

The Insolvency Act 1986

Administrator's progress report

2.24B

Name of Company AC (UK) Limited	Company number 02632082
In the High Court of Justice [full name of court]	Court case number 16113 of 2009

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

I/We (a) Dermot Justin Power, Shay Bannon and Francis Graham Newton of BDO LLP 3 Hardman Street, Manchester, M3 3AT

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

(b) Insert date

From	to
(b) 17 July 2009	(b) 16 January 2010

Signed

Joint/administrator(s)

Dated

16 February 2010

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.

BDO LLP, 3 Hardman Street, Manchester,	
M3 3AT, ,	
Our Ref 8/HO/A7/A6	Tel 0161 817 7500
DX Number	DX Exchange



A40 19/02/2010 393
COMPANIES HOUSE

When you have completed and signed this form please send it to the Registrar of Companies at Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

Private and Confidential

16 February 2010

TO ALL CREDITORS AND MEMBERSYour Ref
Our Ref 8/HO/2917/A6Please ask for **David Wright**Direct dial **0161 817 7520**

A40

19/02/2010
COMPANIES HOUSE

391

Dear Sir(s)

AC (UK) Limited & Allied Carpets Properties Limited - Both in Administration ("the Companies")

It is now six months since my appointment in respect of the Companies. In accordance with Rule 2.47 of the Insolvency Rules 1986 I am now reporting the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration

1 Statutory Information

The Joint Administrators are Dermot Justin Power, Francis Graham Newton and Shay Bannon of BDO LLP, 3 Hardman Street, Manchester, M3 3AT and they were appointed in respect of the above Companies on 17 July 2009. Under the provisions of Paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the Administrators carry out their functions jointly and severally and neither Administrator has exclusive power to exercise any function.

The Administrators were appointed by Mr C Hutchings being a director, pursuant to Paragraph 22 of Schedule B1 of the Insolvency Act 1986. The Administration proceedings are dealt with in the High Court of Justice, the court case numbers are 16113 and 16112 of 2009 in respect of AC (UK) Limited ("AC (UK)") and Allied Carpets Properties Limited ("ACP") respectively.

The Companies registered offices are situated at 3 Hardman Street, Spinningfields, Manchester, M3 3AT. The registered number of AC (UK) is 02632082 and of ACP is 02597105.

I enclose, for your information, a summary of my receipts and payments to date for each of the Companies to date along with an abstract account covering the first six month period from 17 July 2009 to 16 January 2010. The receipts and payments account for AC (UK) shows a balance in hand of £2,703,251.42 and for ACP a balance in hand of £162,185.27



2 Receipts

A number of the receipts were dealt with in my report dated 11 September 2009. I do not propose to revisit these details and only comment below upon receipts since the date of my last report:

2.1 AC (UK) Limited

2.1.1 Motor Vehicles

Since our last report a further £14,270 has been received following the sale of motor vehicles by our agents, Sanderson Weatherall LLP ("Sandersons").

2.1.2 Stock

The consideration in respect of the stock was payable on deferred terms and we confirm that payment was received in accordance with the terms. Please note that our previous report stated that the consideration for the stock totalled £2,170,000. The correct amount finally received was £2,026,754.

The Administrators took security by way of a first legal charge over four freehold properties in respect of the deferred consideration.

2.1.3 Shop Floats

At the date of appointment, the stores held cash floats of £23,645. This money has been recovered in full.

2.1.4 Book Debts

2.1.4.1 Retail Debtors

At the date of appointment £222,684 was owed to AC (UK) from retail debtors.

We have written to all outstanding debtors requesting payment. To date I have received correspondence from individuals with balances totalling approximately £20,000 that the amounts are not due as they have been paid previously or relate to faulty goods.

The remaining balances have been passed to a debt collection agency who will continue to pursue the ledger.

2.1.4.2 Insurance Debtors

At the date of appointment the insurance debtor ledger totalled £2,097,235. £1,993,397 53 has been collected to date and we continue to pursue the outstanding amounts

2.1.5 Cash at Bank

At the date of our last report £3,790,381 had been received in respect of cash at bank. Since this time, a further £423,734 has been received. These monies have been received through the release of funds following completion of customer orders. The monies were held in trust accounts at both Barclays Bank and American Express.

I can confirm that all funds from both accounts have been properly released to the Administrators.

