

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 <small>[full name of court]</small>	Court case number 16113 of 2009

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

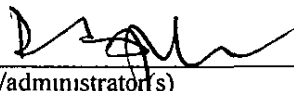
I/We (a) Dermot Justin Power, Shay Bannon and Francis Graham Newton of BDO LLP, 3 Hardman Street, Manchester, M3 3AT

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

(b) Insert date

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

Signed


Joint administrator(s)

Dated

12/08/2010

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, Spinningfields, Manchester, M3 3AT	
Our Ref 8/DGW/A2917/A6	Tel 0161 817 7500
DX Number	DX Exchange

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

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COMPANIES HOUSE

The Insolvency Act 1986

Administrator's progress report 2.24B

Name of Company Allied Carpets Properties Limited	Company number 02597105
In the High Court of Justice <small>[full name of court]</small>	Court case number 16112 of 2009

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

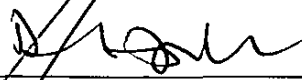
I/We (a) Dermot Justin Power, Shay Bannon and Francis Graham Newton of BDO LLP 3 Hardman Street, Manchester, M3 3AT

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

(b) Insert date

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

Signed


Joint administrator(s)

Dated

12/08/2010

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COMPANIES HOUSE



Tel +44 (0)161 817 7500
Fax +44 (0)161 817 7683
DX 710256 Manchester 3
www.bdo.co.uk

3 Hardman Street
Manchester M3 3AT

Private and Confidential

TO ALL CREDITORS AND MEMBERS

12 August 2010

Your Ref
Our Ref 8/HO/JK/2917/A6

Please ask for **David Wright**

Direct dial **0161 817 7520**

Dear Sir(s)

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

In accordance with Rule 2.47 of the Insolvency Rules 1986 I now provide my second progress report for the period 17 January 2010 to 16 July 2010

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 Administrators have sought and obtained consent from the secured creditor, Filefigure 10 Limited ("Filefigure"), to extend the Administration until 16 January 2011.

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.

2 Receipts and Payments

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 six month period from 17 January 2010 to 16 July 2010. The receipts and payments account for AC (UK) shows a balance in hand of £2,661,592.40 and for ACP a balance in hand of £765,490.54.

8/HO/A7
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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

Plant & Machinery

The Plant & Machinery at Bolton was marketed by our agents and sold via an online auction. £89,099 has been received to date and we do not anticipate any further funds.

Motor Vehicles

Since our last report a further £8,600 has been received following the sale of motor vehicles by our agents, Sanderson Weatherall LLP ("Sandersons").

Book Debts

Retail Debtors

At the date of appointment £222,684 was owed to AC (UK) from retail debtors. £78,994 has been collected to date.

Significant write offs have been incurred in respect of these debts. Initially £105,000 was identified as being incorrectly allocated as a debt. An additional £20,000 was written off relating to faulty goods and balances settled prior to our appointment.

Debts relating to £7,000 were due from a finance company used by AC (UK) to provide customers with interest free finance, however this was reduced by £4,000 in respect of a contra balance.

The remaining balance was passed to a debt collection agency but additional collections have been limited to £1,600, due to the lack of reliable company records. The debt collection agency has now completed their work and no significant further realisations are expected.

Insurance Debtors

At the date of appointment the insurance debtor ledger totalled £2,097,235. £2,011,897 has been collected to date and we continue to pursue the outstanding ledger.

Cash at Bank

I can confirm £4,146,689 has been received in respect of cash at bank.

2.2 Allied Carpets Properties Limited

Rates Appeal Refunds

As detailed in my last report 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 £363,312. Our agents continue to liaise with the rating authorities.

3 Trading

As detailed within the Administrators proposals and my last report the Administrators entered into a TSA agreement with the Purchasers.

I continue to finalise the remaining liabilities under the TSA agreement. However there are still some outstanding issues which the Administrators are trying to finalise and hope to be in a position to complete these in the next few months.

4 Assets to Realise

4.1 AC (UK) Limited

Order Book Unwind

As previously reported 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 £8,400,000.

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.

We have now reviewed and finalised the figures in relation to the Order Book Unwind and anticipate receiving the following monies by the purchaser in the very near future: £821,878 is due in respect of insurance orders and £208,722 in respect of retail orders, totalling £1,030,600.

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).

