

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company The Groundwork Trust Limited	Company number 01604493
In the High Court of Justice, Birmingham District Registry, Chancery Division	Court case number 4924 of 2006

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

We, Ian J Gould and Matthew D Gibson of New Guild House, 45 Great Charles Street,
Queensway, Birmingham, B3 2LX

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

	from	to
(b) Insert dates	(b) 22 February 2007	(b) 8 August 2007

Signed

[Signature]
I J Gould
Joint Administrator

Dated 8 August 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

PKF (UK) LLP	
New Guild House 45 Great Charles Street	
Queensway, Birmingham B3 2LX	
	Tel 0121 212 2222
DX Number	DX Exchange

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

FRIDAY



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10/08/2007
COMPANIES HOUSE

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Accountants &
business advisers

TO
THE HIGH COURT
THE REGISTRAR OF COMPANIES
ALL KNOWN CREDITORS

Our ref CRI/4007325/2400/IJG/KOR/HJ

8 August 2007

Dear Sirs

The Groundwork Trust Limited in Administration ("the Company")
Birmingham District Registry 4924 of 2006

1 Introduction

- 1.1 I write further to my appointment as Joint Administrator of the Company on 22 August 2006
- 1.2 This is my second and final progress report on the Administration of the Company, prepared and distributed in accordance with Rule 2.47 of the Insolvency Rules 1986 ("the Rules"). This report should be read in conjunction with the Administrators' Proposals dated October 2006 and my first progress report dated 16 March 2007
- 1.3 At a meeting of creditors held on 30 October 2006, the Administrators' Proposals, prepared and distributed in accordance with the provisions of Schedule B1 Paragraph 49 of the Insolvency Act 1986 ("the Act") and Rule 2.33 of the Rules were approved and reaffirmed by the duly appointed creditors committee. The following resolutions were also approved by the creditors and the subsequently appointed creditors committee:
 1. The Administrators do all such things and generally exercise all of their powers as Administrators contained in Schedule 1 of the Act, as they in their discretion consider desirable or expedient in order to achieve the purposes of the Administration, to protect and preserve the assets of the Company or maximise the realisation of those assets or for any purpose incidental to these proposals

Direct tel 0115 962 9248 Direct fax 0121 609 3322

Email helen.jones@uk.pkf.com www.pkf.co.uk

PKF (UK) LLP New Guild House 45 Great Charles St, Queensway; Birmingham, B3 2LX, DX 712080 Birm 29

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PKF (UK) LLP is a limited liability partnership registered in England and Wales with registered number OC310487

A list of members names is open to inspection at Farringdon Place 20 Farringdon Road London EC1M 3AP the principal place of business and registered office. PKF (UK) LLP is authorised and regulated by the Financial Services Authority for investment business activities. The PKF International Association is an association of legally independent firms



