

The Insolvency Act 1986

Administrator's progress report

Name of Company

Comet Group Limited

Company number

00278576

In the
High Court of Justice, Chancery Division,
Companies Court

(full name of court)

Court case number

8347 of 2012

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

I/We (a)

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

From

(b) 2 November 2012

To

(b) 1 May 2013

(b) Insert date

Signed

Joint Administrator

Dated

30 MAY 2013.

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

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COMPANIES HOUSE

**Comet Group Limited
(in Administration)
("the Company")**

Court No. 8347 of 2012

**SIX MONTHLY PROGRESS REPORT TO CREDITORS FOR THE SIX MONTH PERIOD TO
1 MAY 2013
PURSUANT TO RULE 2.47 OF THE INSOLVENCY RULES 1986 AND THE INSOLVENCY
(AMENDMENT) RULES 2010**

30 May 2013

This report has been prepared for the sole purpose of updating the Creditors for information purposes. 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 updating them for information purposes, or by any other person for any purpose whatsoever

Neville Barry Kahn, Nicholas Guy Edwards and Christopher James Farrington were appointed Joint Administrators of Comet Group Limited on 2 November 2012. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and contract without personal liability

All licensed Insolvency Practitioners of Deloitte LLP are licensed in the UK to act as Insolvency Practitioners.

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ABBREVIATIONS

For the purpose of this report the following abbreviations shall be used

"the Act"	Insolvency Act 1986 (as amended)
"c "	Circa / approximately
"the Company"	Comet Group Limited (in Administration)
"the Court"	The High Court of Justice, Chancery Division, Companies Court
"CVL"	Creditors' Voluntary Liquidation
"Deloitte"	Deloitte LLP
"the Directors"	John Charles Clare, Carl David Cowling and Robert Francis James Darke
"HMRC"	Her Majesty's Revenue and Customs
"the Joint Administrators"	Neville Barry Kahn, Nicholas Guy Edwards and Christopher James Farrington of Deloitte LLP
"m"	Million
"M&A"	Mergers and Acquisitions
"PP"	The Prescribed Part of the Company's net property subject to Section 176A of the Insolvency Act 1986 (as amended)
"the Proposals"	The Administrators' Statement of Proposals dated 17 December 2012
"the Rules"	Insolvency Rules 1986 and the Insolvency (Amendment) Rules 2010
"Secured Creditor"	Hailey Acquisitions Limited
"SIP2 (E&W)"	Statement of Insolvency Practice 2 (England & Wales)
"SIP7 (E&W)"	Statement of Insolvency Practice 7 (England & Wales)
"SIP9 (E&W)"	Statement of Insolvency Practice 9 (England & Wales)
"SIP13 (E&W)"	Statement of Insolvency Practice 13 (England & Wales)
"Winterhill Largo"	Winterhill Largo plc

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 during the first six months of the Administration.

Given the information previously provided to creditors in the Proposals, we have not included detailed background information in respect of the Company and have instead focused on the progress of the Administration subsequent to the date of that report.

The Proposals were deemed approved on 31 December 2012 following the issue of a notice under Paragraph 52(1) of Schedule B1 of the Act on 17 December 2012 and the expiry of eight business days thereafter, and are detailed 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

Neville Barry Kahn, Christopher James Farnington and Nicholas Guy Edwards of Deloitte were appointed Joint Administrators of the Company by the Directors on 2 November 2012, following the filing of a Notice of Intention to Appoint Joint Administrators.

The Court having conduct of the proceedings is the High Court of Justice, Chancery Division, Companies Court (case number 8347 of 2012).

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

1.3 Electronic communication with creditors

In an effort to reduce the costs of the Administration, all communications with creditors, including updates and progress reports, have been posted onto a website, which has been set up specifically for this purpose. The web address is www.deloitte.com/uk/comet.

As previously advised to all known creditors, permission has been obtained from the Court to enable the website to be updated without further notice. **Please therefore ensure that you review the website regularly for updates and further notices and reports.** All data will be retained on the website for 12 months from being uploaded to the site. **Creditors who wish to be notified by email each time the website is updated should send an email to that effect to cometcreditors@deloitte.co.uk.**

The Joint Administrators will provide, without charge, a hard or electronic copy of any document posted onto the website, to those requesting copies, such requests should be made in writing to the Joint Administrators at the London address on the front of this report.

2 ADMINISTRATORS' PROPOSALS

2.1 Introduction

As previously reported to creditors in the Proposals, the Joint Administrators allowed the Company to continue to trade through November and into December, marketing the business and its assets for sale as a going concern, whilst maximising stock realisations by benefitting from the key pre-Christmas trading period

The main reasons for adopting this strategy were

- To allow the Joint Administrators to seek a sale of the business and its assets as a going concern, either in whole or in part, thereby improving overall asset realisations,
- Any potential going concern sale would also allow employees and associated liabilities to be taken on by a purchaser of the business, and
- In the absence of a sale of the business as a going concern, as well as maximising stock realisations, the strategy would allow an opportunity to seek premiums from assignments of leasehold stores and sell other assets, including the Company's intellectual property and brands

Consequently, the Joint Administrators have performed their functions in relation to the Company with the objective set out in Paragraph 3(b) of Schedule B1 of the Act, which is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Company

