

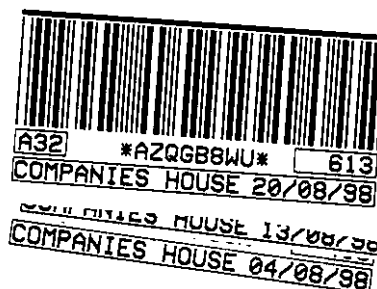
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Company No: 2792457

TO ALL KNOWN CREDITORS

31 July 1998

Our ref HR/69801/8



Dear Sirs

**ANAGEN PLC - UNDER A COMPANY VOLUNTARY ARRANGEMENT**

## 1. Introduction

1.1 I was appointed Supervisor in respect of a Company Voluntary Arrangement (CVA) for the above Company at a meeting of creditors held on 4 June 1997. In accordance with Rule 1.26(2) of the Insolvency Rules 1986 (as amended), this is my first annual report in this matter.

## 2. Summary

- 2.1 All the assets have been realised and the sum of £90,000 received from a third party, as stated in the proposal.
- 2.2 The preferential creditors amounting to £15,386 were paid in full on 12 November 1997.
- 2.3 All other creditors claims have been dealt with except for the non-preferential element of the directors' claims which are still in dispute.
- 2.4 A dividend will be paid to the non-preferential creditors by the end of September 1998. This may be a first and final dividend if the claims of the former directors have been agreed. If these claims are subject to legal action an interim dividend will be paid in the region of 40 pence.

E-mail: leicester@uk.pkf.com Internet: <http://www.leicester.pkf.co.uk>

The principal place of business where a list of partners is open to inspection is 78 Hatton Garden, London EC1N 8JA

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*Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business*



INVESTOR IN PEOPLE

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Anagen Plc - Under a Corporate Voluntary Arrangement

- 2.5 The final overall dividend is dependant on the amount the former directors' claims are settled at but I am hopeful that it should be in excess of 49 pence as anticipated in the proposal.
- 2.6 There is a Creditors Meeting to be held on 28 August 1998 to consider the proposed amendment to the Arrangement to increase the Supervisor's fees from £10,000 to £21,045.

### 3. Asset Realisations

#### 3.1 Contribution from Third Party

- 3.1.1 The sum of £90,000 was received on 20 August 1997. Due to the anticipated level of non-preferential creditors no sums are refundable to the third party concerned.

#### 3.2 VAT Refund

- 3.2.1 The VAT refund was eventually received from HM Customs & Excise in the sum of £25,034. Extensive work was carried out in clarifying the VAT position of the Company, which was complicated by the fact that the Company was subject to a Group Registration. The amount received is slightly less than the amount on the statement of affairs of £26,000 which was estimated to be due to the Company.

#### 3.3 Dividend from Anagen UK Limited

- 3.3.1 As stated in the proposal document there was an amount outstanding from Anagen UK Limited of £19,482,000. Anagen UK Limited was already in liquidation and it was anticipated that a dividend in the region of £220,000 would be received.
- 3.3.2 The Liquidators took longer than they anticipated in agreeing the Inland Revenue claim and therefore a dividend was not received from them until the beginning of June 1998. The amount received of £288,441 equates to a dividend of 1.48 pence in the pound.



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3.4 Cash at Bank

3.4.1 The Arrangement stated that any sum in excess of £1,000 held in the Company's bank account at the date that the Arrangement should be paid to the Supervisor. No realisation was available from this source.

3.5 Bank Interest

3.5.1 Gross bank interest amounting to £2,151 has been received.

4. **Preferential Creditors**

4.1 The claims of the preferential creditors were agreed at £15,386, which related to employees wage arrears. These were paid in full on 12 November 1997.

5. **Non-Preferential Creditors**

5.1 A summary of the position of the non-preferential creditors is as follows.

	<u>Statement of Affairs</u>	<u>Claims Submitted</u>
	<u>£</u>	<u>£</u>
Directors' Claims	315,752	
Agreed		531
Held		<u>315,220</u>
		315,751
Contingent Creditors	10,191	
Agreed		69,320
Outstanding		<u>3</u>
		69,323
Trade & Expense Creditors	262,137	
Agreed		<u>259,103</u>
	<u>588,080</u>	<u>644,177</u>

5.2 The agreed claims totalling £328,954 relate to the claims of nineteen non-preferential creditors.

5.3 The non-preferential element of the directors' claim are still in dispute and my solicitor is taking Counsel's opinion over this matter.



