



**Joint Administrators' progress report for the period from 13  
January 2014 to 12 July 2014**

**Berkeley Environmental Services Limited**  
High Court of Justice, Chancery Division, Companies Court  
Case No. 167 of 2014

**CAE Realisations (2014) Limited**  
(formerly Critical Airflow Europe Limited)  
High Court of Justice, Chancery Division, Companies Court  
Case No. 168 of 2014

**Four Seasons Control Holdings Limited**  
High Court of Justice, Chancery Division, Companies Court  
Case No. 9209 of 2013

**Four Seasons Installation Limited**  
High Court of Justice, Chancery Division, Companies Court  
Case No. 9212 of 2013

**Four Seasons Maintenance Limited**  
High Court of Justice, Chancery Division, Companies Court  
Case No. 9213 of 2013

**HM Air Cooling Limited**  
High Court of Justice, Chancery Division, Companies Court  
Case No. 161 of 2014

**JCW Air Conditioning Limited**  
High Court of Justice, Chancery Division, Companies Court  
Case No. 9215 of 2013

**All in Administration**  
**6 August 2014**

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# Contents

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<b>Section</b>		<b>Pages</b>
1	Joint Administrators' progress report	2 - 9
2	Statutory and other information	10-23
3	Receipts and payments account for the period from 13 January 2014 to 12 July 2014	24-30
4	Statement of expenses incurred in the period from 13 January 2014 to 12 July 2014	31 - 37
5	Analysis of the Administrators' remuneration and Category 2 disbursements for the period from 13 January 2014 to 12 July 2014	38 - 72
6	Approval of unpaid pre-Administration costs	73 - 78

## **Abbreviations used in this report:**

**"BES"** – Berkeley Environmental Services Limited  
**"CAE"** – CAE Realisations (2014) Limited  
**"Equinox"** – Equinox SPV1 Limited  
**"FSCH"** – Four Seasons Control Holdings Limited  
**"FSI"** – Four Seasons Installation Limited  
**"FSM"** – Four Seasons Maintenance Limited  
**"HMAC"** – HM Air Cooling Limited  
**"JCW"** – JCW Air Conditioning Limited  
**"JCWES"** – JCW Energy Services Limited  
**"the Companies"** – all of the above  
**"the Group"** – FSCH and its subsidiaries  
**"the Administrators"** – Robert Moran, Toby Underwood, Rob Hunt  
**"IA86"** – Insolvency Act 1986  
**"Integral"** – Integral UK Holdings Ltd  
**"IR86"** – Insolvency rules 1986  
**"Magana"** – Magana Limited - a wholly owned subsidiary of Rcapital Nominees Limited  
**"PCB"** – PCB Technical Solutions Limited  
**"Rcapital"** – Rcapital Nominees Limited

# 1. Joint Administrators' progress report

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## Introduction

In accordance with Rule 2.47 IR86 we write to provide creditors with details of the progress of the Administration of the Companies in the six months since the Administrators' appointment on 13 January 2014.

We are required to provide certain statutory information pursuant to Rule 2.47(1)(a) to (d) IR86, which is included in Section 2.

## Background information and initial actions taken by the Administrators

The Group provided installation and maintenance services for Heating, Ventilation and Air Conditioning. It also installed and managed building temperature management systems and designs and engineered airflow and temperature control systems.

BES, CAE, FSI, FSM, HMAc and JCW are six of the trading entities of the Group. FSCH was a non-trading holding company within the Group.

Our appointment arose as a consequence of a deteriorating trading position, cash flow pressures and because a proposed restructuring process to simplify the Group by Magana was not possible.

It became necessary to protect the business from enforcement action by creditors. The directors were of the opinion that the Companies and certain other entities within the Group were insolvent and filed Notices of Intention to Appoint Administrators in December 2013.

Further information detailing our appointment as Administrators and the initial steps taken in the Administrations can be found in our previously circulated documents, which are available at [www.pwc.co.uk/fourseasons](http://www.pwc.co.uk/fourseasons).

