

2.24B

The Insolvency Act 1986

Administrator's progress report

Name of Company Contract Floors.com Limited
--

Company number 04858948

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

Court case number 1654/05

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

of ~~I/We~~ (a)
 Christopher Ratten
 Tenon Recovery,
 Arkwright House,
 Parsonage Gardens,
 Manchester,
 M3 2LF

Simon Thomas
 Tenon Recovery,
 Sherlock House,
 73 Baker Street,
 London,
 W1U 6RD

administrators of the above company attach a progress report for the period

(b) Insert date

From (b) 26 July, 2005

To (b) 25 January 2006

Signed


 Joint Administrator

Dated

1/2/06

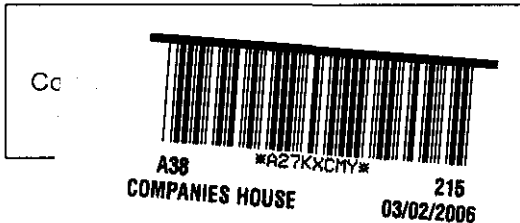
Contact Details:

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

Christopher Ratten Tenon Recovery Arkwright House, Parsonage Gardens, Manchester, M3 2LF	+44 (0) 161 834 3313 DX Exchange
DX Number	

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



To All Creditors

Our ref: 3016782/ADM.602e
Your ref:
Date: 1 February 2006
Email: nicholas.gill@tenongroup.com
Tel: +44 (0) 161 834 3313

Dear Sirs

Contract Floors.com Limited ("The Company") – In Administration

In accordance with Rule 2.47, I would like to provide creditors with my first update following my appointment as Joint Administrator on 26 July, 2005.

1. Statutory Information

Statutory information relating the Company and the appointment is attached to this report as **Appendix I**.

2. Administrators' accounts

Attached as **Appendix II** is the Administrators' account for the period 26 July 2005 to 25 January 2006. I would comment specifically as follows:

2.1. Trade Debtors

Book debts and work-in-progress were independently valued. The consideration received of £9,500 was in line with valuations.

2.2. Plant, Machinery, Stock and Motor Vehicle

Plant, machinery, stock and the motor were independently valued. The consideration received of £10,000 was in line with valuations.

Arkwright House, Parsonage Gardens, Manchester, M3 2LF
Tel: +44 (0) 161 834 3313 Fax: +44 (0) 161 827 8402
Email: manchester@tenongroup.com
www.tenongroup.com

Tenon Recovery is a trading name of Tenon Limited.
Registered Office 66 Chiltern Street, London, W1U 4GB. Registered no: 04066924 England
A member of Tenon Group PLC

Directors and staff acting as Administrative Receivers and Administrators act as agents of the company over which they are appointed and contract without personal liability.

3. Administrators' Proposals

As there was no prospect of a return to the unsecured creditors in this matter, the provisions of paragraph 52(1)(b) meant that there was no requirement to hold a meeting of creditors.

No meeting was requested by creditors and therefore the Administrators' Proposals pursuant to paragraph 49 of Schedule B1 of the Insolvency Act 1986 are deemed as accepted in accordance with Rule 2.33(5) of the insolvency (Amendment) Rules 2003.

4. Dividend Prospects

Secured Creditors

The value of the Company's assets relative to the secured debts means that there will be no distribution to secured creditors.

Preferential creditors

The Redundancy Payments Office have a preferential claim in respect of amounts paid to the former employees in respect of holidays and arrears of pay. There will be no funds available to make a distribution to the preferential creditor.

Unsecured creditors

There are insufficient assets of the Company to enable a distribution to unsecured creditors.

5. End of Administration

As outlined in the initial report to creditors it is the Administrators intention to exit the Administration into Creditors Voluntary Liquidation or dissolution.

As no extension to the prescribed time limit has been sought, we will be commencing this action shortly. A final progress report in relation to the Administration will be sent to creditors following the discharge.

6. Remuneration

The Administrators' time costs to date amount to £21,062.00 plus disbursements of £242.15, which exceeds the level of funds available to discharge these costs. In accordance with Statement of

Insolvency Practice 9 I have attached at **Appendix III** a breakdown of these time costs. No fees have been drawn to date. Approval for remuneration will be sought at the appropriate time.