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5.4 There are three contingent creditors who have not submitted claims, despite being pursued. No further action is being taken and it is considered they have no claim.

5.5 As advised in the summary, on current estimates, the dividend available to the non-preferential creditors should hopefully exceed the original estimate of 49 pence in the pound.

#### **6. Payment of the Dividend to the Non-Preferential Creditors**

6.1 As can be seen there are three creditors claims that are not yet resolved.

6.2 I am proposing to hold a creditors meeting on 28 August 1998.

6.3 If these creditors claims have been resolved by the date of this meeting, I propose to pay a first and final dividend to the non-preferential creditors by the end of September 1998.

6.4 However, if the agreement of these claims are still on-going or there are problems with the modifications proposed at that meeting I will pay an interim dividend at this time, in the region of 40 pence in the pound.

#### **7. Income and Expenditure Account**

7.1 Attached at Appendix I is the Income and Expenditure Account from the 4 June 1997.

7.2 The balance in hand is £340,665 which includes VAT receivable of £451.

#### **8. Supervisor's Costs**

8.1 The amount of the Supervisor's costs of £20,100 included in the Receipts and Payments account relates to the following

8.1.1 Nominee's fee refunded to Corporate Synergy plc of £10,000, as discussed in 9.1 below. (See section 3.10 of the proposal).

8.1.2 Fee to BDO Stoy Hayward of £7,500 for assisting the directors in preparing the statement of affairs and costs for the aborted liquidation of the Company. (See Section 3.12.1 of the proposal)



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8.1.3 Costs of Corporate Synergy plc of £2,000 relating to the aborted liquidation of the Company, (see section 3.12 of the proposal) and costs of £600 relating to the Registrar's costs incurred as a result of the meetings of members connected to the aborted liquidation. (see section 3.12.2 of the proposal)

8.2 Legal Fees have been incurred by the Supervisor of £5,442 in relation to matters concerning the Arrangement and in particular the consideration of the directors' claims and the claim of Integrated Technologies Limited.

8.3 There was also a cost of £11,859 incurred by the solicitors acting on the Supervisor's behalf, Messrs Watson Farley Williams, in the printing and postage of the proposal and other documentation to all of the shareholders.

#### **9. Supervisor's and Nominee's fees**

9.1 A payment of £10,000 on account of the Nominee's fees was paid in advance by Corporate Synergy Plc.

9.2 At the meeting of creditors, it was agreed that the Supervisor would be remunerated on a time costs basis up to maximum of £10,000.

9.3 It was considered at the meeting of creditors that this level of fees would suffice in order to complete the Arrangement. This unfortunately has not been the case. A substantial amount of time has been spent on the following,

9.3.1 agreeing creditors claims, in particular the claims of the contingent creditors and that of Integrated Technologies Limited;

9.3.2 agreeing the Anagen Plc claim and liaising with the liquidator of Anagen UK Limited;

9.3.3 liaising with both Anagen Plc and HM Customs & Excise to secure the VAT refund;

9.3.4 reviewing the Directors' non-preferential claims and discussing the position with my solicitors, which is on-going;

9.3.5 corresponding and discussing the position with shareholders who contact the Supervisor for an update of the position.



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- 9.4 Overall time costs incurred to date amount to £18,045 relating to 266 hours spent in dealing with the Voluntary Arrangement at an average hourly rate of £67 per hour. It is estimated that my time costs to conclude the administration of the case will be in the region of £3,000 being 41 hours at an average hourly cost of £73.
- 9.5 As indicated above, I have drawn fees in line with the arrangement of £10,000. There remains time costs outstanding including costs to closure of £11,045. It is my intention to call a meeting of creditors to increase the Supervisors fees to £21,045.
- 9.6 The basis of charging Supervisor's fees, is detailed in clause 3.14 of the Proposal dated 8 May 1997, and was modified at the creditors meeting. There have been no material changes in the rates charged since the Arrangement was approved.
- 9.7 These amounts are derived by reference to time properly given by me and my staff in attending to matters arising in the Arrangement. I attach for your information an extract from Statement of Insolvency Practice 9 issued by the Society of Practitioners in Insolvency on the subject of fees charged under Voluntary Arrangements.
- 9.8 Disbursements charged to the Arrangement can be summarised as follows:-