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- II That the Administrators are, at their sole discretion and at a time they see fit, empowered to either
 - i File the necessary returns at Court and with the Registrar of Companies to place the Company into Creditors Voluntary Liquidation pursuant to Paragraph 83 of Schedule B1 of the Act and that Ian James Gould and Matthew David Gibson (the Administrators) be appointed Joint Liquidators, or any other person(s) be appointed Liquidator(s) of the Company in accordance with Paragraph 83(7) of the same, OR,
 - ii Make application to Court to end the Administration pursuant to Paragraph 79 of Schedule B1 of the Insolvency Act 1986, following which, the Administrators request that the Company be Compulsorily wound-up and Ian James Gould and Matthew David Gibson (the Administrators) may be appointed Joint Liquidators, if they so desire, OR,
 - iii Summon meetings of the Company and its creditors in accordance with Section 3(2) of the Insolvency Act 1986 to consider a proposal to place the Company into a company voluntary arrangement and that Ian James Gould and Matthew David Gibson (the Joint Administrators) be appointed Joint Supervisors, if they so desire, OR,
 - iv File the necessary returns at Court and with the Registrar of Companies, or to make the necessary application to the Court to extend the period of the Administration for a period not exceeding six months pursuant to Paragraph 76 of Schedule B1 of the Insolvency Act 1986
 - v In the event that an extension of the Administration is sought under Proposal II (iv), the Administrators remain empowered to proceed with other actions under Proposal II at the appropriate time without further reference to creditors
 - a proceed with other actions under Proposal II at the appropriate time without further reference creditors, OR,
 - b apply to Court to seek a further extension of the Administration in accordance with Paragraph 76(2) of Schedule B1 of the Insolvency Act 1986, OR,
 - c apply to the Court to seek directions
- III That the Joint Administrators shall be remunerated on a time cost basis by reference to PKF (UK) LLP's normal rates for the time spent by them and their staff in attending to matters arising in the Administration
- IV That the Joint Administrators may take such action as they deem fit to disown, disclaim, gift or transfer onerous property in which the Company has interest, or take such steps to limit, curtail or end any obligations or liabilities incurred or to be incurred by the Company in respect of such property at their sole discretion as and when they see fit
- V That the Joint Administrators be discharged from liability in accordance with Paragraph 98 of Schedule B1 of the Insolvency Act 1986, 28 days after filing their final progress report in the Administration
- VI That, if thought appropriate, a creditors' committee be formed consisting of Peter Mawdsley representing the Merseyside Pension Fund, Adam Brouard representing himself and Roderick Anders representing St Helen's Council



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1 5 I anticipate that there will be a return to unsecured creditors in this matter, the current estimated return being 15 57 pence in the pound. This should be treated as a guide only as the timing and quantum is dependant on future realisations from the book debt collection and the receipt and agreement of the unsecured claims including any claims that may be received from employees for protective awards. The above is discussed further in section 6.

1 6 I also enclose the following for your information:

- Appendix A - Form 2 24B Administrators' progress report
- Appendix B - Summary receipts and payments account to 8 August 2007
- Appendix C - Estimated outcome statement to 8 August 2007
- Appendix D - Analysis of PKF (UK) LLP's time costs in the Administration to 6 August 2007
- Appendix E - A schedule of Administrators' charge out rates
- Appendix F - A creditor's guide to Administrators' fees
- Appendix G - Form 2 34B Notice of move from administration to creditors' voluntary liquidation

2. Rule 2.47 of the Insolvency Rules 1986

2 1 The provisions of the above rule oblige me to provide you with the following information, all of which has been provided previously:

- The Administration order was made in the High Court of Justice, Chancery Division, Birmingham District Registry, on 22 August 2006 under the case reference 4924 of 2006.
- The Company's registered office is situated at New Guild House, 45 Great Charles Street, Queensway, Birmingham, B3 2LX and its registered number is 01604493.
- Matthew D Gibson and I were appointed Joint Administrators of the Company on 22 August 2006 by the Directors of the Company. Matthew D Gibson and I are required to exercise all of the powers and functions as Administrators of the Company both jointly and severally.
- No time extensions have been sought.

3 Receipts and Payments Account

3 1 Attached at Appendix B is a summary receipts and payments account covering the period from the date of Administration to 8 August 2007.

3 2 Attached at Appendix C is an estimated outcome statement dated 8 August 2007.

4 Asset Realisations

4 1 Freehold property at Shaw Street, St Helens ("Shaw Street")

The freehold property was sold for £250,000. The completion of the sale took place on 22 March 2007. As this was later than the agreed date, the purchaser paid £912 32 in late completion interest. They also made a contribution to the legal fees of £293 75.

4 2 Fishing Lakes at Nook Lane, Sutton, St Helens ("Fisheries")

The Fisheries were sold for £18,500. The sale was completed on 20 July 2007.