Freehold Properties

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

Leasehold Properties

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 32 stores. Negotiations regarding the terms of assignment of the remaining 21 properties are ongoing.

Excluded Properties

155 lease agreements remained outside the licence agreement. Surrenders have been completed in respect of 67 stores and 3 warehouses. 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 Creditor Claims

6.1 AC (UK) Limited

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 into the circumstances surrounding the security structure.

AC (UK) has made a payment of £3,015,000 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.

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. The Pension Protection Fund ("PPF") have submitted a proof of debt of circa £38,700,000 in respect of AC UK Limited.

The pension trustees continue to liaise with the PPF regarding the pension issues and the timescales to the PPF assuming responsibility for the pension scheme. The trustees have estimated a timescale of between 12 and 18 months for this work to be completed.

Trade and expense creditors total approximately £2.5m.

I can confirm our work regarding the intercompany accounts has been completed. Group and ACP will have unsecured claims against AC (UK) of £41,857,000 and £15,910,000 respectively.

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.

6.2 Allied Carpets Properties Limited

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 £15,430,000 (representing fixed charge realisations) to Filefigure immediately upon completion.

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

Preferential Creditors

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

Unsecured Creditors

ACP held all leases therefore all 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.

7 Extension and Exit**7.1 AC (UK) Limited**

In order to enable the TSA liabilities to be finalised in the Administration the secured creditor has consented to the extension of the Administration until 16 January 2011.

A meeting of creditors was not convened nor requisitioned. As a result, the Joint Administrators' proposals were deemed to have been approved by the creditors, pursuant to Rule 2.33 (5) of the Insolvency Rules 1986. It was therefore approved that once all matters are sufficiently completed in the Administration, the Company will move from Administration to Liquidation and that Dermot Justin Power, Shay Bannon and Francis Graham Newton will be appointed as Joint Liquidators

7.2 Allied Carpets Properties Limited

In order to allow negotiations to continue in respect of the leases for the various retail units the secured creditor has consented to the extension of the Administration until 16 January 2011.

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.

8 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 from 17 July 2009 to 5 August 2010.

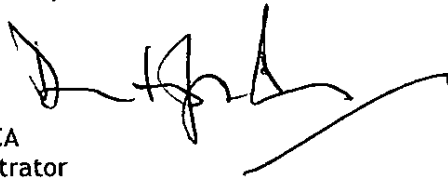
To date, the secured creditor has agreed to the Joint Administrators drawing £1,300,000 in respect of AC (UK) and £575,000 in respect of ACP. I can confirm fees have been drawn of £751,534 and £150,000 respectively.

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 £6,511.07 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

A handwritten signature in black ink, appearing to read 'D J Power', with a long horizontal flourish extending to the right.

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

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AC (UK) Limited
(In Administration)

Income and Expenditure Account
17 July 2009 to 12 August 2010

INCOME	Total (£)
Leasehold Improvements	1 00
Goodwill	2 00
Consumer Contracts	1.00
Plant & Machinery	89,099.00
Furniture & Equipment	63,250.00
Motor Vehicles	405,370.00
Stock	2,026,753.80
Shop Floats	23,645.49
Book Debts - Retail	78,994.13
Book Debts - Insurance	2,011,896.99
Insurance Refunds	177.66
Cash at Bank	4,146,689.49
3rd Party Debtor Receipts	976.44
Bank Interest Gross	2,896.73
TSA Payments Account	5,520 01
Customer Lists	1.00
Sundry Refunds	16,704 26
Commercial Records	2.00
	<hr/>
	8,871,981.00

EXPENDITURE

Office Holders Fees	751,534.15
Office Holders Expenses	29,007.25
BDO Investment Management	6,638.18
Miscellaneous Expenses	11,726.75
Agents/Valuers Fees (1)	52,090.24
Retail Agents 210 Limited	2,078,895 84
Legal Fees (1)	55,723 80
Legal fees (2)	191,527.95
VAT	2,499.16
Telephone Telex & Fax	90.00
Stationery & Postage	6,199.65
Pension Scheme Costs	7,560.00
Re-Direction of Mail	52 05
Statutory Advertising	169.37
Bank Charges	1,077.58
Debt Collectors Fees	170 80
Floating Charge Creditor	3,015,425 83
	<hr/>
	6,210,388.60