## How we've managed and financed the Company's affairs and business

### BES, CAE, FSI, FSM, HMAc, JCW

In our previous correspondence dated 17 January 2014 and 7 March 2014 we set out details of the sale and marketing process which was undertaken in order to find purchasers for the Companies' businesses and assets. This information is not repeated in this report, however a copy of the previous documents can be found at [www.pwc.co.uk/fourseasons](http://www.pwc.co.uk/fourseasons).

### Berkeley Environmental Services Limited

A sale of the Energy part of the business was agreed with Integral UK Holdings Ltd as it was not possible to sell the whole of the business. The sale completed on 13 January 2014 and included consideration of £5 for chattels, customer contracts, goodwill, business information and software licenses. The sale resulted in the transfer of approximately 46% of the total employees.

The book debts of BES were not included in the sale agreement, but we have entered into a collection agreement with Integral in respect of some of the debts.

A minimum collection amount of £100,000 was also agreed with Integral and this balance was paid to BES upon completion.

The outstanding debtor balance in respect of BES as at the date of appointment was £883,788. Integral is assisting us with the collection of £256,122 of this balance. To date we have received £160,142 in relation to these debts, with £136,255 having been received into the post administration bank account, and 32,387 having been paid into Integral's bank account. As per the terms of our agreement with Integral, all amounts received in respect of these debts were returned to them in repayment of the guaranteed minimum, up to the guaranteed £100k. Additionally 25% commission was due to Integral for the collection of the debts. Therefore the first £133k of the collections was paid to Integral, and we have retained 75% of the amounts received above this. We also sold a debt of

## 1. Joint Administrators' progress report

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£13.7k that Integral were collecting to Integral for £8.5k. We considered that this represented the best way to realise value for the debt. In total we have collected a net £129k from these debts. We have prudently ascribed no further value to future realisations from these debts.

For the remaining balance we made an agreement with one of BES's credit controllers to assist us in collecting these debts. We have made cash collections into the administration of £253,483, in relation to these. Total collection fees of £24,626 are due in respect of these collections, of which £20,000 had been paid as at 12 July 2014. We have prudently ascribed no further value to future realisations from these debts, although work continues in relation to the collection of these debts.

The total debtor balance of £883,788 includes inter-company debtors of £73,467. Any recoveries on these balances are dependent on the level of prescribed part dividends paid by the other Group companies in administration, and are likely to be small. The recoverable balance is currently uncertain and will be subject to write-offs, debt collection costs and charges.

### **CAE Realisations (2014) Limited**

A sale of the Company's assets was achieved on 17 January 2014 to Equinox SPV1 Limited, a company which included the former director, Ray Wall.

A total gross consideration of £172,000 was agreed in respect of the sale of the assets. This consideration was made up of an initial payment of £125,000 and a deferred element of up to £47,000, which was contingent upon the receipt of the Irish debt discussed below. The sale included assignment of the book debt ledger as at 31 December 2013 as we considered that the book debts collected in a closedown situation would have been far lower than the amount for which the debtor ledger was sold.

The sale resulted in the transfer of approximately 80% of the total employees.

The deferred consideration was payable based on 25% of the Irish debt. A final settlement was reached on this at €219,148. CAE's share converted into sterling is £43,681. From this has been deducted £3,500, representing book debts collected by CAE after 31 December 2013 (date of the ledger sale) and the date of administration. The net funds received are therefore £40,181. Since the date of the sale, CAE has collected some £530,395 of funds for Equinox, being book debt collections, and payments on the contracts in progress for which Equinox has been able to meet the outstanding contractual terms to the customers. This amount includes the Irish debt. These funds are passed directly to Equinox and are therefore not shown in the Administrators' receipts and payments account (with the exception of the deferred consideration).

### **Four Seasons Installation Limited and HM Air Cooling Limited**

The companies' business and assets were sold on 13 January 2014 to PCB Technical Solutions Limited. The purchasing company included a former director of the Companies, Dave Cooper.

