

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company Domain Dynamics Limited – in Administration	Company number 02454759
In the Stoke on Trent County Court (full name of court)	Court case number 45 of 2003

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

We (a)
Robert Michael Young
Poppleton & Appleby
Brampton House Mews
10 Queen Street
Newcastle under Lyme
Staffordshire ST5 1ED

Ian Michael Rose
Poppleton & Appleby
Brampton House Mews
10 Queen Street
Newcastle under Lyme
Staffordshire ST5 1ED

*Delete as
applicable

attach a copy of ~~my~~/our proposals in respect of the administration of the above company.

A copy of these proposals was sent to all known creditors on

(b) 28 November 2003

Signed


Joint Administrator(s)

Dated

3 December 2003

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 researchers of the public record

Sean Scully
Poppleton & Appleby
Brampton House Mews
10 Queen Street
Newcastle under Lyme
Staffordshire ST5 1ED

DX Number

01782 382930
DX Exchange



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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

TO ALL KNOWN CREDITORS



ESTABLISHED 1885

POPPLETON
& APPLEBY

*Brampton House Mews, 10 Queen Street
Newcastle under Lyme, Staffordshire ST5 1ED*

Telephone: 01782 382930

Fax: 01782 382931

Email: info@pandastoke.co.uk

Website: www.pandastoke.co.uk

Our Ref: IMR/D1A/031201

Your Ref:

Date: 28 November 2003

Dear Sirs

DOMAIN DYNAMICS LIMITED

In Administration

Pursuant to The Insolvency Act 1986 Schedule B1(49), I attach to this letter the Joint Administrators' proposals.

By necessity the enclosed information pack is comprehensive and points out the main points in persuading us that the course of action set out in the proposal is most appropriate given the circumstances.

I commend these proposals to you and would be happy to clarify any aspect of the Administration with you.

Should you have any queries concerning the enclosed documentation please contact either my assistant, Sean Scully, or myself.

Yours faithfully

I M Rose

Joint Administrator

DOMAIN DYNAMICS LIMITED

IN ADMINISTRATION

THE ADMINISTRATORS' PROPOSALS

PURSUANT TO

THE INSOLVENCY ACT 1986 SCHEDULE B1(49)

AND

THE INSOLVENCY (AMENDMENT) RULES 2003

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DEFINITIONS

Throughout the report and proposal, various abbreviations have been used as follows:

"DDL" or "the Company"	Domain Dynamics Limited
"Holdings"	Domain Dynamics (Holdings) Limited
"Income First"	Income First Limited
"the Act"	Insolvency Act 1986
"the Rules"	Insolvency Rules 1986

SECTION 1 - HISTORY AND BACKGROUND TO THE ADMINISTRATION PROCEEDINGS

- 1.1 The Company was incorporated on 21 December 1989 and changed its name from Forcemind Limited to DDL on 26 March 1990.
- 1.2 The Company is a wholly owned subsidiary of Holdings and part of the "Domain Dynamics group". This group developed a collection of techniques for signal processing and pattern recognition pioneered by Professor Reg King.
- 1.3 The initial capitalisation of the Company was provided by Co-operative Bank Plc in the form of an overdraft facility. In December 2001, the overdraft was redeemed using funds provided by the Holdings .
- 1.4 Until shortly prior to the Administration the Company traded from rented premises located at Thames Tower, Station Road, Reading and at Northwood Industrial Estate, Shrivenham. Approximately 31 staff were employed at this time.
- 1.5 In 1998, a group of external investors provided the funding required to commercialise the Company's business. Prior to this, the Company had been dedicated to research and innovation working with universities, government departments and defence establishments. The investors, operating through Holdings, continued to provide the financial support necessary to allow the company to build products based on its portfolio of patents and intellectual property rights and to progress to profitability.
- 1.6 The Company manufactured voice authentication, voice activated, fault finding and condition monitoring systems which were designed for incorporation into host products such as pocket organisers, security devices and machinery management systems. These systems were targeted for sale to the petrochemical, transportation, defence, test and measurement, computer and security markets. Revenues were to come from a combination of license fees and "per copy" royalty payments.
- 1.7 In April 2001, the Company purchased Income First for the purposes of acquiring a number of trade marks owned by this company. Income First is therefore a wholly owned subsidiary of DDL but has been dormant since the time of its purchase by DDL.
- 1.8 In May 2001 a new chief executive was appointed to help expedite the Company's transformation into a successful commercial enterprise. He recruited an experienced management team, moved part of the Company business to more suitable premises and introduced plans for a new range of "user friendly" products. These changes increased the Company's overhead substantially. Thereafter it occupied two sets of business premises and carried a heavy payroll

expenditure. The shareholders of Holdings were persuaded that the increased outlay would allow the Company to present itself as a market leader and focus its development and commercial activity.

