

Rule 2.47

Form 2.24B

The Insolvency Act 1986

**Administrator's progress report****2.24B**

Name of Company:  
Spree Developments Limited

Company number:  
01280487

In the:  
High Court of Justice Manchester

[full name of court]

Court case number:  
1642 of 2004


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

We (a) Gary Lee and Don Bailey of Begbies Traynor, Elliot House, 151 Deansgate, Manchester, M3 3BP  
administrator(s) of the above company attach a progress report for the period

(b) Insert dates

(b) 4 February 2005 to 3 August 2005

Signed:

  
G N Lee  
Joint Administrator

Dated:

3/8/05

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

Begbies Traynor	
Elliot House, 151 Deansgate, Manchester, M3 3BP	
	Tel Number: 0161 839 0900
Fax Number: 0161 832 7436	DX Number:



you have completed and signed this form please send it to the Registrar of Companies at:

panies House, Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff

Gary Lee and Don Bailey appointed joint administrators on 4 August 2004

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents.

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## **Spree Developments Limited (In Administration)**

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### **Interim Report of the joint administrators pursuant to Rule 2.47 of The Insolvency Rules 1986**

**Period: 4 February 2005 to 3 August 2005**

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### **Contents**

- ☐ Company and administrators' details
- ☐ Progress during the period
- ☐ Assets that remain to be realised
- ☐ Other relevant information
- ☐ Conclusion
- ☐ Appendices
  - 1. Joint administrators' account of receipts and payments account for the period from 4 February 2005 to 3 August 2005
  - 2. Summary of the joint administrators' time costs by staff grade

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## 1. COMPANY AND ADMINISTRATORS' DETAILS

Name of court:	High Court of Justice Manchester
Court reference number:	1642 of 2004
Company registered number:	01280487
Registered office: address:	Begbies Traynor, Elliot House, 151 Deansgate, Manchester M3 3BP
Names of joint administrators:	Gary Lee and Don Bailey
Date of administrators' appointment:	4 August 2004
Person(s) making appointment / application:	Mr S Fitton and Ms L Brown as Qualifying Floating Charge Holders
Changes in office-holder (if any):	None
Acts of the joint administrators:	The joint administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
Administrators' term of office	There will be a 28 day extension to the initial period of appointment

## 2. PROGRESS DURING THE PERIOD

You will note from our previous report that we were reviewing the contract with Parsonage Chambers Limited ("PCL") to ascertain whether any realisations will be forthcoming, and also that we had sought independent legal advice in this matter.

Our legal advisors met with the Company's directors in order to establish an insight into the protracted nature of previous litigation and attempts at negotiations.

We have subsequently met with our Solicitors to review all documentation and discuss the merits of pursuing the case. At present the matter is still ongoing.

Debtor receipts totalling £4,000 have also been received since our last report, however, it is not anticipated that any further book debt realisations will be forthcoming.

Attached at Appendix I is our abstract of receipts and payments for the period from 4 February 2005 to 3 August 2005.

### 3. ASSET REALISATIONS

Realisations achieved from the sale of the Company's chattel assets to include plant and machinery and stock total £11,425. In addition, an amount of £96 has been recovered from some small items of machinery that have been exported overseas.

A sale of the Company's motor vehicles has resulted in realisations of £8,000.

Book debt realisations total £23,620.35.

Cash at bank recovered on appointment totals £2,655. In addition, sundry refunds of £454 have been received.

Bank interest earned to date totals £600.

### 4. ASSETS THAT REMAIN TO BE REALISED

We are continuing with our review of the contract with PCL to ascertain whether any realisations will be forthcoming which will be sufficient to discharge the Company's liabilities and enable the Joint administrators to achieve their primary purpose of rescuing the Company as a going concern, as set out in Paragraph 3(1)(a) of Schedule B1 to the Insolvency Act 1986.

### 5. PREFERENTIAL CREDITORS

The claims of preferential creditors have now been agreed and total £6,355.15. There are sufficient realisations in this case to enable a significant dividend to be made to the preferential creditors.

### 6. OTHER RELEVANT INFORMATION

The Administration is due to end on 4 August 2005, however, given that there are still outstanding issues, the secured creditors have agreed to extend the Administration until 23 August 2005 to enable the Administrators to finalise outstanding issues. A resolution was passed by creditors at the meeting held pursuant to Paragraph 51 of Schedule B1 of the Insolvency Act 1986 authorising that the Administrators be remunerated on a time costs basis. In addition, the secured creditors have signed a resolution approving the Administrators remuneration in the sum of £26,500.

## 7. CONCLUSION

There has been an extension to the initial period of the Joint administrators appointment and we are continuing with our efforts to achieve the best possible outcome from the Company's remaining assets in accordance with our proposals.

We will report to creditors again at the conclusion of the administration, 23 August 2005.

A handwritten signature in black ink, appearing to be 'G N Lee', written in a cursive style.