2.2 Allied Carpets Properties Limited

2.2.1 Rates Appeal Refunds

At appointment we reviewed the ongoing rates appeals in respect of the Companies. An appeal in respect of the Derby premises was close to completion and we agreed that Montagu Evans continue with the appeal once we had negotiated a lower contingent fee basis. A refund of £24,397 was subsequently received in respect of the Derby appeal and the fees of Montagu-Evans paid on the basis of 15% of realisations.

We instructed Rogerson & Associates to review the historic rateable value of the Companies property portfolio to assess whether any further appeals should be made. To date, the appeals have resulted in additional refunds totalling £163,160. We anticipate that there will be further recoveries from this source. Rogerson & Associates fees are based upon 15% of recoveries as a result of their actions.

3 Trading

As detailed within the Administrators proposals, we entered into a Transitional Service Agreement ("TSA") with Allied Carpets Retail Limited, Allied Carpets Flooring Limited and Allied Inspections Limited (combined "Purchasers") who purchased part of the business.

The TSA enabled outstanding customer orders to be fulfilled through the orderly wind down of the retail outlets. All costs incurred under the TSA have been met by the Administrators and reimbursed by the Purchasers as counterparties to the TSA. Full indemnities were provided to support this undertaking.

The Joint Administrators appointed Retail Consultants 210 Limited ("Retail Consultants"), a specialist team of retail experts, to conduct the orderly wind down of stores having regard to the fulfilment of the outstanding customer orders. This process has resulted in customer orders being fulfilled and enabled the deposits held in trust accounts to be released for the benefit of the Administrations.

In addition, the fulfilment of orders has reduced potential creditor claims both by individuals and through credit card chargeback protection schemes.

The Administrators retained staff to assist in the process with all wage costs being covered by the TSA. Staff were made redundant as and when their roles were completed with the final four members of staff being made redundant on 31 January 2010. We are in the process of preparing the P35 for the Administrators trading period and this will be submitted to HM Revenue & Customs ("HMRC") immediately it is complete. Deductions

up to 31 December 2009 have been paid to HMRC, the final payment will be made at the time of submission of Form P35

4 Assets to Realise

4.1 AC (UK) Limited

4.1.1 Plant and Machinery

Various items of plant and machinery remain at the Bolton premises, which were previously the main warehousing and distribution facility for AC (UK)

We have instructed Sandersons to market the plant and machinery. Details have been circulated to any parties who have expressed an interest and advertisements placed in local press and relevant trade publications. The plant and machinery is being sold by online auction.

4.1.2 Order Book Unwind

The sale of the business included a commitment from the purchasing companies to fulfil the existing order book. This ensured that outstanding customer orders were fulfilled, safeguarding customer deposits of £8.4million

Under the terms of the sale agreement, the Administrators are entitled to receive 50% of the net profit generated by completing the outstanding orders ("Order Book Unwind"). Had the orders not been fulfilled many customers would have been entitled to charge back debit/credit card payments thereby increasing the liabilities of AC (UK).

The Administrators have taken security by way of a first legal charge over four freehold properties in respect of the order book unwind profit share agreement

The order book unwind can be split into retail orders and insurance orders. The majority of orders have now been fulfilled but some still remain outstanding. Outstanding orders largely relate to the insurance side of the business, with customers delaying fitting pending completion of other necessary work.

We have recently reviewed the figures in relation to the orders completed since appointment. The process of agreeing the relevant deductions leading to the net profit figure is ongoing.

In our initial report, we advised that approximately 23,000 orders were outstanding. It has since become evident that this figure was 21,667 orders. The discrepancy was due to the Company system erroneously including a number of historic orders that should have previously been removed.

We believe that approximately £1.1m will be due to AC (UK) in respect of the order book unwind

Insurance

At appointment 4,722 orders remained outstanding with balances payable of £3.791m. As at the end of December 2,978 orders have been fulfilled and payments totalling £2.622m received 218 orders have been cancelled.

1,526 orders remain to be completed.

Retail

16,945 retail orders were unfulfilled at the date of appointment with balances payable of £2.907m.

570 retail orders are still to be completed

4.1 3 Motor Vehicles

We are aware of three motor vehicles owned by AC (UK) that have yet to be sold Sandersons are arranging the sale of those vehicles.