4 3 Freehold property known as Colliers Moss Common ("Colliers Moss")

Agents have advised there is no realisable value in the site at Colliers Moss

It had originally been the intention to reach an agreement with St Helens Council ("the Council") for it to take responsibility for the site (excluding the Fisheries). However, solicitors advise the legal costs in dealing with the formal contract would be high and therefore this is not in the best interest of the unsecured creditors

By contrast, in liquidation the land can simply be disclaimed under Section 178 of the Insolvency Act 1986. All known interested parties will receive notice of the disclaimer. Any interested party who may wish to acquire the land will have 3 months from receiving the disclaimer notice to seek a vesting order.

However, I have recently been contacted by the Council who are liaising with my legal advisors as to whether there is a more efficient and expedient way to transfer the Company's interest in the property to them, than surrender of the property. Unless the Council can agree a simple way of dealing with the transfer, I will proceed to disclaim the property.

4 4 Furniture, Office Equipment and Motor Vehicles

These items realised £14,710 which is higher than the agents valuation of £13,000

4 5 Book Debts

Specialist debt collectors were instructed to pursue monies due under the part completed contracts and projects outstanding at the date of appointment.

It was originally estimated that £124,515 might be realised. To date £127,852.47 has been received. The debt collectors continue to pursue unpaid accounts and anticipate a further £21,500 will be realised.

4 6 Shareholding in GWK EBS Limited

GHS Commercial Limited, a wholly owned subsidiary of The Groundworks Trust Limited, holds a 50% shareholding, represented by one ordinary share, in GWK EBS Limited.

I am currently in negotiation to transfer this to GWW Commercial Limited, the owner of the remaining issued share.

4 7 Other Realisations

Cash at Bank in the sum of £118,231 was received subsequent to our appointment.

Insurance refunds amounting to £3,659 have been received.

Net bank interest of £4,618 and gross interest of £3275.25 has been realised to date.



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5 Preferential Creditors

- 5 1 A dividend of 100 pence in the pound was declared on 16 April 2007 and distributed 19 April 2007
- 5 2 The total amount distributed to preferential creditors was £13,861 56

6 Non-Preferential Creditors

- 6 1 I anticipate that there will be a return to unsecured creditors in this matter which is currently estimated at 15 57 pence in the pound. This has been estimated for the purpose of this report and, as previously mentioned, should be treated as a guide only. The timing and quantum is dependant on future realisations and the receipt and agreement of the unsecured claims including any claims received from employees for protective awards
- 6 2 Once the Company is formally placed into liquidation, creditors who have yet to submit their claims will be contacted further and requested to provide evidence of their claim(s) against the Company
- 6 3 I would anticipate that a distribution could be made to unsecured creditors within the next four months subject to receipt of the amounts due from book debts referred to in Section 4 above

7 Administrators Remuneration and Disbursements

- 7 1 Time costs incurred from the date of Administration to 6 August 2007 amount to £131,271 90, which represents 889 66 hours at an average hourly rate of £147 55. A detailed analysis of the time costs is attached to this report at Appendix D, together with a summary of Administrators' charge-out rates, at Appendix E
- 7 2 I would advise that the sum of £131,272 has been drawn to date by PKF (UK) LLP in respect of these time costs, as agreed by the creditors' committee
- 7 3 These amounts are derived by reference to PKF (UK) LLP's normal rates for time properly given by me and my staff in attending to matters arising in this insolvency. Where members of my staff have been employed on this insolvency they have been so based on their experience and abilities in dealing with a case of this nature. Where appropriate, certain staff dealt with a specific area of the Administration due to their specialist skills in that area. I should advise you that our scale rates increase from time to time over the period of the administration of each insolvency
- 7 4 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
- 7 5 I attach an extract from the Statement of Insolvency Practise 9, A Creditors' Guide to Administrators' Fees, for your reference at Appendix F