The total gross consideration for FSI and HMAc was £645,000. This was split between FSI (£528,900) and HMAc (£116,100). The first instalment of this consideration (£270,000) was paid on 14 January 2014. Under the terms of our agreement a second instalment of £275,000 (gross) was to be paid from the collection proceeds of the debts which were sold to PCB. This second instalment was part payment for the book debts as at 31 December 2013. Deductions were made from this gross figure in relation to book debt receipts between 1 January and 13 January (of £81,452). Therefore the net consideration in respect of the second instalment is £193,548. As per our proposals, this amount has been received. The final instalment was due to be paid on or before the date falling 6 months after the date of completion. It was subsequently agreed with PCB that they could receive a 10% discount to this final instalment if they made the final payment early. This payment of £90,000 was received by the Administrations on 20 March 2014. Both instalments are split between FSI and HMAc in the same ratio as the total gross consideration.

## 1. Joint Administrators' progress report

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The net consideration received is therefore £453,909 for FSI and £99,639 for HMAC. No further realisations are expected for these companies.

The sale resulted in the transfer of approximately 83% of the total employees.

The gross consideration received in respect of both Companies included the sale of debtors in FSI for £526,000 and £110,000 in respect of HMAC. Since the date of administration FSI and HMAC have collected £320,952 in relation to the book debts. As discussed above, some of these receipts have been used to offset the second and third instalments of the consideration. The remaining amounts have been paid to PCB, as the debts have been sold to them. If the businesses had ceased to trade, rather than the businesses being sold to PCB, we believe that the book debts collected would have been far lower than the amount for which the debtor ledger was sold. These are contractual debts, with part completed work remaining unfinished and contractual warranties unfulfilled at the date of administration. PCB have completed work in order to collect some of these debts. We would have incurred significant costs to complete these jobs in administration, and there would have been a high level of risk regarding net realisations. As these collections are all payable to PCB we have not shown them in our receipts and payments accounts.

### **Four Seasons Maintenance Limited and JCW Air Conditioning Limited**

A sale of the Companies' business and assets was completed to JCW Energy Services Limited on 13 January 2014. The purchasing party included Kurt Hedgley who was part of the Senior Management of JCW.

The sale of business in respect of FSM and JCW included consideration of £10,000, split equally across each company. The sale resulted in the transfer of approximately 79% of the total employees.

The sales ledger balance in respect of JCW as at the date of appointment was £1,738,588. We have entered into a collection agreement with the purchaser, and have made cash collections of £414,395 to date. £185,650 commission has been paid on these collections (net of VAT), which is materially all that is due. Additionally, JCW provided a loan to JCWES of £21,177, which was repayable 90 days after 14 January 2014, and has been repaid. Some further recoveries are expected in relation to the JCW sales ledger, as we continue to collect the book debts. However, for prudence, we have ascribed minimal value to these future realisations. The sales ledger includes inter-company debtors of £179,708. Any recoveries in respect of these debts are dependent on the level of prescribed part dividends payable by the other Group companies in administration and are therefore likely to be low.

The outstanding debtor balance in respect of FSM as at the date of appointment was £789,217. We have entered into a collection agreement with the purchaser of the business, and have made cash collections of £483,353 to date. £176,034 debt collection fees has been paid on these collections (net of VAT), which is materially all that is due. Additionally FSM provided a loan to JCWES of £23,823, which was repayable 90 days after 14 January 2014, and has been repaid. Some further recoveries are expected in relation to the FSM sales ledger, as we continue to collect the book debts. However, for prudence, we have ascribed minimal value to these future realisations. The sales ledger includes inter-company debtors of £98,879. Any recoveries of these debts are dependent on the level of prescribed part dividends being paid by the other Group companies in administration, and are likely to be low.

Please note that the recoverable balances are currently uncertain and will be subject to write-offs, debt collection costs and charges.