Should you have any queries please do not hesitate to contact Nicholas Gill on the above number.

Yours faithfully
For and on behalf of
Contract Floors.com Limited



Christopher Ratten
Joint Administrator
Licensed by the Institute of Chartered Accountants in England and Wales

Enclosure:

Appendix I – Statutory Information

Company Information

Company Name Contract Floors.com Limited
Company Number 04858948
Registered Office c/o Tenon Recovery, Arkwright House, Parsonage Gardens, Manchester M3 2LF
Trading Address 1 Collingwood Place, Blackpool, FY3 8HU,

Appointment details

Administrators Christopher Ratten and Simon Thomas of Tenon Recovery
Administrators' address Tenon Recovery Arkwright House, Parsonage Gardens, Manchester, M3 2LF
Date of appointment 26 July, 2005
Court Manchester High Court of Justice
Court Reference 1654/05
Appointed by: Directors
Functions: Any act required or authorised under any enactment to be done by an administrator may be done by either or both of the Administrators acting jointly or alone.
EC Regulations: The Company's registered office is from where the Company carries on its business. Therefore in the absence of proof to the contrary, the Company's centre of main interests is in the United Kingdom and as such these proceedings will be the main proceedings as defined in article 3 of the EC regulation as.
Extensions: The Administrators have not sought an extension to the period defined by Paragraph 76(1) of Schedule B1 of the Act that provides for the automatic end of the Administration after 12 months from the date of appointment.

Contract Floors.com Limited
(In Administration)

Joint Administrator's Abstract Of Receipts And Payments
To 27/01/2006

	Total
	£
RECEIPTS	
Goodwill	9,500.00
Plant & Machinery	5,000.00
Stock	5,000.00
Stock/WIP	4,000.00
Book Debts	5,500.00
Bank Interest Net of Tax	28.11
Sundry receipts	87.41
Vat Control Account	1,558.37
	<hr/>
	30,673.89
	<hr/>
PAYMENTS	
Specific Bond	98.00
Office Holders Expenses	114.15
Agents/Valuers Fees (1)	2,554.00
Agents/Valuers Fees (2)	2,042.00
Legal Fees (1)	3,000.00
Legal fees (2)	30.00
Statutory Advertising	108.93
Other Property Expenses	10.00
Insurance of Assets	105.00
Other costs	1,613.59
Vat Receivable	1,648.98
	<hr/>
	11,324.65
Balances in Hand	19,349.24
	<hr/>
	30,673.89
	<hr/> <hr/>

Appendix III

Information relating to Administrators' Remuneration

Contract Floors.com Limited
Office Holder's Time Costs Analysis
As at 24 January 2006

Activity	Total (£)		Director/partner		Senior Manager		Manager		Administrator		Cashier	
	Hours	Total (£)	Hours	Total (£)	Hours	Total (£)	Hours	Total (£)	Hours	Total (£)	Hours	Total (£)
Accounting	5.10	382.50							4.40	330.00	0.70	52.50
General Administration	6.70	765.00	1.50	375.00					5.20	390.00		
Reporting to Bank	1.00	250.00	1.00	250.00								
Briefing Meeting	0.00	0.00										
Closure	0.00	0.00										
Cred Cltee	0.00	0.00										
General Correspondence	0.00	0.00										
Deal with Creditors/Distribution	28.50	3,152.50	5.80	1450.00					22.70	1702.50		
Debtor Collection	0.00	0.00										
Employee Related Tasks	10.90	992.50	1.00	250.00					9.90	742.50		
Field Work	9.00	2,250.00	9.00	2250.00								
Financed assets	0.50	37.50							0.50	37.50		
FI Asset Disposal	1.00	75.00							1.00	75.00		
Freehold Property	0.00	0.00										
FX Asset Disposal	0.00	0.00										
Sale as a Going Concern	14.30	3,682.50	14.30	3682.50								
Investigations	8.90	1,065.50	1.00	275.00			3.30	445.50	4.60	345.00		
DTI work	0.00	0.00										
Meeting of Creditors	0.00	0.00										
Meeting of Members	0.00	0.00										
Pension scheme	0.00	0.00										
Pre-Appointment Related Tasks	2.00	500.00	2.00	500.00								
Review	0.00	0.00										
Report Writing	4.30	725.00	2.30	575.00					2.00	150.00		
Retention of Title	0.00	0.00										
Statutory Duties	42.90	4,916.50	9.00	2250.00	0.80	184.00			33.10	2482.50		
Statutory Reporting	9.00	2,095.00	7.00	1825.00			2.00	270.00				
Tax/VAT	2.30	172.50							2.30	172.50		
Trading Supervision	0.00	0.00										
Total	146.40	21,062.00	53.90	13,682.50	0.80	184.00	5.30	715.50	85.70	6,427.50	0.70	52.50