The Proposals in order to achieve this objective, which, as noted above, were deemed approved on 31 December 2012 following the issue of a notice under Paragraph 52(1) of Schedule B1 of the Act on 17 December 2012 and the expiry of eight business days thereafter, are as follows

- 1 the Joint Administrators continue to manage the affairs and the realisation of the assets of the Company and the settlement of all Administration expenses,
- 2 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,
- 3 the Joint Administrators be authorised to agree the claims of the secured, preferential and unsecured creditors against the Company unless the Joint Administrators conclude, in their reasonable opinion, that the Company will have no assets available for distribution,
- 4 the Joint Administrators be authorised to distribute funds to the secured and preferential creditors as and when claims are agreed and funds permit and, in relation to distributions to unsecured creditors, if the Court gives permission following an appropriate application,

- 5 that, in the event the creditors of the Company so determine, at a meeting of creditors, a Creditors' Committee be appointed in respect of the Company comprising of not more than five and not less than three creditors of that Company,
- 6 that, if a Creditors' Committee is not appointed, the secured and preferential creditors of the Company shall be asked to fix the basis of the Joint Administrators' remuneration in accordance with Rule 2 106(5A)(a), to be fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration, calculated at the prevailing standard hourly charge out rates used by Deloitte at the time when the work is performed, plus VAT. In addition those creditors shall also be asked to agree the Joint Administrators' expenses of which the Joint Administrators' expenses for mileage be calculated by reference to mileage properly incurred by the Joint Administrators and their staff in attending to matters arising in the Administration, at the prevailing standard mileage rate used by Deloitte at the time when the mileage is incurred, plus VAT where applicable,
- 7 that, if a Creditors' Committee is not appointed, the Joint Administrators' Pre Administration Costs as detailed in Appendix 4 of the Proposals be approved by the secured and preferential creditors of the Company. And that the Joint Administrators be authorised to draw their Costs, plus VAT, from the Administration estate,
- 8 that, following the realisation of assets and resolution of all matters in the Administration, and as quickly and efficiently as is reasonably practicable, the Joint Administrators implement the most cost effective steps to formally conclude the Administration. This may include the distribution of funds to unsecured creditors (provided Court permission is obtained) and then the dissolution of the Company or alternatively, seeking to put the Company into CVL or Compulsory Liquidation,
- 9 that, if the Company was to be placed into CVL, the Joint Administrators propose to be appointed Liquidators and any Creditors' Committee appointed will become the Liquidation Committee pursuant to Rule 4 174A of the Rules and that the basis of the Liquidators' remuneration be fixed by reference to the time given in attending to matters arising in the Liquidation. As per Paragraph 83(7) of Schedule B1 of the Act and Rule 2 117A(2)(b) of the Rules, the creditors may nominate a different person to be Liquidator(s) provided the nomination is made before the Proposals are approved by creditors. For the purposes of Section 231 of the Act the Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally, and
- 10 in the absence of Creditors' Committees, the Secured Creditor and preferential creditors of the Company agree that the Joint Administrators be discharged from liability per Paragraphs 98 and 99 of Schedule B1 of the Act immediately upon the Joint Administrators filing their final report to creditors and vacating office

2.2 Progress on and achievement of the approved proposals

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

Proposal	Current status
1	<p>The Joint Administrators continue to manage the affairs of the Company with a view to achieving a better result for the Company's creditors as a whole than would otherwise be obtained through an immediate liquidation of the Company</p> <p>Following the announcement that the Company was in Administration, an M&A process was launched seeking a purchaser of the business. As reported in the Proposals, there was significant interest from prospective parties in respect of purchasing the business and/or elements of the Company's stock. However, all credible offers received represented significantly lower value than realising the stock through ongoing trading of its stores. On that basis, the Joint Administrators opted to trade out the inventory through the retail store network until cessation of trading on 18 December 2012, and all of the stock has now been realised.</p> <p>The majority of the Company's other assets have also now been realised and we are now awaiting receipt of certain supplier invoices in respect of the outstanding Administration trading liabilities in order to finalise the trading account.</p>
2	<p>We submitted our report on the conduct of the Company's directors to the Insolvency Service on 24 April 2013. The content of this report is confidential and cannot be disclosed to creditors.</p>
3 & 4	<p>We instructed our independent legal advisers, Mayer Brown LLP, to undertake a review of the security held by the Secured Creditor over the Company's assets and they advised that it is valid. To date a total of £54m has been distributed to the Secured Creditor against a debt of c £140m (as recorded in the Company's books and records) and it is unlikely that the Secured Creditor will be repaid in full.</p> <p>According to the Company's books and records, preferential claims total c £0.9m. The Joint Administrators are currently in the process of agreeing the preferential claims so that we will then be able to declare and pay a dividend of 100 pence in the pound to the preferential creditors.</p> <p>The Joint Administrators will review all claims of the unsecured creditors once we are in a position to make a distribution to them under the PP, following the Company entering CVL. Further details can be found at section 4 of this report.</p>
5	<p>A creditors' meeting was not requested by the creditors of the Company and no Creditors' Committee has been formed.</p>

6	Approval has been sought and obtained from the Secured Creditor and preferential creditors for the basis of the Joint Administrators' remuneration. Further details can be found at section 7 of this report.
7	Approval has been sought and obtained from the Secured Creditor and preferential creditors for the Joint Administrators' Pre Administration Costs. Further detail can be found at section 6 of this report.
8 & 9	It is presently envisaged that the Company will be placed into CVL prior to expiry of the Administration order on 1 November 2013. This will facilitate making a distribution to unsecured creditors by virtue of the PP as detailed at section 4 of this report.
10	Approval has been sought and obtained from the Secured Creditor and preferential creditors for the Joint Administrators to be discharged from liability per Paragraphs 98 and 99 of Schedule B1 of the Act immediately upon the Joint Administrators filing our final report to creditors and vacating office.

