

The Insolvency Act 1986

2.24B**Administrator's progress report**

Name of Company Courts Plc

Company number 00272534

In the High Court of Justice

Court case number 7329 of 2004

We
Christine Mary Laverty
KPMG LLP
8 Salisbury Square
London EC4Y 8BB
United Kingdom

Michael Vincent McLoughlin

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

from	to
30 November 2006	30 May 2007

Signed


 Joint Administrators

Dated

29 June 2007

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

Dominic Carter
KPMG LLP
8 Salisbury Square
London EC4Y 8BB
United Kingdom

DX Number DX 38050 Blackfriars

Tel 0207 311 4577
DX Exchange

Companies House receipt date barcode

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

Courts Plc (in administration)
(“the Company” or “PLC”)

Progress report pursuant to
Rule 2.47 of the Insolvency
Rules 1986

30 May 2007

KPMG LLP

This report contains 6 pages
Appendices contain 5 pages

1 Introduction

Mick McLoughlin and Chris Laverty of KPMG LLP were appointed Joint Administrators to the Company (“the Administrators”) on 30 November 2004 by the Court following an application by the directors of the Company. The syndicate of banks holding security consented to this process.

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

In accordance with Rule 2.47 of the Insolvency Rules 1986, the Joint Administrators now set out their fifth progress report for the period from 1 December 2006 to 30 May 2007 for the purposes of reporting to Court and Companies House and updating creditors generally.

We are pleased to be able to announce the sale of the Caribbean subsidiaries, which completed in December 2006, and to provide an update on the disposal of the Asian entities. We also provide you with up to date receipts and payments accounts for both GBP and US\$ transactions, details of KPMG’s professional fees and certain other matters arising in the case.

2 Statutory information

Joint Administrators	Michael Vincent McLoughlin and Christine Mary Laverty
Address and registered office of the Company	KPMG LLP 8 Salisbury Square London EC4Y 8BB
Administration Order	The Administration Order granted by the High Court in respect of the Company dated 30 November 2004 Court administration order number 7329 of 2004
Company	Courts Plc (company registered number 00272534)
Present 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.

3 Subsidiaries

PLC continues to provide operational and financial support to the remaining PLC Subsidiaries in order to provide a stable platform for their disposal and maximise realisations for the Company's creditors.

This support includes, but is not limited to: reviewing and assisting with the budgeting process and strategic business plans; monitoring the weekly trading performance and monthly management accounts; assisting with jurisdictional business reviews; and liaising with local banks on local financing issues.

We continue to maintain the head office function at Morden which, following the Caribbean disposal, now represents a reduced team. This support will be maintained until the disposal of the remaining Subsidiaries and the relevant post disposal transfers of systems and information has been completed.

4 Operations update

Since our previous report, the key developments are as follows:

Asia

- Unaudited results for the year ended 31 March 2007 for Malaysia / Indonesia show a consolidated net loss before tax of RM 46.8m as a result of lower group credit sales and an increase in credit costs.
- Losses in Thailand have continued to affect the performance of the consolidated Singapore/Thailand business. On 26 January 2007, Singapore's board of directors issued another profit warning, stating that the losses in Thailand announced in Q2 would continue for the rest of the financial year and result in a consolidated full year loss for the Group. As a result, the board embarked on a major restructuring exercise in the region, closing all of the branches in Northeast Thailand and focusing on building presence in the Southern region.
- Unaudited results for the year ended 31 March 2007 for Singapore/Thailand show a consolidated net loss before tax of S\$15.5m, brought about by a lower credit yield in Singapore and a lower volume of business in Thailand following the restructuring referred to above.
- Our staff were involved in the successful refinancing of Malaysia's banking facilities in December 2006, ensuring the company could continue trading and thereby maintain value for PLC's creditors.

Caribbean

No operations update following Caribbean disposal on 20 December 2006.

