

The Insolvency Act 1986

Administrator's progress report

Courts Plc	00272534
In the High Court of Justice	7329 of 2004

We
 Christine Mary Lavery
 KPMG LLP
 8 Salisbury Square
 London
 EC4Y 8BB

Michael Vincent McLoughlin

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

from

to

19 November 2005

30 May 2006



Signed _____

Joint Administrator

Dated 28/6/06

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

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Our ref 987/dp

30 May 2006

Dear Sirs

**Courts Plc in administration (“the Company” or “PLC”)
Joint administrators – Christine Mary Lavery and Michael Vincent McLoughlin**

Introduction

Mick McLoughlin and Chris Lavery 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 third progress report for the six months to 30 May 2006.

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.

1 The Subsidiaries

1.1 As set out in my previous reports PLC (as ultimate shareholder) continues to provide operational support and in some instances funding to provide a stable platform for the disposal of the subsidiaries to maximise realisations for the Company's creditors.

1.2 This support includes the maintenance of a head office function at Morden (providing mainly IT and finance services), the review and assistance with strategic business plans, monitoring the monthly management accounts, the continued operation of CWWP (electrical goods purchasing entity), assistance with jurisdictional business reviews and assistance and

interaction with both the local and UK RCF banks for local financing issues as well as other arising issues.

1.3 This support will be maintained until the disposal of the Subsidiaries has been completed and may be required for any transitional period post-disposals.

2 Operations update

2.1 The key achievements and milestones are:-

- Funding has been provided to certain subsidiaries in order to ease their working capital requirements and operate within their local facilities.
- On an aggregate basis, the operating entities' trading has out performed budget for the full 05/06 year. However, there remain certain underperforming operating entities and we continue to work with local management to develop and implement turnaround plans and business reviews in order to address any deficiencies and maximise the value of those assets.
- We have recovered £6.3 million from commencement of the administration to date in respect of recharges for the operational services which the Company provides the Subsidiaries.
- We have to date received £8.2 million of dividends from the Subsidiaries, of which £2.4 million was recovered directly on behalf of Courts Overseas Limited ("COL") and Courts Group International Limited ("CGIL") who do not have a bank account.

3 Disposals update

3.1 East

3.1.1 The sale of Mauritius/Madagascar completed on 23 December 2005, realising \$26.1 million for the benefit of PLC, COL and CGIL. The directors of COL and CGIL, the Administrators and the co-ordinating agent of the RCF Banks have entered into a Memorandum of Understanding ("MoU") in order to remit £9.1 million of these funds to PLC in order to fund the continued operations of the PLC administration.

3.1.2 The sale of the Fiji business completed on 31 May 2006, but no value was realised for PLC.

3.1.3 We are advanced stages of negotiations with proposed purchasers of the PNG businesses and have received an offer. The RCF Banks have accepted this offer and we are in the process of finalising documentation with the bidder.

3.1.4 For the remaining Asia businesses, we are in the process of clarifying the final bids we received in March 2006.

3.2 Caribbean

3.2.1 We have entered into a MoU and exclusive negotiations with a preferred bidder for this region. This transaction is still subject to a number of outstanding items and work is continuing on numerous workstreams to bring this transaction to a point where we can enter into a sale and purchase agreement.

3.3 Overall timeline

3.3.1 Due in the main to regulatory issues it is contemplated that completions of the available packages will occur on a phased basis. As such, on current information we forecast that completions may run into the latter part of Q4 2006, as various regulatory approvals are sought and obtained.

3.3.2 As previously advised there will be material business separation issues that will require post completion involvement by the administrators, as a transitional services agreement may be required for up to six months.

4 Properties

4.1 The realisation of the Company's property portfolio is substantially complete, with only some minor residential interests to be sold.

4.2 A summary of the status is set out below:

Type of realisation	Status	Cash received to date ^a /estimated future transactions (£m)
Leasehold		
SB Capital- option to take assignment- 14 properties ^b	Complete ^b	2.2
Lease surrenders- 10 properties ^c	Complete	1.8
Lease assignments- 7 properties ^c	Complete	1.3
Freehold		
Sale of High Street stores- 6 properties	Complete	4.4
Corby warehouses- 2 properties	Complete	3.3
Other non residential freehold interests- 3 properties	Complete	0.4
Total completed property realisations		13.4
Residential		
Freehold and leasehold interests	Ongoing	0.4
Contingency		(0.2)
Total projected gross property realisations^a		13.6

Notes

(a) before costs of realisation and including interest earned on realisations

(b) assignments of 8 properties were achieved, the other 6 fell away

(c) includes £0.4m of amounts recovered from SB Capital not separately classified in the R&P

5 Security

5.1 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 are continuing to assess the likely level of net floating charge realisations and will provide a detailed update in our next report, or sooner if the circumstances warrant it.

