

The Insolvency Act 1986

Administrator's progress report**R2.38**

Pursuant to Rule 2.38 of the Insolvency (Scotland) Rules 1986

Name of Company

Select Contract Maintenance Limited

Company number

SC226100

(a) Insert full
name(s) and
address(es) of
administrator(s)I/We (a)
John Charles Reid
Deloitte LLP
Lomond House
9 George Square
Glasgow
G2 1QQIan Brown
Deloitte LLP
1 City Square
Leeds
LS1 2AL

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

from

to

(b) Insert date(s)

(b) 27 November 2008

(b) 26 May 2009

Signed

Joint / Administrator(s)

Dated

24 JUNE 2009

Contact Details:

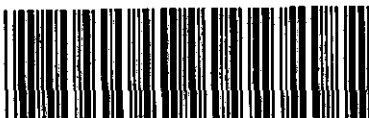
You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form.

The contact information that you give will be visible to searchers of the

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26/06/2009

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COMPANIES HOUSE

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

Companies House, 37 Castle Terrace, Edinburgh EH1 2EB
DX 235 Edinburgh / LP 4 Edinburgh-2

TO ALL CREDITORS OF SCOTTISH GRASS MACHINERY LIMITES, SGM
FINANCE LIMITED, SELECT CONTRACT MAINTENANCE LIMITED AND
SGM GROUP LIMITED (ALL IN ADMINISTRATION) ("THE COMPANIES")

Direct: 0131 535 7426
Direct fax: 0131 535 7777
sold@deloitte.co.uk

24 June 2009

Our Ref: JCR/WKD/SJC/EXC/SXO

Dear Sirs

Scottish Grass Machinery Limited, SGM Finance Limited, Select Contract Maintenance Limited, SGM Group Limited (All in Administration) ("the Companies")

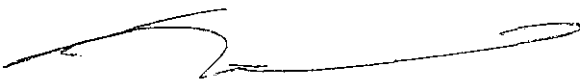
In accordance with Rule 2.38 of the Insolvency (Scotland) Rules 1986 (as amended), we write to advise you on the progress of the Administrations.

The following document is enclosed:

- **Administrators' Progress Report** which includes the additional information, prescribed by the Rules.

As outlined in Section 3.3 of the enclosed Progress Report, the Administrators advise that there are no funds available to the unsecured creditors. Accordingly, there will be no dividend to the unsecured creditors of the Companies.

Yours faithfully
For and on behalf of the Companies


John C. Reid
Joint Administrator

Enc

THE AFFAIRS, BUSINESS AND PROPERTY OF THE COMPANIES ARE CURRENTLY MANAGED BY JOHN REID AND WILLIAM DAWSON AS JOINT ADMINISTRATORS. THE ADMINISTRATORS ACT AS AGENT OF THE COMPANIES AND WITHOUT PERSONAL LIABILITY.

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**SCOTTISH GRASS MACHINERY LIMITED, SGM FINANCE LIMITED, SELECT
CONTRACT MAINTENANCE LIMITED AND SGM GROUP LIMITED (ALL IN
ADMINISTRATION) ("the Companies")**

**SIX MONTHLY PROGRESS REPORT TO CREDITORS
PURSUANT TO RULE 2.38 OF THE INSOLVENCY (SCOTLAND) RULES 1986
(AS AMENDED)**

24 June 2009

This report has been prepared for the sole purpose of advising the Creditors. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by Creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.

The Administrators act as agents of the Company without personal liability.

**John Reid & Ian Brown
Deloitte LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2DB**

CONTENTS	Page
1. INTRODUCTION	1
2. JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT AND ESTIMATED OUTCOME STATEMENT	2
3. DISTRIBUTIONS TO CREDITORS	3
4. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS	4
5. JOINT ADMINISTRATORS FEES AND EXPENSES	5

APPENDICES

- 1. Summary of Statutory information**
- 2. Joint Administrators' receipts and payments accounts as at 23 May 2009**
- 3. Joint Administrators' time costs**
- 4. A Creditors' guide to Administrator's fees**

1. INTRODUCTION

1.1 Introduction

This report has been prepared in accordance with Rule 2.38 of The Insolvency (Scotland) Rules 1986 (as amended) ("the Rules") to provide creditors with an update on the progress of the Administration of the Company since our last report to creditors dated 22 December 2008.

This report follows on from our previous reports of 12 January 2007, 4 July 2007, 10 December 2007, 24 June 2008 and 22 December 2008.

Our report is prepared on the combined basis for the Companies in light of the commonality of creditors and cross guarantees granted to the Bank of Scotland ("the Bank") by the Companies.

A schedule of statutory information in respect of the Companies are contained in Appendix 1.

2. JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT AND ESTIMATED OUTCOME STATEMENT

2.1 Introduction

Set out in Appendix 2 is a Receipts and Payments account in respect of each of the Companies covering the period from 24 November 2008 to 23 May 2009.

In light of the ongoing recovery of the assets of the Companies, the Administrators have determined that the disclosure of an estimate of the value of the Companies' net property would seriously prejudice the commercial interests of the Group. Accordingly, pursuant to Rule 2.25(k)(i)(bb) of the Rules, this information is not disclosed as part of the Administrators' Progress Report.

