

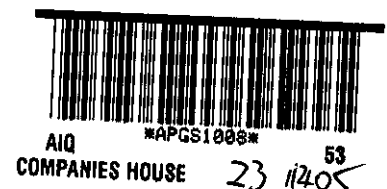
**COUTTS & FINDLATER LIMITED
(COMPANY VOLUNTARY ARRANGEMENT)
SUNDERLAND COUNTY COURT NO. 236 OF 2003**

**J F WILSON SHOPFITTERS LIMITED
(COMPANY VOLUNTARY ARRANGEMENT)
SUNDERLAND COUNTY COURT NO. 235 OF 2003**

**SUPERVISOR'S ANNUAL REPORT TO THE CREDITORS
ISSUED IN ACCORDANCE WITH RULE 1.26 OF THE
INSOLVENCY RULES 1986**

DATED 22 DECEMBER 2005

**Robson Laidler LLP
Fernwood House
Fernwood Road
Jesmond
Newcastle upon Tyne
NE2 1TJ**



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A. INTRODUCTION

I was appointed Supervisor of the Company Voluntary Arrangements at a meetings of creditors convened pursuant to Section 3 of the Insolvency Act 1986 on 24 October 2003.

B. VOLUNTARY CONTRIBUTIONS AND DEBTORS

The Companies have to date made total contributions of £47,000.00 in relation to voluntary contributions as detailed at Appendix 1, being the *summary of Receipts and Payments*.

You will recall that the original proposals envisaged that the Companies would contribute a combined monthly sum of £4,000.00 into the arrangements. These payments were based upon the Companies expectations of obtaining contracts from their main customer. Unfortunately due to a re-assessment and redesign by the customer of its shop fitting policy, a number of large contracts which had been due to commence during the first six months of 2004 were postponed.

The Companies had initially maintained their payments into the arrangement, which were only made possible by the Director selling a property and the Company Secretary re-mortgaging a property. The funds generated were used to partially repay the director's overdrawn loan account and therefore maintain cashflow.

The Companies original proposals stated that a freehold property would be sold or redeveloped in the third year of the arrangements. As you have previously been advised the freehold property is situated in a newly designated "development zone", which resulted in a number of applications for the conversion of commercial properties to residential use. The director felt that in order to ensure that creditors were repaid, the freehold property should be redeveloped and a number of discussions were held with property developers to provide finance for the project. This would allow part of the freehold property to be converted into residential properties as a result the director estimated that sufficient funds would be generated to enable the creditors to be repaid.

The reassessment and redesign by the major customer of its shop fitting policy during 2004 had led to cashflow issues for the Companies. Taken together with the director's proposed early redevelopment of the freehold property, he approached me with a request for either a deferment of contributions for a period of six months, or a reduction in the monthly contributions to £2,000.00 per month. The creditors voted and agreed to allow the Companies to reduce their monthly contributions to £2,000.00 per month while the freehold property was being redeveloped.

The first two monthly contributions were received, however during January 2005 the Companies

ran into further difficulties as a number of projected contracts with their major customer were delayed with no definite commencement dates being provided. The Companies were able to obtain a number of small contracts, however these did not generate sufficient funds to enable the Companies to make their monthly contributions. In an attempt to reduce overheads staff were laid off for a short period of time. As no commencement dates were received from the major customer, the Companies were subsequently required to make a number of staff redundant. The Companies continued to tender for new works and were successful in being awarded a number of small contracts, which allowed them to meet overheads and production costs.

The Companies suffered a dramatic reduction in orders during the first nine months of 2005, but in recent months they have started to see an increase in invitations to tender and a gradual increase in new orders. It should be noted that the major customer has still not provided the Companies with commencement dates, although they have not cancelled their orders.

Throughout this period the director has attempted to find financial backers to assist in the redevelopment of the freehold properties. A significant number of meetings have taken place, although once a financial backer became aware of the Company Voluntary Arrangements their initial interest began to dwindle. The director and I believe that this reluctance to progress with a deal is due to a belief by these backers that, should the Company Voluntary Arrangements fail then they will be able to purchase the property for a greatly reduced figure. Despite these setbacks the director has continued to seek potential financial backers for the proposed redevelopments of the property.

