

**2.24B**

The Insolvency Act 1986

**Administrator's progress report**

Name of Company

Keep It Kool Shade Sails Limited

Company number

05635392

In the

Birmingham District Registry

(full name of court)

Court case number

8538 of 2011

(a) Insert full  
name(s) and  
address(es) of  
administrator(s)I/We (a)  
Simon Franklin Plant  
S F P  
9 Ensign House  
Admirals Way  
Marsh Wall  
London  
E14 9XQDaniel 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

From

To

(b) Insert date

(b) 28 October 2011

(b) 27 April 2012

Signed

Joint Administrator(s)

Dated

21 5 12

**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

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

DX Number

020 7538 2222  
DX Exchange

WEDNESDAY

A43 \*A19JOB5\* 23/05/2012 #51  
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

**Strictly Private and Confidential**

**Keep It Kool Shade Sails Limited (In Administration)**

**Report to Creditors**

**Simon Franklin Plant**  
**MIPA FABRP**

**Daniel Plant**  
**MIPA FABRP**

**SFP**  
**9 Ensign House**  
**Admirals Way**  
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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 Keep It Kool Shade Sails Limited (in Administration) (Co Number 05635392) ("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 9 November 2011, enclosing the Joint Administrators' Report and Proposals ("the First Report"). This detailed progress up to 4 November 2011 and set out the Joint Administrators' proposals to creditors. A subsequent letter was circulated to creditors on 24 November 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 27 April 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 28 October 2011, a Notice of Appointment of an Administrator by Holder of a Qualifying Floating Charge ("the Notice of Appointment") was presented to the Birmingham District Registry by solicitors, Shakespeares ("Shakespeares"), on behalf of Aldermore Invoice Finance Limited (formerly, Cattles Invoice Finance Limited) ("Aldermore").
- 2.2** On the same day, the Notice of Appointment was endorsed with case number 8538 of 2011. Both Simon Franklin Plant and Daniel Plant of SFP, 9 Ensign House, Admirals Way, Marsh Wall, London E14 9XQ 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 / Miscellaneous**

**Sale of the Company's Business and Assets**

- 3.1** As detailed in the First Report, valuation agents, Winterhill Asset Limited ("Winterhill") advised that it would not be possible to trade the business whilst in Administration given that the Company had already ceased to trade. Accordingly, the collective view of the Joint Administrators and Winterhill was that an expedient sale of the Company's business and assets to existing management or a third party would generate the most effective recovery.
- 3.2** In light of the above, enquires were made with the Company's directors who advised that they did not have sufficient funding available to make an offer. They did however advise that one of the Company's competitors, Broxap Limited ("Broxap") had previously expressed an interest in the Company's business and assets.
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- 3.3 Discussion were subsequently held with certain directors of Broxap who confirmed an interest in purchasing the Company's business and assets
- 3.4 Once Winterhill had completed its valuation, negotiations commenced with Broxap and an initial offer of £35,000 was received and subsequently rejected
- 3.5 After lengthy negotiations, a final offer of £100,000 was elicited by the Joint Administrators, payable in one lump sum upon completion. The offer was discussed with Winterhill who advised that it represented a good realisation in the circumstances and should be accepted
- 3.6 Accordingly, solicitors Clarke Willmott was instructed to draft a sale and purchase agreement. Following various amendments, a final draft was agreed upon and completion took place at 1 30pm on 4 November 2011. The sale consideration has been received in full.

#### **Third Party Plant**

- 3.7 Various items of hire purchase plant & equipment that were excluded from the sale to Broxap were collected by Lombard North Central Plc following the sale of the business and assets. These items were subsequently sold and a surplus of £9,714.99 has been received.

#### **Debtors**

- 3.8 As at the date of the placing of the Company into Administration, its ledger was £296,747 with Aldermore having an outstanding commitment of £204,849.
- 3.9 An entity associated with the Joint Administrators' firm, SFP Recoveries Limited ("SFP Recoveries") was instructed to monitor the progress of debtor collections and provide assistance to Aldermore, if required.
- 3.10 SFP Recoveries has advised that Aldermore has collected its core commitment in full and has reassigned the ledger to the Company. To date, SFP Recoveries has collected £8,640 from the reassigned ledger. A further update will be provided in the Joint Administrators' final report.