**G N Lee**  
Joint Administrator

Dated: 3 August 2005

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JOINT ADMINISTRATORS' ABSTRACT OF  
RECEIPTS AND PAYMENTS FOR THE PERIOD 4  
FEBRUARY 2005 TO 3 AUGUST 2005

	Total £
<b>Income</b>	
Sundry Refunds	47.07
Book Debts	4,000.00
Bank Interest	<u>438.13</u>
	<u>4,485.20</u>
<b>Expenditure</b>	
Legal Fees	6,401.50
Insurance	47.07
Bank Charges	<u>37.65</u>
	<u>6,486.22</u>
<b>Balance</b>	<u><u>(2,001.02)</u></u>
<b>Brought forward</b>	38,149.07
<b>Balance in hand</b>	36,148.05

## SUMMARY OF THE JOINT ADMINISTRATORS TIME COSTS BY STAFF GRADE

- a. Summary of the Joint Administrators' time costs by staff grade
- b. Begbies Traynor charge-out rates;
- c. Begbies Traynor policy for re-charging expenses
- d. A creditor's guide to Administrators' Fees

**SPREE DEVELOPMENTS LIMITED - IN ADMINISTRATION**  
**Administrators Time Costs @ 3 August 2005**

**Staff analysis**

<b>Grade Analysis</b>	<b>Average Charge out rate £</b>	<b>Hours</b>	<b>Amount £</b>
Partner	295.00	37.25	10,988.75
Manager	175.00	118.00	20,650.00
Senior Administrator	110.00	2.60	286.00
Administrator	95.00	161.85	15,375.75
Junior	65.00	41.50	2,697.50
Cashier	95.00	3.40	323.00
Total		<u>364.60</u>	<u>50,321.00</u>

**Work analysis**

<b>Category of work</b>	<b>Hours</b>	<b>Amount £</b>
Administration & Accountancy	120.85	20,744.75
Planning & Control	112.50	13,407.50
Floating Charge Assets	11.75	2,056.25
Debt Collection	29.25	3,178.75
Preferential, Unsecured & Members	7.00	665.00
Employees	6.75	781.25
Meetings	45.25	4,898.75
Reports, S of A, Stat Returns	31.25	4,588.75
Total	<u>364.60</u>	<u>50,321.00</u>



**Begbies Traynor standard chargeout rates and charging policy for administrations.**

Grade of Staff	Hourly Rate
	Regions £
Partner 1	350.00
Partner 2	295.00
Director	260.00
Senior Manager	205.00
Manager	175.00
Assistant Manager	140.00
Senior Administrator	110.00
Administrator	95.00
Junior Administrator	65.00
Cashier	95.00
Junior Cashier	65.00
Secretarial	65.00

# DISBURSEMENTS AND CHARGEOUT RATES

## INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. Best practice guidance<sup>1</sup> requires that such charges should be disclosed to those who are responsible for approving his remuneration, together with an explanation of how those charges are made up and the basis on which they are arrived at.

## DEFINITIONS

Best practice guidance classifies expenses into two broad categories:

- *Category 1 expenses (approval not required)* – specific expenditure that is directly related to a particular insolvency case, where the cost of the expense incurred is referable against an independent external supplier's invoice or published tariff of charges;
- *Category 2 expenses (approval required)* – all other items of expenditure:
  - Which cannot, or cannot easily, be directly related to a particular insolvency case because there is an element of shared or allocated cost; and / or
  - Where the cost of the expense incurred is an estimated, utilised cost with the estimate based on external costs or opportunity cost.

## CHARGING POLICY

- *Category 1 expenses (approval not required)* – with the exception of any items referred to below, all such items are re-charged to the case as they are incurred.
- *Category 2 expenses (approval required)*
  - (A) The following items of expenditure are re-charged as described:
    - Internal meeting room usage for the purpose of statutory meetings of creditors is re-charged at the rate of £100 (London £150) per meeting;
    - Car mileage is re-charged at the rate of 40 pence per mile;
    - Storage of books and records (when not rechargeable as a *Category 1 expense*) is re-charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates;
  - (B) The following items of expenditure will normally be treated as general office overheads not subject to a re-charge:
    - Telephone and facsimile
    - Printing and photocopying
    - Stationery

A re-charge may be made, however, where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 expense*.

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<sup>1</sup>Statement of Insolvency Practice 9 (SIP 9) effective from 31 December 2002.

**STATEMENT OF INSOLVENCY PRACTICE 9 (E&W)  
REMUNERATION OF INSOLVENCY OFFICE HOLDERS**

**APPENDIX C  
A CREDITOR'S GUIDE TO ADMINISTRATORS' FEES  
ENGLAND AND WALES**

**1 Introduction**

- 1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

**2 The nature of administration**

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court. The administrator of a company must perform his functions with the objective of:
- rescuing the company as a going concern, or
  - achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
  - realising property in order to make a distribution to one or more secured or preferential creditors.

*Administration may be followed by a company voluntary arrangement or liquidation.*

**3 The creditors' committee**

- 3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors which the administrator is required to hold within 10 weeks of the commencement of administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

**4 Fixing the administrator's fees**

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:
- as a percentage of the value of the property which the administrator has to deal with, or
  - by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
  - any responsibility of an exceptional kind or degree which falls on the administrator;
  - the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
  - the value and nature of the property which the administrator has to deal with.
- 4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

## 5 What information should be provided by the administrator?

### 5.1 When seeking fee approval

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

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

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

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfill certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

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

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

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

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

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

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

- 5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

## **5.2 After fee approval**

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

## **5.3 Expenses and disbursements**

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

## **6 What if a creditor is dissatisfied?**

- 6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

## **7 What if the administrator is dissatisfied?**

- 7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

## **8 Other matters relating to fees**

- 8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 8.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.