- 1.9 In March 2003, the major shareholder of Holdings entered into a further loan agreement with Holdings and a further £1,665,340 was advanced to the Company and secured by composite guarantee and debenture granted by each of the companies in the group.
- 1.10 Unfortunately the Company, in its revised form, failed to progress to profitability or even to grow into its substantial overhead. Holdings, now creditors to the value of approximately £7,000,000 and the debenture holder now owed £1,900,000, withdrew financial support faced with the prospects of having to introduce a further £750,000 to finance another 3 months trading with no certainty of success thereafter. In the circumstances the debenture holder sought advice from Poppleton & Appleby Insolvency Practitioners on 30 September 2003. The major shareholder was informed as to the options available to him in the circumstances.
- 1.11 On 7 October 2003 parts of the Company's businesses were sold to two separate new companies, namely Intellect Limited and Equivox Limited. The sale included the Company's right and title to intellectual property, its goodwill and office furniture and equipment.
- 1.12 On 8 October 2003 a Notice of Appointment of an Administrator was filed by the debenture holder appointing R M Young and I M Rose as Joint Administrators.

SECTION 2 - CONDUCT OF THE ADMINISTRATION TO DATE

- 2.1 The business of the Company was sold prior to the appointment of the Joint Administrators. Certain of the employees had been offered positions with the purchasers of the business. Having no business to trade, it fell to the Joint Administrators to make redundancies of the remaining employees. Agents were appointed by the Joint Administrators for the purposes of dealing with employee claims. Notwithstanding this delegation, the Joint Administrators have been inundated with correspondence relating to employee issues.
- 2.2 The Joint Administrators have received copy transfer documents in relation to the sale of the business. These documents demonstrate the sale of the Company's intellectual property rights, goodwill and chattel assets to two separate new companies, namely Intellect Limited and Equivox Limited, for a total sale consideration of £6,666. The board of directors agreed to the value of the assets prior to their disposal and this is the basis for the level of the sale consideration which has passed. The Joint Administrators are required to verify the market value of the assets to an independent valuation. Such a valuation has been commissioned from GVA Grimley and if it transpires that the purchase consideration is inadequate the purchasers have verbally offered to make up the shortfall.
- 2.3 The Joint Administrators have assisted in the sale of the business by arranging for the transfer of documentation relating to the purchasers' patents and intellectual property rights.
- 2.4 A number of book debts were outstanding to the Company at the time of the appointment of the Joint Administrators. Correspondence has been exchanged with the debtors but no significant difficulties have been encountered with collection to date. The sum of £52,218 has been realised and it is anticipated that a further £177,467 will be collected by 1 May 2004.
- 2.5 In particular, the Company records show that the sum of £200,000 was outstanding from Earthport plc, at the time of the commencement of the Administration. Under its agreement with the Company, Earthport plc was entitled to make payment by monthly instalments of approximately £30,000 each. The Joint Administrators propose to continue with this arrangement. It is anticipated that Earthport's final instalment will be provided in April 2004.
- 2.6 At the time of the commencement of the Administration, the Company was due to receive a VAT refund of £16,744. The Joint Administrators have arranged for the relevant VAT return to be completed and submitted to HM Customs and Excise. Payment of the reclaimed sum is outstanding but it is anticipated that this will be provided following agreement of preferential creditors' claims in the Administration.