	£		£
Specific Bond	500	Telephone & Fax	161
Stationery & Postage	818	Motor & Travel	376
Sundry Expenses	7	Courier Costs	308

## 10. Creditors Meeting

- 10.1 In order to consider the proposed amendment to the Arrangement, I am calling a meeting of creditors to be held on 28 August 1998.
- 10.2 In so far as is possible, this meeting shall be summoned in accordance with Section 3 of the Insolvency Act 1986 and Rule 1.11 of the Insolvency Rules 1986 and conducted in accordance with Rules 1.13, 1.14, 1.15, 1.17, 1.19 and 1.21 except that:
- (a) references to the Proposal shall be taken as references to the proposed variation(s);
- 10.3 Section 6 of the Act shall apply to such a meeting except that an application may be brought at any time within the 28 days following the approval of the variation.



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Anagen Plc - Under a Corporate Voluntary Arrangement


## 11. Resolutions

11.1 I enclose a proxy form containing the resolution which I would be grateful if you could complete and return to this office. Please ensure that you indicate your acceptance or rejection of the resolution detailed below on the attached proxy form.

That additional Supervisor's fees, based on time costs, of £11,045 be approved.

I trust this clarifies the position, however should you wish to discuss any of the points raised in this report, please do not hesitate to contact either Helen Robinson or Gary Sturgess, of this office.

Yours faithfully

  
Brian J Hamblin  
Supervisor



Anagen PLC  
(Under a Voluntary Arrangement)

INCOME AND EXPENDITURE ACCOUNT  
TO 31 July 1998

	Total
INCOME	£
VAT Refund	25034.04
Third party contribution	90000.00
Dividend-Anagen UK Ltd	288441.29
Bank Interest Gross	2151.96
	<hr/>
	405627.29
EXPENDITURE	
Specific Bond	500.00
Office Holders Fees	10000.00
Supervisor's expenses	20100.00
Legal Fees	5442.39
Costs-Posting to Members	11859.77
Telephone Telex & Fax	161.44
Stationery & Postage	818.74
Motor & Travel	376.60
Courier delivery expenses	308.75
Sundry expenses	7.36
Employees Wage Arrears	15386.56
	<hr/>
	64961.61
BALANCE	<hr/>
	340665.68
MADE UP AS FOLLOWS	
Bank 1 - Current	340214.17
Vat Control Account	451.51
	<hr/>
	340665.68

**NOTICE OF MEETING OF CREDITORS**

**IN THE MATTER OF ANAGEN PLC**


**IN THE MATTER OF THE INSOLVENCY ACT 1986 ("THE ACT")**

**I HEREBY GIVE NOTICE** that a general meeting of creditors has been summoned under Section 3 of The Act to be held at New Garden House, 78 Hatton Garden, London on 28 August 1998 at 11.00 am to consider the proposed amendment put forward.

A creditor may vote in person or by proxy.

Proxies intended to be used at the first meeting of creditors or at any adjournment thereof must be lodged with me at Pannell House, 159 Charles Street, Leicester LE1 1LD not later than 12 noon on the day before the meeting.

I would draw your attention to Rule 1.119 of the Insolvency Rules 1986 (as amended) regarding requisite majorities, a copy of which is attached for your reference. Please note the content and effect of this Rule concerning the voting rights and majorities required.