Contract Floors.com Limited
Office Holder's Time Costs Analysis
As at 24 January 2006

Classification of work function	Hours				Time Cost £	Average hourly rate £
	Partner/ Director	Manager	Assistants & Support Staff	Total Hours		
Administration and Planning*	19.50	2.80	45.70	68.00	8,831.50	129.88
Investigations	1.00	3.30	4.60	8.90	1,065.50	119.72
Realisation of assets	14.30	0.00	1.50	15.80	3,795.00	240.19
Trading	9.00	0.00	0.00	9.00	2,250.00	250.00
Creditors	10.10	0.00	34.60	44.70	5,120.00	114.54
Case specific matters						
Total Time Costs Incurred	53.90	6.10	86.40	146.40	21,062.00	143.87
Add: Estimated Costs to Complete (see attached schedule if applicable)	0.00	0.00	0.00	0.00	0.00	0.00
Total Time Costs Estimated				146.40	21,062.00	143.87
On Account Fees Drawn						
Final Fee Requested					21,062.00	

Office Holder Remuneration

Case Name	Contract Floors.com Limited	
Court	Manchester High Court if Justice	
Court reference	1654/05	
Office Holders	Christopher Ratten and	IP Number: 009338
	Simon Thomas	IP Number: 008920
Firm	Tenon Recovery	
Address	Arkwright House, Parsonage Gardens, Manchester, M3 2LF	
Type of Appointment	Administration	
Date of Appointment	26 July, 2005	

1. Overview of Case

1.1. Appointment

We were appointed Joint Administrators on 26 July, 2005 following an application by the Directors.

1.2. Strategy

Details of my strategy were provided to creditors in my initial report dated 16 September 2005.

- (a) rescue the Company as a going concern; or
- (b) achieve 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) realise property in order to make a distribution to one or more secured or preferential creditors.

The first objective for the Administration could not be met. Without an immediate injection of replacement funding the Company could not be rescued as a going concern. No such funding was available.

The value of the company's assets relative to the secured debts meant that second objective as became unlikely.

The property was privately owned therefore the third objective could not be met.

1.3. Staffing

My colleague Jeremy Woodside has been in day-to-day control of the Administration and he has been assisted by members of my department whose current charge out rates range between £75 and £275 per hour.

Agents were instructed to value the assets of the company.

Smith Hodgkinson was instructed to deal with the valuation of the Plant, Machinery and Stock.

1.4. Existing fee arrangements

As there was no prospect of a return to the unsecured creditors in this matter, the provisions of paragraph 52(1)(b) meant that there was no requirement to hold a meeting of creditors.

No meeting was requested by creditors and therefore the Administrators' Proposals pursuant to paragraph 49 of Schedule B1 of the Insolvency Act 1986 are deemed as accepted in accordance with Rule 2.33(5) of the Insolvency (Amendment) Rules 2003.

The Administrators' Proposals included the following resolutions:

- > That the Administrators be remunerated by reference to the time properly given by the Administrators and their staff in attending to matters arising in the Administration of the Company, charged at the charge out rates prevailing at the time the work is undertaken.
- > That the Administrators be at liberty to incur and pay such costs and expenses, including professional fees, as considered to be incidental to the achievement of the purpose of the Administration.
- > That the Administrators generally exercise all their powers as Administrators as they in their discretion consider desirable or expedient in order to achieve the purpose of the Administration.