While discussions have continued I have not deemed it appropriate to fail the arrangements, as the Companies only major asset is the property, which has been slowly redeveloped during the period. Had the arrangements been failed and the Companies wound up, the property would have become vacant and require 24 hour security to prevent vandalism until it was sold.

As you will be aware, the original proposals contained a clause allowing for the sale of the property in the third year of the arrangements. The director is seeking a variation to the proposals, as he has now found an investor who is aware of the Company Voluntary arrangements and is willing to purchase the freehold property. The sale proceeds will be sufficient to discharge the liability of the Bank who have security over property and also to enable a dividend of 70p in the £ to be paid to creditors together with costs. The funds are to be paid into the arrangements immediately upon completion. The sale will be concluded within three months of the creditors approving the variation. Accordingly I would like to receive the creditors comments in respect of this variation and I would be grateful if you could complete the enclosed slip then return it to me within the next 21 days.

The alternative for creditors is that the Arrangements are failed on the basis of the arrears of contributions and petitions are presented for the compulsory winding up of the Companies. This will result in greatly reduced realisations for creditors.

The Companies have also contributed £8,031.21 in respect of book debts as detailed at Appendix 1.

C. UNSECURED CREDITORS

The following claims have been received from unsecured creditors:

| | Claims | Total £ |
|--------------------------------|--------|------------|
| Coutts & Findlater Limited | 41 | 239,782.21 |
| J F Wilson Shopfitters Limited | 12 | 51,244.85 |

Following my previous reports, I obtained the creditors approval to amend the proposals to exclude those creditors who did submit claims by 31 December 2004. In addition the Rules in respect to the agreement of proofs of debt as defined in Rules 4.73 – 4.94 of the Insolvency Rules 1986 were also incorporated into the proposal. In this respect the following claims have been excluded:

| | Claims | Total £ |
|--------------------------------|--------|------------|
| Coutts & Findlater Limited | 12 | 5,807.05 |
| J F Wilson Shopfitters Limited | 2 | 547.59 |

D. SUPERVISOR'S OBSERVATIONS

The outcome of the Company Voluntary Arrangements is dependant upon the creditors views on the director's variation as detailed above. Should the variation be accepted then a dividend of 70p in the £ will become available to the unsecured creditors.

E. OFFICE HOLDER'S REMUNERATION

The proposals provide that my remuneration will be limited to £13,500.00 for the duration of the arrangements. To date, I have drawn £5,664.60 in relation to my remuneration. In accordance with the current Statement of Insolvency Practise 9, I enclose at appendix II a schedule of the time incurred and the average cost.

If you require any further information or would like to discuss any aspect of this report please do not hesitate to contact me.

Yours faithfully
For and on behalf of
Coutts & Findlater Limited
(Company Voluntary Arrangement)
J F Wilson Shopfitters Limited
(Company Voluntary Arrangement)

W Paxton
Supervisor

Receipts & Payments Account

| Receipts | £ | £ |
|---------------------------------|-------------------|-------------------------|
| Voluntary Contributions | | 34,175.00 |
| Debtors | | 7,235.97 |
| Interest | | <u>1,022.42</u> |
| | | 42,433.39 |
| Payments | | |
| Insolvency Bond | (400.00) | |
| Bank Charges | (103.96) | |
| Valuation Fee | (200.00) | |
| Supervisors Remuneration | (3,000.00) | |
| Supervisors Disbursements | (79.40) | |
| Nominess Fees | (1,500.00) | |
| VAT | (906.40) | |
| | <u> </u> | <u>(6,189.76)</u> |
| | | 36,243.63 |
| Supervisors Balance at Bank | | <u><u>36,243.63</u></u> |

Receipts & Payments Account

| Receipts | £ | £ |
|-----------------------------|-----------------------------|------------------------|
| Voluntary Contributions | | 12,825.00 |
| Debtors | | 795.24 |
| Interest | | 241.72 |
| | | <u>13,861.96</u> |
| Payments | | |
| Insolvency Bond | (120.00) | |
| Bank Charges | (102.23) | |
| Supervisors Remuneration | (2,664.60) | |
| Supervisors Disbursements | (9.80) | |
| Nominess Fees | (1,500.00) | |
| VAT | (730.53) | |
| | <u> </u> | <u>(5,127.16)</u> |
| | | 8,734.80 |
| Supervisors Balance at Bank | | <u><u>8,734.80</u></u> |