JCW also owned some motor vehicles and these were sold for £92,977 (net of VAT).

### **Four Seasons Control Holdings Limited**

FSCH is the holding company of the group. There was not a realisable business to sell and the assets are being sold individually. We have realised £5,000 in relation to computer equipment and £2,014 in respect of monies held in the Company accounts.

# 1. Joint Administrators' progress report

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As previously mentioned we retained the services of a member of the finance team who worked for FSCH, primarily to assist with the collection of the book debts. Although this employee was formerly employed by FSCH, the costs were paid by one of the entities where book debt collection assistance was provided, and a recharge will be made to the other entities which received the benefit of this assistance.

FSCH was subject to a retention of title claim from a supplier, in relation to equipment purchased by the Group, but which was sold under the sale agreements discussed above (to the extent title of the equipment resided with the respective companies). Following extensive discussions, an agreement was reached whereby some of the equipment was returned to the supplier, in addition to a payment of £3k being made to the supplier by FSCH. This was considered to be the most cost effective way of resolving the claim, given the cost implications of taking the issue to court. A recharge will be made to other group companies in respect of this payment.

We determined that the continued trading in administration of FSCH as a holding company would result in a better outcome for its creditors as a whole than would have been achieved on liquidation (with the immediate termination of all employee contracts), as the assistance given to the other Group companies would enhance the overall level of realisations across the Group, thereby minimising the level of creditors for which FSCH is jointly liable. A recharge will be made to those other group companies which have received the benefit of FSCH being placed into administration, for the Administrators' fees which are incurred.

## **Approval of the Administrators' proposals**

On 7 March 2014 we circulated to creditors our proposals for achieving the purpose of the Administrations.

We stated in our proposals that we had formed the view that the Companies have insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part to be set aside in accordance with Section 176A IA86.

The proposals were deemed approved on 20 March 2014 in accordance with Rule 2.33(5), a meeting of creditors not having been requisitioned by creditors in the prescribed manner.

## **Receipts and payments account**

An account of the receipts and payments in the Administration of each of the Companies for the period from 13 January 2014 to 12 July 2014 is set out in Section 3.

## **Expenses statement**

A statement of the expenses incurred in the period from 13 January 2014 to 12 July 2014 is included at Section 4. The aim of this statement is to show the full amounts of costs that have been incurred in the Administration for the period and to show those costs which have been incurred irrespective of whether they have paid.

The statement excludes any potential tax liabilities that may be payable as an expense of the Administrations in due course because amounts due will depend on the position at the end of the tax accounting period.

## **Administrators' remuneration**

### **BES, FSI, HMA, JCW**

In accordance with Rule 2.106(5A) IR86, as it is envisaged that there may be funds available to the preferential creditors of BES, FSI, HMA and JCW, the basis of our remuneration as joint administrators was agreed by the secured creditors and the voting majority of the preferential creditors.



# 1. Joint Administrators' progress report

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Our fees are based on the time spent by the Administrators and their staff in the conduct of the Administrations and an analysis of our time and applicable hourly rates have been provided to the secured and preferential creditors.

## CAE, FSCH, FSM

As there were no preferential creditors in CAE and FSM and we anticipated that there would be no funds available to the preferential creditors of FSCH, the basis of our remuneration as joint administrators was to be agreed by the secured creditors only in accordance with Rule 2.106(5A) IR86. We have received approval from the secured creditors of CAE and FSM, however we are yet to receive the required approval from one of the secured creditors of FSCH.

An analysis of our time and applicable hourly rates have been provided to the secured creditors.

## General remuneration information

The hours incurred and time cost charges are shown in the table below for those companies where remuneration approval has been received (BES, CAE, FSI, FSM, HMAc and JCW). No fees have been drawn in the period covered by this report.

