

The Insolvency Act 1986

2.24B**Administrator's progress report**

Name of Company Courts (UK) Limited	Company number 00737130
In the High Court of Justice [full name of court]	Court case number 7330 of 2004

We
Michael Vincent McLoughlin
KPMG LLP
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Christine Mary Laverty

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

from	to
30 November 2004	30 May 2005

Signed


 Joint Administrators

Dated

29 June 2005

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

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Companies House, Crown Way, Cardiff CF14 3UZ

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Courts (UK) Ltd (in administration)

Report to Creditors pursuant
to Rule
2.47 of the Insolvency Rules
1986

KPMG LLP

27 June 2005

This report contains 5 Pages plus 2 appendices

to/rd/987

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1 Glossary

Administrators	Michael Vincent McLoughlin and Christine Mary Lavery
Address and registered office of Company	KPMG LLP 8 Salisbury Square London EC4Y 8BB
Administration Order	The Administration Order granted by the High Court of Justice in respect of Courts (UK) Ltd dated 30 November 2004. Court case number 7330 of 2004
Company/UK	Courts (UK) Limited Company number 00737130
Company address	The Grange 1 Central Road Morden Surrey SM4 5PQ
Appointor	The directors of the company in accordance with Paragraph 12(1)(b) of Schedule B1 to the Insolvency Act 1986

The references in this report to sections, paragraphs or rules are to the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency (Amendment) Rules 2003 respectively.

2 Introduction

Michael Vincent McLoughlin and Christine Mary Lavery of KPMG LLP were appointed as Joint Administrators of Courts (UK) Ltd on 30 November 2004 by the Court following an application by the directors of the Company.

In accordance with Paragraph 100(2) of schedule B1 Insolvency Act 1986 the functions of the Joint Administrators are being exercised by any or one of the administrators.

In accordance with Rule 2.47 of the Insolvency Rules 1986 the joint administrators now set out their progress report for the six months to 30 May 2005.

On 20 May 2005, following an application for a direction by the joint administrators, the Court ordered that rather than distribute a six monthly progress report to all creditors in accordance with Rule 2.47 of the Insolvency Rules 1986 the report should be filed on the Courts website and its availability advertised in three specified newspapers being: the Sun; the Daily Mail; and, the Daily Mirror. These adverts appeared on 29 June 2005.

3 Progress during the period of this report and future realisations

3.1 Estimated outcome

As set out in the administrators' proposals dated 11 February 2005 ("the Proposals"), it was reported that there were insufficient assets to enable a distribution to preferential and unsecured creditors. Although realisations have improved over initial estimates there remains a significant shortfall to secured creditors. Details of receipts and payments to date are set out in Appendix 1. The majority of the Company's assets are now realised and although realisations have improved over initial estimates there remains a significant shortfall to secured creditors.

3.2 Debtors

To date £2.85m has been realised from the collection of book debts. Of this total £1.48m was collected by the management of the Company's former Contracts Division (which was sold to management on 3 December 2004). Commission of £182,969 has been paid by the Joint Administrators in consideration for these collections. The remaining £1.37m relates to collections from the UK ledger.

The debtor realisations compare favourably with the directors estimated realisable figure of £1.888 million included on their Statement of Affairs. In addition recoveries now exceed the Company's forecast realisation of £2.474 million included in the Proposals. It is anticipated that further debtor realisations will be made over the coming months and the administrators forecast that total debtor realisations will exceed £3 million.

The administrators are in discussions with certain former consumer credit providers regarding amounts owed to the Company for agreements activated shortly before it entered administration. However, these amounts are subject to counter claims from the credit providers who are seeking to set-off these amounts against the debt due to the Company. The set off claims have yet to be validated and the administrators continue to pursue these debtors.

3.3 SB Capital

The Selling Agency Agreement which the Administrators entered into with SB Capital Europe (UK) Limited ("SB") which was detailed in the Proposals terminated on 20 February 2005. All stores had ceased to trade as "Courts" by that date. The realisation from stock held in the stores was completed and thereafter all stores were closed.

In addition to the £1.87m fee paid by SB for entering into the Selling Agency Agreement, the Company received a further £390,000 in respect of a fee charged for providing certain head office services to SB during the Selling Agency Agreement trading period. To date SB Capital has exercised its option to acquire the lease of 8 of the 14 stores provided for in the Selling Agency Agreement. We are currently attempting to finalise 2 further assignments. It has not been possible to assign the leases of the 4 remaining properties. As a result of these assignments, 99 employees have transferred to Furnitureland or Land of Leather (SB are an investor in these companies).

Further, the Administrators also realised £391,500 from SB by selling their economic interest in certain prepayments.

3.4 VAT

The Administrators continue to discuss the matters set out in the Proposals with HM Customs and Excise.

3.5 Investigations

The administrators have a duty to investigate the affairs of the company prior to their appointment and submit a report to the Department of Trade and Industry on the conduct of those persons who were a director or shadow director in the three years prior to the administration.

The administrators have complied with the above matters although they are not at liberty to disclose the nature or content of the reports to the DTI.

4 Remuneration

Attached as Appendix 2 is an analysis of the Administrators costs up to 27 May 2005.

As mentioned in paragraph 3.1 the Administrators have made a statement pursuant to paragraph 52 of The Insolvency Act 1986 that there will not be sufficient assets to enable any distribution to the unsecured creditors. Further, there will not be sufficient assets to enable a distribution to preferential creditors (see paragraph 5.3). Accordingly, under the provisions of Rule 2.106 of The Insolvency Rules 1986 the Joint Administrators' fees are to be approved by each secured creditor.

