Not applicable as yet. |

Further information in respect of the realisation of assets, the status of liabilities and the estimated outcome for creditors is contained in the following sections of this report.

3. Joint administrators' receipts and payments account

3.1 Introduction

Attached at Appendix 2 is a Receipts and Payments account covering the period from 24 July 2007 to 23 January 2008.

In this section, we have summarised the main asset realisations during the 6 month period.

3.2 Asset realisations

Receipts

3.2.1 Debtor Recoveries

To date, the Administrators have recovered £802,268 from pre-appointment debtors. These recoveries include recoveries from both the Facilities Management and the Construction sides of the business.

3.2.2 Sale of Tax Losses

The former parent company of Syncro Limited, the Co-Operative Group Limited ("the Co-Op") approached the Administrators regarding the assignment of tax losses incurred by the Company under the group-relief scheme operated by HM Revenue & Customs.

When the Co-Op sold Syncro Limited in February 2006 to Hardshelfco 138 Limited, an agreement was put in place that any tax losses incurred by the Company for the 2005 tax year would be made available to the Co-Op by way of group relief at no cost to the Co-Op. The Administrators were not bound by the terms of any contractual agreement between the Co-Op and Hardshelfco 138 Limited and so entered negotiations with the Co-Op regarding the potential purchase of any applicable tax losses.

Initially it had been the intention of the Administrators to seek a global settlement of the Co-Op's outstanding debtor position with the Company, together with a purchase of the tax losses. When it became apparent that the Co-Op had sought to raise considerable objections to the outstanding debtor balance allegedly owed to the Company, an agreement was reached in relation to the sale of the tax losses in order to meet lodgement deadlines.

3.2.3 Refund of Holiday Stamps

As at appointment, the Company contributed to a "Holiday Stamp" scheme on behalf of its employees. When the Company entered Administration the employees became entitled to claim against the Redundancy Payments Office for any outstanding holiday pay, notice and redundancy pay. Accordingly, all monies outstanding in respect of holiday stamps prior to the appointment of the Administrators were refunded to the Company.

3.2.4 Sale of Business

Immediately upon appointment, negotiations were entered into with Syncro Capital Limited (a related company by virtue of common directors with Syncro Limited) to purchase the Facilities Management division. During the negotiations, it was agreed that Syncro Capital Limited would fund the ongoing wages and salaries of the relevant staff, and would fund any costs necessary to maintain the business as a going concern. No other significant interest was received to purchase the business

Following protracted negotiations, a sale of the Facilities Management division to Syncro Capital Limited was concluded on 15 August 2007 for £101,025. The sum was in addition to the funding of the division during the period of the administration, which was in the order of £180,000. A further term of the sale agreement was that Syncro Facilities Services Limited, Syncro Facilities Management Limited and Navitas Hemway would waive any claim in the administration. According to the Company records, this amounts to a reduction in unsecured creditor claims in the order of £940,000.

3.2.5 Rate Refunds

Represents refunds in respect of rates and insurances paid to the Company following appointment.

3.2.6 Interest

Represents interest received in respect of the Administrators' bank accounts post appointment.

Payments

3 2 7 Professional Fees

Represents payments to parties who have provided assistance to the Administrators in relation to the collection of outstanding pre-appointment debts, including quantity surveyors, claims adjustors and electricians.

3 2 8 Travel & Accommodation Expenses

Represents costs associated with travel and accommodation at the Company's head office and satellite offices as required for trading, meetings with clients of the company, creditors and outstanding debtors.

3 2 9 Cleaning Expenses

Represents the cost of cleaning incurred at the Company's Manchester and Newcastle offices.

3.2.10 Rent

Represents costs associated with the maintenance of the Company's offices in Manchester, Newcastle, Glasgow and Bristol for the period between the appointment of the Administrators and the sale of the business on 15 August 2007.