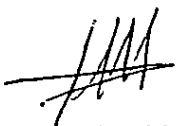
- 7 6 The estimates for further costs and disbursements to be charged to the estate in concluding the Administration are shown in the estimated outcome statement attached at Appendix C
- 7 7 Disbursements charged to the estate to 8 August 2007 amount to £123,280 and are detailed as follows

Disbursement	Amount £
Debt collection fees	35,347
Agency / Values fees & disbursements	18,307
Administrative wages & salaries	12,557
General office expenses	20
Legal fees & disbursements	24,667
Security / burglar alarm	518
Telephone & fax	1,308
External photocopying & postage	562
Travel & accommodation	1,795
Storage & site clearance	7,920
Bank charges	169
Other property expenses	1,427
Specific bond	528
Business valuation report	2,500
Non-reclaimable vat	1,109
Room hire	386
Statutory advertising	273
Electricity supply	950
Insurance of assets	12,917
Swearing fee	20
	<u>123,280</u>

8 Closing Remarks

- 8 1 I trust you find this report sufficiently provides you with an update of the position of the Administration of the Company, however, should you require any further information please do not hesitate to contact Kaye O'Reilly or Helen Jones of this office
- 8 2 You will be contacted again shortly, once the Company has been formally placed into liquidation

Yours faithfully



Ian J Gould
Joint Administrator

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The Groundwork Trust Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

Statement of Affairs		From 22/02/2007 To 08/08/2007	From 22/08/2006 To 08/08/2007
ASSET REALISATIONS			
210,000 00	19-27 Shaw St, St Helens	250,000 00	250,000 00
1 00	Colliers Moss (Northside)	NIL	NIL
	Late Completion Interest on Shaw Stre	912 32	912 32
	Legal Fees Contribution	293 75	293 75
	Moss Nook Fisheries	18,500 00	18,500 00
14,710 00	Furniture, Equipment & Motor Vehicles	NIL	9,910 00
	Motor Vehicles	NIL	4,800 00
125,000 00	Book Debts	23,700 00	127,852 47
5,000 00	VAT Refund	NIL	NIL
	Insurance Refund	3,312 78	3,658 81
118,232 00	Cash at Bank	NIL	118,231 52
	Bank Interest Gross	3,275 25	3,275 25
	Bank Interest Net of Tax	2,099 13	4,566 53
		<u>302,093 23</u>	<u>542,000 65</u>
COST OF REALISATIONS			
	Specific Bond	528 00	528 00
	Office Holders Fees	131,271 90	131,271 90
	Business Valuation Report	2,500 00	2,500 00
	Wages & Salaries	(1,310 69)	12,557 20
	Book debt collection fees	9,525 00	35,346 83
	Agents/Valuers Fees & Disbursements	11,530 74	18,306 95
	General office expenses	NIL	19 55
	Legal Fees	8,218 34	23,984 36
	Security/ Burglar Alarm	333 49	517 54
	Non-Reclaimable VAT	1,108 74	1,108 74
	Legal Disbursements	682 32	682 32
	Telephone Telex & Fax	NIL	1,307 80
	External Photocopying & Postage	128 73	561 56
	Travel & Accommodation	1,733 92	1,794 87
	Storage Costs	805 50	7,920 20
	Room Hire	386 25	386 25
	Statutory Advertising	272 88	272 88
	Electricity Supply	950 42	950 42
	Other Property Expenses	NIL	1,427 00
	Insurance of Assets	12,917 04	12,917 04
	Swearing Fee	20 00	20 00
	Bank Charges	29 37	169 37
		<u>(181,631 95)</u>	<u>(254,550 78)</u>
PREFERENTIAL CREDITORS			
	Department of Employment	7,679 20	7,679 20
(12,841 00)	Employees Holiday Pay	6,182 36	6,182 36
		<u>(13,861 56)</u>	<u>(13,861 56)</u>
UNSECURED CREDITORS			
(723,731 00)	Trade & Expense Creditors	NIL	NIL
(109,263 00)	Redundancy & Pay in Lieu of Notice	NIL	NIL
(700,000 00)	Pension Scheme	NIL	NIL
(65,000 00)	Protective Award	NIL	NIL
		<u>NIL</u>	<u>NIL</u>