2.2 Asset realisations

The staggered sale of the business and assets of the Companies to SGM (UK) Limited was concluded on 24 January 2007. The agreed sale included certain of the book debts, stock and plant and equipment of the Companies, along with an option to acquire the Companies' property.

As previously reported the staggered sale of the assets of the Companies is now unlikely to be complete until July 2011 and, as previously reported the Administrators have now been granted a 36 month extension from 27 November 2008 to 26 November 2011.

The assets remaining to be realised are:

- Certain of the plant & equipment; and
- Assets not realisable at the date of appointment as a result of the contractual obligations of the Companies.

3. DISTRIBUTIONS TO CREDITORS

3.1 Secured creditors

The Bank was due approximately £16,200,000 at the date of appointment excluding accrued interest. As stated in our report of 12 January 2007, the Bank will not recover its lending in full.

3.2 Preferential creditors

Preferential claims have been paid in full.

3.3 Unsecured creditors

As set out in our previous reports, it is not expected that there will be any dividend paid to the unsecured creditors of any of the Companies.

There have been no revisions to the proposals as stated in our report of 12 January 2007.

4. OTHER MATTERS AND INFORMATION TO ASSIST CREDITORS

4.1 Extensions to the initial appointment period

As previously reported the Administrations were originally extended for one year in November 2007. The Administrators then went back to the court in November 2008 and were granted a further extension of three years to 23 November 2011. The reason for the extension is due to the staggered sale of the assets, and the fact that some of the Companies assets are not realisable due to contractual commitments during the same period.

4.2 SIP 13 – Transactions with connected parties

In accordance with Statement of Insolvency Practice Number 13, we advise that some of the Directors of SGM (UK) Ltd are also Directors of the Companies.

4.3 EC Regulations

As stated in the Administration Order in respect of the Companies, Council Regulation (EU), No 1346/2000 applies and these are the main proceedings as defined in Article 3(1) of that regulation.

5. JOINT ADMINISTRATORS' FEES AND EXPENSES

6.1 Joint Administrators' Fees

In accordance with Rule 2.39 of the Rules, the Administrators' remuneration must be approved by the Bank as secured creditor of the Companies and Preferential Creditors.

As previously reported, total fees of £617,500 and total expenses of £30,789 were drawn in the period to 27 May 2008 in respect of the Companies. Further fees of £50,000 have been drawn from 27 May 2008 to 9 October 2008 in relation to the Administration of the Companies under resolutions passed by secured and preferential creditors in accordance with Rule 2.39 of the Rules. The fees and expenses drawn to date are summarised as follows:

Fee & Expense Analysis			
	18 Months to 26-May-2008 £	27-May-2008 to 09-Oct-2008 £	Total £
Fee			
SGM Finance Limited	410,500	50,000	460,500
Scottish Grass Machinery Limited	181,000	-	181,000
Select Contract Maintenance Limited	26,000	-	26,000
	617,500	50,000	667,500
Expenses			
SGM Finance Limited	19,000	-	19,000
Scottish Grass Machinery Limited	9,868	-	9,868
Select Contract Maintenance Limited	1,921	-	1,921
	30,789	-	30,789
<i>Deloitte Analysis</i>			

The Administrators' time costs for the Administrations are summarised in the tables below. A detailed analysis of the time spent by work function is contained in Appendix 3.

SGM Finance Limited - In Administration Analysis of Joint Administrators' Fees								
Area	Partners Hours	Directors Hours	Managers Hours	Other Senior Staff Hours	Support Staff Hours	Total Hours	Fee (£)	Average Rate (£)
Admin & Planning	8.6	57.0	93.5	34.0	128.9	322.0	80,443	250
Creditors	21.0	70.9	121.6	76.1	79.0	368.6	98,774	268
Investigations	6.5	10.3	27.5	10.6	6.4	61.3	17,891	292
Realisation of Assets	35.5	129.2	272.3	81.7	56.9	575.6	178,134	309
Trading	20.0	66.8	197.9	137.4	119.3	541.4	133,828	247
Other	12.5	12.5	45.1	-	7.2	77.3	27,543	356
Total	104.1	346.7	757.9	339.8	397.7	1,946.2	536,613	
Average Rate (£)							276	
Source: Deloitte analysis								

Scottish Grass Machinery Limited - In Administration

Analysis of Joint Administrators' Fees

Area	Partners Hours	Directors Hours	Managers Hours	Other Senior Staff Hours	Support Staff Hours	Total Hours	Fee (£)	Average Rate (£)
Admin & Planning	15.6	15.5	35.1	12.0	44.5	122.7	34,091	278
Creditors	-	11.0	38.1	32.0	49.9	131.0	30,694	234
Investigations	4.0	2.5	6.7	3.5	3.7	20.4	6,260	307
Realisation of Assets	37.5	21.5	42.0	25.8	29.7	156.5	49,700	318
Trading	15.5	46.9	53.3	100.2	43.0	258.9	68,520	265
Other	-	1.8	17.8	3.5	8.5	31.6	8,938	283
Total	72.6	99.2	193.0	177.0	179.3	721.1	198,203	
Average Rate (£)							275	

