
WR Refrigeration Limited – in liquidation

Joint liquidators' progress report for the period
from 20 November 2015 to 19 November 2016

www.pwc.co.uk/wrrefrigeration

19 January 2017





To all known members and creditors

19 January 2017

Dear Sir/Madam

WR Refrigeration Limited – in creditors’ voluntary liquidation (“the Company”)

This is our second progress report to members and all known creditors in the above liquidation for the period 20 November 2015 to 19 November 2016.

If you have any queries in connection with this report, please contact Leanne Taylor on 0113 289 4917.
Yours faithfully

A handwritten signature in black ink, appearing to read 'A S Barrell'.

A S Barrell
Joint liquidator

Anthony Steven Barrell and David Matthew Hammond have been appointed as joint liquidators of the Company. The joint liquidators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The joint liquidators are bound by the Insolvency Code of Ethics which can be found at:
<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

The joint liquidators 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 liquidation.

Definitions used in this report

Definition used	Term
“the Company”	WR Refrigeration Limited
“CVL” or “liquidation”	Creditors’ voluntary liquidation
“the liquidators”, “we” or “us”	Robert Jonathan Hunt and Anthony Steven Barrell (20 November 2015 to 8 November 2016) Anthony Steven Barrell and David Matthew Hammond (8 November 2016 to date)
“PwC”	PricewaterhouseCoopers LLP
“IR86”	The Insolvency Rules 1986
“IA86”	The Insolvency Act 1986
“Sch. B1 IA86”	Schedule B1 to the Insolvency Act 1986
“SIP 9”	Statement of Insolvency Practice No. 9
“HMRC”	HM Revenue & Customs
“the Bank” or “secured creditor”	Kaupthing HF

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1. Introduction

1.1. Why we're sending you this report

This is our second progress report to members and creditors. It will help if you read this alongside the joint administrators' previous progress reports and our first progress report in the liquidation which can be found at www.pwc.co.uk/wrrefrigeration.

This report provides a summary of the steps taken during the year, the matters still outstanding and our current view on the outcome for creditors.

By law, we have to give you certain statutory information which is included in Appendix A.

1.2. Change of liquidator

Robert Hunt has recently left PwC and so an application was made to Court to facilitate his removal as joint liquidator and appoint Matthew Hammond in his place. The application was granted by an Order of Court and subsequently Matthew Hammond replaced Robert Hunt as joint liquidator with effect from 8 November 2016.

1.3. Dividend prospects

The following table summarises the dividend prospects for creditors. Later in this report we also explain the current position for the secured creditor.

	% recovery	Forecast timing
For preferential creditors: i.e. former employees (for unpaid wages up to £800 and holiday pay only) and unpaid pension contributions in certain circumstances:	100 % *	Already paid
For unsecured creditors: i.e. all other creditors who are neither secured nor preferential:	1.12%	Already paid (from the ring-fenced prescribed part fund)

* Amounts that would have been preferential claims were paid in full during the ordinary course of trading during the preceding administration.

The availability of any further funds for creditors is dependent on the outcome of the investigations detailed later in this report.

2. Progress made during the period

2.1. Assets realisation summary

The Company's business and assets were sold during the administration. Please see our earlier reports for details of the proceeds received. Income during the period of this report principally relates to interest on cash balances, as shown below:

	<i>Actual realisations</i>
	<i>£</i>
Bank interest	4,950.85
Sundry receipts / refunds	1,029.85
Total in the period	5,980.70

Claims

As previously reported, we began an extensive investigation into the financial position of the Company and the possibility of pursuing claims that may be beneficial to creditors. We are now able to report that proceedings have commenced against certain directors and former directors in connection with their conduct prior to administration, including the failure to place the Company into a suitable insolvency process at an earlier time in order to avoid additional losses to creditors.

The Company's legal advisors and Counsel have advised us on the merits of the claim and believe the Company has a strong case to pursue, the outcome of which may lead to further recoveries for creditors.

The claim is scheduled to go to trial in Court sometime in 2018 and we will provide creditors with an update in our next report in 12 months' time.

Book debts

We previously reported that we had instructed legal advisors to pursue remaining balances totaling around £0.7million. As a result, we have since concluded that the remaining balance is not collectable and has therefore been written off.

There are no further assets to realise.

