

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

For official use

To the Registrar of Companies

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Company Number

01168955

Name of Company

Insert full name of
company

PDC Construction Limited

We S C E Mackellar and E Klempka of 1 East Parade, Sheffield, S1 2ET

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

not in R's N/A

Signed

Dated 12.2.99

Presenter's name PricewaterhouseCoopers
address and 1 East Parade
reference (if any) Sheffield
S1 2ET

For Official Use
Insolvency Rest Room



A38 *AGGTYIQ5* 187
COMPANIES HOUSE 09/08/99

COMPANIES HOUSE 13/02/99

To all creditors

22 January 1999

Our ref SCEM/MC2001.km

Dear Sirs

PDC Construction Limited in administrative receivership

We refer to our appointment as joint administrative receivers of the above named company on 7 December 1998.

Meeting of creditors

In accordance with the provisions of Section 48 of the Insolvency Act 1986 we are obliged to convene a meeting of creditors. This meeting is to be held at 11.00 am on 9 February 1999 at the Cedar Court Hotel, Denby Dale Road, Calder Grove, Wakefield, WF4 3QZ.

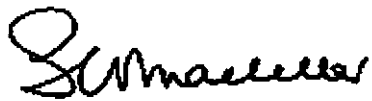
You are believed to be a creditor of the company and a copy of our notice of the meeting is attached, together with a proxy form. The purpose of the meeting is to present a report to creditors upon the events leading up to our appointment and of the conduct of the receivership. A copy of the report to be presented to the meeting is attached for your information.

At the meeting, creditors also have an opportunity to form a committee of between three and five members should they so desire. Nominations for membership of that committee, and voting on nomination can be made by creditors who have submitted details of their claim and either attend the meeting in person or lodge a valid proxy.

Dividend prospects for creditors

As you will see from paragraph 33 of the enclosed report, there is no prospect of a dividend for unsecured creditors.

Yours faithfully



S C E Mackellar
Joint Administrative Receiver

To all creditors

22 January 1999

Our ref SCEM/Sec48-let.km

Dear Sirs

In the matter of the Insolvency Act 1986 and in the matter of PDC Construction Limited in administrative receivership ("PDC")

1. Following my appointment as joint administrative receiver of the above company on 7 December 1998, I am writing to creditors to report in accordance with Section 48 of the Insolvency Act 1986.

Statutory information

2. The statutory information at the date of my appointment in relation to the company, as shown at Companies House, is provided at Appendix A.

Events leading up to the appointment of administrative receivers

3. PDC was incorporated in 1974. Its business was the construction and maintenance of overhead lines, and electrical and civil engineering contracting. The company traded from premises at Leeds Road, Castleford.
4. The business was historically a family business originally set up by Diarmuid Jeremiah Desmond (known as "John") and two of his brothers, Sean and Cornelius Desmond; Michael Desmond subsequently joined the company. In March 1995, William Paulin joined PDC as Financial Director.

5. In Autumn 1997, Cedar Ridge International Inc (“Cedar Ridge”) made an offer for the shares of PDC Engineering Limited (the holding company of PDC). In order to progress this, due diligence work was undertaken by representatives of Cedar Ridge. This work uncovered a material transfer of funds (in excess of £1m) from PDC’s bank account to the accounts of two other companies connected with the PDC group, PDC Rentals Limited and Yorkshire Engineering Partnership (“YEP”).
6. In addition, the due diligence work also highlighted that there were substantial PAYE arrears of some £2m. As a consequence the Inland Revenue were threatening to issue a winding up petition.
7. The Desmond family also alleges that a number of other payments were made to third parties with whom Mr Paulin was connected.
8. As a result of these findings, in February 1998 PDC initiated proceedings for a maraeva injunction against Mr Paulin and his sister. An injunction was granted restraining Mr Paulin from disposing of any of his assets up to a value of £850,000.
9. This legal action cost PDC over £100,000; the company also suffered as a result of the depletion of its cash resources outlined above.
10. As a result, the company required additional funding and also considered seeking a trade sale. A potential purchaser was identified and it was expected that the sale would be concluded in mid 1998. However this did not take place.
11. In addition, in June 1998 funding was obtained through Anpal Finance Limited (“Anpal”) who provided a factoring facility. As part of this arrangement, Anpal took a debenture over the company’s assets.
12. However as a result of its earlier problems, PDC experienced cashflow difficulties and in November 1998 the directors sought insolvency advice from Begbies Traynor. Steps were put in place to put the company into administration.

13. The administration petition was due to be heard in the High Court of Liverpool on 8 December 1998. However, prior to the hearing the directors decided that administration was not the best way forward, and on 7 December 1998, the directors requested the appointment of my partner Edward Klempla and I as joint administrative receivers. This appointment was pursuant to the charge granted to Anpal Finance Limited on 2 July 1998.

