

2.24B

The Insolvency Act 1986

Administrator's progress report

Name of Company
1A Seal Systems Limited

Company number
05448545

In the High Court of Justice
(full name of court)

Court case number
6702 of 2011

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

We (a)
Simon Franklin Plant
S F P
9 Ensign House
Admirals Way
Marsh Wall
London
E14 9XQ

Daniel Plant
S F P
9 Ensign House
Admirals Way
Marsh Wall
London

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

(b) Insert date

From	To
(b) 29 July 2011	

(b) 28 January 2012

Signed

Joint Administrator(s)

Dated

14 12 11

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

SFP
9 Ensign House
Admirals Way
Marsh Wall
Docklands
E14 9XQ

DX Number

020 7538 2222
DX Exchange

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

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1A Seal Systems Limited (In Administration)

Report to Creditors

**Simon Franklin Plant
MIPA FABRP**

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1. Introduction

- 1.1 This report is prepared pursuant to Rule 2.47 of the Insolvency Rules 1986 ("the Rules") in relation to 1A Seal Systems Limited (in Administration) (Co Number 05448545) ("the Company"). The Rules provide that a progress report is drafted every six months, commencing on the date that the company entered into Administration. Further, that the appointed Joint Administrators should send a copy of the report to, inter alia all creditors within one month of the end of the period covered by the report.
- 1.2 A report was previously circulated on 18 August 2011, enclosing the Joint Administrators' Report and Proposals ("the First Report"). This detailed progress up to 12 August 2011 and set out the Joint Administrators' proposals to creditors. A subsequent letter was circulated to creditors on 6 September 2011 updating them as to the outcome of the meeting and confirming that the proposals had been approved.
- 1.3 In view of the information that has already been imparted to the creditors, this Report simply provides an update as to the general progress of the Company's Administration since the First Report, to 28 January 2012. This Report also sets out certain additional information which must be provided to creditors, pursuant to the Rules.

2. General Background

- 2.1 On 26 July 2011, a Notice of Intention to Appoint an Administrator was presented to the High Court of Justice by solicitors Veale Wasbrough Vizards LLP ("VWV"), on behalf of Hitachi Capital Plc ("Hitachi"). This was subsequently served upon the Company's prior qualifying floating charge holder, HSBC Bank Plc.
- 2.2 The prescribed notice period of two business days, within which the prior charge holders may take their own steps to appoint an administrator, elapsed and on 29 July 2011, a Notice of Appointment of an Administrator by Holder of a Qualifying Floating Charge was presented to the High Court of Justice and endorsed with case no. 6702 of 2011. Both Simon Franklin Plant and Daniel Plant were appointed Joint Administrators ("the Joint Administrators"). Pursuant to Schedule B1, Paragraph 100(2) of the Act, the Joint Administrators act jointly and severally.

3 Asset Realisations

Assets

- 3.1 As detailed in the First Report, chattel asset valuers, Winterhill Asset Limited ("Winterhill") were instructed to prepare a valuation and inventory of the Company's assets.
- 3.2 Given that the Company had ceased to trade, Winterhill advised that a sale of the Company's assets on a break up basis was the only option available in order to achieve a realisation for the benefit of the estate.
- 3.3 It is understood that the Company traded from premises at 6A Dannemora Drive, Sheffield, South Yorkshire, S9 5DF ("the Premises") pursuant to an informal arrangement with a company called MB.
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Plant Limited ("MBP") Further, that MBP's sole director was Rachael Bell, the wife of Company director Andrew Bell ("Mr Bell")

3.4 Following the placing of the Company into Administration, MBP indicated that it was interested in purchasing its tangible assets Accordingly, an offer of £5,000 was made by MBP for the assets only

3.5 The offer was discussed with Winterhill who confirmed that the offer from MBP was at an endorsable level and should be accepted Accordingly, the offer was accepted and the funds have since been received in full

Debtors

3.6 As stated in the First Report, Hitachi had a commitment of £205,562, with the Company's sales ledger at £684,423

3.7 An entity associated with the Joint Administrators' firm, SFP Recoveries Limited ("SFP Recoveries") identified a significant amount of non-factored invoicing which was subsequently uploaded to Hitachi's ledger

3.8 SFP Recoveries was instructed to monitor the progress of debtor collections and provide assistance to Hitachi, if required