General issues

- To date we have recovered c£9.1 million since the start of the administration in respect of recharges for the operational services which the Company has provided the Subsidiaries.
- In our previous report we stated that c£8.9 million of funding had been provided to certain Subsidiaries or used to collateralise their local banks, enabling them to operate within their local facilities. Some c£5 million remains outstanding and will be repaid upon completion of the disposals of the remaining Asian entities.
- To date we have received a total of c£14.5 million of dividends from the Subsidiaries, of which c£3.4 million was recovered directly on behalf of Courts Overseas Limited (“COL”) and Courts Group International Limited (“CGIL”). The remaining c£11.1 million of dividends are realisations of the Company.
- The realisation of the Company’s property portfolio is now complete, realising some £14.0 million in total gross realisations before costs. This amount includes £0.4m recovered from SB Capital which is not separately classified in the attached receipts and payments account.

5 Disposals update

East

We were in active discussions with three serious bidders: one for all of the Asian Subsidiaries, one for Singapore/Thailand only and one for Malaysia/Indonesia only. The latter two bids were relatively late entrants to the sale process, however both bidders were responsive to accelerated due diligence in order to submit their bids.

We have recently recommended a course of action to the secured creditors in order to bring the Asian disposal process to a close.

Caribbean

The sale of the twelve Caribbean businesses completed on 20 December 2006, realising an initial US\$205 million for the vendors. The majority of the balance of the headline cash price of US\$320 million was used to pay off local bank lending and to fund the acquisition of the minority shares in the public companies.

On top of the return of customs bond monies, an additional US\$10.8 million has recently been received as a result of the completion accounting process and we expect to receive further consideration pending discussions to settle outstanding trading balances with the purchaser of the Caribbean businesses.

We have also entered into a further Memorandum of Understanding (“MoU”) with the Agent Bank whereby certain realisations from the Caribbean assets caught under the fixed charge security will be used to fund the administration and the disposal of the Asian Subsidiaries going forward.

Overall timeline

Subject to regulatory approvals and legal documentation it is anticipated that the Asian disposal will be completed within H1 2007.

6 Security

As per our previous report, you will recall that any payment to unsecured creditors in excess of the prescribed part is contingent on net floating charge realisations exceeding the value to which the floating charge is valid. We continue to assess the likely level of net floating charge realisations, although this will not be known until the completion accounting process and the remainder of the transactions have been completed.

7 Distributions

To date, the Administrators have made total distributions of £29 million and US\$172 million to the Bank of Nova Scotia (“Scotia”) as security trustee in respect of the property and Subsidiary disposals referred to in sections 4 and 5. This includes the dividends received on behalf of COL/CGIL referred to in Section 4.

8 Funding

The Administrators have fully paid back the £29 million facility which was provided by Scotia in order to fund the administration of the Company (“the Facility”). From these monies, the Company has on-lent £3 million to Courts (UK) Limited to fund its administration, which is unlikely to be repaid. In addition, under the terms of the Caribbean MoU, we anticipate providing a further £0.6million to Courts (UK) Limited to fund its administration expenses.

Now that the Facility has been fully repaid, we are funding the administration of PLC via realisations as a result of the MoU entered into, as referred to in Section 5.

9 KPMG costs of the Administration

At the Committee meeting held on 11 April 2005 the Committee resolved that the remuneration of the Joint Administrators be fixed on the basis of time properly spent by them and their staff in attending to matters arising in the administration. The Committee also approved the Joint Administrators’ remuneration for the period to 1 April 2005 and agreed that the administrators may draw their remuneration on a monthly basis thereafter (“the Fee Resolution”).

Under the terms of the Fee Resolution we have drawn £16,651,874.77 plus VAT for time costs and expenses incurred in connection with the Company for the period from 30 November 2004 to 2 February 2007. Details of time spent and expenses for periods up to 1 September 2006 have been supplied in previous reports. During the period from 2 September 2006 to 2 February 2007, the time properly spent by the administrators and their staff amounted to 5,333 hours at a total cost of £2,085,027.50 plus VAT. Enclosed as an appendix is a schedule which summarises the time spent by grade and activity during this period. It also details disbursements during the period of £49,121.24 plus VAT. In accordance with the Fee Resolution, we have therefore drawn a fee for £2,134,148.74 plus VAT on account of the time costs and expenses incurred during the period from 2 September 2006 to 2 February 2007.