- 2.7 The Joint Administrators have engaged the services of tax accountants at Messrs Bentley Jennison Accountants for the purposes of recovering tax credits due to the Company. It is anticipated that the sum of £308,857 will be recovered from the Inland Revenue in this regard. However, the Inland Revenue have advised the Joint Administrators of a provisional claim in the Administration against the Company at £50,421. In the circumstances, the Inland Revenue will deduct a sum equivalent to their final claim from the tax credits due to the Company under the Crown set off rules.
- 2.8 The Joint Administrators have received a tax refund of £12,357 from the Inland Revenue in respect of research and development enhanced expenditure for the period ended 31 March 2001.
- 2.9 On present information, therefore, it is likely that the net sum of £270,793 will be refunded by the Inland Revenue for the benefit of creditors.

SECTION 3 - FINANCIAL POSITION OF THE COMPANY

- 3.1 Attached at Appendix B is a summary of the Statement of Affairs of the Company as at 8 October 2003. The Statement of Affairs has been prepared from Company records together with information supplied by the directors.
- 3.2 The values ascribed to the assets in the Statement of Affairs are those of the directors of the Company, and the actual proceeds of the sale which took place on 7 October 2003.
- 3.3 The Statement of Affairs shows the estimated realisable value of the assets available for the preferential and floating charge creditors at £276,180.
- 3.4 The Statement of Affairs however, does not take into account any remuneration and expenses associated with the Administration.
- 3.5 The summary of the audited and management accounts attached at Appendix D shows the financial position of the Company on a historical basis for the period 1 April 1999 to 31 March 2003.

SECTION 4 - RECEIPTS AND PAYMENTS

- 4.1 A receipts and payments account for the period to 28 November 2003 is attached at Appendix E.
- 4.2 The receipts and payments account has been prepared purely on a cash basis.
- 4.3 The sum of £64,575.49 has been received in respect of book debt proceeds and a tax refund.
- 4.4 The sum of £61,929.13 is currently held by the Joint Administrators of the Company.
- 4.5 The Joint Administrators are not yet in a position to confirm the quantum of any further realisations available for secured, preferential and unsecured creditors. However, it is very unlikely that there will be sufficient realisations to enable a distribution to the unsecured creditors of the Company given the debt due to the debenture holder of £1,900,000.

SECTION 5 - ADMINISTRATION COSTS AND EXPENSES

- 5.1 A considerable amount of time has been necessarily incurred by my firm in order to properly advise DDL both prior to, and during, the Administration process.

The anticipated Administration costs are as follows:

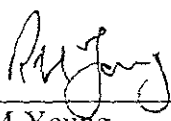
	£
Administrators' Remuneration	30,000
Legal Fees	2,000
Valuer's Fees	1,000
Accountancy Fees	15,000
Sundry	<u>2,000</u>
TOTAL	<u>50,000</u>

- 5.2 For the period to 21 November 2003 the Administrators have incurred time costs totalling £19,107.14 and disbursements totalling £198.40, which are shown in Appendix F.
- 5.3 It is expected that time costs of the Administrators to complete the Administration will increase to £30,000.
- 5.4 We will be requesting that remuneration of the Joint Administrators be fixed by reference to time properly spent by us and our staff in attending to matters arising from the Administration in accordance with Rule 2.47(4), The Insolvency Rules 1986. Attached is a creditors guide to Administrators' Fees with this proposal as Appendix G, which includes a schedule of charge out rates and disbursement rates currently charged and are the basis of the time costs and disbursements incurred to date. As there is no prospect of a return to unsecured creditors we will seek approval for such costs from the secured and preferential creditors.

SECTION 6 - ADMINISTRATORS' PROPOSALS

- 6.1 Prior to and during the period of the Administration we have fully considered all options available to the Company.
- 6.2 As previously stated, the business was sold prior to appointment of the Joint Administrators.
- 6.3 The Joint Administrators assume there will not be sufficient asset realisations to make a distribution to unsecured creditors.
- 6.4 In accordance with The Insolvency Act 1986 Schedule B1(52) there is no requirement for a creditors' meeting if the Company is unlikely to have sufficient property to enable a distribution to unsecured creditors. The proposals will be deemed to be approved unless a meeting is requisitioned by at least 10% by value of creditors in the proper manner and within 12 days of the date of this proposal.
- 6.5 Although a rescue of the Company was not possible, the Joint Administrators believe that they can obtain a better result for creditors as a whole, than if the Company was wound up.
- 6.6 The Administrators are looking to investigate and realise any further assets which may be owned by DDL, distribute funds to secured and preferential creditors, carry out statutory investigation into the directors' conduct and statutory duties. Once finalised it is envisaged that the Administration will cease and the Company will be dissolved.
- 6.7 A further report will be forwarded to creditors within the next 5 months or upon cessation of the Administration, whichever is the sooner.