3.9 SFP Recoveries has advised the Joint Administrators that Hitachi has collected its liability in full and reassigned the remaining ledger to the Company, together with surplus funds of £9,577 SFP Recoveries, together with the assistance of solicitors, DWF LLP ("DWF") and Mr Bell are continuing to pursue the remaining sales ledger This is subject to a significant level of disputes A further update will be provided in the Joint Administrators' final report

The Company's Trading Premises

3.10 An entity associated with the Joint Administrators firm, SFP Property Limited ("SFP Property") was instructed to review the position in relation to the Premises

3.11 Despite various attempts, SFP Property has been unable to obtain a response from MBP In view of this and given that the Company occupied the Premises pursuant to an informal arrangement, the decision has been taken that the interest in the premises has been brought to an end and there is nothing further for the Joint Administrators to do in respect of this aspect of the Administration

4 Investigations

In accordance with the Joint Administrators' duties, investigations were made into the conduct of the Company's current and former director by a company associated to the Joint Administrators, SFP Forensic Limited ("SFP Forensic") The requisite D Form was submitted to the Insolvency Practitioners Compliance Unit ("IPCU") on 23 January 2012 All information contained in the D form is strictly confidential and the Joint Administrators are not permitted to divulge details of their recommendations to the IPCU

5. Dividend Prospects

Preferential Creditors

- 5.1 Given that the Company ceased trading prior to the Joint Administrators' appointment, all of the employees had been made redundant. Accordingly, the Joint Administrators anticipated that there would be preferential claims in this matter.
- 5.2 The Joint Administrators are yet to receive a claim from the Redundancy Payments Office ("RPO"), although based upon current information, the preferential element of its claim is anticipated to amount to circa £9,430. The Joint Administrators have received preferential claims from employees totalling £816.

Non-Preferential Claims

- 5.3 The non-preferential creditors' claims are summarised below:

Creditor	Estimated Statement of Affairs £	Claims Received as at 28 January 2012 £
HM Revenue and Customs – VAT	68,604	68,604
HM Revenue and Customs – PAYE/NIC	96,887	99,402
RPO / Employee Claims	Uncertain	40,217
Trade and Expense	291,823	58,913

- 5.4 Any potential dividend distribution to unsecured creditors is dependent upon realisations achieved from collection of remaining book debts and recoveries made from SFP Forensics investigations. These would also be subject to any further associated costs. Based upon current realisations, it is uncertain whether or not there will be sufficient funds to pay a dividend to unsecured creditors.

The Joint Administrators' Costs

- 6.1 At **Appendix I** is the Company's Income and Expenditure Account as at 28 January 2012 compared to the estimated statement of affairs figures as at the date of the Joint Administrators' appointment. These are in the main self-explanatory.
- 6.2 At **Appendix II** is a breakdown of the time that has been incurred by the Joint Administrators' firm to date, together with details of charge-out rates / activity summaries. At **Appendix VIII** is a Guide to Administrator's Fees, being set out in Statement of Insolvency Practice 9. The Joint Administrators' fees have previously been authorised by the creditors.
- 6.3 Within 21 days of receipt of a progress report a creditor may request the Administrator to provide further information about the remuneration and expenses set out in the report. A request must be in writing and may be made by either a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors or the permission of the court.
- 6.4 In accordance with Rule 2.109 of the Rules, any secured creditor, or any unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors, or with the permission of the
-

Court, may apply to the Court on the grounds that the remuneration or other expenses are excessive. Any such application must be made no later than 8 weeks after receipt of this report.

- 6.5 The First Report detailed the position in relation to disbursements and certain types of expenditure. To ensure that creditors are aware of how this operates, this Report reiterates the position. Disbursements and specific expenditure relating to the administration of an insolvent estate and payable to an independent third party are recoverable without creditor approval. Such expenditure is made, if funds are available from the insolvent estate. If funds are not available the payment is made from the Joint Administrators' firm's office account which is reimbursed from the insolvent estate if and when funds become available.