The schedule also shows the total time costs and expenses incurred to date, together with details of the costs incurred by our overseas offices for support provided locally to the overseas businesses, along with those incurred by other KPMG LLP advisory teams used by the Administrators. The costs of the overseas offices and other KPMG LLP teams are included in the attached GBP receipts and payments account.

10 Other matters

As stated in our previous report, we applied to Court for an extension to the administration order for PLC to 30 November 2007. This was duly granted on 20 November 2006.

We also obtained a six month extension to 30 November 2007 for the Courts (UK) Limited administration. The administrators of Courts (UK) Limited are currently finalising plans to petition for the compulsory liquidation of this company. It is expected this will trigger an assessment period to determine whether the Courts Pension Scheme is entitled to compensation under the Pension Protection Fund rules. It may also mitigate PLC's exposure to non-domestic business rates as the administrators will seek to take advantage of exemptions available to companies in liquidation.



Joint Administrator

The affairs, business and property of the company are being managed by the joint administrators

MV McLoughlin and CM Laverty are authorised to act as insolvency practitioners by the ICAEW and IPA respectively

Courts Plc (in administration)

Abstract of receipts and payments for the period 30 November 2006 to 30 May 2007 and total receipts and payments since appointment.

GBP Account

	30 May 2007	Movement	30 November 2006	Reference
	£	£	£	
Sale of overseas subsidiaries	35,551,158.82	23,539,774.00	12,011,384.82	Section 5
Dividends received	14,544,812.56	0.00	14,544,812.56	Section 4
Operational recharges	9,087,370.20	744,603.69	8,342,766.51	Section 4
Freehold property	8,621,001.89	75,000.00	8,546,001.89	
Leasehold property	4,884,297.91	0.00	4,884,297.91	
Debtors	1,473,142.62	348.91	1,472,793.71	
Bank interest	1,021,607.35	265,006.13	756,601.22	
Rent receivable	1,015,896.59	-40,376.40	1,056,272.99	
Refundable deposits	994,802.43	994,802.43	0.00	
Rates refunds in hand	808,367.50	24,909.13	783,458.37	
Other realisations	143,973.56	509.24	143,464.32	
Cash at bank	19,004.41	0.00	19,004.41	
Total receipts	78,165,435.84	25,604,577.13	52,560,858.71	
Distribution to fixed charge creditor	28,967,806.38	15,254,414.92	13,713,391.46	Section 7
Administrators' fees	16,396,598.50	2,084,527.50	14,312,071.00	Section 9
Non property legal and professional fees	15,253,109.82	2,418,809.85	12,834,299.97	Note 1
Salaries, pension contributions, sub-contractor fees, bonuses and expenses	12,107,460.52	2,314,412.09	9,793,048.43	Notes 2, 3
Funding overseas subsidiaries	6,149,496.68	0.00	6,149,496.68	Section 4, Note 4
Interest, facility and bank charges	4,480,247.92	142,235.06	4,338,012.86	
IT Licenses & maintenance	2,431,667.95	200,076.39	2,231,591.56	Note 2
Rent payable	1,139,540.71	-616,227.85	1,755,768.56	Note 5
VAT funding	1,125,698.95	287,016.19	838,682.76	
Legal, valuation and marketing expenditure on the property portfolio	1,078,597.28	60,518.49	1,018,078.79	
Settlement with HMRC	1,000,000.00	0.00	1,000,000.00	
Insurance of assets	636,105.90	6,386.21	629,719.69	Note 2
Travel expenses	464,390.20	17,267.40	447,122.80	Note 2
Sundry expenses	446,554.84	76,188.38	370,366.46	Note 2
KPMG overseas fees	413,719.66	59,043.04	354,676.62	Section 9
Duress payments	315,316.29	0.00	315,316.29	
Utilities	272,082.10	37,694.54	234,387.56	
Administrators' expenses	255,276.27	51,201.13	204,075.14	Section 9
D & O Run Off Insurance	93,660.05	0.00	93,660.05	Note 2
Rates collection fees	87,122.36	0.00	87,122.36	
Carriage, postage and advertising	74,110.98	2,876.24	71,234.74	Note 2
Hire of equipment	63,017.24	3,069.46	59,947.78	
Other property costs	25,040.00	0.00	25,040.00	
Repairs and maintenance	5,005.62	0.00	5,005.62	
Disposal fees	2,386.00	0.00	2,386.00	
Total payments	93,284,012.22	22,399,509.04	70,884,503.18	
Net payments	(15,118,576.38)	3,205,068.09	(18,323,644.47)	
Funded by Facility A	26,000,000.00	0.00	26,000,000.00	Section 8
Balances in hand	10,881,423.62	3,205,068.09	7,676,355.53	