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. ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT AND ESTIMATED OUTCOME STATEMENT

3.1 Introduction

Attached at Appendix 2 is an abstract Receipts and Payments account covering the period from 2 November 2012 to 1 May 2013 in accordance with SIP7 (E&W)

In this section, we have summarised the main asset realisations during the six month period and details of those assets yet to be realised, together with details of estimated costs incurred but as yet remain unpaid

3.2 Asset realisations

3.2.1 Trading Receipts

Sales totalling c £125.9m were made during the period that the Company traded in Administration. These comprised realisations of stock held by the Company at the date of the Joint Administrators' appointment (£121.4m), sales of additional stock purchased during the Administration (£4.4m) and a further £0.1m of delivery income.

Details of the strategy employed to maximise trading realisations are set out in the Proposals.

Income totalling c £0.3m was generated by maintaining the Company's repairs service throughout the trading period. This service was funded by its third party warranty provider.

3.2.2 Fixed Charge Realisations

Intellectual Property

The Joint Administrators have so far realised £0.1m from the sale of certain of the Company's data to a third party. The Company's brands (being Comet, Kitchen Science and Laskys) remain available for sale.

Freehold Property

Prior to entering Administration, the Company had committed to disposing of its sole remaining freehold property at Partick, Glasgow for c £2.3m. Contracts had been exchanged and completion was initially set for 1 November 2012 but this was not achieved on that date. The Joint Administrators subsequently achieved completion on 13 November 2012 for the full asking price.

HMRC Bond

A bond of c £1.4m held by Barclays Bank plc in favour of HMRC in respect of cross-border trading has been released to the Administration estate.

3 2 3 Floating Charge Realisations

Funds Held Back By Merchant Service Providers

In order to guarantee the provision of Merchant Services to the Company whilst it traded in Administration, the Company's Merchant Services providers held back a total of c £9.4m to cover their potential exposure to customers' chargebacks and refunds. Of this amount, c £5.6m had been refunded to the Administration estate as at 1 May 2013.

Pre-Appointment Cash in Transit and Till Floats

Cash receipts totalling c £1.8m, which had been generated through pre-appointment store cash sales, were paid into the Company's bank account once the Company had entered Administration. All till floats held at the Company's stores were banked following closure, totalling c £0.1m.

Book Debts

At the date of appointment the Company had book debts with a total book value of c £15.4m and realisations from book debts so far total c £8.2m.

Debt collections are ongoing and various disputed debts are being pursued. The Joint Administrators have engaged Winterhill Largo, a firm of specialist debt collection agents, to collect the remaining recoverable ledger balances.

Leasehold Properties

The Company held a portfolio of 275 leasehold properties that primarily comprised of leasehold stores (235 trading stores and 23 vacant or sub-let stores) together with a number of other properties (including 12 home delivery platforms, two distribution centres, two offices and a call centre).

The Joint Administrators engaged Deloitte Real Estate and Harvey Spack Field as retail agent to assist in developing a realisation strategy for the leasehold interests in the Company's properties. As at 1 May 2013, we have realised a total of c £0.6m through lease assignments and landlord buy backs.

Residual Stock

In addition to the stock held for sale through its stores, the Company held c £2.7m of damaged stock comprising refurbished, graded and repairable stock, as well as that which was beyond economical repair. It was not possible to sell the majority of these goods through the normal retail network owing to their condition. Therefore, a number of specialist parties were identified as potential purchasers and they were invited to make competing offers for this stock. The stock was then sold to the parties that made the best offers.

A similar process was run to dispose of the Company's repair spares stock. A number of parties were approached, including manufacturers, to establish best value and the stock was then sold to the parties making the most commercially viable offers.

Overall realisations from the sale of the damaged and repair spares stock totalled c £0.8m.

Insurance-related Receipts

Insurance-related receipts predominantly relate to a c £0.3m refund from the Company's motor vehicle insurers for historical overpayment of its insurance premium. Other insurance-related receipts of c £0.1m comprise outstanding insurance claims settled following the Joint Administrators' appointment and small insurance premium refunds.

Other Material Realisations

Other material realisations include cash at bank (£8.3m), refunded supplier deposits (£0.4m), fixtures and fittings sales (£0.4m), business rates refunds (£3.2m), refunded pre-appointment legal costs (£0.1m), subtenant and landlord rent contributions (£0.1m) and office furniture & motor vehicle sales (£0.6m).

A full breakdown of all asset realisations can be found at Appendix 2.