- 6.6 Payments made out of a firm's office account and re-charged to an insolvent estate are defined as 'Category 1 Disbursements'. This disbursement is explained further under the Expenses and Disbursements heading in the Guide to Administrator's fees, at **Appendix VIII**. The Joint Administrators have incurred the following Category 1 Disbursements to date:

Expenses	£	938 50
Bordereau	£	180 00
Postal Redirect	£	54 45
Land Registry Search	£	12 00
Company Search	£	11 00

- 6.7 Expenditure incidental to the administration of the insolvent case, which by its nature includes an element of shared or allocated costs, are recoverable with creditor approval. These payments are defined as 'Category 2 Disbursements' and, once again, this disbursement is explained further in the Guide to Administrator's fees, at **Appendix VIII**. The Joint Administrators have incurred the following Category 2 Disbursements to date:

Postage	£	341 07
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As detailed in the First Report, SFP Recoveries, SFP Property, SFP Forensic and SFP Datastore Limited's ("SFP Datastore") remuneration will be treated as a Category 2 Disbursement. Creditors have previously provided sanction to recover disbursements of this type.

- 6.8 At **Appendix III** is a breakdown of the time that has been incurred by SFP Forensic to date.
- 6.9 At **Appendix IV** is a breakdown of the time that has been incurred by SFP Recoveries to date.
- 6.10 At **Appendix V** is a breakdown of the time that has been incurred by from SFP Property to date.
- 6.11 At **Appendix VI** is a breakdown of the time that has been incurred by SFP Datastore to date, together with details of disbursements. Details concerning SFP Datastore are set out in paragraph 6.13.
- 6.12 At **Appendix VII** is a breakdown of SFP and its associated entities' charge out rates.
- 6.13 The fees incurred by Winterhill, SFP Recoveries, SFP Forensic, SFP Property and the solicitors assisting in this matter, VWV and DWF are calculated on a time cost basis. SFP Datastore has
-

been employed by the Joint Administrators to store the Company's books and records as well as providing security services (where appropriate) Its fees for storage and security services are both on a fixed fee basis and on a time cost basis for any additional work carried out

7 Additional Points and Conclusion

- 7.1 Should any creditor have any questions or queries in relation to the above, please contact either the Administrator dealing with this matter, Sonal Raikundalia or the Joint Administrator on 020 7538 2222

Dated this 14th day of February 2012


Simon Plant
Joint Administrator

1A Seal Systems Limited (in Administration)

Report to Creditors

APPENDIX I

- **Income and Expenditure Account / Comparison to Estimated Statement of Affairs**

**1A Seal Systems Limited
(In Administration)**

Income and Expenditure Account

	Statement of affairs	From 29/07/2011 to 28/01/2012
	£	£
RECEIPTS		
Sale of Assets	5,000 00	5,000 00
Book Debts	136,650 00	9,577 00
Utilities Refund		17 41
Insurance Excess Refund		250 00
Cash at Bank	13,000 00	13,005 54
Bank Interest		5 17
Service Charge Refund		568 41
TOTAL RECEIPTS		<u>28,423 53</u>
PAYMENTS		
Pension Advice		300 00
SFP Datastore Fees		530 00
SFP Datastore Disbursements		72 62
SFP Property Fees		1,000 00
Joint Administrator's Remuneration		15,450 00
Joint Administrator's CAT 1 Disbursements		1,195 95
Joint Administrator's CAT 2 Disbursements		341 07
Agents/Valuers Fees		5,750 00
Agents/Valuers Disbursements		380 23
Re-Direction of Mail		27 20
Statutory Advertising		847 53
Other Property Expenses		256 00
Insurance of Assets		148 40
TOTAL PAYMENTS		<u>26,299 00</u>
BALANCE IN HAND		<u><u>2,124 53</u></u>
REPRESENTED BY		
Floating current account		254 01
VAT Control Account		1,870 52
BALANCE IN HAND		<u><u>2,124 53</u></u>

1A Seal Systems Limited (in Administration)

Report to Creditors

APPENDIX II

- **Breakdown of Joint Administrators' Fees / Activity Codes**

SFP



1A SEAL SYSTEMS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 29 JULY 2011 TO 28 JANUARY 2012

CLASSIFICATION OF WORK FUNCTION	Managing Partner	Partner	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total				
Administration and Planning	24 00	-	-	20 20	2 50	-	27 20	15 30	28 00	205 60		
Investigation	-	-	-	-	-	-	-	-	-	-		
Realisation of assets	8 30	-	-	0 60	0 10	-	-	5 50	-	12 50		
Trading	-	-	-	-	-	-	-	-	-	-		
Creditors	1 00	-	-	1 30	1 70	4 20	7 50	0 60	2 50	16 80	2 90	38 50
Total hours	31 30	-	-	1 30	22 50	6 80	7 50	27 80	98 40	32 10	28 90	266 60
Average rate £ per hour	493 61	-	-	325 00	299 11	275 00	250 00	184 62	173 08	150 00	99 48	219 03
Total costs £	15,450 00	-	-	422 50	6,730 00	1,870 00	1,875 00	5,132 50	17,032 50	4,815 00	2,875 00	56,202 50
Remuneration drawn on account	15,450 00											