Source: Deloitte analysis

Select Contract Maintenance Limited - In Administration

Analysis of Joint Administrators' Fees

Area	Partners Hours	Directors Hours	Managers Hours	Other Senior Staff Hours	Support Staff Hours	Total Hours	Fee (£)	Average Rate (£)
Admin & Planning	7.0	17.0	9.2	13.8	27.7	74.7	19,453	260
Creditors	-	9.5	15.7	38.2	45.8	109.2	22,096	202
Investigations	1.5	1.5	2.5	5.9	12.8	24.2	4,834	200
Realisation of Assets	6.8	11.5	38.0	20.9	30.0	107.2	25,207	235
Trading	2.5	19.6	35.5	51.9	5.5	115.0	30,782	268
Other	-	1.5	11.8	-	1.0	14.3	5,123	358
Total	17.8	60.6	112.7	130.7	122.8	444.6	107,495	
Average Rate (£)							242	

Source: Deloitte analysis

Statement of Insolvency Practice 9 (Scotland) – Remuneration of Insolvency Office Holders ("SIP 9"), which includes A Creditors Guide to Administrators' Fees, is available via the following website:

www.r3.org.uk

We will also be pleased to provide a copy of SIP 9 to you on request.

The categories of work are as follows:

- **Administration and planning** includes case planning, case set-up, notification of appointment, maintenance of our case files and insolvency case record, statutory reporting, compliance, cashing and accounting.
- **Creditors** includes set-up of creditor records, creditor communications, preferential claims, unsecured claims, secured and employee claims.
- **Investigations** includes investigating the companies affairs and in particular any antecedent transactions and also reporting on the conduct of its directors.

- **Realisation of assets** includes identifying, securing and insuring assets, sale of business, transition of contracts, property issues, disposal of stocks, collection of debts, realisation of other fixed assets and VAT and taxation matters.
- **Trading** includes planning, identifying strategy, preparation of trading forecasts, monitoring of performance against the forecasts, managing operations, dealing with supplier and landlord issues to ensure continuity of operations, accounting and employees (including pensions and other staff benefits).

5.2 Disbursements

The Administrators' direct disbursements in the Administrations for the administrations were as follows:

Nature of disbursement	Total (£)
Postage	2,420.64
Travel	13,687.52
Subsistence	5,099.44
Accommodation	5,661.52
Locksmiths	270.72
Photocopying (External)	4,079.25
Couriers	40.17
Storage	2.27
Total	31,261.53

Note that Deloitte policy is to seek approval of both Category 1 and 2 disbursements and therefore there is no need to distinguish between the two. Disclosure is required where we have incurred Category 2 expenses such as mileage and internal copying.

Mileage is calculated at the prevailing standard mileage rate of up to 40p used by Deloitte at the time when the mileage is incurred.

5.3 Charge out rates

Our charge out rates for the staff involved in this assignment are as follows:

Grade	£
Partners	475 to 615
Managers	265 to 379
Assistants and Support Staff	155 to 240

All partners and technical staff (including cashiers) assigned to the case record their time spent working on the case on a computerised time recording system. Time spent by secretarial staff working on the assignment has not been recorded or recovered. The appropriate staff have been assigned to work on each aspect of the case based upon their seniority and experience, having regard to the complexity of the relevant work, the financial value of the assets being realised and/or claims agreed.

5.4 Other professional costs

As previously advised, Shepherd & Wedderburn LLP were instructed by the Administrators to advise on appropriate legal matters. Rothera Dawson were utilised on a specific legal matter of which they had pre appointment knowledge. In addition, King Sturge, a firm of chattel agents, were instructed by the Administrators to undertake inventories and valuations of stock, plant and equipment, fixtures and fittings and other chattel assets where appropriate. The professional costs to date are summarised in the table below. All professional costs are reviewed and analysed before payment is approved.

Name of lawyer/agent	Fees £
Shepherd & Wedderburn LLP	115,422.19
King Sturge	135,272.13
Rothera Dawson	1,742.37
Total	252,436.69

**SCOTTISH GRASS MACHINERY LIMITED, SGM FINANCE LIMITED, SELECT CONTRACT
MAINTENANCE LIMITED, SGM GROUP LIMITED**

(ALL IN ADMINISTRATION)