Signed:



R M Young
Joint Administrator

Dated: 28 November 2003

DOMAIN DYNAMICS LIMITED

Statutory Information

Company Number: 02454759

Date of Incorporation: 21 December 1989

Changes of Name: Forcemind Limited changed its name by resolution on 26 March 1990 to Domain Dynamics Limited.

Activities: Developing and commercialising techniques for signal processing and pattern recognition.

Registered Office: c/o Poppleton & Appleby, Brampton House Mews, 10 Queen Street, Newcastle under Lyme, Staffordshire, ST5 1ED

Trading Address: 9th Floor, Thames Tower, Station Road, Reading, Berkshire AND Unit 1, Northwood Industrial Estate, Shrivenham, Swindon, Wiltshire

Directors:	Appointed	Resigned
David Neil Holland	17.07.2003	07.10.2003
Fredrick Christiaan Verkroost	01.05.2001	07.10.2003
Philip George Regan	20.11.2001	24.07.2003
Owen Thomas Burrows Cookson	Pre 21.12.1991	18.10.2001
Professor Reginald Alfred King	Pre 21.12.1991	31.12.2001
Michael Eric Moors	10.09.1998	31.12.2001
Timothy Charles Phipps	29.07.1999	31.12.2001
Ian Macadam Taylor	29.07.1999	31.12.2001
Duncan William Troy	02.07.1998	18.10.2001

Company Secretary: David Neil Holland

Auditors: BDO Stoy Hayward, Mander House, Wolverhampton, West Midlands WV1 3NF

Bankers: National Westminster Bank plc, 1 Upper Market Square, Hanley, Stoke-on-Trent ST1 1QA

Authorised Shares	£
750,000 "A" Ordinary Shares	
520,001 "B" Ordinary Shares	
405,000 "B" Ordinary Shares	
<u>3,324,999</u> 1p Ordinary Shares	
<u>5,000,000</u>	

Issued Shares	£
750,000 "A" Ordinary Shares held by Domain Dynamics (Holdings) Ltd	
520,001 "B" Ordinary Shares held by Domain Dynamics (Holdings) Ltd	
405,000 "B" Ordinary Shares held by Domain Dynamics (Holdings) Ltd	
<u>70,000</u> 1p Ordinary Shares held by Domain Dynamics (Holdings) Ltd	
<u>1,745,001</u>	

Charges Registered:

A debenture in favour of Co-operative Bank plc created on 31 October 2000 and registered at Companies House on 8 November 2000. The debenture comprises fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

A composite guarantee and debenture in favour of Michael Eric Moors which was created on 27 August 2002 and registered at Companies House on 29 August 2002. The debenture comprises fixed and floating charges over the undertaking and all property and assets present and future including goodwill, book debts, uncalled capital, buildings, fixtures, fixed plant and machinery.

Domain Dynamics Limited
Estimated Statement Of Affairs as at 8 October 2003

APPENDIX E

	Book Value £	Estimated to Realise £
ASSETS		
Int Property & Goodwill	5,666.00	5,666.00
Book Debts non Factored	229,685.00	229,685.00
Domain Dynamics (Holdings) Ltd		(8,503,860.00)
Deficiency c/d		<u>(8,268,509.00)</u>
Office Furniture & Equip	1,000.00	1,000.00
VAT Refund	16,744.00	16,744.00
Tax Refund	308,857.00	308,857.00
Crown Set Off - Inland Revenue		<u>(50,421.00)</u>
		276,180.00
PREFERENTIAL CREDITORS		
Employees - Holiday Pay		19,957.00
		<u>(19,957.00)</u>
		256,223.00
Estimated prescribed part of net property where applicable (to carry forward)		NIL
		<u>256,223.00</u>
DEBTS SECURED BY FLOATING CHARGE		
Deficiency b/d	8,268,509.00	
		<u>(8,268,509.00)</u>
		<u>(8,012,286.00)</u>
Estimated prescribed part of net property where applicable (brought down)		NIL
		<u>NIL</u>
UNSECURED NON-PREFERENTIAL CLAIMS		
Trade & Expense Creditors	462,938.00	
Employees	332,958.00	
Estimated deficiency after floating charge where applicable (brought down)	8,012,286.00	
		<u>(8,808,182.00)</u>
		<u>(8,808,182.00)</u>
ISSUED AND CALLED UP CAPITAL		
Ordinary Shareholders	1,745,001.00	
		<u>(1,745,001.00)</u>
TOTAL (DEFICIENCY) / SURPLUS		<u>(10,553,183.00)</u>