See Appendix for Summary Charge Out Rates for staff

NB From 1 August 2011, practice rates have increased which would account for variances in the charge out rates

SIP 9 STANDARD ACTIVITY SUMMARIES

Standard Activity	Examples of Work
Administration and Planning	Case Planning Administrative set up Appointment and notification Maintenance of records Statutory reporting Estate accounting Schedule company books and records
Investigation	SIP 2 CDDA report Investigating antecedent transactions
Realisation of assets	Identifying, securing, insuring assets Retention of title Debt collection – pre and post appointment Property, business and asset sales Communication and negotiations with secured creditors
Trading	Planning Management of operation Communication/negotiation with suppliers Communication/negotiation with landlord Communication/negotiation with third parties Monitor goods outward/inwards Stock take On-going employee issues Travel
Creditors	Communication with creditors Creditor claims (including employees and other preferential creditors)

1A Seal Systems Limited (in Administration)

Report to Creditors

APPENDIX III

- **Breakdown of SFP Forensic Limited Fees**

SFP



FORENSIC



1A SEAL SYSTEMS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 29 JULY 2011 TO 28 JANUARY 2012

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Investigation	2 40	-	-	22 10	-	15 00	44 40
<hr/>							
Total hours	2 40	-	-	22 10	-	15 00	44 40
Average rate £ per hour	500 00	-	-	275 00	-	175 00	225 68
Total costs £	1,200 00	-	-	6,077 50	-	2,250 00	10,020 00

Remuneration drawn on account

0 00

See Appendix for Summary Charge Out Rates for staff

NB From 1 August 2011, practice rates have increased which would account for variances in the charge out rates

1A Seal Systems Limited (in Administration)

Report to Creditors

APPENDIX IV

- **Breakdown of SFP Recoveries Limited Fees**

SFP



RECOVERIES



1A SEAL SYSTEMS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 29 JULY 2011 TO 28 JANUARY 2012

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Debt Collection	-	-	-	25 60	4 00	-	132 30
						2 00	163 90
Total hours	-	-	-	25 60	4 00	-	132 30
Average rate £ per hour	-	-	-	275 00	250 00	-	173 79
Total costs £	-	-	-	7,040 00	1,000 00	-	22,992 50
						300 00	31,332 50

Remuneration drawn on account

0 00

See Appendix for Summary Charge Out Rates for staff

NB From 1 August 2011, practice rates have increased which would account for variances in the charge out rates

1A Seal Systems Limited (in Administration)

Report to Creditors

APPENDIX V

- **Breakdown of SFP Property Limited Fees**

1A SEAL SYSTEMS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 29 JULY 2011 TO 28 JANUARY 2012

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Property Issues	2 20	-	-	-	-	5 60	9 50
<hr/>							
Total hours	2 20	-	-	-	-	5 60	9 50
Average rate £ per hour	282 05	-	-	-	-	110 54	149 89
Total costs £	642 50	-	-	-	-	619 00	1,424 00

Remuneration drawn on account

							1,000 00

See Appendix for Summary Charge Out Rates for staff

NB From 1 August 2011, practice rates have increased which would account for variances in the charge out rates

1A Seal Systems Limited (in Administration)

Report to Creditors

APPENDIX VI

- **Breakdown of SFP Datastore Limited Fees / Disbursements**

SFP



DATASTORE



1A SEAL SYSTEMS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 29 JULY 2011 TO 28 JANUARY 2012

CLASSIFICATION OF WORK FUNCTION

	Storage Tasks Staff Costs	Hire of Security Personnel	Inventorising Staff Costs	Total
Boxing Up / Collection / Inventorising of Records	-	-	7 40	7 40
Security Services			-	-
Total hours	-	-	7 40	7 40
Average rate £ per hour	-	-	75 00	76 00
Total costs £	-	-	555 00	566 00
Remuneration drawn on account				530 00

See Appendix for Summary Charge Out Rates for staff

NB From 1 August 2011, practice rates have increased which would account for variances in the charge out rates