4.2 Allied Carpets Properties Limited**4.2 1 Leasehold Premiums**

A leasehold premium of £100,000 has been agreed upon the surrender of ACP premises situated at Derwent Drive Retail Park, Workington. Contracts were exchanged in early January 2010 and the premium is payable upon surrender of the property.

It is unlikely that any further leasehold premiums will be agreed

4 2 2 Rates Appeal Refunds

We are aware that successful appeals have been made in respect of three properties where refunds have not yet been received These refunds total approximately £66,000.

Rogerson & Associates are continuing to investigate potential appeals and we anticipate that there will be further recoveries from this source.

5 Property Related Matters

At the date of our appointment, ACP owned 12 freehold properties and leased 208 properties. No leases were held by AC (UK).

5.1 Freehold Properties

All freehold properties were sold to F10 Prop Co Limited immediately upon appointment.

5.2 *Leasehold Properties*

5.2.1 *Licence Agreement*

Under the terms of the sale agreement a licence was granted to Allied Carpets Retail Limited to occupy 41 properties that were leased by ACP. A further 12 properties have subsequently been added to the licence since appointment.

Assignments and/or surrenders have been completed in respect of 31 stores. Negotiations regarding the terms of assignment of the remaining 22 properties are ongoing.

5.2.2 *Excluded Properties*

155 lease agreements remained outside the licence agreement. The Joint Administrators have been looking to surrender the leases, or if possible, to seek a premium for the leases. To date, one lease premium has been received totalling £290,000. As detailed above, we have also agreed a further lease premium in the sum of £100,000 with payment to be received no later than 1 March 2010.

Surrenders have been completed in respect of 34 stores. We are continuing to seek to the surrender of the remaining properties.

As detailed later in this report, ACP will not have the grounds to move from Administration to Creditors' Voluntary Liquidation therefore there will not be a further insolvency procedure following on from the Administration. As a result we will not be in a position to disclaim any leases. Should landlords fail to agree the surrender of the leases during the course of the Administration, they may have to deal with the Treasury Solicitor to resolve any title issues. We understand that this is a more onerous and expensive procedure than agreement during Administration.

6 **Achieving the Purpose of the Administration**

The statutory purpose of an Administration consists of three objectives, and we now address the progress that has been made in this respect. Please note that the comments below apply equally to each of the Companies.

- (a) The first objective is rescuing the company as a going concern (i.e. restructuring the company's business, resulting in the survival of the company). We would comment that a restructuring of the Companies' debts would have been required to meet the first objective. Given the lack of funding it was not considered possible to achieve this objective.
- (b) With regard to the second objective of achieving a better result for the company's creditors as a whole that would have been likely if the company were wound up (without first being in Administration), the Administrators can advise that this objective has been achieved. As parts of the business and assets were sold as a going concern, realisations have been maximised and creditors, particularly claims in respect of employee matters and customer deposits, are lower than if the Companies had been wound up.

- (c) The final objective is realising property in order to make a distribution to one or more secured or preferential creditors. This objective will also be achieved

7 Creditor Claims

7.1 AC (UK) Limited

7.1.1 Secured Creditors & Preferential Creditors

Filefigure 10 Limited ("Filefigure") holds fixed and floating charges, registered on 20 March 2009. Filefigure also hold cross guarantees. Filefigure has not received any distribution under the fixed charge from AC (UK). We continue to investigate the circumstances surrounding this security structure and the quantum of the inter company accounts

AC (UK) has made a payment of £3 015m to Filefigure. The exact detail of this payment is subject to further analysis including that of employee arrears, payment of which was funded by the floating chargeholder. These payments were made to secure the co-operation of unpaid employees. This co-operation ensured business continuity and facilitated the completion of the order book unwind.

We will keep creditors advised of progress regarding our ongoing enquiries.

7.1.2 Unsecured Creditors

A pension scheme was in operation which had been established a number of years ago when the parent company, Allied Carpets Group plc ("Group"), was the main trading company. The pension scheme deed is in the name of Group, with the principal employer being AC (UK). This combined with the fact that all employees were remunerated through AC (UK) (as the trading company) has led to the pension scheme deficit being shown in the accounts of AC (UK) rather than Group. We estimate the scheme deficit to be £30 million, but await further confirmation of this figure. We have written directly to the PPF to accelerate the consideration of this position.