3.2.11 Specific Bond

The specific bond is the cost of insurance, based on the level of realisations by the administrator, as required by the Insolvency Practitioners Regulations 1990

3.2.12 Statutory Advertising

This represents the costs for the publishing of statutory advertising in newspapers and the London Gazette in respect of the appointment of Administrators and of the First Meeting of Creditors.

3.2.13 Carriage, storage and archiving

The administrators use a commercial archiving company for storage facilities for the Company's records and papers. This is recharged at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of archiving and retrieval of documents

3.2.14 Stationery

Relates to costs associated with the printing and mailing of the Administrators' first report to creditors dated 17 September 2007

3.2.15 Mail Redirection

Represents costs associated with the redirection of mail from the Company's head office and satellite offices in Glasgow, Newcastle and Bristol.

3.2.16 Wages and Salaries

On appointment the Administrators sought to clarify the position in respect of the employees of Syncro Limited, in particular which staff were allocated to which divisions. This matter was considerably complicated due to the poor state of the Company's record keeping as at appointment, and the fact that construction employees were being paid by Syncro Limited, despite the fact that all employment records indicated that they were employees of a subsidiary company, RMD Syncro Limited

In endeavouring to realise the assets of the Company, the Administrators continued to employ staff associated with the Facilities Management division of the business, and those associated with head office functions (accounting, debt collection and personnel). These employees continued to be employed by Syncro Limited until the sale on 15 August 2007 to Syncro Capital Limited. At the time of the sale, the Administrators sought and were provided indemnities by the purchaser in respect to the payment of wages for staff associated with the Facilities Management division of the Company which was acquired by Syncro Capital Limited

The Administrators continued to employ head office staff not included in the sale to Syncro Capital Limited until the end of September 2007. These staff assisted the Administrators with the collation of information in relation to debtors, creditors and employees.

3.2.17 Bank Charges

This amount represents the bank charges associated with the collection of the Administration trading sales.

3.3 Estimated future realisations

3.3.1 Debtor Recoveries

Considerable monies remain outstanding on the Company's pre-appointment debtors ledger in respect of both Facilities Management work and Construction projects. The book value of monies outstanding to the Company at this stage is approximately £2.6 million. However creditors should note, our investigations during the course of the Administration indicate that in some cases the Company's debtors ledger was not updated for receipts in the months leading up to the appointment of the Administrators, and additionally (especially on the construction side), invoices were drawn up and sent to clients for works yet to be completed by the Company.

The Administrators are in negotiation with the Company's debtors regarding their outstanding accounts. Due to the quantum of the debts under discussion, the complexity of issues arising from the work done and nature of the claims lodged, the Administrators do not envisage that many of these negotiations will be settled quickly. On the construction ledger, delays associated with waiting for the dates of retention releases and estimations of costs to complete/snagging required, will also mean that settlements could take some time to reach. Nevertheless, the Administrators continue to contact all clients on both the Facilities Management Ledger and the Construction Ledger to ensure all monies due to the Company are collected.

The Administrators have chosen not to provide an estimate of future recoveries to creditors at this time, on the basis that it may prejudice current and future negotiations regarding the settlement of outstanding debts. Additionally the reliability of any estimate provided is highly questionable on the basis that many of the debtors due relate to retention monies outstanding on the construction side of the business. Based on the Administrator's experience of the matter to date, the retention monies due would likely be offset by unknown quantities of remedial works prior to the next balance of funds being forwarded to the Administrator.

3.3.2 Sale of Tax Losses

As noted at point 3.2.2 above, the Administrators have negotiated an agreement with the Co-Op regarding the purchase of tax losses incurred by the Company for the 2005 fiscal year. The agreement allows for a payment of 35% of the net value of the tax losses which are claimed from and allowed by HM Revenue and Customs. The Co-Op's original claim in this respect was in the vicinity of £900,000 however, HM Revenue and Customs are yet to adjudicate on the exact quantum of the losses they will allow. If HM Revenue and Customs allow the entire quantum of the Co-Op's tax loss claim then the Administrators would receive approximately £320,000.