Balance	<hr/>
	2,661,592.40

MADE UP AS FOLLOWS

Vat Receivable	26,821.03
Floating Current A/c	2,660,290 04
Vat Payable	(25,518.67)
	<hr/>
	2,661,592.40

**Allied Carpets Properties Limited
(In Administration)**

**Income and Expenditure Account
17 July 2009 to 12 August 2010**

INCOME	Total (£)
Freehold Land & Property	15,430,000.00
Long Leasehold Land & Property	390,000.00
Licence - rent	325,817.21
Licence - service charge	15,683.66
Rates refund	41,816.82
Additional cost contribution-legal fees	28 75
Rates Appeal Refunds	363,311 71
Administrators Rent	92,885.01
Misc. Refund	20,192 49
Bank Interest Gross	875.47
	<hr/> 16,680,611.12 <hr/>
 EXPENDITURE	
Chargeholder (1)	15,430,000.00
Licence - Insurance	688.06
Office Holders Fees	150,000.00
Office Holders Expenses	1,172 80
Rates Appeal Fees	47,343.97
Agents/Valuers Fees (1)	131,585.12
Legal Fees (1)	13,146 50
Salans LLP	140,342 45
Statutory Advertising	184.12
Bank Charges	657.56
	<hr/> 15,915,120.58 <hr/>
 Balance	<hr/> 765,490.54 <hr/>
 MADE UP AS FOLLOWS	
Vat Receivable	143,793 48
Fixed Current A/c	117,533.81
Licence Fee A/c	395,367.10
Floating Current A/c	285,686.50
Fixed Ch Vat Payable	(17,500.00)
Vat Payable	(159,390 35)
	<hr/> 765,490.54 <hr/>

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


Statement of Affairs	From 17/01/2010 To 16/07/2010	From 17/07/2009 To 16/07/2010
SECURED ASSETS		
Leasehold Improvements	NIL	1.00
Goodwill	NIL	2.00
Consumer Contracts	NIL	1.00
	<u>NIL</u>	<u>4.00</u>
ASSET REALISATIONS		
Plant & Machinery	89,099.00	89,099.00
Furniture & Equipment	NIL	63,250.00
Motor Vehicles	8,600.00	405,370.00
Stock	NIL	2,026,753.80
Shop Floats	NIL	23,645.49
Book Debts - Retail	(60,765.02)	78,994.13
Book Debts - Insurance	79,545.93	2,011,896.99
Insurance Refunds	177.66	177.66
Cash at Bank	(68,974.40)	4,146,689.49
3rd Party Debtor Receipts	148,120.82	NIL
Bank Interest Gross	1,561.76	2,896.73
Debtor receipts to be reconciled	(98,988.92)	NIL
TSA Payments Account	(675,552.56)	0.01
Customer Lists	NIL	1.00
Sundry Refunds	2,474.96	16,704.26
Additional Payroll Costs	NIL	NIL
Commercial Records	NIL	2.00
	<u>(574,700.77)</u>	<u>8,865,480.56</u>
COST OF REALISATIONS		
Office Holders Fees	51,534.15	751,534.15
Office Holders Expenses	NIL	29,007.25
BDO Investment Management	NIL	6,638.18
Miscellaneous Expenses	2,164.25	2,390.25
Agents/Valuers Fees (1)	19,924.10	52,090.24
Retail Agents 210 Limited	NIL	2,078,895.84
Legal Fees (1)	32,878.60	55,723.80
Legal fees (2)	NIL	191,527.95
VAT	2,499.16	2,499.16
Telephone Telex & Fax	NIL	90.00
Stationery & Postage	1,915.82	6,199.65
Pension Scheme Costs	3,780.00	3,780.00
Re-Direction of Mail	NIL	52.05
Statutory Advertising	NIL	169.37
Bank Charges	103.50	1,077.58
Debt Collectors Fees	170.80	170.80
	<u>(114,970.38)</u>	<u>(3,181,846.27)</u>
FLOATING CHARGE CREDITORS		
Floating Charge Creditor	NIL	3,015,425.83
	<u>NIL</u>	<u>(3,015,425.83)</u>
	<u><u>(689,671.15)</u></u>	<u><u>2,668,212.46</u></u>

REPRESENTED BY

Vat Receivable
Floating Current A/c
Vat Payable

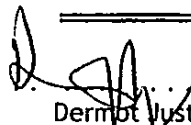
24,407.25
2,667,577.99
(23,772.78)