Brian J Hamblin  
Supervisor

Dated 31 July 1998

**REQUISITE MAJORITIES  
COMPANY VOLUNTARY ARRANGEMENT**

CVA1304

- 1.19 (1) Subject as follows, at the creditors' meeting for any resolution to pass approving any proposal or modification there must be a majority in excess of three-quarters in value of the creditors present in person or by proxy and voting on the resolution.
- (2) The same applies in respect of any other resolution proposed at the meeting, but substituting one-half for three-quarters.
- (3) In the following cases there is to be left out of account a creditor's vote in respect of any claim or part of a claim -
- (a) where written notice of the claim was not given, either at the meeting or before it, to the chairman or convener of the meeting;
- (b) where the claim or part is secured;
- (c) where the claim is in respect of a debt wholly or partly on, or secured by, a current bill of exchange or promissory note, unless the creditor is willing -
- (i) to treat the liability to him on the bill or note of every person who is liable on it antecedently to the debtor, and against whom a bankruptcy order has not been made (or in the case of a company, which has not gone into liquidation), as a security in his hands, and
- (ii) to estimate the value of the security and (for the purpose of entitlement to vote, but not of any distribution under the arrangement) to deduct it from his claim.
- (4) Any resolution is invalid if those voting against it include more than half in value of the creditors, counting in these latter only those -
- (a) to whom notice of the meeting was sent;
- (b) whose votes are not left out of account under paragraph (3); and
- (c) who are not, to the best of the chairman's belief, persons connected with the company.
- (5) It is for the chairman of the meeting to decide whether under this Rule -
- (a) a vote is to be left out of account in accordance with paragraph (3); or
- (b) a person is a connected person for the purposes of paragraph (4)(c);
- and in relation to the second of these two cases the chairman is entitled to rely on the information provided by the company's statement of affairs or otherwise in accordance with this part of the Rules.
- (6) If the Chairman uses a proxy contrary to Rule 1.15, his vote with that proxy does not count towards any majority under this Rule.
- (7) Paragraphs (5) to (9) of Rule 1.17 apply as regards an appeal against the decision of the Chairman under this Rule.
- 1.20 (1) Subject as follows, and to any express provision made in the articles, at a company meeting any resolution is to be regarded as passed if voted for by more than one-half in value of the members present in person or by proxy and voting on the resolution. The value of members is determined by reference to the number of votes conferred on each member by the company articles.

- (2) In determining whether a majority for any resolution has been obtained, there is to be left out of account any vote cast in accordance with Rule 1.18(2).
- (3) If the chairman uses a proxy contrary to Rule 1.15, his vote with that proxy does not count towards any majority under this Rule.

## VOLUNTARY ARRANGEMENTS : A CREDITORS GUIDE TO INSOLVENCY PRACTITIONERS' FEES

### VOLUNTARY ARRANGEMENTS — A CREDITORS GUIDE TO INSOLVENCY PRACTITIONERS' FEES

#### 1. Introduction

- 1.1 In a voluntary arrangement, as in other types of insolvency, the amount of money available for creditors is likely to be affected by the level of costs, including the remuneration of the insolvency practitioner appointed to implement the arrangement. This guide explains how fees are fixed in voluntary arrangements, how the creditors can affect the level of fees, and the information which should be made available to them regarding fees.

#### 2. The voluntary arrangement procedure

- 2.1 Voluntary arrangements are available to both companies and individual debtors. Company voluntary arrangements are often referred to as CVAs, and individual voluntary arrangements as IVAs.
- 2.2 The procedure is similar for both CVAs and IVAs and enables the company or individual to put a proposal to their creditors for a composition in satisfaction of their debts or a scheme of arrangement of their affairs. A composition is an agreement under which creditors agree to accept a certain sum of money in settlement of the debts due to them. A CVA may be used as a stand-alone procedure or as an exit route from an administration. It may also be used where a company is in liquidation, but this is extremely rare. The proposal will be made by the directors, the administrator or the liquidator, depending on the circumstances. A proposal for an IVA may be made by a debtor whether or not he is already subject to bankruptcy proceedings. The proposal will be considered by creditors at a meeting convened for that purpose. The procedure is extremely flexible and the form which the voluntary arrangement takes will depend on the terms of the proposal agreed by the creditors. In both CVAs and IVAs the proposal must provide for an insolvency practitioner to supervise the implementation of the arrangement. Until the proposal is approved by the creditors, the practitioner is known as the nominee. If the proposal is approved, the nominee (or if the creditors choose to replace him, his replacement) becomes the supervisor.