3.3 Estimated future realisations

The majority of the Company's assets are now realised. However, we are still pursuing a number of sundry realisations, including further business rates refunds, release of final remaining funds held by merchant services providers, sale of computer software licences, utility and insurance-related refunds and pre-appointment debtor recoveries. As noted previously, the Company's brands currently remain unrealised and are available for sale.

We are in discussion with Hailey Acquisitions Limited (the Company's holding company) and another group company about the possible sale to them of the Company's accumulated tax losses. Unfortunately the Company had not made any taxable profits during the three years prior to the Administration and so there is no opportunity to make a terminal loss relief claim for refund of Corporation Tax. Consequently, the Company's tax losses are worthless unless we manage to sell them to another company within the same group that is eligible to use them and we are hopeful that some value can be realised for the Administration estate through such a sale. Deloitte tax specialists are assisting with the sale of these tax losses.

Due to commercial sensitivities regarding these ongoing negotiations, we have not provided further details as to the expected quantum of any recoveries within this report.

3.4 Costs incurred but remain unpaid

The Joint Administrators are aware of a number of costs incurred whilst the Company traded during Administration, which have not yet been invoiced by the relevant suppliers or where invoices have been received but are believed to be for the wrong amounts. These predominantly relate to rent, rates and utility expenses, and are estimated to total c £7.5m.

The Joint Administrators request that any party believing they are owed money in respect of supplies made to the Company whilst it traded during Administration should contact us immediately to finalise their account

3.5 Estimated outcome for creditors

It is presently envisaged that the Secured Creditor will not be fully repaid. However, there are sufficient funds available to pay a dividend of 100 pence in the pound to the Company's preferential creditors, and unsecured creditors will receive a small dividend by virtue of the PP once the Company enters Liquidation.

Further information on the estimated outcomes for creditors is provided in the next section of this report.

4 DISTRIBUTIONS TO CREDITORS

4.1 Secured creditors

To date, £54m has been distributed to the Secured Creditor under its fixed and floating charges over the Company's assets compared with the total debt owed to the Secured Creditor shown within the Directors' Statement of Affairs of c £140m. The quantum of any further distributions will be dependent on future realisations and costs incurred.

4.2 Preferential creditors

The Directors' Statement of Affairs included preferential claims of £2.1m as at 2 November 2012. However, further to the continued trading of the Company during Administration, wage arrears of all staff who were still employed by the Company at the time of our appointment were paid as an expense of the Administration. Consequently, we now estimate that total preferential claims are £0.9m.

We are currently in the process of agreeing the preferential claims so that we are then able to declare and pay a dividend of 100 pence in the pound to them, before expiry of the Administration on 1 November 2013.

4.3 Prescribed Part

The PP (section 176A of the Insolvency Act 1986 (Prescribed Part) Order 2003) applies where there are floating charge realisations, net of costs, to be set aside for unsecured creditors. This equates to

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

Based on the latest available information, it is estimated that the statutory maximum value of £600,000 will be available to distribute to unsecured creditors under the PP.

4.4 Unsecured creditors

The value of unsecured creditors as at 2 November 2012 per the Directors' Statement of Affairs (excluding any shortfall to floating charge holders) is c £232.9m, including estimated contingent claims, such as landlords' claims in respect of future rent and dilapidations.

It is currently estimated that there will be insufficient realisations from floating charge assets to fully repay the Secured Creditor. Accordingly, it is not expected that any funds will be available to pay a dividend to the unsecured creditors of the Company other than a distribution under the PP as noted above. Based upon the above figures, this will equate to an unsecured dividend of less than 1p in the pound.

4 5 Claims process

Because there is likely to be a small distribution available to unsecured creditors under the PP, creditors who have not already done so are requested to submit a Proof of Debt form (attached at Appendix 4), together with supporting documentation, to the London address on the front of this report, marked for the attention of the Joint Administrators

5 OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

5.1 Investigations

As part of the Administrators' statutory duties, an investigation into the conduct of the Directors was performed

In this regard, a confidential report was submitted to The Insolvency Service on 24 April 2013

5.2 SIP2 (E&W) – Initial Assessment of Potential Recoveries

As part of our duties as Administrators, we are obliged shortly after our appointment to review all of the information available to us and conduct an initial assessment of whether there are any matters that might lead to a recovery for the benefit of creditors. This initial assessment included enquiries into any potential claims that may be brought against parties either connected to or who have had past dealings with the Company

Having completed this review, we identified the assets and actions as detailed in paragraphs 3.2 and 3.3 of this report. In addition, following consultation with the Company's legal advisors, the Joint Administrators are also pursuing a number of other actions against third parties, which must currently remain confidential

If you have any information that you feel we should be made aware of in relation to potential recoveries, please contact the Joint Administrators to provide details

5.3 Exit

We envisage that the Company will be placed into CVL prior to the expiry of the Administration Order on 1 November 2013. This will facilitate a distribution to unsecured creditors by way of a PP distribution without the need to apply for a Court Order

5.4 SIP13 (E&W) – Transactions with connected parties

In accordance with the guidance given in SIP13 (E&W), details of the Company's transactions with connected parties during the two years prior to our appointment were provided in the Proposals