The pension trustees are also continuing to liaise with the Pension Protection Fund regarding the pension issues.

Trade and expense creditors total approximately £2.5m

We are continuing to analyse the inter group transactions to verify the level of inter group creditor liability.

AC (UK) was part of a VAT Group along with ACP and Group and HM Revenue & Customs are estimated to be owed approximately £5m in respect of unpaid PAYE/NIC and VAT. The outstanding PAYE/NIC accrued over a period of 2 months and the outstanding VAT is in respect of the final quarter before appointment being May 2009 - July 2009. The full amount will rank as an unsecured creditor claim against AC (UK)

We are awaiting confirmation of the level of unsecured employee claims. These will be in relation to redundancy and notice payments

It is anticipated that a dividend will be available for distribution to unsecured creditors. The exact quantum and timing of a distribution to the unsecured creditors cannot be confirmed at this time as a result of further investigations and the possibility of additional realisations

7.2 Allied Carpets Properties Limited

7.2.1 Secured Creditors

Filefigure hold fixed and floating charges, registered on 20 March 2009. Filefigure also hold cross guarantees. As detailed in our report dated 11 September 2009, we distributed the proceeds of sale of the freehold properties in the amount of £15.43million (representing fixed charge realisations) to Filefigure immediately upon completion

We do not anticipate there being any further distributions to the secured creditor by ACP

7.2.2 Preferential Creditors

ACP did not have any employees, therefore there will be no preferential creditor claims

7.2.3 Unsecured Creditors

ACP held all leases therefore any landlord claims for unpaid rental and dilapidations will rank as unsecured creditor claims.

There will be no funds available for distribution to the unsecured creditors of ACP.

8 Future of the Administrations

8.1 AC (UK) Limited

The Administration of AC (UK) will be exited via a Creditors' Voluntary Liquidation. In accordance with the Administrators' proposals, Dermot Justin Power, Shay Bannon and Francis Graham Newton, all of BDO LLP, will be appointed as Joint Liquidators

A distribution will be made once the AC (UK) has moved to Creditors' Voluntary Liquidation. It is not currently possible to give any further confirmation of the quantum or timing of the dividend

8.2 Allied Carpets Properties Limited

We do not believe that there will be a distribution to unsecured creditors of ACP therefore we do not have the grounds to exit the Administration by way of Creditors' Voluntary Liquidation.

Following resolution of outstanding matters ACP will therefore move to dissolution.

It may be necessary to extend the Administration of ACP to complete outstanding licence and lease issues. A further report will be sent to the creditors of ACP as the 12 month deadline approaches if an extension request is necessary.

9 Administrators' Remuneration

The secured creditors have already approved the Administrators' remuneration on a time costs basis. Attached are schedules summarising the time spent in administering these cases up to 8 January 2010

To date, the secured creditor has agreed to the Joint Administrators drawing £700,000 in respect of AC (UK) and £150,000 in respect of ACP and these amounts have been drawn in full.

Disbursements

Where disbursements are recovered in respect of precise sums expended to third parties there is no necessity for these costs to be authorised. These are known as category 1 disbursements. I therefore report that since appointment the sum of £4,876.25 has been drawn in respect of category 1 disbursements for stationery & postage, redirection of mail, conference call facilities and statutory advertising relating to AC (UK). £184.12 has been drawn in respect of category 1 disbursements for statutory advertising relating to ACP.

Some administrators recharge expenses for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of a each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP is not to charge any category 2 disbursements.

Yours faithfully
for and on behalf of
AC (UK) Limited &
Allied Carpets Properties Limited



D J Power, FCA
Joint Administrator
Authorised by the Institute of Chartered Accountants in England & Wales