SUMMARY OF STATUTORY INFORMATION

Company name	Scottish Grass Machinery Limited, SGM Finance Limited, Select Contract Maintenance Limited, SGM Group Limited
Previous names	Scottish Grass Machinery Ltd – POG 59 Ltd, SGM Finance Ltd – SGM Contract Hire Ltd & PBL 125 Ltd, Select Contract Maintenance Ltd – PBL 185 Ltd, SGM Group Ltd – SGM Operations Ltd & SGM Contracts Ltd & PBL 124 Ltd
Company number	SC132419 Scottish Grass Machinery Ltd SC200816 SGM Finance Limited SC226100 Select Contract Maintenance Ltd SC200815 SGM Group Ltd
Incorporation date	Scottish Grass Machinery Ltd – 13/06/1991, SGM Finance Ltd – 19/10/1999, Select Contract Maintenance Ltd – 06/12/2001, SGM Group Ltd – 19/10/1999
Registered office	c/o Deloitte LLP Lomond House 9 George Square Glasgow G2 1QQ
Ordinary issued and called up share capital	Scottish Grass Machinery Ltd – 60,000 ordinary shares, SGM Finance Ltd – 1 ordinary share, Select Contract Maintenance Ltd – 1 ordinary share, SGM Group Ltd – 60,000 ordinary shares.
Shareholders	Scottish Grass Machinery Ltd – SGM Group Ltd, SGM Finance Ltd – SGM Group Ltd, Select Contract Maintenance Ltd – SGM Group Ltd, SGM Group Ltd – Alexander Michael Pollock – 12,000, David Simpson McInroy – 15,300, Steven David McInroy – 14,700, David S McInroy Discretionary Trust – 18,000.
Directors	David Simpson McInroy Steven David McInroy
Company secretary	CCW Secretaries Limited Thomson House, Pitreavie Court Pitreavie Business Park Dunfermline Fife KY11 8UU
Bankers	Bank of Scotland plc
Auditors	Condle & Co 10 Abbey Park Place Dunfermline KY12 7NZ

Scottish Grass Machinery Limited
(In Administration)

Joint Administrators' Receipt and Payment Account
at 23 May 2009

RECEIPTS	Total (£)
External Sales	194,918.31
Internal Sales	59,508.96
Inverkeithing Property	1,200,494.12
Rotherham Property	300,000.00
Rental Income	108,000.00
Wholegoods	224,735.82
Parts Stock	27,990.00
Other Equipment & Vehicles	54,097.00
Book Debts	231,553.10
Other Recoveries	3,568.95
Tax Refund	560.42
Bank Interest Gross	18,342.53
Excluded Debts - Post App - Provision	27,599.02
Excluded Debts - Pre App - Provision	22,283.07
Enterprise Hybrid Debts - Post App - Pvn	18.80
VAT Payable	95,218.74
	2,568,888.84
PAYMENTS	
Wages & Salaries	124,972.23
Rent & Rates	11,798.03
Lease & rental Costs	167.90
Motor Expenses	5,811.66
Carriage	1,251.04
Heat & Power	3,186.42
Phone & Fax	8,643.44
Employee Expenses	1,559.81
Consultants Fees	2,683.36
Employee Expenses/Fuel	8.50
Cleaning	2,428.20
Parts & Service	57,070.16
Maintenance & Support	2,421.66
Other Costs	1,640.86
Rates	2,046.97
Administrators' Fees - Property	23,857.00
Legal Fees & Expenses - Property	16,429.03
Agents Fees & Expenses - Property	1,500.00
Chargeholder - Property	1,565,494.12
Specific Bond	132.00
Preparation of S of A	6,000.00
Administrators' Fees - Floating Charge	157,143.00
Administrators' Expenses - Floating Charge	9,868.00
Legal Fees & Expenses - Floating Charge	30,605.37
Agents Fees & Expenses - Floating Charge	24,834.00
Other Cost of Realisation - Floating Charge	1,330.42
Stationery	532.40
Storage Costs	77.18
Bank Charges	1,051.87
Department of Employment	10,983.00
Employee Wage Arrears	108.39
Employee Holiday Pay	10,264.92
Other Employee Preferential Claims	156.00
Distribution to Bank - Floating Charge	323,659.91
Excluded Debts - Post Appointment	27,599.02
Excluded Debts - Pre Appointment	22,283.07
Enterprise Hybrid Debts - Post App	18.80
Vat Receivable	62,403.20
Vat Paid to HMRC	36,202.38
Control Account - New Co	258.14
Vat Receivable (Fixed Chg)	1,997.74
	2,560,479.20
Balance in Hand	8,409.64
	2,568,888.84

SGM Finance Limited
(In Administration)

Joint Administrators' Receipt and Payment Account
at 23 May 2009

RECEIPTS

Total (£)

External Sales	285,583.58
Internal Sales	12,500.00
Unencumbered Hire Fleet	2,399,500.00
2006 Debt Finance Assets	757,165.72
Other Equipment and Vehicles	8,275.00
Book Debts	326,538.39
Other Recoveries	85,168.75
Bank Interest Gross	34,557.01
Excluded Debts - Post App - Provision	810.14
Excluded Debts - Pre App - Provision	86,339.51
2005 Debts - Post App - Provision	12,055.41
2005 Debts - Pre App - Provision	52,302.05
2006 Debts - Post App - Provision	355,567.19
2006 Debts - Pre App - Provision	338,110.51
Enterprise Hybrid Debts - Post App - Pvn	269,674.49
Enterprise Hybrid Debts - Pre App - Pvn	218,654.35
VAT Payable	47,029.11
Due to Finance Companies	9,016.08
Vat Control Account	32,265.20