#### **The Company's Trading Premises**

- 3.11 As stated in the First Report, the Company is understood to have traded informally from premises at Unit 1 Grove Close, Gayton, Eastcote, Northamptonshire, NN12 8NG ("the Trading Premises") and Bay Farm, Eastcote, Northamptonshire ("the Bay Farm Premises").
  - 3.12 An entity associated with the Joint Administrators' firm, SFP Property Limited ("SFP Property") was instructed to review the position and conclude any interest the Company had in either site.
  - 3.13 SFP Property has since obtained confirmation from the landlord of the Trading Premises that the Company has no interest in the property. Further, it is currently liaising with the landlord of the Bay Farm Premises to confirm the same. An update regarding this will be provided in the final report in due course.
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#### 4. Investigations

In accordance with the Joint Administrators' duties, investigations were made into the conduct of the Company's current and former directors 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 10 April 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 Joint Administrators completed a sale of the Company's business and assets, all of its employees were transferred to Broxap pursuant to Transfer of Undertakings (Protection of Employment) Regulations. Despite this, employees are entitled to submit claims to the Redundancy Payments Office ("RPO") in respect of wage arrears.
- 5.2 The RPO has not yet submitted a claim although based upon current information, it is anticipated that the preferential element of its claim will be circa £4,871.

##### Non-Preferential Claims

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

Creditor	Estimated Statement of Affairs £	Claims Received as at 27 April 2012 £
HM Revenue and Customs – VAT/PAYE/NIC	55,000 00	127,662 00
RPO / Employee Claims	Uncertain	15,222 00
Trade and Expense	316,945 00	294,348 00

- 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.

#### 6. The Joint Administrators' Costs

- 6.1 At Appendix I is the Company's Income and Expenditure Account as at 27 April 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	£	1,054.99
Bonding	£	330.00
Postal Redirection	£	54.45
Companies House fees	£	18.00

The following Category 1 Disbursements have been incurred by the Joint Administrators but not re-charged to the estate:

Company Search	£	3.00
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- 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	£	414.75
Mileage	£	378.90

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As detailed in the First Report, SFP Recoveres, 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 Recoveres 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 Recoveres, SFP Forensic, SFP Property and the solicitors assisting in this matter, Shakespeares 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 Senior Administrator dealing with this matter, Catherine Hamson or the Joint Administrator on 020 7538 2222

Dated this 18<sup>th</sup> day of May 2012



Simon Plant  
Joint Administrator



**Keep It Cool Shade Sails Limited**  
**(In Administration)**

**Income and Expenditure Account**

	Statement of affairs £	From 28/10/2011 To 27/04/2012 £
<b>RECEIPTS</b>		
Sale of Business & Assets	100,000 00	100,000 00
Furniture & Equipment		9,714 99
Book Debts		8,640 00
Utilities Refund		129 57
Bank Interest Gross		14 20
<b>TOTAL RECEIPTS</b>		<u>118,498 76</u>
<b>PAYMENTS</b>		
SFP Property Fees		850 00
SFP Recoveries Fees		5,000 00
Joint Administrator's Remuneration		74,900 00
Joint Administrator's CAT 1 Disb		1,457 44
Joint Administrator's CAT 2 Disb		793 65
Agents/Valuers Fees		7,500 00
Agents/Valuers Disbursements		712 00
Legal Fees		19,180 00
Legal Disbursements		40 00
Statutory Advertising		177 10
Other Property Expenses		2,368 00
Insurance of Assets		572 40
Bank Charges		12 00
<b>TOTAL PAYMENTS</b>		<u>113,562 59</u>
<b>BALANCE IN HAND</b>		<u><u>4,936.17</u></u>
<b>REPRESENTED BY</b>		
Bank		4,936 18
VAT Receivable		0 00
<b>BALANCE IN HAND</b>		<u><u>4,936.18</u></u>

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**Display One Limited (In Administration)**

**Report to Creditors**

**APPENDIX II**

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

SFP



KEEP IT COOL SHADE SAILS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 28 OCTOBER 2011 TO 27 APRIL 2012