	Disbursements Incurred	£
miles @ £1 10 per mile		-
Retrieval costs		-
boxes @ £5 per box		-
Expenses		72 62
Storage costs		-
Destruction costs		-
Disbursements Incurred		72 62
Disbursements drawn on account		72 62

1A Seal Systems Limited (in Administration)

Report to Creditors

APPENDIX VII

- **SFP and Associated Entity Charge Out Rates**

SFP and the Associated Entities remuneration is calculated on an hourly time cost basis, divided into 6 minute units calculated as follows:

Main Practice			SFP Forensic Limited			SFP Property Limited			SFP Recoveries Limited		
Grade	Rate p/hr		Grade	Rate p/hr		Grade	Rate p/hr		Grade	Rate p/hr	
Managing Partner	500		Managing Director	500		Managing Director	350		Managing Director	500	
Partner 2	450		Senior Manager 2	350		Senior Manager 2	275		Senior Manager 2	350	
Partner 1	400		Senior Manager 1	325		Senior Manager 1	250		Senior Manager 1	325	
Senior Manager 2	350		Manager 2	300		Manager 2	225		Manager 2	300	
Senior Manager 1	325		Manager 1	275		Manager 1	200		Manager 1	275	
Manager 2	300		Senior Administrator 2	250		Senior Administrator 2	175		Senior Administrator 2	250	
Manager 1	275		Senior Administrator 1	225		Senior Administrator 1	155		Senior Administrator 1	225	
Senior Administrator 2	250		Administrator 2	175		Administrator 2	135		Administrator 2	175	
Senior Administrator 1	225		Administrator 1	150		Administrator 1	115		Administrator 1	150	
Administrator 2	175		Assistant	100		Assistant	100		Assistant	100	
Administrator 1	150										
Assistant	100										

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	
Storage Tasks (Retrieval and collection)		
Staff costs		
Inventorising and Additional		
Staff Costs		

SFP Datastore Limited		
Grade	Rate p/hr	

STATEMENT OF INSOLVENCY PRACTICE 9 (R & W)

A CREDITORS' 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, explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive.

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 remuneration

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.105 of the Insolvency Rules 1986 which states that it shall be fixed:

- as a percentage of the value of the property which the administrator has to deal with,
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration; or
- as a set amount.

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the administrator. Where the remuneration is fixed as a percentage different percentages may be used for different things done by the administrator.

It is for the creditors' committee (if there is one) to determine on which of these bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage it is for the committee to determine the percentage or percentages to be applied, and where it is a set amount, to determine that amount. Rule 2.105 says that in arriving at its decision the committee shall have regard to the following matters:

STATEMENT OF INSOLVENCY PRACTICE 9 (R & W)

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 (and provided the circumstances described in paragraph 4.3 do not apply), the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as apply in the case of the committee. If the remuneration is not fixed in any of these ways it will be fixed by the court on application by the administrator, but the administrator may not make such an application unless he has first tried to get his remuneration fixed by the committee or creditors as described above, and in any case not later than 18 months after his appointment.

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has sufficient 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 the case of there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by 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,

having regard to the same matters as the committee would.

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 Review of remuneration

5.1 Where there has been a material and substantial change in circumstances since the basis of the administrator's remuneration was fixed the administrator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval.

6 Approval of pre-administration costs

6.1 Sometimes the administrator may need to seek approval for the payment of costs in connection with preparatory work incurred before the company went into administration but which remain unpaid. Such costs may relate to work done either by the administrator or by another insolvency practitioner. Details of such costs must be included in the administrator's proposals.

6.2 Where there is a creditors' committee it is for the committee to determine whether and to what extent such costs should be approved for payment. If there is no committee or the committee does not make the necessary determination, or if it does but the administrator or other insolvency practitioner who has incurred pre-administration costs considers the amount agreed to be insufficient, approval may be given by a meeting of creditors. Where the circumstances dictate an insufficient approval may be given by a meeting of creditors. Where the circumstances dictate an

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paragraph 4.3 apply the determination may be made by the same creditors as approve the administrator's remuneration.

6.3 The administrator must convene a meeting of the committee or the creditors for the purposes of approving the payment of pre-administration costs if requested to do so by another insolvency practitioner who has incurred such costs. If there is no determination under these provisions, or if there is but the administrator or other insolvency practitioner considers the amount agreed to be insufficient, the administrator may apply to the court for a determination.

7 What information should be provided by the administrator?

7.1 When seeking remuneration approval

7.1.1 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.