5,331,112.49

PAYMENTS

Wages & Salaries	29,962.34
Lease & rental Costs	7,271.46
Carriage	14,763.00
Insurance	29,232.22
Lock Changes for Depots	287.60
Employee Expenses	4,092.09
Consultants Fees	613.50
Hire Vehicles	214.29
Parts & Service	337,806.57
Specific Bond	49.00
Administrators Fees - Floating Charge	460,500.00
Administrators Expenses - Floating chge	19,000.25
Legal Fees & Expenses - Floating Charge	78,919.69
Agents Fees & Expenses - Floating Charge	105,438.13
Costs of Realisation - Floating Charge	18,904.57
Stationery & Photocopying	4,263.73
Storage Costs	10.36
Statutory Advertising	877.77
Bank Charges	209.86
Employees Holiday Pay	6,310.60
Pension Schemes	2,989.64
Distribution to Bank - Floating Charge	2,587,000.00
Excluded Debts - Post Appointment	810.14
Excluded Debts - Pre Appointment	86,339.51
2005 Debts - Post Appointment	12,055.41
2005 Debts - Pre Appointment	52,302.05
2006 Debts - Post Appointment	355,567.19
2006 Debts - Pre Appointment	338,110.51
Enterprise Hybrid Debts - Post App	269,674.49
Enterprise Hybrid Debts - Pre App	218,654.35
Vat Receivable	56,449.48
Control Account - New Co	1,609.25

5,100,289.05

Balance in Hand 230,823.44

5,331,112.49

Select Contract Maintenance Limited
(In Administration)

Joint Administrators' Receipt and Payment Account
at 23 May 2009

RECEIPTS	Total (£)
External Sales	2,868.72
Internal Sales	294,531.86
Parts Stock	27,990.00
Book Debts	51,863.25
Other Recoveries	9,948.08
Sundry Receipts	1,341.42
Bank Interest Gross	7,221.34
Excluded Debts - Post App	0.01
Excluded Debts - Pre App - Provision	117.93
Enterprise Hybrid Debts - Post App - Pvn	5,326.67
Enterprise Hybrid Debts - Pre App - Pvn	48,533.30
VAT Payable	52,703.72
VAT Received from HMRC	3,883.15
	506,329.45
PAYMENTS	
Wages & Salaries	127,344.11
Rent & Rates	3,205.69
Lease & rental Costs	24,643.87
Carriage	21.91
Heat & Power	1,425.61
Phone & Fax	220.73
Stationary & Postage	55.00
Lock Changes for Depots	205.00
Employee Expenses	3,850.47
Parts & Service	25,013.26
Other Costs	646.32
Rates	3,566.34
Specific Bond	79.00
Administrators Fees - Floating Charge	26,000.00
Administrators Expenses - Floating chge	1,921.00
Legal Fees & Expenses - Floating Charge	7,219.45
Agents Fees & Expenses - Floating Charge	5,000.00
Stationery	245.28
Storage Costs	23.59
Statutory Advertising	339.86
Bank Charges	114.56
Employees Holiday Pay	10,076.93
Pension Schemes	3,118.49
Distribution to Bank - Floating Charge	140,000.00
Excluded Debts - Post Appointment	0.01
Excluded Debts - Pre Appointment	117.93
Enterprise Hybrid Debts - Post App	5,326.67
Enterprise Hybrid Debts - Pre App	48,533.30
Vat Receivable	17,249.74
Vat Paid to HMRC	40,245.34
Control Account - New Co	316.58
	496,126.04
Balance in Hand	10,203.41
	506,329.45

SGM Group Limited
(In Administration)

Joint Administrators' Receipt and Payment Account
at 23 May 2009

RECEIPTS	Total (£)
Bank Interest Gross	147.6
Control Account -New Co	9759.56
	9,907.16
PAYMENTS	
	0.00
Balance in Hand	9,907.16
	9,907.16

General Notes

The Receipts and Payments accounts must be read in conjunction with the attached notes and report.