#### 3. Fees, costs and charges — statutory provisions

- 3.1 The fees, costs, charges and expenses which may be incurred for the purposes of a voluntary arrangement are set out in the Insolvency Rules 1986 (rule 1.28 for CVAs and rule 5.28 for IVAs). They are:

any disbursements made by the nominee prior to the approval of the arrangement, and any remuneration for his services agreed between himself and the company (or the administrator or liquidator, as the case may be) or the debtor (or the official receiver or trustee, where the debtor is subject to bankruptcy proceedings);

any fees, costs, charges or expenses which:

are sanctioned by the terms of the arrangement (see below), or  
would be payable, or correspond to those which would be payable, in an administration, winding up or bankruptcy (as the case may be).

- 3.2 The Rules also require the following matters to be stated or otherwise dealt with in the proposal (rule 1.3 for CVAs and rule 5.3 for IVAs):

The amount proposed to paid to the nominee by way of remuneration and expenses, and

The manner in which it is proposed that the supervisor of the arrangement should be remunerated and his expenses defrayed.

#### 4. The role of the creditors

- 4.1 It is for the creditors' meeting to decide whether to agree the terms relating to remuneration along with the other provisions of the proposal. The creditors' meeting has the power to modify any of the terms of the proposal (with the consent of the debtor in the case of an IVA), including those relating to the fixing of remuneration. The nominee should be prepared to disclose the basis of his fees to the meeting if called upon to do so. Although there are no further statutory provisions relating to remuneration in voluntary arrangements, the terms of the proposal may provide for the establishment of a committee of creditors and may include among its functions the fixing of the supervisor's remuneration.
5. **What information should the creditors receive?**
- 5.1 Where the supervisors' fees are to be agreed by a committee of creditors, the supervisor should provide sufficient supporting information to enable the committee to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case, and should always make available an up to date receipts and payments account. Where the fee is to be charged on a time basis the supervisor should be prepared to disclose the amount of time spent on the case and the charge out value of the time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case.
- 5.2 Where the supervisor makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee when seeking approval of his fees, together with an explanation of how those charges are made up and the basis on which they are arrived at.
- 5.3 Where the basis of the remuneration of the supervisor as set out in the proposal does not require any further approvals by the creditors or any committee of creditors, the supervisor should specify the amount of remuneration he has drawn in accordance with the provisions of the proposal in his subsequent reports to creditors on the progress of the arrangement. Where the fee is based on time costs he should also provide details of details of the time spent and charge out value to date and any material changes in the rates charged since the arrangement was approved.

**Proxy (Company or Individual  
Voluntary Arrangements)**

**Anagen PLC**

Notes to help  
completion of the  
form

Please give full name  
and address for  
communication

Name of Creditor/Member \_\_\_\_\_

Address of Creditor/Member \_\_\_\_\_

\_\_\_\_\_

Name of proxy-holder

1. \_\_\_\_\_

2. \_\_\_\_\_

3. \_\_\_\_\_

Please insert name of  
person (who must be  
18 or over) or the  
"chairman of the  
meeting" (see note  
below). If you wish to  
provide for alternative  
proxy-holders in the  
circumstances that your  
first choice is unable  
to attend please state  
the name(s) of the  
alternatives as well

Please delete words in  
brackets if the proxy-  
holder is only to vote  
as directed, i.e. he has  
no discretion

I appoint the above person to be my/the creditors/members proxy-holder at the meeting of  
creditors/members to be held on **28 August 1998** or at any adjournment of that meeting.  
The proxy-holder is to propose or vote as instructed below (and in respect of any resolution  
for which no specific instruction is given, may vote or abstain at his/her discretion).

**Voting instructions for resolutions**

Please delete \*  
as appropriate

Any other resolutions  
which the proxy-holder  
is to propose or vote in  
favour of or against  
should be set out in  
numbered paragraphs in  
the space opposite.

1. That additional Supervisor's fees, based on time costs of £11,045 be approved

ACCEPT/REJECT

This form must be  
signed

Signature \_\_\_\_\_ Date \_\_\_\_\_

Name in CAPITAL LETTERS \_\_\_\_\_

Position with creditor/member or relationship to creditor/member or other authority for signature.

Only to be completed  
if the creditor/member  
has not signed in  
person

\_\_\_\_\_  
\_\_\_\_\_