2.2. Other work

Final VAT returns were submitted and the Company was de-registered for VAT on 18 December 2014. Periodic returns have been submitted thereafter for the recovery of input VAT on costs.

Our internal tax specialists continue to prepare and submit annual corporation tax returns to HMRC.

Other ongoing compliance work includes preparing and issuing progress reports to creditors and regulatory tasks including periodic case reviews and reporting to the secured creditor which now has the primarily financial interest in the liquidation.

3. Outcome for creditors

3.1. Secured creditor

The secured creditor's lending to the Huurre Group OY (which the Company is part of) totalled around £31 million and is secured by a debenture dated 30 March 2004. This security gives the secured creditor fixed and floating charges over all the Company's assets.

To date the secured creditor has received a distribution of £5m, with an overall projected recovery of 25%, subject to the outcome of the claims referred to earlier.

3.2. Preferential creditors (mainly employees)

Amounts that would have been preferential claims were paid in full during the ordinary course of trading during the preceding administration.

3.3. Unsecured creditors

As previously disclosed, a first and final unsecured dividend of 1.12p in the £ was paid on 9 November 2015 from the maximum prescribed part fund of £600,000, less our fees (on a time cost basis) for agreeing and paying claims.

The availability of any further funds for creditors is dependent on the outcome of the proceedings referred to earlier.

4. Liquidators' fees and other financial information

4.1. Our fees

The secured creditor agreed that a combination of different bases should be used to determine the administrators' remuneration, to reflect the nature and complexity of the administrators' work and to include an incentivised fee structure. In accordance with Rule 4.127 IR86, this remuneration structure (as summarised below) carried over into the liquidation for the purpose of also remunerating the liquidators.

£'000	Amount	Paid	Unpaid
Time cost basis	1,300	1,300	-
Set fee	1,000	1,000	-
Percentage of realisations	435	325	110
Total in the period	2,735	2,625	110

We do not expect these figures to change as all of the Company's assets have been realised.

In addition to the above, a further supplementary fee arrangement relating only to the ongoing investigation and proceedings has been agreed with the secured creditor. Under this agreement, our fees are calculated on a time cost basis plus a fixed fee of £275,000 in relation to certain earlier phases of the investigation. The fixed element has been drawn, plus £128k in respect of time costs. These payments are included within distributions to the secured creditor in our receipts and payments account.

Our fees for distributing the prescribed part in November 2015 were approved on a time cost basis and drawn during the period in the sum of £64k. More detailed information was given in our last report.

Further information is provided in Appendix C in relation to work remunerated on a time cost basis, together with a summary of the work carried out in the period.

4.2. Our disbursements

We have incurred disbursements of £6,183.17 during the period from our appointment to 19 November 2016 and these will be drawn in due course. Further details are provided in Appendix C.

4.3. Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 4.49E IR86. Any request must be in writing. Creditors can also challenge the liquidators' fees and expenses within eight weeks of receiving this report as set out in Rule 4.131 of IR86. This information can also be found in the guide to fees at:

<http://www.icaew.com/~media/corporate/files/technical/insolvency/creditors%20guides/creditors%20guide%20liquidators%20fees%20final.ashx>

You can ask for a copy free of charge by calling Leanne Taylor on 0113 289 4917.

4.4. Receipts and payments account

A receipts and payments account for the period 20 November 2015 to 19 November 2016 is provided in Appendix B.

4.5. Statement of expenses

A statement of expenses for the period 20 November 2015 to 19 November 2016 is provided in Appendix D. This statement does not include any tax liabilities that may be payable for the period of this report as this will depend on the position at the end of the accounting period.

Appendix A. - Statutory and other information

Name of company:	WR Refrigeration Limited
Registered number:	00594746
Registered office:	Central Square, 29 Wellington Street, Leeds, LS1 4DL
Former company names:	N/A
Trading names:	WR Refrigeration Limited
Trading address:	Unit 2, Bridge Park Plaza, Thurmaston, Leicester, Leics, LE4 8BL
Names of liquidators and their addresses:	Anthony Barrell of PricewaterhouseCoopers LLP, Donington Court, Pegasus Business Park, Castle Donington, East Midlands, DE74 2UZ Matthew Hammond of PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT
Date of liquidators appointment:	20 November 2014
Details of change in liquidators:	Matthew Hammond replaced Robert Hunt on 8 November 2016
Details of prior administration:	Edward Williams and Robert Hunt were appointed joint administrators of the Company on 22 October 2013. Edward Williams was subsequently replaced by Anthony Barrell.
Estimated dividend for preferential creditors:	Already paid in full
Estimated dividend for unsecured creditors:	Dividend of 1.12% already paid
Estimated values of the Company's net property and prescribed part:	Maximum prescribed part of £600k ring-fenced and distributed (net of costs) on 9 November 2015.
Whether and why the liquidators intend to apply to court under Section 176A(5) IA86:	N/A