Countts & Findlater Limited (Company Voluntary Arrangement)

Appendix II
(page 1 of 2)

Supervisors time and charge out summary

| Robson Laidler LLP | | | | | | | |
|-------------------------------------------------------------------------------|---------|-----------|--------------------|------------------|----------------|-------------|--------------------------|
| Hours | | | | | | | |
| Classification of Work function | Partner | Manager | Admini- strator | Support Staff | Total Hours | Time Cost £ | Average hourly rate £ |
| Administration, Planning, Statutory and Cashiering (inc Tax & VAT work) | 0.9 | 76.8 | 8.0 | 1.1 | 86.8 | 11,275.80 | 129.91 |
| | | 5.0 | | | 5.0 | 850.00 | |
| | | 0.7 | | | 2.2 | 391.00 | |
| | 1.5 | 5.6 | | | 5.6 | 848.00 | 151.43 |
| | 2.4 | 88.1 | 8.0 | 1.1 | 99.6 | | |
| Total Hours | | | | | | | |
| Total time charged | 480.00 | 12,500.00 | 272.80 | 112.00 | | 13,364.80 | 134.18 |
| Time Written off | | | | | | 10,049.80 | |
| Work in Progress carried forward | | | | | | 315.00 | |
| Total fees claimed | 480.00 | 12,500.00 | 272.80 | 112.00 | | 3,000.00 | |

J F Wilson Shopfitters Limited (Company Voluntary Arrangement)

Appendix II
(page 2 of 2)

Supervisors time and charge out summary

| Robson Laidler LLP | | | | | | | |
|-------------------------------------------------------------------------------|---------|----------|--------------------|------------------|----------------|-------------|--------------------------|
| Hours | | | | | | | |
| Classification of Work function | Partner | Manager | Admini- strator | Support Staff | Total Hours | Time Cost £ | Average hourly rate £ |
| Administration, Planning, Statutory and Cashiering (inc Tax & VAT work) | 1.5 | 5.3 | 3.5 | 4.5 | 14.8 | 1,457.75 | 98.50 |
| Investigations & Reporting | | 2.0 | | | 2.0 | 260.00 | 130.00 |
| Realisation of Assets | | | | | 0.0 | | |
| Creditors | | 6.0 | | | 6.0 | 946.85 | 157.81 |
| Total Hours | 1.5 | 13.3 | 3.5 | 4.5 | 22.8 | | |
| Total time charged | 300.00 | 2,020.00 | 42.00 | 302.60 | | 2,664.60 | 116.87 |
| Time Written off | | | | | | | |
| Work in Progress carried forward | | | | | | | |
| Total fees claimed | 300.00 | 2,020.00 | 42.00 | 302.60 | | 2,664.60 | |

COMPANY VOLUNTARY ARRANGEMENT - A GUIDE TO INSOLVENCY PRACTITIONERS' FEES

1 Introduction

In a voluntary arrangement, as in other types of insolvency, the amount of money available for creditors is likely to be affected by the level of costs, including the remuneration of the insolvency practitioners appointed to implement the arrangement. This guide explains how fees are fixed in the voluntary arrangement, how the creditors can affect the level of fees, and the information which should be made available to them regarding fees.