SGM Finance Limited - In Administration

Analysis of Joint Administrators' Fees

Area	Task	Partners Hours	Partners Fee (£)	Directors Hours	Directors Fee (£)	Managers Hours	Managers Fee (£)	Other Senior Staff Hours	Other Senior Staff Fee (£)	Support Staff Hours	Support Staff Fee (£)	Total Hours	Total Fee (£)	Average Rate (£)
Admin & Planning	Cashiers	3.3	1,535	15.5	6,385	36.4	10,450	-	-	92.4	15,492	147.6	33,862	229
	Compliance	3.3	1,535	14.5	5,955	20.5	5,683	10.3	1,976	14.0	1,700	62.6	16,849	269
	Immediate Actions	-	-	6.5	2,535	9.6	2,948	14.4	2,740	7.0	860	37.5	9,083	242
Creditors	Reporting	2.0	930	20.5	8,815	27.0	7,193	9.3	1,841	15.5	1,870	74.3	20,649	278
	Employees	7.5	3,488	19.5	8,165	17.9	4,797	14.4	2,740	32.7	4,224	92.0	23,414	255
	Retention of Title	2.5	1,163	10.5	4,335	20.3	5,534	13.3	2,646	8.9	1,057	55.5	14,735	265
Investigations	Hire Purchase	3.5	1,628	18.8	8,024	33.3	10,279	16.0	3,300	8.9	1,059	80.5	24,290	302
	Landlords	4.0	1,860	14.9	6,407	22.8	6,219	18.3	3,771	12.9	1,537	72.9	19,794	272
	Unsecured	3.5	1,628	7.2	3,096	27.3	7,037	14.1	2,844	15.6	1,936	67.7	16,541	244
Realisation of Assets	Investigations	6.5	3,023	10.3	4,429	27.5	7,523	10.6	2,159	6.4	757	61.3	17,891	292
	Book Debts	5.0	2,550	23.7	10,191	49.1	14,142	11.4	2,300	8.9	1,059	98.1	30,242	308
	Sale of Business	7.5	3,825	30.0	12,900	62.7	21,913	8.0	1,614	5.7	664	113.9	40,916	359
Trading	Insurance	2.5	1,275	19.0	8,110	34.0	8,793	11.8	2,374	8.8	1,053	76.1	21,605	284
	Wholegoods for Resale	5.0	2,550	5.5	2,365	16.5	4,023	-	-	5.5	660	32.5	9,598	295
	Unencumbered Hire Fleet	7.5	3,825	26.5	12,250	41.5	11,700	30.8	6,410	12.5	1,510	118.8	35,695	300
Other	2006 Debt Finance Assets	0.5	255	16.0	6,880	43.0	12,955	7.9	1,630	10.5	1,318	77.9	23,038	296
	Other Assets	7.5	3,825	8.5	3,655	25.5	6,488	11.8	2,434	5.0	638	58.3	17,040	292
	Initial Controls	-	-	4.5	1,935	15.0	4,328	8.1	1,687	2.0	250	29.6	8,200	277
VAT & Tax	Ongoing Trading	7.5	3,825	28.8	11,844	85.1	23,511	63.7	12,117	21.5	2,670	206.6	53,967	261
	Depot Visits	5.0	2,550	24.0	9,800	71.3	17,338	54.0	11,310	92.8	12,881	247.1	53,879	218
	Closure of Trading	7.5	3,825	9.5	4,085	26.5	7,088	11.6	2,384	3.0	400	58.1	17,782	306
Total	Pensions	2.5	1,275	6.0	2,633	22.0	6,218	-	-	2.0	266	32.5	10,392	320
	VAT & Tax	10.0	5,600	6.5	2,828	23.1	7,891	-	-	5.2	832	44.8	17,151	383
		104.1	51,970	346.7	147,622	757.9	214,051	339.8	68,277	397.7	54,693	1,946.2	536,613	
Average Rate (£)			499		426		282		201		138		276	

Source: Deloitte analysis

Scottish Grass Machinery Limited - In Administration
Analysis of Joint Administrators' Fees

Area	Task	Partners Hours	Partners Fee (£)	Directors Hours	Directors Fee (£)	Managers Hours	Managers Fee (£)	Other Senior Staff Hours	Other Senior Staff Fee (£)	Support Staff Hours	Support Staff Fee (£)	Total Hours	Total Fee (£)	Average Rate (£)
Admin & Planning	Cashiers	-	-	3.5	1,365	6.1	1,959	-	-	29.6	4,677	39.2	8,001	204
	Compliance	3.3	1,535	3.5	1,365	8.5	2,805	4.0	900	7.5	825	26.8	7,430	277
	Immediate Actions	4.8	2,232	4.0	1,560	6.0	2,103	4.0	900	3.7	407	22.5	7,202	320
	Reporting	7.5	3,488	4.5	1,755	14.5	4,908	4.0	900	3.7	407	34.2	11,458	335
Creditors	Employees	-	-	2.5	975	8.0	2,745	4.0	900	32.9	4,261	47.4	8,881	187
	Retention of Title	-	-	2.5	975	7.0	2,450	7.0	1,575	3.7	407	20.2	5,407	268
	Hire Purchase	-	-	1.0	390	7.0	2,450	7.0	1,575	3.7	407	18.7	4,822	258
	Landlords	-	-	3.0	1,170	6.8	2,280	7.0	1,575	3.7	407	20.5	5,432	265
Investigations	Unsecured	-	-	2.0	780	9.3	3,070	7.0	1,575	5.9	727	24.2	6,152	254
	Investigations	4.0	1,860	2.5	975	6.7	2,230	3.5	788	3.7	407	20.4	6,260	307
	Book Debts	7.5	3,825	3.0	1,170	6.4	2,147	7.0	1,575	3.7	407	27.6	9,124	331
	Sale of Business	30.0	15,300	7.5	2,925	8.2	2,777	7.0	1,575	7.5	900	60.2	23,477	390
Realisation of Assets	Insurance	-	-	2.0	780	4.4	1,505	5.0	1,125	7.5	900	18.9	4,310	228
	Wholefoods for Resale	-	-	7.0	3,010	17.5	4,513	5.8	1,073	3.5	420	33.8	9,016	267
	Other Assets	-	-	2.0	780	5.5	1,868	1.0	225	7.5	900	16.0	3,773	236
	Initial Controls	-	-	2.8	1,164	7.3	2,445	4.0	900	7.5	900	21.6	5,409	250
Trading	Ongoing Trading	15.5	7,905	34.8	14,964	33.0	8,295	65.2	12,997	20.5	2,460	169.0	46,621	276
	Depot Visits	-	-	1.2	516	6.0	2,033	24.0	4,720	7.5	900	38.7	8,169	211
	Closure of Trading	-	-	8.1	3,483	7.0	2,363	7.0	1,575	7.5	900	29.6	8,321	281
	Pensions	-	-	1.8	774	7.0	2,363	3.5	788	7.5	900	19.8	4,825	244
Other	VAT & Tax	-	-	-	-	10.8	3,942	-	-	1.0	171	11.8	4,113	349
		-	-	-	-	-	-	-	-	-	-	-	-	-
Total		72.6	36,145	99.2	40,876	193.0	61,251	177.0	37,241	179.3	22,690	721.1	198,203	
Average Rate (£)			498		412		317		210		127		275	