A non-refundable deposit of £180,000 has already been received from the Co-Op in respect of the final settlement as outlined at note 3.2.2. Should HM Revenue and Customs disallow the tax loss claim by the Co-Op then the non-refundable deposit is entitled to be applied against debtor monies outstanding by the Co-Op.

3.4 Estimated outcome for creditors

As noted above, due to the considerable ongoing negotiations regarding settlement of the Company's larger outstanding debtors, the Administrators are unable to provide an accurate or reasonable estimated outcome for creditors at this time

Creditors should note that considerable monies remain outstanding to the secured creditor, Ascada Asset Management Limited who retain fixed and floating charges over the assets of the Company.

It should be noted that the Administrators initial investigations into the Company's affairs in the period leading up to appointment have revealed considerable actions which may exist in respect to the current and former directors of the Company. We comment further on this issue in 5.2 below

4. DISTRIBUTIONS TO CREDITORS

4.1 Secured creditors

To date the Administrators have reconciled and distributed £671,000 to the secured creditor under the provisions of the fixed and floating charge. The total claim of the secured creditor amounts to approximately £1.25 million. As the security facility represents a fixed charge in respect of the debtors of the Company as well as the other assets, the secured creditor will have to be discharged prior to distributions to other classes of creditors.

4.2 Preferential creditors

At the time of preparing this report, the Administrators are yet to receive the final claim from the Redundancy Payments Office in respect of the preferential creditors. The delay in respect to the submission of this claim is associated with difficulties arising from the sale and transfer of facilities management employees, and the subsequent transfer of those employees in relation to specific facilities management contracts of the company.

The Administrators continue to work through these issues with the Insolvency Practitioners appointed to Syncro Capital Limited and RMD Syncro Limited.

4.3 Unsecured creditors

To date unsecured creditor claims stand at £6,047,024. The Administrators have received claims from 422 creditors, and expect both the number of creditors and quantum of claims to continue to rise as rectification periods expire in respect of the Company's construction projects.

As a result of the sale of the facilities management division of the business to Syncro Capital Limited, related party claims of approximately £900,000 have been written-off against the Company.

Due to the issues outlined above, at this stage the Administrators are unable to estimate the timing or quantum of any potential return to unsecured creditors.

5. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

5.1 Extensions to the initial appointment period

The Administrators are not seeking an extension to the initial appointment period for the Administration.

5.2 Investigations

At the date of this report, investigations into the conduct of the Directors remains ongoing. It is considered prejudicial to the investigations to reveal details at this point of the nature and timing of these investigations. A further update shall be provided when the Administrators have concluded their work.

5.3 SIP 13 – Transactions with connected parties

Details of the Company's transactions with connected parties in the period, in accordance with the guidance given in Statement of Insolvency Practice Number 13, have not been provided as the Administrator's believe it would be prejudicial to the investigations being undertaken as noted in section 5.2 above.

5.4 EC Regulations

As stated in the Administration Order in respect of the Company, Council Regulation (EU) No 1346/2000 applies and these are the main proceedings as defined in Article 3(1) of that regulation.

6. JOINT ADMINISTRATORS' FEES AND EXPENSES

6.1 Joint Administrators' Fees

In accordance with Rule 2.106 of The Rules, in the absence of a creditors committee, the Administrators have sought approval of their fees and expenses from the Company's creditors. At the meeting of creditors held on 1 October 2007, a resolution was passed authorising the Joint Administrators' fees and expenses to be fixed by reference to the time properly given by them and their staff in the performance of their functions and duties.

The Joint Administrators will also be seeking the approval of the secured creditor in relation to their fees and expenses in accordance with Rule 2.106(5A).