Appendix B. - Receipts and payments account for the period 20 November 2015 to 19 November 2016

Directors' statement of affairs	20 November 2014 to 19 November 2015	20 November 2015 to 19 November 2016	Total
£ Trading account	£	£	£
Payments			
Property rent outstanding from the administration	12,674.83	-	12,674.83
	12,674.83	-	12,674.83
- Trading balance	(12,674.83)	-	(12,674.83)
£ Fixed charge	£	£	£
Receipts			
4,054,794.00 Assets under finance lease	-	-	-
	-	-	-
4,054,794.00 Fixed charge balance	-	-	-
£ Floating charge	£	£	£
Receipts			
6,146,000.00 Bank interest	7,614.27	4,950.85	12,565.12
1,658,622.00 Book debts	1,171,904.42	-	1,171,904.42
1,658,622.00 Cash in hand	-	-	-
72,000.00 Sale of assets	-	-	-
824,000.00 Stock and work in progress	-	-	-
	103.99	1,029.85	1,133.84
	5,425.34	-	5,425.34
	2,782,763.62	-	2,782,763.62
	220,895.96	-	220,895.96
	4,188,707.60	5,980.70	4,194,688.30
Payments			
Bank charges	30.64	232.44	263.08
Corporation tax	-	3,080.63	3,080.63
(31,046,178.00) Distribution to chargeholder	472,862.82	1,040,302.85	1,513,165.67
(4,275,991.00) Distribution to preferential creditors	-	-	-
Legal fees	191,183.91	5,315.90	196,499.81
Liquidators' costs (percentage of realisations basis)	-	325,000.00	325,000.00
Liquidators' costs for distributing the prescribed part	-	63,555.00	63,555.00
Paid to Integral for book debts collected	-	127,781.46	127,781.46
(600,000.00) Prescribed part unsecured dividend	536,378.33	-	536,378.33
Professional fees	11,061.16	9,409.50	20,470.66
Statutory advertising	142.82	-	142.82
Storage costs	1,882.56	2,907.51	4,790.07
Sundry expenses	-	1,538.73	1,538.73
Third party funds	65,350.34	-	65,350.34
	1,278,892.58	1,579,124.02	2,858,016.60
(27,221,547.00) Floating charge balance	2,909,815.02	(1,573,143.32)	1,336,671.70
VAT payable/(receivable)	(124,900.32)	72,462.42	(52,437.90)
(23,166,753.00) Balance on interest bearing current account	2,772,239.87	(1,500,680.90)	1,271,558.97

The assets shown on the directors' statement of affairs (prepared as at 4 March 2015) were realised during the administration and so are included within the cash transferred from the administration.

A first and final dividend of 1.12 pence in the pound was paid to unsecured creditors on 9 November 2015. The total amount distributed was £536,378. This is the maximum prescribed part of £600,000, less our costs for agreeing and paying claims.

Appendix C. - Details of our remuneration and disbursements and other professional costs

Liquidators' charging policy

As confirmed earlier, the basis of our fees and certain disbursements was agreed in the prior administration by the secured creditor and transferred across to the liquidation in accordance with IR86.

The only time charged to the liquidation (by reference to the time properly given by our staff) is in attending to matters arising in connection with the investigation and litigation proceedings. We set out later an analysis of these time costs in the period by grade of staff.

It is our policy to delegate tasks in the liquidation to appropriate members of staff, considering their level of experience and any requisite specialist knowledge needed and they are supervised accordingly to maximise the cost effectiveness of the work performed.

Our junior staff have carried out the routine work in the liquidation to keep the costs down. We and our senior staff have supervised them and we have dealt with any complex or significant matters ourselves.