6 Distributions

6.1 To date, the Administrators have made distributions of £10.2 million to the Bank of Nova Scotia ("Scotia") as security trustee relating to the properties. We have also paid over to Scotia those dividend receipts received on behalf of COL/CGIL as referred to in section 2.1 above.

7 Funding

7.1 The Administrators have fully drawn down the £29 million facility which was provided by The Bank of Nova Scotia in order to fund the administration of the Company ("the Facility"). The Company has in turn on-lent £3 million to Courts (UK) Limited to fund its administration (for which it is unlikely to receive repayment).

7.2 Due to the extension of the timeline for the disposal process, the Facility is not adequate to fund the administration to the estimated completion period. As such (as set out in 3.1.1 above) COL/CGIL, the Company and the co-ordinating agent of the RCF Banks entered into a MoU in order that certain funds from the sales proceeds of the Madagascar and Mauritius disposals be paid to the Company.

8 KPMG costs of the Administration

8.1 Administrators' fees and expenses

8.1.1. In accordance with Rule 2.106 of The Insolvency Rules 1986, in situations where a creditors committee is formed ("the Committee"), the Joint Administrators' fees are approved by the Committee.

8.1.2 Attached as Appendix 2 is an analysis of fees drawn from 1 October 2005 to 31 March 2006.

9 Other matters

9.1 On 25 November 2005 the High Court ordered that the administration order for the Company be extended for one year. The revised ending date of the administration order is now 30 November 2006.

9.2 On 13 December 2005 the Administrators entered into an agreement with Her Majesty's Customs and Revenue ("HMRC") whereby in consideration for £1 million paid by the Company, HMRC undertook not to enforce the debt owed to them in respect of COL and CGIL's liabilities arising from the pre appointment VAT group. HMRC's unsecured claim remains in force against the other members of the pre appointment VAT group (including PLC).

9.3 On 15 March 2006, the Administrators wrote to HR Trustees ("HRT") (the independent trustees of the Courts Pension Scheme ("CPS")) requesting that the CPS be placed into winding up. HRT are currently considering whether it is appropriate to waive the 6 month notice period required prior to commencing the winding up of the scheme.



KPMG LLP
Courts Plc in administration ("the Company" or "PLC")
Joint administrators – Christine Mary Laverty and Michael Vincent McLoughlin
30 May 2006

If you wish to discuss the report, or any other aspect of the Administration, please telephone David Pike on 020 7694 3102.

Yours faithfully
for Courts Plc

Chris Laverty
Joint Administrator

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

Christine Mary Laverty is authorised to act as an insolvency practitioner by the Department of Trade and Industry
Michael Vincent McLoughlin is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales

Courts Plc
(In Administration)