Notes

- (1) Non property legal and professional fees mainly comprise those fees charged by NM Rothschild and KPMG LLP in their capacities as corporate finance advisors, PriceWaterhouseCoopers for vendor assistance work and Allen & Overy as legal advisors to the Administrators. The appointment of these advisors was approved by the panel of secured creditors and, where appropriate, the Creditors' Committee. Each of these advisors operate to an agreed budget. In the case of the corporate finance advisors a significant proportion of the fees is directly linked to the results achieved.
- (2) Elements of these costs are recovered from the operating subsidiaries through operational recharges.
- (3) Courts employs and retains Finance, IT and HR functions at its head office in Morden. Whilst these costs are significant, they are actively monitored and headcount is reduced when possible. An element of these costs are recharged to the operating subsidiaries.
- (4) As previously reported, this comprises amounts provided to Courts Malaysia (£4.1m) and Courts Worldwide Purchasing Limited (£0.9m), which we expect to recover in full. In addition, £0.9m was applied to facilitate a balance sheet restructuring in order to achieve the Madagascar and Mauritius sales.
- (5) Includes £0.5m of rent on the head office at Morden, as well as amounts paid in order to complete the assignment/surrenders of the Company's leasehold portfolio, before the contributions shown in rent receivable in receipts.

Courts Plc (in administration)**Abstract of receipts and payments for the period 30 November 2004 to 30 May 2007****USD account**

	\$	Reference
Sale of overseas subsidiaries	226,633,171.65	Note 1, Section 5
Dividends received	5,000,000.00	Section 4
Bank interest	706,618.64	
Debtors	37,981.02	
Cash at bank	12,507.82	
Total receipts	232,390,279.13	
Distribution to fixed charge creditor	171,867,206.35	Section 7
Transferred to Courts plc GBP account	53,674,417.94	Note 2
PNG reverse premium	5,142,064.35	Note 3
Bank charges	389.40	
Stamp duty and completion taxes	827,988.37	
Total payments	231,512,066.41	
Balances in hand	<u><u>878,212.72</u></u>	Note 4

Notes

(1) These receipts are a combination of Courts plc, COL and CGIL realisations. Their application and distribution was agreed with the secured creditors under the terms of a memorandum of understanding entered into with the Agent Bank.

(2) This amount has been transferred to the administration Sterling account. The Sterling equivalent of \$5m of this balance is included under 'dividends received' in the GBP receipts and payments account; the remainder is included under 'sale of overseas subsidiaries'.

(3) Includes related fees.

(4) These funds are available to the secured creditors under the terms of their security.

Courts Plc (in administration)