The combined Administrators' time costs for the administration are summarised in the table below. A detailed analysis of the time spent by work function for both firms is attached at Appendix 3.

| Classification of work function | Partners and Directors | Managers | Assistants and Support Staff | Total Hours | Time Cost £ | Average Hourly Rate £ |
|---------------------------------|------------------------|-----------------|------------------------------|-----------------|-------------------|--------------------------|
| Administration and planning | 73 24 | 308 30 | 401 18 | 783 12 | 184,657 00 | 235 78 |
| Investigations | 29 12 | 89 00 | 1 00 | 119 12 | 49,148 75 | 412 44 |
| Trading | 17 06 | 545 36 | 19 30 | 582 12 | 152,325 00 | 261 65 |
| Realisation of assets | 142 24 | 309 00 | 57 30 | 508 54 | 171,661 50 | 337 30 |
| Creditors | 24 36 | 489 06 | 220 24 | 734 06 | 178,380 00 | 242 99 |
| | <u>286 42</u> | <u>1,741 12</u> | <u>699 42</u> | <u>2,727 36</u> | <u>736,172 25</u> | <u>269 90</u> |

Administration and Planning includes administration strategy, administration and filing, arranging banking facilities and daily bankings, cashiering and voucher preparation and authorisation, insurance and bordereau, preparation and planning for appointment, standard letters, notices and directors questionnaires, compliance, supervision and management of the Administration.

Trading includes arranging continued supply and undertakings, employee issues and payroll, meetings with Company and staff (including day 1 visits), cashflow forecasts and monitoring, landlord issues.

Realisation of Assets includes debtors (review and collection), work in progress, dealing with agents, litigation and claims, sale of business, securing and reviewing other assets and VAT/Taxation

Creditors includes creditors and third parties queries, reservation of title and proprietary creditors, employee issues (redundancy, P45, DTI etc)

All partners and technical staff (including cashiers) assigned to the case record their time spent working on the case on a computerised time recording system.

Time spent by secretarial staff working on the assignment has not been recorded or recovered. The appropriate staff have been assigned to work on each aspect of the case based upon their seniority and experience, having regard to the complexity of the relevant work, the financial value of the assets being realised and/or claims agreed.

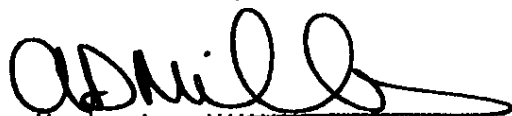
6.2 Administrator's expenses

The basis for charging of the Joint Administrator's disbursements is set out in Appendix 3

6.3 Other professional costs

The Joint Administrator's have retained the services of a number of professional advisors including various firms of solicitors, quantity surveyors and other professional service providers. All professional costs are reviewed and analysed before payment is approved.

I trust you will find this report adequate for your purposes but should you require any further information, please do not hesitate to contact me

A handwritten signature in black ink, appearing to read 'Asher D Miller', with a long horizontal flourish extending to the right.

ASHER D MILLER – JOINT ADMINISTRATOR

22 February 2008

**APPENDIX 1
SYNCRO LIMITED
(IN ADMINISTRATION)**

STATUTORY INFORMATION

| | |
|---|--|
| Company name | Syncro Limited |
| Previous names | CWS Engineering Services Ltd |
| Company number | 03096287 |
| Date of incorporation | 23 August 1995 |
| Registered office | Pearl Assurance House, 319 Ballards Lane, London N12 8LY |
| Ordinary issued and called up share capital | |
| Authorised Ordinary shares of £1 each Allotted, called up and fully paid | 10,703,000 |
| Shareholder | Syncro Group Limited |
| Directors | David Dawson and Kevin Francis Herbert Maxwell |
| Company secretary | Keith Andrew Knight |
| Bankers | Co-Operative Bank plc |