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AC (UK) Limited

Income and Expenditure Account To 16 February 2010

INCOME	Total (£)
Leasehold Improvements	1.00
Goodwill	2.00
Consumer Contracts	1.00
Customer Lists	1 00
Commercial Records	2 00
Stock	2,026,753.80
Shop Floats	23,645.49
Furniture & Equipment	63,250 00
Motor Vehicles	398,770 00
Book Debts - Retail	74,117.57
Book Debts - Insurance	1,993,397.53
Cash at Bank	4,214,114.73
Bank Interest Gross	1,334.97
Sundry Refunds	14,229.30
	<hr/>
	8,809,620 39
	<hr/>
EXPENDITURE	
Legal Fees (1)	46,842.20
Legal Fees (2)	191,527.95
Office Holders Fees	700,000.00
Office Holders Expenses	29,007.25
BDO Investment Management	6,638 18
Agents/Valuers Fees	32,166.14
Retail Agents 210 Limited	2,078,895 84
Miscellaneous Expenses	281 25
Telephone, telex & fax	90.00
Stationery & Postage	4,283.83
Re-direction of Mail	52.05
Statutory Advertising	169.37
Bank Charges	989 08
Filefigure 10 Limited	3,015,425.83
	<hr/>
	6,106,368.97
	<hr/>
Balance	<hr/>
	2,703,251.42
	<hr/>

Allied Carpets Properties Limited

**Income and Expenditure Account
To 16 February 2010**

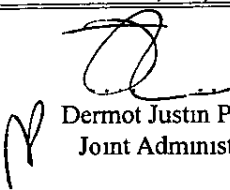
INCOME	Total (£)
Freehold Land & Property	15,430,000.00
Leasehold Premiums	290,000.00
Rates Refund	37,222 81
Rates Appeal Refunds	247,435 81
Additional cost contribution - fees	28.75
Miscellaneous Refunds	192 49
Bank Interest Gross	518.71
	<hr/>
	16,005,398.57
 EXPENDITURE	
Filefigure 10 Limited	15,430,000 00
Office Holders Fees	150,000 00
Office Holders Expenses	1,172 80
Legal Fees (1)	6,471 50
Legal Fees (2)	125,007.10
Agents/Valuers Fees	100,444 14
Rates Appeal Fees	29,482 73
Statutory Advertising	184 12
Bank charges	450 91
	<hr/>
	15,843,213 30
 Balance	<hr/>
	162,185.27

AC (UK) Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 17/07/2009 To 16/01/2010	From 17/07/2009 To 16/01/2010
SECURED ASSETS		
Leasehold Improvements	1 00	1 00
Goodwill	2 00	2 00
Consumer Contracts	1 00	1 00
	<u>4 00</u>	<u>4 00</u>
ASSET REALISATIONS		
Furniture & Equipment	63,250 00	63,250 00
Motor Vehicles	396,770 00	396,770 00
Stock	2,026,753 80	2,026,753 80
Shop Floats	23,645 49	23,645 49
Book Debts - Retail	139,759 15	139,759 15
Book Debts - Insurance	1,932,351 06	1,932,351 06
Cash at Bank	4,215,663 89	4,215,663 89
3rd Party Debtor Receipts	(148,120 82)	(148,120 82)
Bank Interest Gross	1,334 97	1,334 97
Debtor receipts to be reconciled	98,988 92	98,988 92
TSA Payments Account	951,907 28	951,907 28
Customer Lists	1 00	1 00
Sundry Refunds	14,229 30	14,229 30
Commercial Records	2 00	2 00
	<u>9,716,536 04</u>	<u>9,716,536 04</u>
COST OF REALISATIONS		
Office Holders Fees	700,000 00	700,000 00
Office Holders Expenses	29,007 25	29,007 25
BDO Investment Management	6,638 18	6,638 18
Miscellaneous Expenses	226 00	226 00
Agents/Valuers Fees (1)	32,166 14	32,166 14
Retail Agents 210 Limited	2,078,895 84	2,078,895 84
Legal Fees (1)	22,845 20	22,845 20
Legal fees (2)	191,527 95	191,527 95
Telephone Telex & Fax	90 00	90 00
Stationery & Postage	4,283 83	4,283 83
Re-Direction of Mail	52 05	52 05
Statutory Advertising	169 37	169 37
Bank Charges	974 08	974 08
	<u>(3,066,875 89)</u>	<u>(3,066,875 89)</u>
FLOATING CHARGE CREDITORS		
Floating Charge Creditor	<u>3,015,425 83</u>	<u>3,015,425 83</u>
	<u>(3,015,425 83)</u>	<u>(3,015,425 83)</u>
	<u><u>3,634,238 32</u></u>	<u><u>3,634,238 32</u></u>
REPRESENTED BY		
Vat Receivable		110,892 50
Floating Current A/c		3,210,949 62