CLASSIFICATION OF WORK FUNCTION	Managing Partner	Partner	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Administration and Planning	21 30	1 70	-	41 00	0 20	12 80	27 80	305 40
Investigation	-	-	-	-	-	-	-	-
Realisation of assets	10 70	1 50	-	7 30	-	0 40	-	19 90
Trading	-	1 40	-	0 50	-	-	-	1 90
Creditors	1 90	-	-	1 80	3 80	7 10	15 50	47 00
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Total hours	33 90	4 60	-	50 60	3 80	13 50	43 30	374 20
Average rate £ per hour	500 00	450 00	-	325 00	275 00	225 00	150 00	217 50
Total costs £	16 950 00	2 070 00	-	15 180 00	1 045 00	3 037 50	6 495 00	81,387 50

Remuneration drawn on account

74 900 00

See Appendix for Summary Charge Out Rates for staff

SFP



FORENSIC



KEEP IT COOL SHADE SAILS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 28 OCTOBER 2011 TO 27 APRIL 2012

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Investigation	26 40	-	4 10	-	3 10	14 80	52 80
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Total hours	26 40	-	4 10	-	3 10	14 80	52 80
Average rate £ per hour	500 00	-	325 00	-	175 00	100 00	332 67
Total costs £	13200 00	-	1332 50	-	542 50	1480 00	17,565 00
Total expenses £							0 00
Total costs & expenses £							17,565 00
Remuneration & expenses drawn on account							0 00

See Appendix for Summary Charge Out Rates for staff

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**Display One Limited (in Administration)**

**Report to Creditors**

**APPENDIX IV**

- **Breakdown of SFP Recoveries Limited Fees**

KEEP IT COOL SHADE SAILS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 28 OCTOBER 2011 TO 27 APRIL 2012

CLASSIFICATION OF WORK FUNCTION	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Debt Collection	-	-	-	2 90	57 70	10 90	77 00
			5 50				
Total hours	-	-	-	2 90	57 70	10 90	77 00
Average rate £ per hour	-	-	-	250 00	175 00	150 00	181 43
Total costs £	-	-	-	725 00	10097 50	1635 00	13,970 00
Remuneration drawn on account							5,000 00

See Appendix for Summary Charge Out Rates for staff

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**Display One Limited (in Administration)**

**Report to Creditors**

**APPENDIX V**

- **Breakdown of SFP Property Limited Fees**

KEEP IT COOL SHADE SAILS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 28 OCTOBER 2011 TO 27 APRIL 2012

CLASSIFICATION OF WORK FUNCTION

	Managing Director	Senior Manager	Manager	Senior Administrator	Administrator	Assistant	Total
Property Issues	5 40	-	-	4 30	-	1 80	12 90
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Total hours	5 40	-	-	4 30	-	1 80	12 90
Average rate £ per hour	350 00	-	-	200 00	-	115 00	240 08
Total costs £	1,890 00	-	-	860 00	-	207 00	3,097 00
Total expenses £							0 00
Total costs & expenses £							<u>3,097 00</u>
Remuneration & expenses drawn on account							<u><u>850 00</u></u>

See Appendix for Summary Charge Out Rates for staff



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**Display One Limited (in Administration)**

**Report to Creditors**

**APPENDIX VI**

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

KEEP IT KOOL SHADE SAILS LIMITED (IN ADMINISTRATION)

SUMMARY OF TIME AND CHARGE OUT RATES FROM 28 OCTOBER 2011 TO 27 APRIL 2012

CLASSIFICATION OF WORK FUNCTION

Boxing Up / Collection / Inventorising of Records

Security Services

Storage Tasks Staff Costs	Hire of Security Personnel	Inventorising Staff Costs	Total
19 3		11 9	31 20
	49 20		49 20
19 30	49 20	11 90	80 40
25 00	18 50	75 00	28 42
482 50	910 20	892 50	2285 20

Total hours

Average rate £ per hour

Total costs £

Remuneration and disbursements drawn on account

See Appendix for Summary Charge Out Rates for staff

Disbursements Incurred	£
Storage boxes purchased 21 boxes @ £5 00 per box	105 00
Mileage 178 2 miles @ £1 10 per mile	196 02
Retrieval costs	140 00
Storage cost	393 12
Destruction Costs	189 00
Expenses	361 03
Disbursements Incurred	1,394 17
Disbursements drawn on account	-