Events following our appointment as administrative receivers

14. In addition to our appointment as administrative receivers on 7 December 1998, my partner Edward Klempla and I were also appointed fixed charge receivers of PDC's freehold property at Manor Works, Leeds Road, Castleford, on 9 December 1998.
15. Following our appointments we instructed agents, Weatherall Green & Smith, to provide a valuation of the company's chattel assets, freehold and leasehold property. We also instructed Leslie Keats, quantity surveyors, to provide a valuation of the company's contract debts.
16. We also instructed Irwin Mitchell to advise on the validity of our appointment.
17. Our work indicated that PDC's major asset was its contract debts, which were subject to the factoring agreement with Anpal. We asked Irwin Mitchell to advise on the assignability of PDC's customer contracts and this review indicated that, in the main, these contracts were not assignable and, in addition, they provided for determination by the employer on the company's insolvency.
18. It was clear that, given the nature of the company's contracts and in order to protect its book debts, it was necessary to conclude a sale of the business swiftly. The receivers were not prepared to trade the business, primarily for the following reasons:
 - the inherent risks involved in trading, given the nature of the company's business, (staff working on live electricity lines); and
 - the significant commitments required to fund ongoing trading.

19. Following negotiations with PDC Power Engineering (UK) Limited, the company's business and assets were sold on 14 December 1998 to PDC Power Engineering (UK) Limited. PDC Power Engineering (UK) Limited is a connected party since it has certain common directors with PDC Construction Limited. The receivers sought independent legal advice in connection with the transaction from the parties referred to in paragraphs 15 and 16. To our knowledge the directors of PDC Power Engineering (UK) Limited did not take professional advice.

20. The consideration was as follows:

	£
Stocks	50,000
Retentions	50,000
Plant & machinery	115,000
	<u>215,000</u>

21. The sale also included the freehold engineering yard at Manor Works for a consideration of £150,000 and under the terms of the sale agreement, Power Engineering took an assignment of the factored debts, from Anpal.

22. The sale also included goodwill and an assignment of the company's leasehold property for nominal consideration.

23. Under the terms of the sale contract, the consideration for the plant and machinery was due to be received by 23 December 1998. However the funds were not received until 6 January 1999 due to delays as a result of the Christmas period. Of the consideration for the retentions, £10,000 was paid on completion and the remaining £40,000 is payable in 4 monthly instalments.

24. Following conclusion of the sale, there are a number of matters which are being investigated by the receivers. These include:

- a charge given to PDC over land at Bentley Road, Doncaster;
- the validity of the sale of a 100% subsidiary, Trenchline (Civil Engineering) Limited, in December 1997 for £1; and

- potential claims against Mr Paulin and other parties in connection with the mareva injunction issued in February 1998.

Amounts due to the debenture holder

25. At the date of my appointment, the amount due to the debenture holder, Anpal Finance Limited was £1,028,861.
26. As a result of the sale, Anpal should recover its lending in full.

Preferential creditors

27. You will recall from paragraph 6 that in February 1998 there were substantial arrears due to the Inland Revenue. Whilst payments have been made to the Inland Revenue during the course of 1998, we understand that there remain considerable sums due to the Inland Revenue.
28. We are currently seeking to confirm the extent of these, and returns are currently being prepared for submission to the Inland Revenue. At this stage we are unable to provide an estimate of the potential extent of this claim.
29. We have already received a preferential claim from the Contributions Agency in the sum of £648,728.
30. There is also a preferential liability due to HM Customs & Excise for the period from 1 September to 6 December 1998. At this stage it is not possible to quantify the extent of this claim.
31. However, it is clear that the preferential creditors are likely to be substantial.
32. As a result of the transfer of the business as a going concern, all employee liabilities have transferred to the purchaser of the business. Whilst this has clearly minimised the extent of employee related preferential claims, current indications are that there will be no funds available for the preferential creditors.

Unsecured creditors

33. Given the significant shortfall envisaged for the preferential creditors, there will be no funds available for the unsecured creditors.

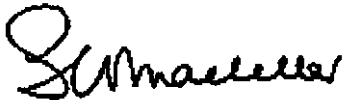
Statement of affairs

34. The directors have been requested to produce a sworn statement of affairs and it is expected that this will be available for the creditors' meeting.

Directors

35. Under the Act and related legislation, I have a duty to consider the conduct of those who have been directors of the company at any time within the three years preceding my appointment. I also have a duty to consider whether any civil proceedings should be taken. Please let me know, in writing, if there is any matter which you think I should be made aware of when considering the directors conduct. I should mention that this request for information forms part of my firm's usual procedures.