The Joint Administrators have reviewed these transactions, which predominantly related to financing agreements between the Company and its parent company (being Hailey Acquisitions Limited after 3 February 2012 and Kesa Electricals plc prior to that date). Other transactions related to the purchase and sale of stock between the Company and Kesa Electricals plc and the transfer of tax losses across the group

We have reviewed these transactions and are of the opinion that they were undertaken in the normal course of business

Should creditors have additional information regarding any such transactions they should forward details in writing to the Joint Administrators to the London address on the front of this report

5.5 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. PRE-ADMINISTRATION COSTS

Included within the Proposals was a Statement of Pre-Administration Costs, in accordance with rule 2.33(2)(ka) of the Rules

These costs are detailed below and were approved by the secured creditors and preferential creditors on 10 April 2013. None of these costs have yet been paid except for the costs of Mayer Brown LLP

Party	Amount approved (£)
The Joint Administrators' pre-appointment time costs	119,001
The Joint Administrators' pre-appointment disbursements	3,104
Bingham McCutchen (London) LLP – pre-appointment time costs and disbursements	205,028
Mayer Brown LLP – pre-appointment time costs	79,427
TOTAL APPROVED	406,560

7. ADMINISTRATORS' REMUNERATION AND EXPENSES

7.1 Administrators' Remuneration

7.1.1 Basis of Remuneration

The basis of the Joint Administrators' remuneration was fixed on 10 April 2013 by the secured creditors and preferential creditors as follows

- By reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration calculated at the prevailing standard hourly charge out rates used by Deloitte at the time when the work is performed, plus VAT

7.1.2 Remuneration

During the six month period covered by this report, we have incurred total time costs of £9,184,636 made up of 17,581.0 hours at an average charge out rate of £522 across all grades of staff, this time is charged in six minute increments. No remuneration was drawn during the period covered by this report.

The work has been categorised into the following task headings and sub categories

- **Administration and planning** includes case planning, case set-up, notification of appointment, maintenance of our case files and insolvency case record, statutory reporting, compliance, cashiering and accounting
- **Investigations** includes investigating the Company's affairs and in particular any antecedent transactions, forensic analysis and data preservation as requested by the Insolvency Service and also reporting on the conduct of the Directors.
- **Realisation of Assets** includes identifying, securing and insuring assets, sale of business, property issues, disposal of stocks, collection of debts, recovering insurance and life assurance assets and realisation of other assets as set out at section 3.2
- **Trading** includes planning, identifying strategy, preparation of trading forecasts, monitoring of performance against the forecasts, managing operations, dealing with supplier and landlord issues to ensure continuity of operations, accounting and employees (including pensions and other staff benefits)
- **Creditors** includes set-up of creditor records, creditor communications, preferential claims, unsecured claims, employee claims and secured creditor claims
- **Other matters** includes tax and VAT work, pension compliance and litigation

"A Creditors' Guide to Remuneration" is available for download at www.deloitte.com/uk/sip-9-england-and-wales

Should you require a paper copy, please send your request in writing to the Joint Administrators at the address on the front of this report and this will be provided to you free of charge

Expenses

The Joint Administrators' direct expenses for the period of this report, none of which have yet been drawn, are as follows

Nature of expenses	Total Incurred (£)
Accommodation	28,253
Mileage	21,289
Travel	15,608
Subsistence	9,317
Postage	1,079
Telephone	709
Stationery	538
Total	76,793

Mileage is calculated at the prevailing standard mileage rate of up to 45p used by Deloitte at the time when the mileage is incurred

7.2 Hourly charge out rates used

The range of charge out rates for the separate categories of staff is based on the September 2012 to August 2013 charge out rates, summarised below. Manager rates include all grades of assistant manager.

Grade	£
Partners/Directors	875 to 950
Managers	385 to 715
Assistants and Support Staff	155 to 290

The above bands are specific to the Restructuring Services department partners and staff. In certain circumstances the use of specialists from other Deloitte departments such as Tax/VAT, Corporate Finance or Deloitte Real Estate may be required on the case. These departments may charge rates that fall outside the Restructuring Services department bands quoted above so, where such specialists have performed work on the case, average rates may also fall outside the Restructuring Services department bands.

All partners and technical staff (including cashiers) assigned to the case recorded 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.

7.3 Other professional costs

As previously reported, we instructed a number of law firms with the appropriate expertise and experience in dealing with this type of Administration to advise on separate Administration matters. The firms instructed included Bingham McCutchen (London) LLP, Mayer Brown LLP, Dentons UKMEA LLP, Brodies LLP and Eversheds LLP. Other specialist legal advice has been provided by Memery Crystal LLP and Stewarts Law LLP.

Agents instructed by the Joint Administrators and previously reported to creditors include GA Asset Advisors Limited, Jones Lang LaSalle Limited, Harvey Spack Field, Winterhill Largo, Consulting Property Limited (t/a CAPA), PRGX UK Limited, DJD (the Real Estate advisory business of Deloitte LLP) and Cadantis Associates Limited.