The administrators are currently awaiting approval from the secured creditors for their fees from 30 November 2004 to 1 April 2005 which it is proposed will be on a time cost basis.

5 Other relevant information

5.1 Pension scheme

As previously advised independent trustees have been appointed to the pension scheme and the administrators are aware that they are currently working to gather information as to the status of the Courts pension scheme.

5.2 Employees

At the date of our appointment there were 1,878 employees involved in the UK retail business. 90 staff transferred as a result of the sale of the Contracts Business, 99 transferred to Furnitureland or Land of Leather as a result of SB's acquisition of certain of the Company's stores. Currently, there are 7 employees working for the retail business.

5.3 Preferential creditors

Preferential creditors comprise certain employees' claims against the Company for arrears of pay and holiday pay. Based on submitted claims, preferential creditors currently total £1,190,501 (although this has not been agreed by the Joint Administrators- see below).

On current information it is not anticipated that there will be sufficient funds to enable any distribution to preferential creditors. Accordingly, the Joint Administrators do not propose incurring costs in agreeing these claims.

5.4 Unsecured creditors

The joint administrators have previously advised in the Proposals that, in accordance with Paragraph 52(1)(b) of Schedule B1 to the Insolvency Act 1986, Courts UK has insufficient assets to enable a distribution to unsecured creditors.

Appendix 1

Abstract of receipts and payments from 30 November 2004 to 27 June 2005

	£	Notes
Receipts		
Book debts	2,848,760	Para 3.2
SB Capital agency fee	1,868,844	
Stock	471,237	(2)
Contribution to prepaid rates	391,500	Para3.3
SB Capital administrative service charge	390,000	Para3.3
Other realisations	332,481	(1)
Cash at stores on appointment	184,143	(2)
Bank interest, gross	64,711	
Furniture & equipment	63,480	(3)
	6,615,157	
Payments		
Salaries and expenses	2,361,353	
Legal fees	525,322	
Security	440,054	
Rent	248,737	
VAT	205,202	
Call Centre Charges	188,660	
Debt collection commission	182,969	Para3.2
Store IT	112,751	
Transport	90,096	
Head Office Expenses	84,245	
Utilities	62,166	
Retention of title payments	50,189	
Store Expenses	29,837	
Statement of affairs work	23,794	
Agents'/Valuers' fees	19,672	
Media Relations	14,100	
Statutory advertising	11,106	
Warehousing	3,549	
Stationery & postage	3,387	
Bank charges	1,043	
	4,658,233	
Balances in hand	1,956,924	

Notes:

(1): comprises sundry refunds which it is not certain whether the Company may retain.

(2): details of these realisations are set out in the Proposals

(3): relates to items located at the Company's head office in Morden

Appendix 2

Courts (UK) Limited (in administration)

SIP 9 Compliant fees summary worksheet for the period to 27 May 2005

Consolidated time spent by grade	Partner	Director	Senior Manager	Manager	Administrator D	Administrator E	Support	Total Hours	Total Cost	Average Rate
Charge out rates	540.00	475.00	390.00	310.00	220.00	170.00	100.00			
Activity code										
Summary of time costs for the period ended 28 January 2005	270.80	571.10	2,017.20	3,082.80	2,333.70	1,177.50	495.90	9,949.0	2,892,855.00	290.77
Summary of time cost for the period from 29 January 2005 to 27 May 2005										
Total	174.0	42.0	236.2	121.5	80.8	78.6	39.7	857.0	286,782.00	334.63
Strategy, statutory & compliance	0.0	19.5	164.0	291.7	32.5	97.0	1.0	611.2	188,749.50	308.82
Asset realisation	0.0	38.0	131.4	738.7	922.5	40.7	-0.2	1,871.1	540,623.00	288.93
Trading	0.0	0.0	69.4	215.6	187.4	84.4	0.0	558.2	150,239.00	269.15
Employees	0.0	0.0	0.0	65.0	0.0	0.0	0.0	65.0	20,150.00	310.00
Directors' questionnaires	0.0	20.2	110.9	30.5	66.9	1.7	0.0	235.3	77,818.00	330.72
Creditors and claims	2.4	0.0	1.0	235.2	75.8	15.0	0.8	330.2	90,012.00	272.60
Cashiering	12.0	1.2	21.2	93.4	2.2	6.4	0.0	136.4	44,786.50	328.35
Tax	0.0	0.0	4.0	0.0	0.0	0.0	0.0	4.0	1,560.00	390.00
Shareholders	0.0	0.0	0.0	25.5	0.0	0.0	0.0	25.5	7,905.00	310.00
Investigations										
Total hours/cost for the period from 29 January 2005 to 27 May 2005	188.4	120.9	738.1	1,817.1	1,368.1	323.8	41.3	4,693.9	1,408,625.00	300.10
Total hours/cost	459.2	692.0	2,755.3	4,899.9	3,701.8	1,501.3	537.2	14,642.9	4,301,480.00	293.76
Expenses for the period ended 28 January 2005									38,771.43	
Summary of of expenses for the period from 29 January 2005 to 27 May 2005:-										
Air & rail travel and taxis									12,084.94	
Car mileage									6,855.90	
Hotel/accommodation									15,565.95	
Administrators' bordereau									1,240.00	
Subsistence									5,815.35	
Stationery									116.98	
Temp staff									917.57	
Telecommunications									1,659.81	
Total expenses for the period from 29 January 2005 to 27 May 2005									44,256.50	
Total expenses									83,027.93	

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.