SYNCRO LIMITED - IN ADMINISTRATION
ADMINISTRATOR'S RECEIPTS AND PAYMENTS ACCOUNT
FROM 24 JULY 2007 TO 23 JANUARY 2008

| | <u>Total</u> £ |
|-----------------------------------|--------------------------|
| <u>Receipts</u> | |
| Debtor Recoveries | 802,268 |
| Sale of Tax Losses | 180,000 |
| Refund of Holiday Stamps | 33,620 |
| Sale of Business | 101,025 |
| Rate Refunds | 2,511 |
| Interest | 2,479 |
| | 1,121,903 |
| <u>Payments</u> | |
| Professional Fees | 19,447 |
| Travel & Accommodation Expenses | 16,511 |
| Cleaning Expenses | 1,970 |
| Rent | 9,071 |
| Specific Bond | 420 |
| Statutory Advertising | 403 |
| Carriage, Storage & Archiving | 576 |
| Stationery | 477 |
| Mail Redirection | 93 |
| Wages & Salaries | 68,269 |
| Bank Charges | 1,581 |
| Distribution to Secured Creditor | 671,000 |
| | 789,818 |
| Receipts less Payments | 332,085 |
| Represented by:- | |
| Balance at bank | 329,562 |
| VAT Recoverable | 2,522 |
| | 332,084 |

APPENDIX 3 - Deloitte & Touche LLP

| SYNCR0 LIMITED - IN ADMINISTRATION | | | | | | | |
|--|---------------|---------------|--------------------|------------------------------|----------------|-------------------|-----------------------|
| JOINT ADMINISTRATORS TIME COSTS FOR THE PERIOD 24 JULY 2007 TO 23 JANUARY 2008 | | | | | | | |
| SIP 9 TIME SUMMARY | | | | | | | |
| Classification of work function | Hours | | | | | Total Cost £ | Average hourly rate £ |
| | Partner | Manager | Case Administrator | Assistants and support staff | Total hours | | |
| Admin and planning | 37 48 | 161 12 | 00 00 | 111 06 | 310 06 | 87,780 00 | 283 07 |
| Investigations | 27 12 | 60 30 | 00 00 | 00 00 | 87 42 | 39,436 25 | 449 67 |
| Realisations of assets | 50 30 | 41 30 | 00 00 | 00 00 | 92 00 | 40,947 50 | 445 08 |
| Creditors | 06 00 | 329 30 | 00 00 | 02 24 | 337 54 | 91,927 00 | 272 05 |
| Trading | 15 00 | 200 36 | 00 00 | 19 30 | 235 06 | 63,840 00 | 271 54 |
| Total hours and costs | 136 30 | 793 18 | 00 00 | 133 00 | 1062 48 | 323,930 75 | 304 79 |

The above headings include *inter alia*

Administration and Planning

case planning
appointment notification
maintenance of records
statutory reporting

Realisation of Assets

identifying and securing assets
debt collection
property, business and asset sales

Investigations

SIP2 review
reports pursuant to Company Directors Disqualification Act 1986
investigating antecedent transactions

Creditors

communications with creditors
creditors' claims (including secured creditors, employees and preferential creditors)

Chargeout rates

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the hourly chargeout rates applicable to this appointment, exclusive of VAT, up to 31 December 2007 were as follows

| | £ |
|---------------------------|-----------|
| Partners / Office holders | 510 - 760 |
| Managers | 205 - 620 |
| Assistants and Cashiers | 120 - 205 |

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the current hourly chargeout rates applicable to this appointment, exclusive of VAT, from 1 January 2008 are as follows

| | £ |
|---------------------------|-----------|
| Partners / Office holders | 560 - 835 |
| Managers | 225 - 680 |
| Assistants and Cashiers | 130 - 220 |

Direct expenses ("Category 1 disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case

Indirect expenses ("Category 2 disbursements")

It is normal practice to also charge the following indirect disbursements ("Category 2 disbursements" as defined by SIP 9) to the case, where appropriate

Mileage incurred as a result of any necessary travelling is charged to the estate at the Inland Revenue approved rate, currently 40p per mile