Subsequent to the Proposals, other agents instructed by the Joint Administrators include Goindustry (UK) Limited, to assist in valuations and auctioning, Grosvenor Services Group Limited, to assist in historical book debt recoveries, Inenco Limited, to advise on compliance with the Company's carbon reduction commitment scheme, JJH Enterprises Limited, to realise the Company's computer software licences, and Nikaro Limited, to provide premises keyholding services.

The professional costs paid to date are summarised in the table below. All professional costs are reviewed and analysed before payment is approved.

Name of lawyer/agent	Net (£)	VAT (£)	Total (£)
Legal Fees			
Bingham McCutchen (London) LLP	311,876	62,375	374,251
Brodies LLP	19,000	3,800	22,800
Eversheds LLP	1,500	300	1,800
Mayer Brown LLP ¹	1,169,517	233,903	1,403,420
Memery Crystal LLP	36,575	7,315	43,890
Dentons UKMEA LLP	13,594	2,719	16,312
Stewarts Law LLP	72,330	14,466	86,796
Total	1,624,391	324,878	1,949,269
Agents' Fees			
Goindustry (UK) Limited	6,392	1,278	7,670
Grosvenor Services Group Limited	986	197	1,183
Harvey Spack Field	14,500	2,900	17,400
Inenco Limited	7,800	1,560	9,360
JJH Enterprises Limited	11,461	2,292	13,753
Jones Lang LaSalle Limited	71,741	14,348	86,089
Memery Crystal LLP	3,012	602	3,614
Nikaro Limited	10,770	2,154	12,924
The Fleet Auction ²	85	17	102
Winterhill Largo	65,361	13,072	78,433
Total	192,108	38,420	230,528

¹ Mayer Brown LLP's costs include pre-appointment costs of £79,427 net of VAT.

² The Fleet Auction remitted to the Joint Administrators funds collected from historical sales of the Company's fleet (made prior to the Company entering Administration) less an administrative charge totalling £85 net of VAT.

In addition to the agents' costs shown above, GA Asset Advisors Limited were paid costs and commission totalling £7.2m, which are included as part of the trading account detailed at Appendix 2

7.4 Creditors' right to request information

Any secured creditor or, unsecured creditor with the support of at least 5% in value of the unsecured creditors or, with leave of the Court, may, in writing, request the Joint Administrators to provide additional information regarding remuneration or expenses to that already supplied within this report. Such requests must be made within 21 days of receipt of this report, in accordance with Rule 2.47(1)(fa) and 2.48A of the Rules.

7.5 Creditors' right to challenge Remuneration and/or Expenses

Any secured creditor or, unsecured creditor with the support of at least 10% in value of the unsecured creditors or, with leave of the Court, may apply to the Court for one or more orders (in accordance with Rule 2.109(4) of the Rules), reducing the amount or the basis of remuneration which the Joint Administrators are entitled to charge or otherwise challenging some or all of the expenses incurred.

Such applications must be made within eight weeks of receipt by the applicant(s) of the progress report detailing the remuneration and/or expenses being complained of, in accordance with Rule 2.109 of the Rules.

Please note that such challenges may not disturb remuneration or expenses approved or deemed to be approved under prior progress reports.

Company Name	Comet Group Limited
Previous Names	N/A
Proceedings	In Administration
Court	High Court of Justice, Chancery Division, Companies Court
Court Reference	8347 of 2012
Date of Appointment	2 November 2012
Joint Administrators	Neville Barry Kahn and Christopher James Farrington Nicholas Guy Edwards Deloitte LLP Deloitte LLP 1 Woodborough Road 66 Shoe Lane Nottingham London NG1 3FG EC4A 3WA
Registered office Address	c/o Deloitte LLP Hill House 1 Little New Street London EC4A 3TR
Company Number	00278576
Incorporation Date	8 August 1933
Company Secretary	None
Bankers	Royal Bank of Scotland plc Barclays Bank plc HSBC Bank plc
Auditors	PricewaterhouseCoopers LLP
Appointment by	The Directors of the Company
Directors at date of Appointment	John Charles Clare Carl David Cowling Robert Francis James Darke

Appendix 2
(page 1 of 3)
Receipts and Payments account

Comet Group Limited (in Administration)
Receipts & Payments Account
For the period 2 November 2012 - 1 May 2013

	Directors' Estimated Statement of Affairs	Notes	£
TRADING ACCOUNT			
<u>RECEIPTS</u>			
Sales	70,500,000	1	125,911,160
Repairs Income			336,313
Bank Interest			112,318
Other Income			31,909
			<u>126,391,701</u>
<u>PAYMENTS</u>			
Gift Vouchers Redeemed			(1,492,143)
Post-Appointment Sales Held Back By Merchant Services Providers			(823,906)
Internet Refunds			(147,000)
Purchases			(4,730,526)
Direct Labour			(14,366,017)
Rent & Rates			(2,050,507)
Other Property Expenses			(151,047)
Employee Expenses			(88,874)
Consultancy Fees			(189,108)
Supplier Retention of Title Payments		1, 3	(37,091,744)
Ransom Costs			(498,182)
Carriage			(1,927,711)
Advertising			(748,494)
Bank Charges			(1,143,259)
Legal Fees (trading-related)		4	(1,171,791)
Leased & Hired Assets			(134,828)
Sundry Expenses			(423,081)
Repair Service Costs			(101,506)
Security			(882,850)
Customer Refunds			(12,551)
Cash Collection Fees			(56,894)
Maintenance Costs			(9,142)
Agents' Fees		5	(7,236,889)
Insurance			(636,736)
			<u>(76,114,786)</u>
Trading Surplus before payment of accrued trading costs		6	<u>50,276,915</u>