Company	Hours incurred	Time Costs (£)
BES	387.63	128,740.69
CAE	222.86	76,210.49
FSCH	127.06	32,662.84
FSI	335.04	101,821.34
FSM	442.51	149,235.29
HMAc	331.71	101,069.94
JCW	604.99	188,490.74

In accordance with the requirements of Statement of Insolvency Practice 9, a full analysis of the Administrators' time costs and Category 2 disbursements for the period 13 January 2014 to 12 July 2014 in respect of the Companies is provided in Section 5.

## Creditors' rights

If you would like further information about your rights as a creditor, please use the internet address below to find an explanation of your rights under insolvency legislation .

<http://www.icaew.com/~media/Files/Technical/Insolvency/creditors-guides/creditors-guide-to-administrators-fees-england-and-wales-apr-10.pdf>

## Pre-Administration costs

Information regarding the approval of the unpaid pre-Administration costs previously detailed in the Administrators' proposals can be found at Section 6 of this report.

## Outcome for creditors

### Secured creditors

There are three secured creditors and they hold security over certain fixed and floating charge assets of the Companies. Magana holds security over the assets of all of the Companies and its total liability is c.£10.02m. It is currently anticipated that Magana will suffer a significant shortfall in respect of its amounts owed.

# 1. Joint Administrators' progress report

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Malcolm J Lee & Katherine R Lee hold security over the assets of FSCH, in the sum of c.£1.5m. We do not anticipate that these chargeholders will recover any funds in accordance with their security as FSCH has minimal realisable assets.

Henry W Granata & David I Cooper have a secured charge registered against the assets of HMAc. Based on the current position we do not envisage that they will recover any monies against their secured charge of c.£1.175m.

## Preferential creditors (mainly employees)

The preferential creditor claims relate to arrears of wages, subject to statutory limits and unpaid holiday pay. Some employees were transferred to the respective purchasers in accordance with TUPE legislation following the sale of businesses in relation to BES, CAE, FSI, FSM, HMAc and JCW. However, some employees were not transferred and redundancies were made. Further redundancies were made in respect of FSCH.

The estimated value of number of preferential creditor claims in respect of each company is detailed below.

Company name	No. of redundancies	Claim value
BES	15	c.£15,000
CAE	0	n/a
FSCH	9	c.£13,900
FSI	2	c.£1,600
FSM	0	n/a
HMAc	2	c.£1,600
JCW	17	c.£12,600

We currently anticipate that we will pay the preferential creditors in full in respect of BES, FSI, HMAc and JCW. Based on current information and estimated future realisations there will be insufficient funds available to make a distribution to the preferential creditors of FSCH.

## Unsecured creditors

The prescribed part is a fund that has to be made available for unsecured creditors. It's paid out of "net property". Net property is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full. For each company, this equates to:

- 50% of net property up to £10,000;
- 20% of net property in excess of £10,000;
- Subject to a maximum amount of £600,000.

The Prescribed Part applies to all of the Companies as there are charges created and registered at Companies House following the Prescribed Part order coming into force on 15 September 2003. The amount of the Prescribed Part will be subject to future asset realisations and allowable costs.

Based on the current position we anticipate that there may be a dividend for unsecured creditors under the prescribed part in respect of BES, CAE, FSI, FSM and JCW. If we calculate that the costs of agreeing the unsecured creditor claims and paying a prescribed part dividend will be disproportionate to the benefits, we can apply for a court order not to pay the prescribed part to unsecured creditors. At present we do not intend to make such an application.

## Berkeley Environmental Services Limited



# 1. Joint Administrators' progress report

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Our best estimate of the Company's net property is £261k, which would mean a value of the prescribed part of £55k before costs. There remains uncertainty in respect of the final level of unsecured claims, however we estimate that the maximum prescribed part distribution would be between 1.2p-1.75p in the £. Please note that these estimates will also depend on future realisations and administration costs.

## **CAE Realisations (2014) Limited**

Our best estimate of the Company's net property is £76k, which would mean a value of the prescribed part of £18k before costs. There remains uncertainty in respect of the final level of unsecured claims, however we estimate that the maximum prescribed part distribution would be between 2.1p-2.45p in the £. Please note that these estimates will also depend on future realisations and administration costs.