Vat Payable
Vat Control Account

(2,140 50)
314,536 70
3,634,238 32

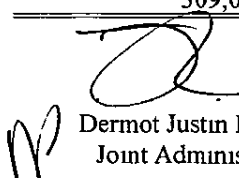

Dermot Justin Power
Joint Administrator

Allied Carpets Properties Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 17/07/2009 To 16/01/2010	From 17/07/2009 To 16/01/2010
SECURED ASSETS		
Freehold Land & Property	15,430,000 00	15,430,000 00
Long Leasehold Land & Property	290,000 00	290,000 00
	<u>15,720,000 00</u>	<u>15,720,000 00</u>
SECURED CREDITORS		
Chargeholder (1)	15,430,000 00	15,430,000 00
	<u>(15,430,000 00)</u>	<u>(15,430,000 00)</u>
ASSET REALISATIONS		
Licence - rent	131,139 14	131,139 14
Licence - service charge	(3,629 95)	(3,629 95)
Licence - Insurance	(394 37)	(394 37)
Rates refund	36,730 84	36,730 84
Additional cost contribution-legal fees	28 75	28 75
Rates Appeal Refunds	187,557 01	187,557 01
Administrators Rent	64,809 19	64,809 19
Misc Refund	192 49	192 49
Bank Interest Gross	518 71	518 71
	<u>416,951 81</u>	<u>416,951 81</u>
COST OF REALISATIONS		
Office Holders Fees	150,000 00	150,000 00
Office Holders Expenses	1,172 80	1,172 80
Rates Appeal Fees	20,500 91	20,500 91
Agents/Valuers Fees (1)	94,124 00	94,124 00
Legal Fees (1)	6,471 50	6,471 50
Salans LLP	125,077 10	125,077 10
Statutory Advertising	184 12	184 12
Bank Charges	393 41	393 41
	<u>(397,923 84)</u>	<u>(397,923 84)</u>
	<u><u>309,027 97</u></u>	<u><u>309,027 97</u></u>

REPRESENTED BY

Vat Receivable	110,476 00
Licence Fee A/c	143,263 68
Floating Current A/c	128,820 97
Vat Payable	<u>(73,532 68)</u>
	<u><u>309,027 97</u></u>


Dermot Justin Power
Joint Administrator

AC (UK) Limited - In Administration

Details of Time Charges and Rates Applicable for the Period From 17 July 2009 to 8 January 2010

Description	Partner/Director		Manager		Senior Administrator		Administrator		Other Staff		Grand Total	
	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total
A. Pro Appointment Matters			22.50	5,107.50			4.00	488.00			26.50	5,595.50
B Steps on Appointment			137.50	36,737.50	31.50	5,280.50	212.00	23,715.50			381.00	65,713.50
C Planning and Strategy	122.50	63,310.00	5.00	1,565.00							127.50	64,875.00
D General Administration	40.00	16,627.00	303.55	80,900.15	363.50	60,704.50	37.75	4,178.90	78.80	4,995.80	823.60	167,406.35
E Asset Realisation/Dealing	148.50	66,699.00	330.75	90,328.25	10.60	1,770.20	642.27	78,786.85			1,132.12	237,584.30
F Trading Related Matters	18.00	7,957.00	681.50	175,796.25	633.00	108,923.00	485.00	65,332.00			1,817.50	358,008.25
G Employee Matters			67.25	18,774.25	229.50	56,158.00	199.50	17,974.00	114.50	9,779.00	610.75	102,585.25
H Creditor Claims	1.00	364.00	0.50	133.00	489.50	81,746.50	84.50	11,731.75			575.50	93,975.25
I. Reporting	51.00	31,209.00	64.00	17,917.00	5.00	835.00	3.00	408.00			123.00	50,369.00
											5,617.47	1,146,212.40

Net Total

AC (UK) Ltd

ALLIED CARPETS PROPERTIES Limited - In Administration

Details of Time Charges and Rates Applicable for the Period From 17 July 2009 to 8 January 2010

Description	Partner/Director		Manager		Senior Administrator		Administrator		Other Staff		Grand Total	
	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total	Hours	Total
C Planning and Strategy	74.50	40,606.00									74.50	40,606.00
D General Administration	2.75	1,132.25	143.05	46,980.80	37.25	6,220.75	10.20	860.80	63.85	4,191.85	257.10	59,386.45
E Asset Realisation/Dealing	99.00	59,921.00	620.65	161,153.55	422.70	70,690.90	343.75	31,987.50			1,486.10	323,652.95
G Employee Matters							18.50	1,628.00			18.50	1,628.00
H Creditor Claims			7.50	1,702.50							7.50	1,702.50
I Reporting	37.50	20,675.00	35.50	10,359.50							73.00	31,034.50
											1,916.70	456,010.40

Net Total

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 with the following objective:

- rescuing the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- realising property in order to make a distribution to secured or preferential creditors

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 normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the 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 information about the exercise of his functions.