FIXED CHARGE REALISATIONS

<u>RECEIPTS</u>			
Intellectual Property	5,000,000		100,000
Freehold Property	2,300,000		2,325,000
Deposits with Suppliers	900,000		-
HMRC Bond		2	1,399,850
Other Bond Refunds		2	357,200
Penalty Interest			4,128
Fixed Charge Bank Interest			4,995
<u>PAYMENTS</u>			
Fixed Legal Costs			(11,375)
			<u>4,179,797</u>

Appendix 2
(page 2 of 3)
Receipts and Payments account

	Directors' Estimated Statement of Affairs	Notes	£
FLOATING CHARGE REALISATIONS			
<u>RECEIPTS</u>			
Trading surplus before payment of accrued trading costs		6	50,276,915
Cash at Bank	24,700,000	2	8,291,072
Funds Held Back By Merchant Services Providers		2	5,647,861
Pre Appointment Cash in Transit		2	1,792,804
Till Floats		2	107,097
Book Debts	15,400,000		8,175,473
Leasehold Realisations	Uncertain		621,728
Fixtures & Fittings	700,000		446,294
Business Rates Refunds	3,500,000		3,168,037
Residual Stock			815,483
Insurance-related Receipts			400,265
Pre-appointment Legal Fees Refunds			107,137
Life Assurance Scheme			86,827
Rent Contributions			109,776
Utility Refunds			1,864
Unallocated Receipts			67,847
Office Furniture, Motor Vehicles & Other	1,100,000		589,768
			<u>80,706,249</u>
<u>PAYMENTS</u>			
Refunds			(14,542)
Agents' Fees			(192,108)
Agents' Expenses			(7,077)
Legal Fees (non-trading)			(441,225)
Other Property Costs			(1,358)
IT Costs			(905,843)
Settlement Agreements			(435,000)
Printing, Postage and Storage Costs			(65,150)
CRC Costs			(70)
Statutory Advertising			(615)
			<u>(2,062,988)</u>
<u>DISTRIBUTIONS</u>			
Secured Creditor Distributions			<u>(54,000,000)</u>
Balance to Date			<u>28,823,058</u>
<u>REPRESENTED BY</u>			
Cash at Bank			45,872,513
Cash in Transit			221,521
Funds Held in Escrow re Potential Ransom Costs			1,500,000
VAT Receivable			7,236,717
VAT Payable			(25,542,693)
VAT Payable (Fixed Charge)			(465,000)
			<u>28,823,058</u>

Notes to the Receipts and Payments and Trading Account

1 The estimated stock realisation figure of c £70.5m within the Directors' Statement of Affairs is stated net of estimated Retention of Title settlement agreements but excludes all other costs of running the business to dispose of the Company's stock

2 The Cash at Bank balance included within the Directors' Statement of Affairs of c £24.7m comprises cash at bank (c £8.2m), cash in transit (c £3.1m), funds held back by the Company's primary merchant services provider to cover their potential exposure to chargebacks (£8.3m), letters of credit (c £2.5m) and other cash not immediately realisable (total £2.6m)

Comparable amounts realised to date total c £17.4m, comprising Cash at Bank (c £8.3m), Funds Held Back by merchant services providers (c £5.6m), Pre-Appointment Cash in Transit (£1.8m), Till Floats (£0.1m), an HMRC Bond (£1.4m), and c £0.2m of the c £0.4m of Other Bond Refunds shown in the Receipts and Payments account.

3 Payments totalling c £37.1m have been made to suppliers in respect of their Retention of Title claims over stock supplied to the Company in the period prior to our appointment.

4 Legal fees of c £1.2m have so far been paid in respect of advice received regarding trading issues that arose during the Administration trading period, including matters such as ransom creditors, employee issues and landlord claims

5 Agents' fees of c £7.2m have been paid to the retail consultants GA Asset Advisors Limited, who were appointed by the Joint Administrators to assist with maximising stock realisations and the associated day-to-day management of the Company's 235 retail stores and its two regional distribution centres. These payments were made in accordance with the performance-related agreement with GA Asset Advisors Limited, as described in the Proposals

6 Trading costs incurred but not yet paid are estimated to total c £7.5m. We currently estimate an overall Administration trading surplus of c £42.8m once these costs have been agreed and paid

Joint Administrators' post-appointment time costs to date

Time costs for the period 02/11/12 to 01/05/13

Comet Group Limited
(In Administration)