APPENDIX 3 - David Rubin & Partners

| <p align="center">SYNCRO LIMITED - IN ADMINISTRATION JOINT-ADMINISTRATOR'S TIME COSTS FOR THE PERIOD 24 JULY 2007 TO 23 JANUARY 2008 SIP 9 TIME SUMMARY</p> | | | | | | | |
|--|---------------|----------------------------|---------------------------------------|--------------|----------------|-------------------|-----------------------|
| Classification of work function | Hours | | | | | Total Cost £ | Average hourly rate £ |
| | Partners | Managers / Senior Managers | Administrators/ Senior Administrators | Cashiers | Total hours | | |
| Statutory compliance, admin and planning | 35 36 | 147 18 | 279 36 | 10 36 | 473 06 | 96,877 00 | 204 77 |
| Investigations | 02 00 | 28 30 | 01 00 | 00 00 | 31 30 | 9,712 50 | 308 33 |
| Realisations of assets | 91 54 | 267 30 | 57 30 | 00 00 | 416 54 | 130,714 00 | 313 54 |
| Creditors | 18 36 | 159 36 | 218 00 | 00 00 | 396 12 | 86,453 00 | 218 21 |
| Trading | 02 06 | 345 00 | 00 00 | 00 00 | 347 06 | 88,485 00 | 254 93 |
| Total hours and costs | 150 12 | 947 54 | 556 06 | 10 36 | 1664 48 | 412,241 50 | 247 62 |

The above headings include *inter alia*

Administration and Planning

case planning
 appointment notification
 maintenance of records
 statutory reporting and compliance

Realisation of Assets

identifying and securing assets
 debt collection
 property, business and asset sales

Investigations

SIP2 review
 reports pursuant to Company Directors Disqualification Act 1986
 investigating antecedent transactions

Creditors

communications with creditors
 creditors claims (including secured creditors, employees and preferential creditors)

Chargeout rates

In accordance with the provisions of Statement of Insolvency Practice 9 ("SIP 9"), the current hourly chargeout rates applicable to this appointment, exclusive of VAT, from 1 November 2007 are as follows

| | £ |
|--------------------------------------|-----------|
| Partners/Office Holders | 350 - 450 |
| Managers/Senior Managers | 245 - 325 |
| Administrators/Senior Administrators | 140 - 210 |
| Cashiers | 90 - 160 |

Chargeout rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance

Direct expenses ("Category 1 disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case will be charged to the estate at cost, with no uplift. These include but are not limited to such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case

Indirect expenses ("Category 2 disbursements")

It is normal practice to also charge the following indirect disbursements ("Category 2 disbursements" as defined by SIP 9) to the case, where appropriate

Postage and stationery circulars to creditors

| | | | |
|--------------|---------------|-----------|-------------|
| Headed paper | 25p per sheet | Envelopes | 25p each |
| Photocopying | 6p per sheet | Postage | Actual cost |

Meeting Costs Use of Meeting Room is charged at £150 per session

Storage and Archiving

We use a commercial archiving company for storage facilities for company's records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £30 per hour

Mileage incurred as a result of any necessary travelling is charged to the estate at the Inland Revenue approved rate, currently 40p per mile

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 with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration, or, if the administrator thinks neither of these objectives is reasonably practicable realising property in order to make a distribution to secured or preferential creditors.

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 normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks 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 needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 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 2.106 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.

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets. In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of:

- each secured creditor of the company, or
- if the administrator has made or intends to make a distribution to preferential creditors
- each secured creditor of the company, and
- preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval, having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

4.4 A resolution of creditors may be obtained by correspondence

5 What information should be provided by the administrator?

5.1 When seeking fee approval

5.1.1 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 nature and extent of the supporting information which should be provided will depend on

- the nature of the approval being sought,
- the stage during the administration of the case at which it is being sought, and
- the size and complexity of the case

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case

The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain

- Any significant aspects of the case, particularly those that affect the amount of time spent
- The reasons for subsequent changes in strategy
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement
- Any existing agreement about fees
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases

5.1.4 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 sub-contracted out which would normally be undertaken directly by an administrator or his staff

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

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.

8.2 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.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is-

- the total number of hours spent on the case by the administrator or staff assigned to
- the case,
- for each grade of staff, the average hourly rate at which they are charged out,
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office. The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.