2 The Voluntary Arrangement Procedure

- 2.1 Voluntary arrangements are available to companies and individual debtors. Company voluntary arrangements are often referred to as CVA's and individual voluntary arrangements as IVA's.
- 2.2 The procedure is similar for both CVA's and IVA's and enables the company or individual to put a proposal to their creditor for a composition in satisfaction of their debts or a scheme of arrangement of their affairs. A composition is an arrangement under which creditors agree to accept a certain sum of money in settlement of the debts due to them. A CVA may be used as a standalone procedure or as an exit route from an administration. It may also be used when a company is in liquidation, but this is extremely rare. The directors, the administrator or the supervisor, depending on the circumstances, will make the proposals. A proposal for an IVA may be made by a debtor whether or not he is already subject to bankruptcy proceedings. The proposals will be considered by creditors at a meeting convened to that purpose. The procedure is extremely flexible and the form, which the voluntary arrangement takes, will depend on the terms of the proposal agreed by the creditors. In both CVA's and IVA's the proposal must provide for an insolvency practitioner to supervise the implementation of the arrangement. Until the proposal is approved by the creditors, the practitioner is known as the nominee. If the proposal is approved, the nominee (or if the creditors choose to replace him, his replacement) becomes the supervisor.

3 Fees, Costs and Charges - Statutory Provisions

- 3.1 The fees, costs, charges and expenses which may be incurred for the purposes of a voluntary arrangement are set out in the Insolvency Rules 1986 (Rule 1.28 for CVA's and Rule 5.28 for IVA's). They are:
- for his service agreed between himself and the company (or the administrator or the supervisor, as the case may be) or the debtor (or the official receiver or trustee, where the debtor is subject to bankruptcy proceedings);
 - any fees, costs, charges or expenses which:
 - are sanctioned by the terms of the arrangement (see below), or
 - would be payable, or correspond to those which would be payable, in an administration, winding up or bankruptcy (as the case may be).
- 3.2 The rules also require matters to be stated or otherwise dealt with in the proposal (Rule 1.3 for CVA's and Rule 5.3 for IVA's):
- The amount proposed to be paid to the nominee by way of remuneration and expenses, and
 - The manner in which it is proposed that the supervisor of the arrangement should be remunerated and his expenses defrayed.

4 The Role of the Creditors

- 4.1 It is for the creditors meeting to decide whether to agree the terms relating to remuneration along with the other provisions of the proposal. The creditors meeting has the power to modify any of the terms of the proposal with the consent of the company in the case of an CVA including those relating to the fixing of remuneration. The nominee should be prepared to disclose remuneration in voluntary arrangements; the terms of the proposal may provide for the establishment of a committee of creditors and may include among its function the fixing of the supervisor's remuneration.

5 What information should the creditors receive?

- 5.1 Where the supervisors fees are to be agreed by a committee of creditors, the supervisor should provide sufficient supporting information to enable the committee to form judgements to whether the proposed fee is reasonable having regard to all the circumstances of the case, and should always make available an up to date receipts and payments account. Where the fee is to be charges in a time basis the supervisor should be prepared to disclose the amount of time spent on the case and the charge out value of the time spent, together with such additional information as may be required having regard to the size and complexity of the case.
- 5.2 Where the supervisor makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee when seeking approval of his fees, together with an explanation of how the charges are made up and the basis on which they arrived at.
- 5.3 Where the basis of the remuneration of the supervisor as set out in the proposal does not require any further approvals by the creditors or any committee of creditors, the supervisor should specify the amount of remuneration he has drawn in accordance with the provisions of the proposal in his subsequent reports to creditors on the progress of the arrangement.

COMPANY VOLUNTARY ARRANGEMENT - A GUIDE TO INSOLVENCY PRACTITIONERS' FEES

5.4 Where the proposed fee is based on time costs the supervisor 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 supervisor has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the supervisor must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time spent and the rates at spent on the case. To enable this assessment to be carried out it may be necessary for the supervisor 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
- Assistant 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 supervisor's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspect of the case, particular 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 supervisor 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 agreements 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.

5.5 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 supervisor should notify the creditors of the details of the resolution in his next report or circular to them. When subsequently reporting to creditors on the progress of the arrangement, or submitting his final report, he 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 5.4.

5.6 Details of the charge out rates of staff employed by Robson Laidler LLP are as follows:

| STAFF GRADE | CHARGE OUT RATE £ PER HOUR |
|------------------------------------------------|-------------------------------|
| Partner | 230.00 |
| Senior Manager | 190.00 |
| Manager | 135.00 to 155.00 |
| Case Administrator, Cashiering and Clerical | 50.00 to 120.00 |

5.7 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 supervisor proposed 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 supervisor'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 calculating and allocation.