The Administrators will also seek authority for their remuneration from the secured creditor pursuant to Rule 2.106 (9) (a) of the Insolvency Rules 1986.

1.5. Anticipated return to creditors

The secured creditor will suffer a shortfall under the terms of their fixed charge security and will receive no payments under their floating charge. There are no funds to enable a distribution to any other class of creditor.

2. Explanation of office-holders charging and disbursement recovery policies

2.1. Time recording

Time properly incurred on cases is charged to the assignment at the hourly rate prevailing at the time. The current hourly charge out rates are outlined below:

	£
Directors and Licensed Insolvency Practitioners	275
Managers	230
Assistant Managers	170
Case administrators	75
Cashiers	75

Secretarial and support staff are not charged to the cases concerned, being accounted for as an overhead of Tenon Recovery.

2.2. Disbursement recovery

Separate charges are made in respect of directly attributable expenses (Category 1 disbursements) such as travelling, postage, photocopying, statutory advertising and other expenses made on behalf of the assignment. Details of such disbursements are included attached.

3. Description of work carried out

Section 4 of this appendix outlines the time costs to date in relation to activities undertaken during this matter. These matters can be summarised as follows:

3.1. Pre-appointment

Time spent in this category comprises the activities required to obtain an Administration Order.

3.2. Administration and planning

The following activities have been undertaken:

- > Statutory duties associated with the appointment including the filing of relevant notices;
- > Notification of the appointment to creditors, members, employees and other interested parties;
- > Setting up case files;
- > Reviewing available information to determine appropriate strategy;
- > Setting up and maintaining bank accounts;
- > 6 monthly progress review of the case.

Staff of different levels were involved in the above activities depending upon the experience required.

3.3. Investigations

The time spent comprises:

- > Corresponding with the former directors and management;
- > Review of questionnaires and comments provided by interested parties;
- > Review of company documentation;
- > Liaising with the creditors' committee on such matters; and
- > Completion of statutory returns to the Department of Trade and Industry.

Due to the complex nature and importance of the investigations, the staff utilised to conduct such work involved experienced members of staff.

3.4. Trading

The business ceased to trade upon our appointment.

3.5. Creditors

The time spent includes the following matters

- > Recording and maintaining the list of creditors;
- > Dealing with employee related matters;
- > Dealing with reservation of title claims;
- > Recording creditor claims
- > Reporting to creditors;
- > Meetings of creditors;
- > Dealing with creditor queries;
- > Reviewing and evaluating creditor claims;

4. Time and chargeout summary

To date a total of 146.40 hours have been spent at an average charge out rate of £143.87 bringing the total cost to date to £21,062. No fees have been drawn to date.

A summary of these costs is attached. The costs exclude VAT.

5. Disbursements

5.1. Category 1

Category 1 disbursements incurred are outlined below:

	Incurred £	Paid £
Mileage	35.22	
Specific penalty bond	98.00	98.00
Statutory advertising	108.93	108.93
Insurance	105.00	105.00
Total	<u>347.15</u>	<u>311.93</u>

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

Where Petition Presented or Appointment Made On or After 15 September 2003

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 and explains the basis on which fees are fixed.

2. The nature of administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

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

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

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

3. The creditors' committee

- 3.1 *The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.*

4. Fixing the administrator's fees

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

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

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- > the complexity (or otherwise) of the case;
- > *any responsibility of an exceptional kind or degree which falls on the administrator;*
- > the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- > the value and nature of the property which the administrator has to deal with.

- 4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.
- 4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, 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 requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

- 4.4 A resolution of creditors may be obtained by correspondence.

5. What information should be provided by the administrator?

5.1 When seeking fee approval

- 5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- > the nature of the approval being sought;
- > the stage during the administration of the case at which it is being sought; and
- > the size and complexity of the case.

- 5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

- 5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, 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, 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.

- 5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

6. What if a creditor is dissatisfied?

- 6.1 If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the

applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7. What if the administrator is dissatisfied?

7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented *on the application*. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8. Other matters relating to fees

8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.

8.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9. Provision of information – additional requirements

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

The information which must be provided is –

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

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