Narrative of key areas of work carried out for the period 20 November 2015 to 19 November 2016

There remain a number of distinct work streams within the work we have done. The activities of these work streams are summarised below:

Area of work	Activities completed	Why the work was necessary (and whether it had any financial benefit for creditors)
Strategy and planning	<ul style="list-style-type: none"> Case planning and budgeting; and Regular team briefings on strategy and case progression. 	<ul style="list-style-type: none"> Effective case management to ensure strategy continued to be appropriate and costs were minimised.
Assets	<ul style="list-style-type: none"> Collecting book debts. 	<ul style="list-style-type: none"> To maximise realisations for creditors.
Investigations	<ul style="list-style-type: none"> Investigations into possible claims; Liaison with legal advisors; Supporting our legal advisors in the preparation for information disclosure; Reviewing key documents in the proceedings; and Regular meetings with our legal advisors and the Bank. 	<ul style="list-style-type: none"> To maximise realisations for creditors.
Creditors	<ul style="list-style-type: none"> Maintenance of the website page; and Dealing with creditor enquiries. 	<ul style="list-style-type: none"> Ongoing provision of ad hoc information to creditors, but does not directly add any value.
Accounting and treasury	<ul style="list-style-type: none"> Recording receipts and payments; and Bank reconciliations and account maintenance. 	<ul style="list-style-type: none"> We have a duty to safeguard funds in the estate for the benefit of creditors; including maintenance of accounts and an appropriate investment strategy (to maximise interest on large balances held).
Statutory and compliance	<ul style="list-style-type: none"> Finalising and distributing the liquidator's previous report; Liquidators' reviews and overseeing of case progression; Managing and review of the strategy; Electronic file management; Management of paper books and records; and Internal compliance procedures. 	<ul style="list-style-type: none"> To comply with statutory requirements. This work does not have a financial benefit for creditors.
Tax and VAT	<ul style="list-style-type: none"> Preparation of corporation tax returns; Ongoing liaison with HMRC; Making corporation tax payments; and Submitting periodic VAT reclaims. 	<ul style="list-style-type: none"> To comply with various legal requirements. This work does not have a financial benefit for creditors.

Our future work

We predict that the following work will be performed before the liquidation is ended. We are unable to provide an estimate of the time costs likely to be incurred in the continued pursuit of the claims referred to earlier, as it depends on the approach adopted by the defendants in the action.

Area of work	Activities to be completed	What, if any, financial benefit the work will provide to creditors OR whether it is required by statute
Strategy and planning	<ul style="list-style-type: none"> Case planning and budgeting; and Regular team briefings on strategy and case progression. 	<ul style="list-style-type: none"> Efficient progression of the case minimises costs to creditors.
Investigations	<ul style="list-style-type: none"> Continue the ongoing investigations with the support of the Bank and on the advice of our solicitors. 	<ul style="list-style-type: none"> To maximise realisations for creditors.
Creditors	<ul style="list-style-type: none"> Maintenance of the website page; Dealing with creditor enquiries; and Deal with uncashed dividend cheques. 	<ul style="list-style-type: none"> To communicate effectively with creditors.
Accounting and treasury	<ul style="list-style-type: none"> Recording receipts and payments; Pay unclaimed dividends to the Insolvency Services Account; Bank reconciliations and account maintenance; and Bank account closure. 	<ul style="list-style-type: none"> Incidental to the management of the case and duty to safeguard funds in the estate.
Statutory and compliance	<ul style="list-style-type: none"> Finalising and distributing this progress report; Make required filing at Companies House; Liquidators' reviews and overseeing of case progression; Electronic file management; Management of paper books and records; Preparation of future progress reports; and Internal compliance procedures. 	<ul style="list-style-type: none"> Statutory and regulatory requirements.
Tax and VAT	<ul style="list-style-type: none"> Completion and submission of the liquidation corporation tax returns; Ongoing liaison with HMRC; Making corporation tax payments; Submitting periodic VAT reclaims; and Obtaining tax clearance. 	<ul style="list-style-type: none"> Statutory and regulatory requirements.
Closure procedures	<ul style="list-style-type: none"> Liaise with advisors to ensure all matters finalised; Prepare and circulate final progress report; Make required filing at Companies House; Management of case files and database; and Close files. 	<ul style="list-style-type: none"> Statutory and regulatory requirements.