	Partners & Directors		Managers		Assistants & Support		TOTAL		Average Hourly Rate Cost (£)
	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	Hours	Cost (£)	
Administration and Planning									
Cashiering and Statutory Filing	20.6	19,522.5	272.9	125,989.3	301.5	79,602.1	595.0	225,113.9	378.4
Case Supervision, Management and Closure	328.1	305,945.0	146.7	83,845.0	125.5	31,549.3	600.3	421,339.3	701.9
Initial Actions (e.g. Notification of Appointment, Securing Assets)	23.0	20,421.4	54.8	28,621.4	14.2	3,061.4	92.0	53,104.3	577.2
General Reporting	75.8	68,033.9	547.7	343,315.7	113.7	32,025.0	737.2	443,374.6	601.5
Liaison with Other Insolvency Practitioners	447.4	413,922.9	1,022.1	582,771.4	554.9	148,237.9	2,024.4	1,142,932.1	564.6
Investigations									
Investigations	170.0	152,107.1	791.5	438,748.2	1,101.7	218,094.6	2,063.2	808,950.0	392.1
Reports on Directors' Conduct	16.5	15,675.0	62.3	30,882.1	26.0	6,128.8	104.8	52,685.7	502.7
	186.5	167,782.1	853.8	469,630.4	1,127.7	224,223.2	2,168.0	861,635.7	397.4
Trading									
Day 1 Control of Trading	14.0	12,300.0	70.0	38,307.1	41.9	9,090.7	125.9	59,697.9	474.2
Ongoing Trading	330.6	296,362.9	1,775.4	1,049,234.3	344.0	79,107.1	2,450.0	1,424,704.3	581.5
Monitoring Trading	155.0	136,178.6	1,294.2	616,030.7	7.0	1,650.0	1,456.2	753,859.3	517.7
Closure of Trade	134.4	118,380.0	550.3	278,698.6	275.6	64,962.9	960.3	462,041.4	481.1
	634.0	553,221.4	3,689.9	1,982,270.7	668.5	154,810.7	4,982.4	2,700,302.9	540.9
Realisation of Assets									
Book Debts	21.7	10,065.0	431.1	221,335.7	65.9	15,533.6	518.7	255,934.3	493.4
Other Assets	280.5	229,046.4	143.2	88,319.3	3.0	707.1	406.7	318,072.9	782.1
Plant and Equipment, Fixtures and Fittings and Vehicles	25.1	22,059.3	50.9	26,887.1	39.0	9,192.9	115.0	58,249.3	506.5
Property, Freehold and Leasehold	359.5	324,953.6	567.2	325,221.4	494.0	141,142.9	1,420.7	791,317.9	557.0
Retention of Title	274.0	240,784.3	91.4	45,357.1	287.4	63,030.0	632.8	349,151.4	551.8
Sale of Business / Assets	480.3	446,658.4	546.2	300,588.1	180.2	38,136.4	1,186.7	785,358.9	661.8
Third Party Assets	108.5	96,325.0	292.5	165,905.0	2.7	635.4	403.7	262,866.4	651.1
	1,529.6	1,378,870.0	2,122.3	1,173,701.8	1,032.2	268,379.3	4,684.3	2,820,951.1	602.2
Creditors									
Employees	61.8	56,431.4	1,581.4	669,625.7	124.8	35,505.7	1,767.9	761,562.9	430.8
Preferential	1.8	1,710.0	21.6	11,708.6	-	-	23.4	13,418.6	573.4
Secured	88.5	80,710.7	167.4	111,622.1	-	-	255.9	192,332.9	751.6
Shareholders	-	-	-	-	-	-	-	-	-
Unsecured	1.6	1,512.9	513.1	242,477.1	709.5	177,983.6	1,224.2	431,973.6	344.7
	153.7	140,385.0	2,283.5	1,035,433.6	834.3	213,489.3	3,271.4	1,389,287.9	424.7
Other Matters Include									
Litigation	11.5	10,353.6	17.5	10,285.7	5.0	1,157.1	34.0	21,796.4	641.1
Pensions	12.0	11,400.0	8.0	5,714.3	-	-	20.0	17,114.3	855.7
Tax and VAT	158.8	140,938.8	142.6	89,556.4	85.2	20,121.1	386.6	230,616.1	596.6
	182.3	162,692.1	168.1	85,556.4	90.2	21,278.2	440.6	269,526.8	611.8
TOTAL HOURS & COST	3,133.5	2,826,853.6	10,139.8	5,329,364.3	4,307.7	1,028,418.6	17,581.0	9,184,636.4	522.4

TOTAL FEES DRAWN TO DATE

Rule 2 72

Form 4.25

PROOF OF DEBT - GENERAL FORM

**In the matter of Comet Group Limited
In Administration
and in the matter of The Insolvency Act 1986**

Date of Administration 2 November, 2012

1	Name of Creditor	
2	Address of Creditor	
3	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into liquidation (see note)	£ -
4	Details of any document by reference to which the debt can be substantiated [Note the liquidator may call for any document or evidence to substantiate the claim at his discretion]	
5	If the total amount shown above includes Value Added Tax, please show - (a) amount of Value Added Tax (b) amount of claim NET of Value Added Tax	£ £
6	If total amount above includes outstanding uncapitalised interest please state amount	£
7	If you have filled in both box 3 and box 5, please state whether you are claiming the amount shown in box 3 or the amount shown in box 5(b)	
8	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975)	<div style="text-align: right;">Category</div> <div style="text-align: right;">Amount(s) claimed as preferential £</div>
9	Particulars of how and when debt incurred	
10	Particulars of any security held, the value of the security, and the date it was given	£
11	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	
	Position with or relation to creditor	