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.

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets. In this case a resolution of the creditors shall be taken as passed if, and only if, passed with the approval of –

- each secured creditor of the company, or
- if the administrator has made or intends to make a distribution to preferential creditors – each secured creditor of the company, and
- preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company

4.4 A resolution of creditors may be obtained by correspondence

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 fulfil 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, and professional guidance has been provided setting out a minimum of 6 category headings under which the work done by the officeholder and his staff should be analysed. As a firm BDO LLP operates a computerised time recording system which analyses work done under the following categories -

- Pre Appointment Matters
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management
- Trading Related Matters

- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues

Professional guidance suggests the following categories 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 sub-contractors, 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.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company. The information which must be provided is –

- the total number of hours spent on the case by the administrator or staff assigned to the case,
- for each grade of staff, the average hourly rate at which they are charged out,
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.



AC (UK) Limited & Allied Carpets Properties Limited - Both In Administration

In accordance with best practice I provide below details of policies of BDO LLP in respect of fees and expenses for work in relation to the above insolvency.

The current charge out rates per hour of staff within my firm who may be involved in working on the insolvency, follows. This in no way implies that staff at all such grades will work on the case.

GRADE	£
Partner 1	645
Partner 2	451
Partner 3	371
Director	313
Senior Manager	266-289
Manager	198-227
Assistant Manager	181
Senior Executive	167
Executive	122-136
Junior Executive	97
Cashier	167
Trainee	61
Support staff/Secretary	61

The rates charged by BDO LLP, 3 Hardman Street, Manchester, M3 3AT are reviewed in December and July each year and are adjusted to take account of inflation and the firm's overheads.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. Units of time can be as small as 3 minutes. BDO LLP records work in respect of insolvency work under the following categories -

Pre Appointment
Steps upon Appointment
Planning and Strategy
General Administration
Asset Realisation/Management
Trading Related Matters
Employee Matters
Creditor Claims
Reporting
Distribution and Closure
Other Issues

Under each of the above categories the work is recorded in greater detail in sub categories. Please note that the 11 categories provide greater detail than the six categories recommended by the Recognised Professional Bodies who are responsible for licensing and monitoring insolvency practitioners

Where an officeholder's remuneration is approved on a time cost basis the time invoiced to the case will be subject to VAT at the prevailing rate.



Where remuneration has been approved on a time costs basis a periodic report will be provided to any committee appointed by the creditors or in the absence of a committee to the creditors. The report will provide a breakdown of the remuneration drawn and will enable the recipients to see the average rates of such costs.

Other Costs

Where expenses are incurred in respect of the insolvent estate they will be recharged. Such expenses can be divided into two categories.

Category 1

This heading covers expenses where BDO LLP has met a specific cost in respect of the insolvent estate where payment has been made to a third party. Such expenses may include items such as advertising, couriers, travel (by public transport), searches at Companies House, land registry searches, fees in respect of swearing legal documents, external printing costs etc. In each case the recharge will be reimbursement of a specific expense incurred.

A further disbursement under this heading is the cost of travel where staff use either their own vehicles or company cars in travelling connected with the insolvency. In these cases a charge of 40p per mile is raised which is in line with the Inland Revenue Approved Mileage Rates (median - less than 10,000 miles per annum) which is the amount the firm pays to staff.

Where applicable, disbursements will be subject to VAT at the prevailing rate.

Category 2

Additionally some firms recharge expenses for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of a each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP, effective from 1 July 2003, is not to recharge any expense which is not a specific cost to the case, therefore there will be no category 2 disbursements charged. Category 2 disbursements, because they are imprecise, require approval by the creditors before they can be drawn.

BDO LLP
10 February 2010