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**Display One Limited (In Administration)**

**Report to Creditors**

**APPENDIX VII**

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

as follows:

Main Practice		
<u>Grade</u>	<u>Rate p/hr</u>	
Managing Partner	500	
Partner 2	450	
Partner 1	400	
Senior Manager 2	350	
Senior Manager 1	325	
Manager 2	300	
Manager 1	275	
Senior Administrator 2	300	
Senior Administrator 1	275	
Senior Administrator 2	250	
Senior Administrator 1	225	
Administrator 2	175	
Administrator 1	150	
Assistant	100	

SFP Forensic Limited		
<u>Grade</u>	<u>Rate p/hr</u>	
Managing Director	500	
Senior Manager 2	350	
Senior Manager 1	325	
Manager 2	300	
Manager 1	275	
Senior Administrator 2	250	
Senior Administrator 1	225	
Administrator 2	175	
Administrator 1	150	
Assistant	100	

SFP Property Limited		
<u>Grade</u>	<u>Rate p/hr</u>	
Managing Director	350	
Senior Manager 2	275	
Senior Manager 1	250	
Manager 2	225	
Manager 1	200	
Senior Administrator 2	175	
Senior Administrator 1	155	
Administrator 2	135	
Administrator 1	115	
Assistant	100	

SFP Recoveries Limited		
<u>Grade</u>	<u>Rate p/hr</u>	
Managing Director	500	
Senior Manager 2	350	
Senior Manager 1	325	
Manager 2	300	
Manager 1	275	
Senior Administrator 2	250	
Senior Administrator 1	225	
Administrator 2	175	
Administrator 1	150	
Assistant	100	

SFP Datastore Limited			
<u>Grade</u>	<u>Rate p/hr</u>	<u>Retrieval Rates Guide</u>	<u>Supporting Services</u>
<b>Storage Tasks (Retrieval and collection)</b>		Box Storage	
		A4	18p / box / week
		A3	21p / box / week
<b>Staff costs</b>	25	Transit Cases	6p / box / week
		Retrieval costs from site	£1 10 per mile
<b>Inventorising and Additional</b>		Same Day Delivery (up to 10 items / £1 50 per item thereafter)	£22 50
		Next Day Delivery (up to 10 items / £1 50 per item thereafter)	£15 00
<b>Staff Costs</b>	75	Delivery to third party offices (up to 10 items / £1 50 per item thereafter)	£25 00
		Provision of archive boxes	£5 per box
			Hire of Security Personnel
			£18 50 per hour
			Mileage
			£1 10 per mile
			Chauffeur Services
			£1 35 per mile (£50 minimum)



## 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, explain 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 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

## STATEMENT OF INSOLVENCY PRACTICE 9 (E &amp; W)



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 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.

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 (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, 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:



## STATEMENT OF INSOLVENCY PRACTICE 9 (E &amp; 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 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, if 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 requested 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 described in



## STATEMENT OF INSOLVENCY PRACTICE 9 (E &amp; W)

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

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

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 period 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.



- 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 all 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 9 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.



#### 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 the basis 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 each 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 or 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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**Display One Limited (in Administration)**

**Report to Creditors**

**APPENDIX IX**

- **Category 2 Disbursement Summary Charge Sheet**
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### **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:

<b>Stationery / Photocopying</b>	<b>Cost Per Page / Envelope</b>
* 1 page of headed paper	0.12
* 1 page of continuation paper	0.10
* 1 page of photocopying paper	0.02
* Envelopes (all sizes)	0.10
 <b>Postage</b>	 <b>Postage Rate</b>
Postage – 1 <sup>st</sup> class (small)	0.32
Postage – 1 <sup>st</sup> class (large)	0.44
Postage – 2 <sup>nd</sup> class (small)	0.22
Postage – 2 <sup>nd</sup> class (large)	0.36

### **Travel**

Mileage incurred as a result of necessary travel is charged at the H M Revenue & Customs 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.**