7.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he will 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.

7.1.3 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 (without 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 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:

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- 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 value of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting time recording fee drawing or fee agreement.
- Any costing 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.

7.1.4 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.

7.2 After remuneration 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 (see further paragraph 8.1 below). 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 7.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 7.1.4 above regarding work which has been sub-contracted out.

7.3 Disbursements and other expenses

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements, but there is provision for the creditors to challenge them, as described below. 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.

8 Progress reports and requests for further information

8.1 The administrator is required to send a progress report to creditors at 6-monthly intervals. The report must include:

- details of the basis fixed for the remuneration of the administrator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it);
- if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount without any apportionment for the period of the report);
- if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done during those periods, irrespective of whether payment was actually made during the period of the report;
- a statement of the expenses incurred by the administrator during the period of the report, irrespective of whether payment was actually made during that period.

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the date of approval of any pre-administration costs and the amount approved; a statement of the creditors' rights to request further information, as explained in paragraph 8.2, and their right to challenge the administrator's remuneration and expenses.

- 8.2 Within 21 days of receipt of a progress report a creditor may request the administrator to provide further information about the remuneration and expenses (other than pre-administration costs) set out in the report. A request must be in writing, and may be made either by a secured creditor or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court.
- 8.3 The administrator must provide the requested information within 14 days, unless he considers that
- the time and cost involved in preparing the information would be excessive or
 - disclosure would be prejudicial to the conduct of the administration or might be expected to lead to violence against any person, or
 - the administrator is subject to an obligation of confidentiality in relation to the information requested.
- in which case he must give the reasons for not providing the information.
- Any creditor may apply to the court within 21 days of the administrator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information.
- 9 Provision of information – additional requirements
- The administrator 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.
- 10 What if a creditor is dissatisfied?
- 10.1 If a creditor believes that the administrator's remuneration is too high, the basis is inappropriate or the expenses incurred by the administrator are in as the circumstances excessive he may, provided certain conditions are met, apply to the court.
- 10.2 Application may be made to the court by any secured creditor or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the administrator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 8.1 above). 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.
- 10.3 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise the costs of the application must be paid by the applicant and not as an expense of the administration.

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11 What if the administrator is dissatisfied?

- 11.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or that the basis be changed, by resolution of the creditors'. If he considers that the remuneration fixed by the committee or the creditors' is insufficient or that the basis used to fix it is inappropriate he may apply to the court for the amount or rate to be increased or the basis changed. 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.
- 12 Other matters relating to remuneration
- 12.1 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.
- 12.2 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.
- 12.3 If a new administrator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new administrator until a further determination, resolution or court order is made.
- 12.4 Where the basis of the remuneration is a set amount, and the administrator ceases to act before the time has elapsed of the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing administrator. The application must be made to the same body as approved the remuneration. Where the outgoing administrator and the incoming administrator are from the same firm, they will usually agree the apportionment between them.
- 13 Effective date

This guide applies where a company enters administration on or after 6 April 2010, except where

the application for an administration order was made before that date or where the administration was preceded by a liquidation which commenced before that date.

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- **1A Seal Systems Limited (in Administration)**

Report to Creditors

APPENDIX IX

- **Category 2 Disbursement Summary Charge Sheet**
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SFP



DIRECT EXPENSES (Category 1 Disbursements)

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case, will be charged to the estate as cost, with no uplift. These include, but are not limited, to such items as advertising, bonding and other insurance premiums and properly reimbursed expenses.

INDIRECT EXPENSES (Category 2 Disbursements)

It is normal practice to also charge the following indirect disbursements (Category 2 Disbursements, as defined by SIP 9) to the case, where appropriate. These costs are as follows:

Stationery / Photocopying	Cost Per Page / Envelope
* 1 page of headed paper	0 12
* 1 page of continuation paper	0 10
* 1page of photocopying paper	0 02
* Envelopes (all sizes)	0 10
 Postage	 Postage Rate
Postage – 1 st class (small)	0 32
Postage – 1 st class (large)	0 44
Postage – 2 nd class (small)	0 22
Postage – 2 nd class (large)	0 36

Travel

Mileage incurred as a result of necessary travel is charged at the Inland Revenue approved rate of 40p per mile.

Please note that sanction has been obtained to treat the fees of SFP Forensic Limited, SFP Property Limited, SFP Recoveries Limited and SFP Datastore Limited as Category 2 disbursements.