The Groundwork Trust Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

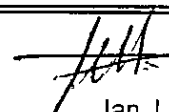
Statement of Affairs	From 22/02/2007 To 08/08/2007	From 22/08/2006 To 08/08/2007
<u>(1,137,892.00)</u>	<u>106,599 72</u>	<u>273,588.31</u>

REPRESENTED BY

VAT Receivable
Bank 1 - Current

26,997 55
246,590 76

273,588 31



Ian J Gould
Joint Administrator

08 Aug 07

The Groundwork Trust Limited in Administration

Estimated outcome statement

	Realised/ (Paid) to date £	Estimated future movements £	Estimated final outcome £	Estimated outcome 21 Feb 07 £
Unencumbered assets				
Freehold property - Shaw Street	250,000	-	250,000	250,000
Completion interest & legal fee contribution	1,206	-	1,206	0
Freehold property - Moss Nook Fisheries	18,500	-	18,500	2,000
Furniture, equipment and motor vehicles	14,710	-	14,710	14,710
Book debts	127,852	21,500	149,352	125,152
Cash at bank	118,232	-	118,232	118,232
VAT reclaim	-	-	-	-
Insurance refund	3,659	-	3,659	346
Bank Interest - gross	3,275	-	3,275	1,844
Bank Interest - net	4,567	-	4,567	-
	<u>542,001</u>	<u>21,500</u>	<u>563,501</u>	<u>512,284</u>
Costs of administration and realisation				
Book Debt Collection Fee	35,347	2,000	37,347	25,822
Administrative wages/salaries	12,557	-	12,557	13,868
Office holders' fees	131,272	3,728	135,000	90,000
Legal fees and disbursements	24,667	10,000	34,667	40,766
Agents/Valuers fees and disbursements	18,307	2,000	20,307	16,776
Business valuation report	2,500	-	2,500	0
Insurance	12,917	2,100	15,017	20,000
Storage costs and clearance of site	7,920	2,000	9,920	10,000
Property expenses	4,203	1,000	5,203	0
Other sundry costs	4,861	1,000	5,861	5,000
	<u>254,551</u>	<u>21,828</u>	<u>278,379</u>	<u>222,232</u>
Amounts available to preferential creditors	287,450	(328)	285,122	290,052
Preferential creditors				
Holiday pay arrears	13,862	-	13,862	15,000
	<u>13,862</u>	<u>-</u>	<u>13,862</u>	<u>15,000</u>
Amounts available to unsecured creditors	273,588	(328)	271,260	275,052
Estimated Unsecured creditors				
Trade and expense		723,731		
HM Revenue & Customs - PAYE and NIC		11,000		
Pension Fund shortfall		708,000		
Redundancy		45,000		
Lieu of notice		65,000		
Protective award		189,000		
			<u>(1,741,731)</u>	
Estimated (shortfall) as regards unsecured creditors			(1,470,471)	
Estimated return to unsecured creditors (p in the £)			15 57	

NB This estimated outcome statement excludes the costs of distribution and the costs of any subsequent insolvency proceedings

APPENDIX D

**ANALYSIS OF PKF (UK) LLP'S TIME COSTS
IN THE ADMINISTRATION TO 6 AUGUST 2007**

Client 4007325 The Groundwork Trust Limited In Administration Time Analysis from 22 August 2006 to 6 August 2007