Source: Deloitte analysis

Select Contract Maintenance Limited - In Administration
Analysis of Joint Administrators' Fees

Area	Task	Partners Hours	Partners Fee (£)	Directors Hours	Directors Fee (£)	Managers Hours	Managers Fee (£)	Other Senior Staff Hours	Other Senior Staff Fee (£)	Support Staff Hours	Support Staff Fee (£)	Total Hours	Total Fee (£)	Average Rate (£)
Admin & Planning	Cashiers	-	-	4.0	1,560	1.9	615	-	-	19.0	2,977	24.9	5,152	207
	Compliance	2.5	1,163	4.5	1,755	4.0	1,210	4.0	820	2.9	334	17.9	5,282	295
	Immediate Actions Reporting	2.5	1,163	4.5	1,755	2.5	770	4.5	913	2.9	334	16.9	4,935	292
Creditors	Employees	2.0	930	4.0	1,560	0.8	209	5.3	1,051	2.9	334	15.0	4,084	272
	Retention of Title	-	-	2.5	975	2.3	704	4.4	868	33.8	4,429	43.0	6,976	162
	Hire Purchase	-	-	2.0	780	5.0	1,540	5.3	1,051	2.9	334	15.2	3,705	244
	Landlords	-	-	0.5	195	2.3	704	10.9	2,291	2.9	334	16.6	3,524	212
	Unsecured	-	-	3.5	1,365	2.8	814	10.7	2,267	2.9	334	19.9	4,780	240
Investigations	Investigations	-	-	1.0	390	3.3	924	6.9	1,411	3.3	386	14.5	3,111	215
	Book Debts	1.5	698	1.5	585	2.5	770	5.9	1,243	12.8	1,538	24.2	4,834	200
	Sale of Business	3.4	1,581	2.5	975	8.5	1,980	5.9	1,226	9.0	1,088	29.3	6,850	234
Trading	Insurance	3.4	1,581	6.0	2,340	10.0	2,510	3.0	612	5.5	668	27.9	7,711	276
	Other Assets	-	-	1.5	585	9.0	2,295	5.1	1,065	10.0	1,213	25.6	5,158	201
	Initial Controls	-	-	1.5	585	10.5	2,790	6.9	1,448	5.5	665	24.4	5,488	225
	Ongoing Trading	-	-	3.0	1,170	9.5	2,530	6.2	1,353	5.5	665	24.2	5,718	236
Other	Closure of Trading	2.5	1,163	14.6	6,278	16.5	5,085	42.1	8,461	-	-	75.7	20,987	277
	Pensions	-	-	2.0	780	9.5	2,530	3.6	767	-	-	15.1	4,077	270
	VAT & Tax	-	-	1.5	645	-	-	-	-	-	-	1.5	645	430
Total		17.8	8,279	60.6	24,278	112.7	32,287	130.7	26,847	122.8	15,804	444.6	107,495	350
Average Rate (£)		242												242
Source: Deloitte analysis		205												205

Average Rate (£)

Source: Deloitte analysis

To Administrator's Remuneration

Scotland

Creditors or their representatives are required to approve the remuneration of administrators. This guide is designed to assist creditors of businesses where partners or directors of Deloitte LLP have been appointed administrators. Apart from the final two paragraphs the main text has been prepared by the Association of Business Recovery Professionals. If you need any assistance on the matters set out below, please feel free to contact us.

1. Introduction

1.1 When a company goes into administration the costs of the proceedings are paid out of the company's assets in priority to creditors' claims. 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 fix 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 objective of:

- (a) rescuing the company as a going concern, or
- (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

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

3. The Creditors' Committee

3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to

determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors which the administrator is required to hold within 10 weeks of the administration order (or longer with the consent of the Court) to consider his proposals. The administrator must call the first meeting of the committee within 3 months of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

4. Fixing the Administrator's Fees

4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.39 of the Insolvency (Scotland) Rules 1986, which states that it may be a commission calculated by reference to the value of the company's property with which he has to deal.

It is for the creditors' committee (if there is one) to fix the remuneration and Rule 2.39 says that in arriving at its decision the committee shall take into account:-

- The work which, having regard to the value of the company's property, was reasonably undertaken by the administrator; and
- The extent of his responsibilities in administering the company's assets.

Although not specifically stated in the rules, the normal basis for determining the remuneration will be that of the time costs properly incurred by the administrator and his staff.

4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration will be fixed by the Court on application by the administrator.