Domain Dynamics Limited
Creditors With SOA Balances

		£
CA00	Alec Anderson	2,115.30
CA01	Keith Agombar	6,099.64
CB00	Banque Technology	74.44
CB01	Bechtle Direct Ltd	62.28
CB02	Bentley Jennison	4,133.74
CB03	Biffa Waste Services Ltd	67.97
CB04	B&M Cars Ltd t/a Brian Hire	158.63
CB05	British Gas Trading Ltd	75.10
CB06	British Standards Institute	1,570.98
CB07	British Telecom PLC	1,037.74
CB08	British Red Cross	454.04
CC00	Card Technology	93.75
CC01	The Chilli	900.00
CC02	Chiltern Hills Watercoolers Ltd	368.15
CC03	Choice Office Furniture	381.87
CC04	Companies House	54.50
CC05	Connaught Partners	14,687.50
CC06	County Beverage Services Ltd	100.68
CC07	Tara Coldwell	156.29
CC09	County Beverage Services	100.00
CC0A	Cranfield University	50,000.00
CD00	Demon	211.50
CD01	Andrew Dunlop	3,950.00
CE00	Ashley Elkins	708.88
CE01	Expansys Ltd	28.01
CF00	Federal Express Europe Inc	55.35
CF01	Footprint Cleaning Contractors	3,426.92
CG00	Gold Dust Commercial	236.40

Domain Dynamics Limited
Creditors With SOA Balances

	£
CH00 David Holland	302.87
CH01 HP Partners Directory	176.25
CH02 Ian Harvey	368.80
CH03 R D Hughes	11,333.35
CH06 Lahcen Hanich	113.40
CI00 ICP Search	11,896.87
CI01 Intercall	395.93
CI06 Insight Direct (UK) Ltd	236.01
CJ00 J Knapp & Sons Ltd	6,319.40
CK01 King Sturge	59,272.02
CK02 Prof King	14,877.35
CK03 Kent Jones and Done	71,318.25
CL00 Lectus Ltd	215.43
CM00 Moat House Hotel	146.04
CM01 Mole Valley Premier Taxis Ltd	10.00
CM02 Moorepay Ltd	355.22
CN00 Ian Newby	23.20
CN01 NatWest Bank	30.00
CP00 Pacific Computers Ltd	327.83
CP01 Postage by Phone (Pitney Bowes) Ltd	153.76
CP02 Plantrite	315.68
CP03 Polystat Ltd	672.29
CP04 Post Haste Group Ltd	32.82
CP05 Printed Stationery	193.88
CR00 Reading Borough Council	17,982.00
CR01 Ridgemill Business Systems	40.67
CS00 D Slater	147.04
CS01 Darren Stratton	558.57

Domain Dynamics Limited
Creditors With SOA Balances

		£
CS02	Sage UK Ltd	793.13
CS03	Select Employments PLC	2,996.42
CS04	Liz Smith	66.50
CS05	Southern Electric	7.74
CS06	Stl Communications	2,306.65
CT00	Tenon	881.25
CT01	TNT International Ltd	88.22
CT03	Gary Tutt	2,036.00
CT04	Dr M R Taylor	64,489.47
CU00	Uniglobe	8,178.31
CV00	Vale of White Horse	4,197.00
CV01	Venner Shipley & Co	32,141.18
CV02	Fredik Verkroost	1,081.58
CV03	Venner Shipley & Co	48,869.00
CW00	Rob Willetts	115.10
CW01	Water Warehouse	44.65
CW02	World Tech Inc	5,521.47