Grade	Code	Partner / Director	Manager	Supervisor / Senior Administrator	Administrator / Assistant	Total
Narrative		Amount (£)	Hours	Amount (£)	Hours	Amount (£)
Phase Tasks						Hours
Partner/Senior Manager Review	CR000	318.90	1 05			
Planning & Monitoring	CR002	144.00	0 50			3 05
Time Summaries & Billing	CR003	0 00	0 00	33.25	0 25	39 45
Cashiering Function Generally	CR004	0 00	0 00	2,888.65	21 95	5,996.65
Dividends & Distributions	CR005	171.50	0 50	130.00	1 00	130 00
Office Holders Tax Liabilities	CR006	67.00	0 20	1,858.35	14 10	6,307.46
Creditors/Liquidation Committee	CR007	403.60	1 20	0 00	0 00	292 00
CDDA 1986 Work	CR008	603.00	1 80	468.80	3 55	689 25
Official Receiver/DTI/Court	CR009	0 00	0 00	2,250.90	17 40	2,909 50
Secured Creditors (reporting/accounting for funds, etc)	CR010	0 00	0 00	328.00	2 50	1,341 50
Partly Secured Creditors (including of lease and HP)	CR011	0 00	0 00	832.00	6 50	832 00
Preferential Creditors	CR012	0 00	0 00	0 00	0 00	213 00
Non Preferential Creditors	CR013	0 00	0 00	747.40	5 70	747 40
Employee Claims	CR014	979.60	3 20	164.75	1 25	164 75
Fixed Asset Realisation	CR015	4,749.35	14 10	5,311.35	40 30	10,990 67
Stock Realisations	CR016	0 00	0 00	3,685.20	28 15	22,118 20
Book Debt Realisations	CR017	1,148.30	3 60	7,625.55	58 20	15,296 65
Other Asset Realisations	CR018	791.25	2 35	66.00	0 50	117 00
Post Appointment Trading	CR019	0 00	0 00	4,427.90	33 70	8,955 48
Insurance & Bonding	CR020	67.00	0 20	2,328.15	17 70	4,513 40
Legal Correspondence/Litigation	CR021	576.00	2 00	1,622.00	12 25	2,755 50
General Administration	CR023	5,368.45	16 35	2,345.85	17 95	3,851 25
Statutory Compliance (including CRO returns)	CR024	2,503.90	7 65	1,005.15	7 70	3,213 91
Pre Appointment Work (including investigation work)	CR025	0 00	0 00	7,128.25	54 45	16,833 51
General Advice	CR032	583.10	1 70	5,109.90	38 80	11,533 82
Investigations	CR033	0 00	0 00	0 00	0 00	891 00
Liasing with Agents/Solicitors/Other Professionals	CR036	596.70	1 90	0 00	0 00	583 10
Annual/Periodic Reporting/Meeting (ie S48 or S105)	CR038	311.50	1 00	0 00	0 00	102 00
Preparation of Information/Sales Memorandum	CR041	0 00	0 00	962.00	7 40	1,219 70
Negotiations/Discussions with Prospective Purchasers	CR042	1,856.05	5 90	0 00	0 00	1,626 00
Secretarial	CR044	0 00	0 00	0 00	0 00	332 25
ROT Claims	CR045	0 00	0 00	0 00	0 00	1,907 05
Review of Proposals	CR047	2,016.00	7 00	724.00	11 00	724 00
				96.00	1 00	96 00
				0 00	0 00	13 00
				0 00	0 00	
Total Actual Costs		23,255.20	72.20	51,319.04	391.30	131,271.90
				26,502.26	259.09	889.66

Schedule of Office Holders' Charge-out Rates

The table detailed below sets out the current charge-out rates utilised by PKF (UK) LLP in the Midlands for charging staff time

Partner / Director	£250 - £335 per hour
Manager	£160 - £235 per hour
Supervisor / Senior Administrator	£130 - £140 per hour
Administrator	£35 - £120 per hour

It should be noted that the above rates increase from time to time over the period of the administration of each insolvency case. These rates apply from 1 November 2006.

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. The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.

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APPENDIX G

**FORM 2.34B NOTICE OF MOVE FROM ADMINISTRATION
TO CREDITORS' VOLUNTARY LIQUIDATION**