Administrator's Abstract Of Receipts And Payments
To 30 May 2006

RECEIPTS	To 30/5/06 Total (£)	To 27/10/2005 Total (£)	Movement £
Freehold property (UK)	8,073,957.58	7,645,000.00	428,957.58
Leasehold property (UK)	4,755,235.91	4,705,235.91	50,000.00
Sale Proceeds	9,129,814.55	0.00	9,129,814.55
Shares and investments	9,584.75	0.00	9,584.75
Book debts	135,033.50	135,000.00	33.50
Insurance rebates - overseas	59,945.27	59,944.27	1.00
Sundry Income	58,261.29	56,039.41	2,221.88
Rent- UK	1,053,994.09	999,556.59	54,437.50
Insurance claims UK	1,184,875.13	984,875.13	200,000.00
Bank interest, gross	567,761.93	403,991.57	163,770.36
Furniture & equipment	32,523.70	17,196.41	15,327.29
Inter-co receipts	6,319,613.96	4,077,983.86	2,241,630.10
Dividends from overseas subsidiaries	8,163,601.48	6,056,790.73	2,106,810.75
Book debts (fixed)	10,952.40	10,479.45	472.95
Cash at bank	19,004.41	935.63	18,068.78
Unclaimed share dividends	12,736.47	12,736.47	0.00
Rates refunds (non SB)	600,293.14	438,575.10	161,718.04
Sundry refunds	79,207.54	60,225.18	18,982.36
Fixed charge VAT payable	51,005.08	568,750.00	-517,744.92
Floating ch. VAT payable	111.71	555.00	-443.29
Fixed charge VAT rec'able	49,935.61	0.00	16,484.40
Floating ch. VAT control	2,099.56	0.00	2,099.12
Total Receipts	40,369,549.06	26,233,870.71	14,135,678.35
PAYMENTS			
Direct labour	5,482,196.95	3,680,203.92	1,801,993.03
Employee expenses	89,497.27	54,733.75	34,763.52
Sub contractors	2,018,830.08	1,242,514.69	776,315.39
Rent	1,371,580.55	1,322,958.85	48,621.70
Water rates	738.2	376.24	361.96
Heat & light	54,813.48	2,670.99	52,142.49
Travel	339,497.40	229,475.17	110,022.23
Telephone/Telex/Fax	128,012.48	38,504.60	89,507.88
Carriage	16,387.47	10,922.81	5,464.66
General Pte Insurance	513,824.64	457,484.25	56,340.39
Opex legal & professional fees	671,069.44	512,489.75	158,579.69
Advisor disposal fees	5,895,076.13	4,310,089.12	1,584,987.01
Professional fees- Properties (UK)	143,921.85	165,061.40	-21,139.55
Insurance - UK	103,439.59	0.00	103,439.59
Hire of equipment	3,017.45	2,672.45	345.00
Repairs and maintenance	5,005.62	3,949.84	1,055.78
Sundry expenses	295,750.73	147,497.58	148,253.15
IT Licenses & maintenance	1,774,586.39	946,302.75	828,283.64
HP/leasing payments	53,980.21	19,936.99	34,043.22
Advertising	8,698.50	8,698.50	0.00
Stationery & postage	39,446.36	27,905.70	11,540.66
Sundry costs-UK	25,040.00	0.00	25,040.00
Rent Overseas	350,040.35	0.00	350,040.35
Rate Refund- UK	1,856.70	1,856.70	0.00
Agents'/Valuers' fees-UK	131,460.87	131,360.87	100.00
Pension costs	134,826.25	101,208.51	33,617.74
Distribution to Fixed charge creditor	12,644,307.29	10,530,453.45	2,113,853.84
D & O Run Off Insurance	70,035.05	1,255.85	68,779.20
Rates collection fees	38,038.49	0.00	38,038.49
Administrators' fees	11,873,607.50	4,691,751.50	7,181,856.00
Administrators' expenses	167,340.39	70,264.12	97,076.27
KPMG Fees Overseas	309,051.41	173,320.47	135,730.94
Legal Fees UK	629,724.56	0.00	629,724.56
Legal fees	1,475,519.14	566,195.91	909,323.23
Scotia interest payments	1,910,001.42	864,957.29	1,045,044.13
Scotia facility fees	630,000.00	630,000.00	0.00
Statutory advertising	703.53	703.53	0.00
Bank charges	17,716.03	7,679.25	10,036.78
Overdraft fees	100,000.00	100,000.00	0.00
Duress payments	315,316.29	315,316.29	0.00
Loan to CWWP	895,659.42	5,554,195.50	-4,658,536.08
Funding for Overseas Subsidiaries	5,239,579.85	2,398,496.33	2,841,083.52
VAT settlement	1,000,000.00	0.00	1,000,000.00
Floating ch. VAT rec'able	1,892,136.54	1,031,626.69	860,509.85
Fixed charge VAT rec'able	0.00	33,451.21	-33,451.21
Floating ch. VAT control	0.00	0.44	-0.44
Total Payments	58,861,331.87	40,388,543.26	18,472,788.61
Net Payments	(18,491,782.81)	(14,154,672.55)	(4,337,110.26)
Syndicate funding	26,000,000.00	21,000,000.00	5,000,000.00
Balances in Hand	7,508,217.19	6,845,327.45	662,889.74

Expenses of KPMG UK Offices

Expenses for period ended 30 September 2005

£
103,986.84

Summary of expenses for period 1 October 2005 to 31 March 2006

Air, rail travel & taxis	£	48,448.43
Car mileage & tolls		7,328.48
Companies house searches		255.00
Hotel & accommodation		2,008.19
Subsistence		4,494.31
Sundry publications		71.00
Sundry computing		1,514.37
Tax department secretary (temp)		1,673.32
Telecommunications		1,326.35
Graphic support		20.00
Total expenses for period 1 October 2005 to 31 March 2006		<u>65,433.45</u>
Total UK expenses to 31 March 2006		<u>£169,420.29</u>

Expense of KPMG Overseas Office

Expenses for period ended 30 September 2005

\$
33,103.96

Summary of expenses for period 1 October 2005 to 31 March 2006

Air, rail travel & taxis	19,325.73
Hotel & accommodation	1,489.46
Subsistence	1,150.51
Stationery	334.97
Telecommunications	189.42
Office	233.29
Total expenses for period 1 October 2005 to 31 March 2006	<u>\$22,723.38</u>
Total Grand Cayman expenses to 31 March 2006	<u>\$55,827.24</u>

Note:

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 the central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.