73 Entries Totalling 462,938.26

DOMAIN DYNAMICS LIMITED - IN ADMINISTRATION

ESTIMATED OUTCOME STATEMENT FOR CREDITORS

ASSETS

Intellectual Property	5,666	
Book Debts	<u>229,685</u>	235,351
Less: Administration Costs		<u>(50,000)</u>
Funds Available to Fixed Charge Holder		185,351
Domain Dynamics (Holdings) Limited		<u>(8,503,860)</u>
Deficiency c/d		<u><u>(8,318,509)</u></u>
Office Furniture and Equipment	1,000	
VAT Refund	16,744	
Tax Refund	<u>258,436</u>	
Funds Available to Preferential Creditors		276,180

PREFERENTIAL CREDITORS

Employee Claims	<u>(19,957)</u>
Funds Available to Floating Charge Creditor	256,223

DEBTS SECURED BY FLOATING CHARGE

Deficiency b/d	<u>(8,318,509)</u>
	(8,062,286)

NON-PREFERENTIAL CREDITORS

Trade and Expense Creditors	(462,938)
Employee Claims	<u>(332,958)</u>
	(795,896)
Total Shortfall to Creditors	<u><u>(8,858,182)</u></u>

DOMAIN DYNAMICS LIMITED - IN ADMINISTRATION

Summary of the audited and management accounts for the period 1 April 1999 31 March 2003

	Management Accounts Year Ended 31/3/03 £	31/03/02 £	Audited Accounts Year Ended 31/03/01 £	31/03/00 £
Turnover	133,934	338,058	649,203	442,800
Costs of sales	(28,111)	(615,660)	(429,488)	(393,467)
Gross (loss)/profit	105,823	(277,602)	219,715	49,333
Administrative expenses	(2,972,919)	(1,825,882)	(707,654)	(544,906)
Operating loss	(2,867,096)	(2,103,484)	(487,939)	(495,573)
Interest payable & similar charges	(2,699)	(4,511)	(5,030)	(209)
Interest receivable	636	303	Nil	Nil
Loss on ordinary activities before tax	(2,869,159)	(2,107,692)	(492,969)	(495,782)
Taxation on loss from ordinary activities	Nil	Nil	Nil	Nil
Retained loss for the year	(2,869,159)	(2,107,692)	(492,969)	(495,782)
Fixed assets	175,496	731,945	562,131	597,269
Current assets	718,852	356,604	118,343	92,886
Creditors sum falling due within 1 year	(8,511,401)	(4,794,803)	(3,167,506)	(2,684,218)
Net current liabilities	(7,792,549)	(4,438,199)	(3,049,163)	(2,591,332)
Total assets less current liabilities	(7,617,053)	(3,706,254)	(2,487,032)	(1,994,063)
Creditors: sum falling due after 1 year	Nil	(888,470)	Nil	Nil
Net liabilities	(7,617,053)	(4,594,724)	(2,487,032)	(1,994,063)
Capital and reserves	1,745,001	1,745,001	1,745,001	1,745,001
Called up share capital	(9,208,884)	(6,339,725)	(4,232,033)	(3,739,064)
Profit and loss account				
Equity shareholders' fund	(7,463,883)	(4,594,724)	(2,487,032)	(1,994,063)

Domain Dynamics Limited
(In Administration)
Joint Administrator's Abstract of Receipts & Payments
To 28 November 2003

APPENDIX E

S of A	£	£	£
	FIXED CHARGE ASSETS		
5,666.00	Int Property & Goodwill	NIL	
229,685.00	Book Debts non Factored	52,218.08	
			52,218.08
	FIXED CHARGE COSTS		
(8,503,860.00)	Domain Dynamics (Holdings) Ltd	NIL	
			NIL
	ASSETS NOT PLEDGED		
1,000.00	Office Furniture & Equip	NIL	
16,744.00	VAT Refund	NIL	
308,857.00	Tax Refund	12,357.41	
(50,421.00)	Crown Set Off - Inland Revenue	NIL	
			12,357.41
	COST OF REALISATIONS		
NIL	Solicitors Fees	2,330.00	
NIL	Statutory Advertising	123.16	
NIL	Wages	150.00	
NIL	Stationery & Postage	43.20	
			(2,646.36)
	PREFERENTIAL CREDITORS		
(19,957.00)	Employees - Holiday Pay	NIL	
			NIL
	UNSECURED CREDITORS		
(462,938.00)	Trade & Expense Creditors	NIL	
(332,958.00)	Employees	NIL	
			NIL
	DISTRIBUTIONS		
(1,745,001.00)	Ordinary Shareholders	NIL	
			NIL
(10,553,183.00)			61,929.13
	REPRESENTED BY		
	VAT Input		429.30
	Bank		31,499.83
	Fixed Charge A/c		30,000.00
			61,929.13