5. What Information should be Provided by the Administrator?

5.1 Claims by the administrator for the outlays reasonably incurred by him and for his remuneration shall be made in accordance with section 53 of the Bankruptcy (Scotland) Act 1985 as applied by Rule 4.68 which provides that within two weeks after the end of an

accounting period, the administrator shall submit to the creditors' committee or if there is no creditors' committee, to the Court:

- His accounts of intromissions for audit;
- A claim for the outlays reasonably incurred by him and for his remuneration, broken down into category 1 disbursements, being those costs where there is specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party, and category 2 disbursements, which are costs which include elements of shared or allocated costs, and are supplied internally by the administrator's own firm and
- Where the documents are submitted to the creditors' committee, he shall send a copy of them to the Court.

5.2 The administrator may at any time before the end of an accounting period submit to the creditors' committee (if any) an interim claim for the category 1 and 2 disbursements reasonably incurred by him and for his remuneration.

5.3 When seeking agreement to his fees and disbursements the administrator should provide sufficient supporting information to enable the committee to form a judgment as to whether the proposed fee and disbursements are 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.

5.4 Where, at any creditors' 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.

5.5 Where the administrator seeks agreement to his remuneration during the course of the administration, he should

always provide an up to date receipts and payments account. Where the proposed remuneration is based on time costs the administrator should disclose to the committee or the court 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:

- 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, or the drawing, or agreement of remuneration.

- Any existing agreement about remuneration.
- In cases where there are distributable funds available to unsecured creditors by means of the creditors' prescribed part, how the administrator has allocated remuneration and costs with regard to dealing with the administration of and agreeing of unsecured creditors' claims. Remuneration in respect of time spent dealing with issues specific to the funds for ordinary creditors will be applied against creditors' prescribed part, prior to the funds being distributed, and will **not** be applied against the total funds available to all creditors, including those available to the floating charge holder.
- 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 be relevant, whilst further analysis may be necessary in larger cases.

5.6 Where the remuneration is charged as a commission based on the value of the company's property with which the administrator has had to deal, the administrator should provide details of any work which has been or is intended to be contracted out which would normally be undertaken directly by the administrator or his staff.

5.7 As noted in 5.1 any claim for outlays must be approved in the same way as remuneration. 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 communications facilities) they must be approved as if they were remuneration. Such disbursement must be directly incurred on the case and subject to a reasonable method of calculation and allocation. A charge for disbursements calculated as a percentage of the amount charged for remuneration is not allowed.

5.8 Payments to outside parties in which the office holder or his firm or any associate has an interest should be disclosed to the body approving remuneration and should be treated in the same way as payments to himself. They therefore require specific approval as remuneration prior to being paid.

6. What if a Creditor is Dissatisfied?

6.1 If a creditor believes that the administrator's remuneration is too high he may appeal against the determination by virtue of section 53(6) of the Bankruptcy (Scotland) Act, applied by Rule 4.32 of the Insolvency Rules, which is in turn applied by Rule 2.39. Creditors have a right of appeal against the determination of an administrator's remuneration by virtue of the application of section 53(6) of the Bankruptcy (Scotland) Act.

6.2 The right of appeal is either to the Court (if the determination is by the creditors committee) or to a Higher Court (if the determination is by a Court). Notwithstanding the fact that the statutory time limit for appealing expires eight weeks from the end of the accounting period concerned, it is normal practice to advise the creditors that they may appeal within 14 days of being notified of the determination in cases where this extends beyond the statutory appeal period.

7. What if the Administrator is Dissatisfied?

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 an order increasing its amount or rate. 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 at the court hearing. If there is no committee, the administrator's notice of his application must be sent to such of the 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 out 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 between them may be referred to

the Court, the creditors' committee or a meeting of creditors.

9. Commissions and Discounts

As a major purchaser of services, Deloitte LLP as a whole are occasionally able to negotiate enhanced services with preferred suppliers in relation to travel, advertising and other costs. The use of these suppliers may sometimes result in annual commissions being paid to Deloitte LLP. The reallocation of such commissions to each case is impracticable and this is not done.

10. What if you are Dissatisfied with the Conduct of the Administration Generally?

We hope that you will not have cause to complain about the way our partners and staff conduct their work on what are generally sensitive and emotive issues for creditors affected by the insolvency. Occasionally misunderstandings arise and mistakes are made. Should you have cause to complain or if you would like to discuss how our service could be improved, please let us know by telephoning the person appointed as Administrator. We undertake to look into any complaint carefully and promptly and to do all we reasonably can to explain the position to you. If you are still not satisfied with the explanations given, you can refer the matter to the RS National Compliance & Risk Partner responsible for investigating any complaints made against our partners and staff. The RS National Compliance & Risk Partner is located in our office at Athene Place, 66 Shoe Lane, London, EC4A 3BQ. If the RS National Compliance & Risk Partner is unable to resolve matters to your satisfaction then you can refer the matters to:

The Professional Standards Office,
Institute of Chartered Accountants in
England & Wales, Level 1, Metropolitan
House, 321 Avebury Boulevard,
Milton Keynes, MK9 2FZ in the case of
appointment takers licensed by the
Institute of Chartered Accountants in
England & Wales or the Institute of
Chartered Accountants in Scotland, CA
House, 21 Haymarket Yards, Edinburgh,
EH12 5BH. A list of the partners and
appointment taking directors and their
licensing bodies is available from the RS
National Compliance & Risk Partner.