## **Four Seasons Installation Limited**

Our best estimate of the Company's net property is £322k, which would mean a value of the prescribed part of £67k before costs. There remains uncertainty in respect of the final level of unsecured claims, however we estimate that the maximum prescribed part distribution would be between 2.06p-2.8p in the £. Please note that these estimates will also depend on future realisations and administration costs.

## **Four Seasons Maintenance Limited**

Our best estimate of the Company's net property is £109k, which would mean a value of the prescribed part of £25k before costs. There remains uncertainty in respect of the final level of unsecured claims, however we estimate that the maximum prescribed part distribution would be between 0.6p-1.25p in the £. Please note that these estimates will also depend on future realisations and administration costs.

## **JCW Air Conditioning Limited**

Our best estimate of the Company's net property is £119k, which would mean a value of the prescribed part of £27k before costs. There remains uncertainty in respect of the final level of unsecured claims, however we estimate that the maximum prescribed part distribution would be between 0.0p-0.2p in the £. Please note that these estimates will also depend on future realisations and administration costs.

## **Four Seasons Control Holdings Limited and HM Air Cooling Limited**

We estimate that a dividend will not be payable to the unsecured creditors under the prescribed part in relation to FSCH and HMAc, as it appears that both companies will have insufficient net floating charge realisations after costs to facilitate distributions.

We anticipate there will not be a dividend for unsecured creditors in relation to the Companies other than the possible prescribed part distributions detailed above.

## **Discharge from liability**

We will be discharged from liability in respect of any action of ours as Joint Administrators 14 days after our appointment as administrators ceases to have effect in respect of BES, CAE, FSI, FSM, HMAc and JCW. This was agreed by the secured and preferential creditors in BES, FSI, HMAc and JCW as it is envisaged that there may be funds available to the preferential creditors. On CAE and FSM only the secured creditors are required to approve the resolution to discharge the Administrators' liability.

We have not received formal approval to be discharged from liability in respect of any action of ours as Joint Administrators on FSCH.

# 1. Joint Administrators' progress report

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## Ending the Administration

Once the objectives of the Administrations have been achieved, we may end in any one of the ways allowed by law. The most likely of these exit routes were set out in Section 2(b)(v) of the Joint Administrators' proposals. These include:

- If there aren't enough funds to pay a dividend to unsecured creditors, once we've finished our work we'll either file a notice with the Registrar of Companies and the Companies will be dissolved three months later or apply for a court order ending the administrations and for the Companies to be wound up / be dissolved; OR
- Placing the Companies into creditors' voluntary liquidation, or filing a notice under Paragraph 84(1) Sch.B1 IA86 with the Registrar of Companies, following registration of which the Companies will be dissolved three months later; OR
- Once we've finished disposing of the assets we'll apply to the court for permission to pay any surplus funds to unsecured creditors. If this is granted, we'll end the administration by filing a notice with the Registrar of Companies and the Companies will be dissolved three months later.

We are considering the most appropriate strategy for bringing the Administrations to an end, taking into consideration cost implications and the administrative and statutory duties still to be undertaken. Creditors will be advised of the Administrators' decision in due course.

## Next report

The Administrators anticipate that they will circulate their next report to creditors at the earlier of the conclusion of the Administrations or in approximately six months.

Yours faithfully  
For and on behalf of the Companies



Robert Moran  
Joint Administrator

*Robert John Moran, Toby Scott Underwood and Robert Jonathan Hunt have been appointed as Joint Administrators of Four Seasons Control Holdings Limited, CAE Realisations (2014) Limited, Berkeley Environmental Services Limited, Four Seasons Installation Limited, Four Seasons Maintenance Limited, HM Air Cooling Limited and JCW Air Conditioning Limited to manage their affairs, business and property as their agents and without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.*

*The Joint Administrators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administration.*