DOMAIN DYNAMICS LIMITED - IN ADMINISTRATION

TIME COSTS AND DISBURSEMENT SUMMARIES AS AT 21 NOVEMBER 2003

Hours						
Classification of work function	Partner	Manager	Assistant & Support Staff	Total Hours	Time Cost £	Average Hourly Rate £
Administration and planning	13.25	9.58	69.52	92.35	6,437.14	69.70
Investigations	5.75	0.00	0.33	6.08	1,053.33	173.25
Realisation of assets	8.25	3.83	16.58	28.66	2,889.59	100.82
Trading	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	6.75	2.50	19.67	28.92	2,657.50	91.89
Employees	7.50	0.50	67.92	75.92	6,069.58	79.95
Total Hours	41.50	16.41	174.02	231.93		
Total Time Costs (£)	7,065.00	1,231.25	10,774.89		19,107.14	
Average Hourly Rate	170.24	75.00	61.92			82.38

Disbursements	
	£
Car Parking	18.40
Mileage	180.00
TOTAL	198.40

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

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 in order to achieve one or more of the following statutory purposes:

- the survival of the company and its business in whole or in part;
- the approval of a company voluntary arrangement;
- the sanctioning of a scheme under section 425 of the Companies Act 1985;
- a better realisation of assets than would be possible in a liquidation.

Administration may be followed by a company voluntary arrangement or liquidation.

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 established at the meeting of creditors which the administrator is required to hold within 3 months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 3 months 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 such information as it may require.

4 Fixing the administrator's fees

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.47 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 2.47 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.

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.

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Remuneration and Disbursement Schedule

Remuneration

A resolution will or has been proposed or approved authorising remuneration to be drawn on a time cost basis. Remuneration is fixed by reference to time properly spent by the Insolvency Practitioner(s) appointed and their staff in attending to all matters arising in the case. Time is charged to the case in actual hours and minutes and not in units. Charge out rates with effect from 1 November 2003 are as follows:

Senior Partner	£180 per hour	Case Administrator	£75 per hour
Partner	£150 per hour	Case Assistant	£45 per hour
Manager	£110 per hour	Cashier	£65 per hour
Secretary	£45 per hour		

Disbursements

Disbursements are charged as follows:

- Expenses cover all stationery, printing, postage and telephone charges, including notices to creditors and contributories of the first meeting of creditors and contributories, they are charged at £175 for a number of creditors and contributories not exceeding 25, £40 for every additional 10 creditors and contributories or part thereof. Where any subsequent or annual meeting of creditors and contributories is held the charge is £155 for a number of creditors and contributories not exceeding 25 and £20 for every additional 10 creditors and contributories or part thereof.
- Room hire, for each statutory meeting of creditors a charge of £150 per meeting is made. Should the meeting not be held at the offices of Poppleton & Appleby the actual cost of the room hire is charged.
- Mileage/motor expenses are charged at the rate of 75p per mile.
- Company search costs are charged at £45 per search.
- Travel and accommodation is charged as a simple reimbursement of the actual cost.
- Storage of books and records is charged at the rate of £5 per box per quarter.
- Statutory advertising is charged as a simple reimbursement of the actual cost.
- Specific Bond is charged as a simple reimbursement of the actual cost.
- All other disbursements are charge at cost.

Further Information

Should you require further clarification in respect of remuneration or disbursements, then please contact either Ian Rose or Bob Young.

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Note

Please note that charge out rates and disbursements are subject to periodic review and may be amended if considered appropriate.