Hourly rates

This sub-section is only applicable to work remunerated on a time cost basis.

In common with all professional firms, scale rates increase from time to time over the period of the administration of each insolvency case. PwC, or any successor firm, reserves the right to change the rates and grade structures. Following our appointment, charge out rates were increased on 1 July 2016.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of staff actually involved on this assignment. All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time charged is three minutes (i.e. 0.5 units). There was no allocation of any general costs or overhead costs.

Specialist departments with our firm, such Tax, VAT, Property, Forensics and Pensions were also used where expert advice was required. Such specialist rates do vary but the figures in the following table provide an indication of the maximum rate per hour.

Grade	Maximum rate per hour from 1 July 2015 (£)	Maximum rate per hour from 1 July 2016 (£)	Specialist maximum rate per hour from 1 July 2016 (£)
Partner	590	600	1,250
Director	490	500	1,150
Senior Manager	425	435	970
Manager	340	345	700
Senior Associate	255	260	515
Associate	165	170	255
Support staff	87	89	150

Our relationships

We have had no business or personal relationships with the parties who approve our fees or who provide services to the liquidation where the relationship could give rise to a conflict of interest.

Payments to associates

We have not made any payments to associates in the period covered by this report.

Professional advisers

On this assignment we engaged a book debt collection agent, Barrie Green Limited, and legal advisers Eversheds LLP to assist with collecting book debts. This work has now ceased.

We also engaged Fieldfisher LLP to assist with our investigations into claims that may be of benefit to creditors.

Our choice of advisers were based on the advisers' experience, the complexity and type of work and the basis of the fee arrangement. We have reviewed the fees charged and are satisfied that they are reasonable.

Disbursements for services provided by our firm

Our firm's expenses policy allows for all properly incurred expenses to be recharged to the case. Disbursements are charged to the assignment as follows:

Category	Policy	Incurred to 19 November 2016 (£)
2	Photocopying – at 5 pence per sheet copied, only charged for circulars to creditors or other bulk copying.	282.19
2	Mileage – at a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	548.84
1	Reimbursed at cost	5,352.14
Total		6,183.17

Analysis of the administrators' time costs relating to the ongoing investigations from 20 November 2015 to 19 November 2016

Aspect of assignment	Partner	Director	Senior Manager	Manager	Senior Associate	Associate	Secretarial	Total hours	Time cost £	Average hourly rate £
Investigations	56.50	4.00	157.20	8.50	30.30	-	-	256.50	113,182.00	441.26
Total for the period	56.50	4.00	157.20	8.50	30.30	0.00	0.00	256.50	113,182.00	441.26
Brought forward at 19 Nov 2015								67.00	55,295.00	
Total								323.50	168,477.00	

This does not include time incurred by our Forensics team in dealing with the investigations.

Appendix D. - Statement of expenses for the period 20 November 2015 to 19 November 2016

IR86 requires this progress report to include a statement of expenses incurred by us during the period of the report, irrespective of whether payment has been made or not. This relates to all costs incurred, and not just the liquidators' disbursements. Such a summary of expenses is found below:

	Unpaid expenses brought forward as at 20 November 2015	Expenses incurred in this period	Total expenses to 19 November 2016	Total expenses paid to 19 November 2016	Expenses outstanding at 19 November 2016
	(£)	(£)	(£)	(£)	(£)
Bank charges	-	232.44	232.44	(232.44)	-
Corporation tax	-	3,080.63	3,080.63	(3,080.63)	-
Legal fees	-	5,315.90	5,315.90	(5,315.90)	-
Liquidators' costs for distributing the prescribed part	63,621.67	(66.67)	63,555.00	(63,555.00)	-
Liquidators' disbursements	2,581.72	3,601.45	6,183.17	-	6,183.17
Liquidators' fees (percentage of realisations basis)	435,000.00	-	435,000.00	(325,000.00)	110,000.00
Professional fees	-	9,409.50	9,409.50	(9,409.50)	-
Storage costs	-	2,907.51	2,907.51	(2,907.51)	-
Sundry payments	-	1,538.73	1,538.73	(1,538.73)	-
	501,203.39	26,019.49	527,222.88	(411,039.71)	116,183.17