2,668,212.46


.....
Dermot Justin Power
Joint Administrator

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

Statement of Affairs	From 17/01/2010 To 16/07/2010	From 17/07/2009 To 16/07/2010
SECURED ASSETS		
Freehold Land & Property	NIL	15,430,000.00
Long Leasehold Land & Property	100,000.00	390,000.00
	<u>100,000.00</u>	<u>15,820,000.00</u>
SECURED CREDITORS		
Chargeholder (1)	NIL	15,430,000.00
	<u>NIL</u>	<u>(15,430,000.00)</u>
ASSET REALISATIONS		
Licence - rent	14,445.33	140,161.46
Licence - service charge	1,401.39	3,194.46
Licence - Insurance	(1,002.61)	(1,396.98)
Rates refund	4,960.64	41,691.48
Additional cost contribution-legal fees	NIL	28.75
Rates Appeal Refunds	167,824.62	355,381.63
Administrators Rent	28,075.82	92,885.01
Misc Refund	20,000.00	20,192.49
Bank Interest Gross	356.76	875.47
Treasury Bills Gains	NIL	NIL
	<u>236,061.95</u>	<u>653,013.77</u>
COST OF REALISATIONS		
Office Holders Fees	NIL	150,000.00
Office Holders Expenses	NIL	1,172.80
Rates Appeal Fees	24,958.71	45,459.62
Agents/Valuers Fees (1)	37,461.12	131,585.12
Legal Fees (1)	6,200.00	12,671.50
Salans LLP	15,265.35	140,342.45
Statutory Advertising	NIL	184.12
Bank Charges	264.15	657.56
	<u>(84,149.33)</u>	<u>(482,073.17)</u>
	<u><u>251,912.62</u></u>	<u><u>560,940.60</u></u>
REPRESENTED BY		
Vat Receivable		143,380.59
Fixed Current A/c		117,533.81
Licence Fee A/c		161,837.88
Floating Current A/c		280,403.32
Fixed Ch Vat Payable		(17,500.00)
Vat Payable		(124,715.00)
		<u>560,940.60</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 5 August 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 Pre Appointment Matters	2 00	728 00	22 50	5,107 50			4 00	488 00			28 50	6,323 50
B Steps on Appointment			137 50	36,737 50	31 50	5,260 50	212 00	23,715 50			381 00	65,713 50
C Planning and Strategy	156 50	80,463 00	6 00	1 831 00	1 50	250 50					164 00	82,544 50
D General Administration	76 55	38,579 85	704 10	189,234 65	446 75	74,632 75	222 70	28,676 75	131 90	8,236 40	1,582 00	339,360 40
E Asset Realisation/Dealing	148 50	66,699 00	318 75	86,125 75	10 60	1,770 20	742 27	92,954 35			1,220 12	247,549 30
F Trading Related Matters	18 00	7,957 00	688 00	177,830 75	700 50	120,195 50	502 25	67,849 00			1,908 75	373,832 25
G Employee Matters			135 75	38,228 25	229 50	56,158 00	242 50	22,706 00	114 50	9,779 00	722 25	126,871 25
H Creditor Claims	1 00	364 00	2 50	665 00	538 00	89,846 00	95 75	13,453 00			637 25	104,328 00
I Reporting	53 00	31 937 00	103 00	29,231 00	5 00	835 00	3 00	408 00			164 00	62,411 00
Net Total											6,807 87	1,408,933 70

Allied Carpets Properties Limited - In Administration

Details of Time Charges and Rates Applicable for the Period From 17 July 2009 to 5 August 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 Pre Appointment Matters												
B Steps on Appointment												
C Planning and Strategy	113 50	62,115 00									113 50	62,115 00
D General Administration	11 25	4,226 25	223 45	72,097 95	92 50	15,462 50	29 05	3,407 95	67 85	4,516 85	424 10	99,711 50
E Asset Realisation/Dealing	99 25	60,013 75	833 65	223,413 65	600 95	100,358 65	761 25	72,689 00			2,295 10	456,474 95
F Trading Related Matters												
G Employee Matters							52 50	4,620 00			52 50	4,620 00
H Creditor Claims			12 50	3,267 50							12 50	3,267 50
I Reporting	37 50	20,675 00	57 00	16,572 00							94 50	37,247 00
Net Total											2,992 20	663,435 95

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



1) Other Costs

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

2) 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.

3) 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
12 August 2010