Yours faithfully



S C E Mackellar
Joint Administrative Receiver

PDC Construction Limited in administrative receivership

22 January 1999

Notice is hereby given, pursuant to section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above-named company will be held at the Cedar Court Hotel, Denby Dale Road, Calder Grove, Wakefield, WF4 3QZ on 9 February 1999 at 11.00 am. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

- (a) they have delivered to us at the address shown below, by no later than noon on 8 February 1999, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and
- (b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Dated: 22 January 1999



Stuart Charles Edward Mackellar & Edward Klempka
Joint Administrative Receivers
PricewaterhouseCoopers
1 East Parade
Sheffield
S1 2ET

**Rule 8.1 Insolvency Act 1986
Proxy (Administrative Receivership)**

PDC Construction Limited

Notes to help completion

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 **9 February 1999**, 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].

Voting instructions for resolutions

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 has not signed in person

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

.....

Appendix A

PDC Construction Limited

Statutory Information

Registered Number:	01168955
Incorporated:	3 May 1974
Registered Office:	
Currently:	1 East Parade Sheffield S1 2ET
Previously:	Yorkshire House Leeds Road Castleford WF10 4PD
Principle business activities:	Overhead line, electrical and civil engineering contracting
Directors:	Sean Desmond Nicholas Buckworth Diarmuid Desmond Cornelius Desmond Michael Desmond
Company Secretary:	Sean Desmond

To all creditors

30 December 1998

Our ref SCEM/225ar.km

Dear Sirs

PDC Construction Limited in administrative receivership

I was appointed joint administrative receiver of PDC Construction Limited ("PDC") on 7 December 1998, under powers contained in a debenture granted to Anpal Finance Limited.

Given the nature of the company's trade and in order to protect its book debts (which were its major asset) it was necessary to conclude a sale of the business swiftly. A sale of the company's business and assets as a going concern was concluded on 14 December 1998 to PDC Power Engineering (UK) Limited. PDC Construction Limited has now ceased to trade.

The company is not in liquidation.

The joint administrative receivers act as agents of the company and can accept no personal liability in respect of any contract entered into by the company after their appointment.

As a result of the sale of the business and assets no orders will be placed by the receivers. Should you have any orders which were placed by the company prior to my appointment, but which have not been delivered, please contact my assistant Michelle Chatterton. Please note that it will be necessary to obtain written confirmation that these goods are still required.

In accordance with the provisions of the Insolvency Act 1986, the directors have been requested to prepare a Statement of Affairs of the company at the date of my appointment. In order to assist them in this matter I should be grateful if you would let me have the following information at your earliest convenience:

- statement of your account for all goods and services supplied to the date of my appointment (including confirmation of a nil balance if such is the case);

- details of any unexecuted orders;
- details of any property of the company held by you; and
- details of any property which the company may be holding on hire or rental contracts with you and, if known, the address where this property is held.

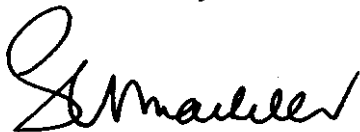
All claims will be included in the register of unsecured non-preferential creditors' claims which will be passed to any liquidator who may be appointed. Receipt of claims will not be acknowledged unless specifically requested. Given the extent of the indebtedness of Anpal Finance Limited, I do not envisage that there will be any funds available for distribution to unsecured creditors.

I shall be preparing a report in accordance with the provisions of Section 48 of the Insolvency Act 1986. This report will be laid before the creditors at a meeting specifically called for that purpose within three months of my appointment, unless the company goes into liquidation in the meantime. The report will include a summary of the Statement of Affairs and my comments on it.

Under the insolvency legislation, I have a duty to consider the conduct of those who have been directors of the company at any time within the three years preceding the date of my appointment. I also have a duty to consider whether any civil proceedings may be taken against the directors or others for the recovery of, or contributions to the company's assets.

If there is matter of which you consider I should be aware, please complete and return the enclosed questionnaire. This request for information forms part of my firm's usual investigation procedures and does not imply that there may be any cause of action lying against any person concerned in the company's affairs.

Yours faithfully



S C E Mackellar
Joint Administrative Receiver

Enclosure

Enquiry into company's insolvency

Company: PDC Construction Limited

Creditor's name and address	
Estimated claim	£
What was the authorised credit limit?	£
If the estimated claim exceeds the credit limit, on what basis or terms was the credit increased?	
Please provide details of comfort, security or assurance given to you to allow continuance of credit	
When were you first aware that there were difficulties in getting payment and what was the evidence of this?	
Please provide details, including dates of any writs, summonses, decrees or other legal action you took to recover your debt	
Please provide details of any cheques which were dishonoured, including dates and amounts	
Are there any particular matters you feel should be reviewed? If so, please provide brief details	
Date	
Signature	
Name	
Position	