SIP 9 Compliant fees summary worksheet for the period to 2 February 2007

Time costs of KPMG UK Offices

Consolidated time spent by grade

Charge out rates from 1 October 2006

Summary of time costs for the period ended 1 September 2006

Summary of time cost for the period from 2 September 2006 to 2 February 2007

Activity code

	Partner	Director	Senior Manager	Manager	Senior Administrator	Administrator	Senior Support	Support	Experience	Work	Total Hours	Total Cost	Average Rate
Total	570.00	500.00	410.00	325.00	230.00	180.00	180.00	95.00	30.00		43,460.4	£14,311,571.00	329.30
Total	4,756.3	4,126.1	8,354.5	9,698.0	9,839.3	3,805.1	1,410.7	1,453.4	17.0				
Total	354.3	54.0	80.0	49.5	25.3	28.2	0.0	84.6	0.0		675.9	297,008.50	439.43
Total	516.5	697.3	504.3	694.4	16.7	0.0	0.3	0.0	0.0		2,429.5	1,079,393.00	444.29
Total	1.0	205.5	10.9	353.5	482.6	179.2	0.0	0.0	0.0		1,232.7	365,534.50	296.53
Total	5.0	0.0	48.0	0.4	14.0	0.0	0.0	0.0	0.0		67.4	25,880.00	383.98
Total	80.0	0.0	132.5	72.5	2.3	0.0	0.0	0.0	0.0		287.3	124,016.50	431.66
Total	21.0	0.0	15.0	0.0	0.0	0.0	8.9	33.5	0.0		78.4	22,972.50	293.02
Total	2.8	0.0	0.0	44.4	56.4	0.0	0.0	12.6	0.0		116.2	30,204.00	259.93
Total	63.4	0.0	12.5	203.3	60.4	103.0	0.0	2.4	0.0		445.0	140,009.00	314.63
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0		0.1	9.50	95.00
Total hours/cost for the period from 2 September 2006 to 2 February 2007	1,044.0	956.8	803.2	1,418.0	657.7	310.4	9.2	133.2	0.0		5,332.5	£2,085,027.50	391.00
Total hours/cost	5,800.3	5,082.9	9,157.7	11,116.0	10,497.0	4,115.5	1,419.9	1,586.6	17.0		48,792.9	£16,396,598.50	336.04

KPMG Corporate Finance

Fees for work undertaken on disposal of the shareholding in the overseas Subsidiaries in Asia (Project Palm)

Total costs for the period ended 1 September 2006

Total cost for the period from 2 September 2006 to 11 May 2007

Total cost

£2,519,155.27

£409,594.88

£2,928,750.15

KPMG Transaction Services

Fees for work undertaken on the Caribbean sale (Project Coconut)

Total costs for the period ended 1 September 2006

Total cost for the period from 2 September 2006 to 11 May 2007

Total cost

£152,705.00

£59,280.00

£211,985.00

Time costs of KPMG Overseas Offices

KPMG Grand Cayman

Charge out rates (in US\$)

Period ended 1 September 2006

Summary of time cost for the period from 2 September 2006 to 2 February 2007

	Senior Manager	Senior Administrator	Senior Administrator	Administrator	Total Hours	Total Cost	Average Rate
Total	74.70	0.00	2.00	3.75	80.45	\$42,938.75	\$533.73
Total hours/cost	1,165.80	14.50	15.30	44.85	1,240.45	\$539,391.25	\$434.84
	1,240.50	14.50	17.30	48.60	1,320.90	\$582,330.00	\$440.86

KPMG Mauritius

Fee for tax review exercise re: Courts (Madagascar) Sarl for the period ended 27 May 2005

£1,500.00

KPMG Malaysia

Fees for work undertaken on the data room for the sale of Courts Malaysia

Total costs for the period ended 1 September 2006

£15,627.00

Total cost for the period from 2 September 2006 to 11 May 2007

£2,653.00

Total cost

£18,280.00

Expenses

Expenses of KPMG UK Offices

Expenses for the period ended 1 September 2006

Summary of expenses for the period from 2 September 2006 to 2 February 2007:-

Air & rail travel and taxis	39,787.17
Tax department secretary (temp)	152.76
Car mileage and tolls	2,467.22
Hotel/accommodation	2,745.19
Subsistence	2,252.12
Sundry computing and printing	739.03
Telecommunications	977.75

Total expenses for the period from 2 September 2006 to 2 February 2007

Total expenses

Expenses of KPMG Overseas Offices
KPMG Grand Cayman

Expenses for the period ended 1 September 2006

Summary of expenses for the period from 2 September 2006 to 2 February 2007:-

Air & rail travel and taxis	\$1,523.24
Hotel/accommodation	\$965.05
Subsistence	\$2,658.04
Office expenses	\$54.88

Total expenses for the period from 2 September 2006 to 2 February 2007

Total Grand Cayman expenses

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.

£206,155.03

£49,121.24

£255,276.27

\$59,507.89

\$5,201.21

\$64,709.10