

**The Insolvency Act, 1986**  
**Statement of Administrator's**  
**Proposals**  
**Pursuant to section 23(1)(a) of the Insolvency**  
**Act 1986**

# S.23(1)(a)

For official use

To the Registrar of Companies

Company Number

03779638

Name of Company

Telecentric Solutions Limited

We

Simon James Michaels  
of BDO Stoy Hayward  
8 Baker Street  
London  
W1U 3LL

Christopher Kim Rayment  
of BDO Stoy Hayward  
Beneficial Building  
28 Paradise Circus  
Queensway, Birmingham  
B1 2BJ

Administrators of the company attach a copy of our proposals for achieving the purposes set out in the Administration Order filed herein. A copy of these proposals was sent to all known creditors on:

10 June 2003

Signed



Date: 11 June 2003

Presenter's name address and  
reference (if any):

BDO Stoy Hayward  
8 Baker Street  
London  
W1U 3LL

7/SMC/SMC11922/C15

**For official use**  
General Section

Post room



A09  
COMPANIES HOUSE

0747  
14/06/03



**BDO Stoy Hayward**  
Chartered Accountants

8 Baker Street London W1U 3LL  
Telephone +44 (0)20 7486 5888  
Facsimile +44 (0)20 7935 3944  
DX 9025 West End W1  
Web Site: [www.bdo.co.uk](http://www.bdo.co.uk)

**Private and Confidential**

10 June 2003

Our Ref 7/SMC/SMC11912/C6

Please ask for  
Mr C J Lawrence  
Direct line: 020 7893 3210

**TO ALL CREDITORS AND MEMBERS**

Dear Sir(s)

**Telecentric Solutions Limited ("the company") - In Administration**

I refer to the appointment of Christopher Kim Rayment and myself as Joint Administrators of the company by an Order of the High Court of Justice on 1 April 2003, and I am now in a position to convene a meeting of the company's creditors pursuant to Section 23 of the Insolvency Act 1986, formal notice of which is attached. The purpose of the meeting is for the creditors to consider and if they think fit approve the Joint Administrators' proposals for achieving the purposes of the Administration Order made on 1 April 2003.

The meeting is to be held at the offices of BDO Stoy Hayward, 8 Baker Street, London W1U 3LL on 26 June 2003 at 10.30 hrs. A form of proxy and proof of debt are also enclosed.

I attach a statement to creditors pursuant to Rule 2.16 of the Insolvency Rules 1986, which incorporates a statement of proposals under Section 23 of the Insolvency Act 1986.

Yours faithfully  
For and on behalf of  
Telecentric Solutions Limited

Simon Michaels  
Joint Administrator

Encs

7/SMC/SMC11912  
g:\office97\crooks\reports\smc11912.doc

**Telecentric Solutions Limited**  
**- In Administration**  
**Registered Number: 03779638**

**NOTICE IS HEREBY GIVEN** pursuant to Section 23 of the Insolvency Act 1986, that a meeting of the creditors of the above-named company will be held at the offices of BDO Stoy Hayward, 8 Baker Street, London W1U 3LL on 26 June 2003 at 10.30 hrs for the purposes of considering and, if thought fit, approving the proposals of the Administrators for achieving the aim of the Administration Order, and also to consider establishing and, if thought fit, to appoint a creditors' committee.

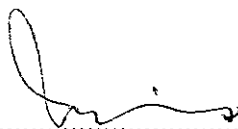
A form of proxy is enclosed which, if to be used at the meeting, must be completed in accordance with the guidance notes provided thereon and lodged at BDO Stoy Hayward, 8 Baker Street, London, W1U 3LL, not later than 12:00 hrs on 25 June 2003.

A person authorised under Section 375 of the Companies Act 1985 to represent a corporation must produce to the Chairman of the meeting a copy of the resolution from which their authority is derived. The copy resolution must be under seal of the corporation, or certified by the secretary or director of the corporation as a true copy.

Please note that a creditor is entitled to vote only if he has delivered to the Administrators not later than 12:00 hrs on 25 June 2003 details in writing of the debt claimed to be due from the company, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and there has been lodged with the Administrators any proxy which the creditor intends to be used on his behalf.

I draw your attention to the effect of Rule 2.22 of the Insolvency Rules 1986 which accompanies this notice.

Dated: 10 June 2003



.....  
Simon James Michaels  
Joint Administrator

## INSOLVENCY RULES 1986 EXTRACT

### Rule 2.22 - Entitlement to Vote

- 1 Subject as follows, at a meeting of creditors in administration proceedings a person is entitled to vote only if:
  - (a) he has given to the Administrator, not later than 12:00 hours on the business day before the day fixed for the meeting, details in writing of the debt which he claims to be due to him from the company, and the claim has been duly admitted under the following provisions of this Rule, and
  - (b) there has been lodged with the Administrator any proxy which he intends to be used on his behalf.

Details of the debt must include any calculation for the purposes of Rules 2.24 and 2.27.

- 2 The chairman of the meeting may allow a creditor to vote, notwithstanding that he has failed to comply with paragraph (1)(a), if satisfied that the failure was due to circumstances beyond the creditor's control.
- 3 The Administrator or, if other, the chairman of the meeting may call for any document or other evidence to be produced to him, where he thinks it necessary for the purpose of substantiating the whole or part of the claim.
- 4 Votes are calculated according to the amount of a creditor's debt as at the date of the Administration Order, deducting any amounts paid in respect of the debt after that date.
- 5 A creditor shall not vote in respect of a debt for an unliquidated amount, or any debt whose value is not ascertained, except where the chairman agrees to put upon the debt an estimated minimum value for the purposes of entitlement to vote and admits the claim for that purpose.

**Rule 8.1 Insolvency Act 1986**  
**Proxy (Administration)**

\*Insert the name of the  
company

**IN THE MATTER OF \* Telecentric Solutions Limited**  
**And**  
**IN THE MATTER OF THE INSOLVENCY ACT 1986**

Notes to help completion of  
the form

Please give full name and  
address for communication

Name of creditor \_\_\_\_\_

Address \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

Name of proxy-holder \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

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

I appoint the above person to be my / the creditor's proxy-holder at the meeting of creditors to be held on 26 June 2003, 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

1 For the acceptance/rejection\* of the Administrator's proposals/revised proposals as circulated

\_\_\_\_\_

for the appointment of \_\_\_\_\_

of \_\_\_\_\_

representing \_\_\_\_\_

as a member of the creditors' committee

This form must be signed

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

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

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

Position with creditor or relationship to creditor or other authority for signature

\_\_\_\_\_

## **Telecentric Solutions Limited - In Administration**

### **RESOLUTIONS TO BE PUT TO THE MEETING OF CREDITORS TO BE HELD ON 26 JUNE 2003.**

The Joint Administrators propose that they:

- (a) continue to manage the business affairs and property of the Company on the basis of seeking to achieve the purpose for which the Administration Order was made, namely a more advantageous realisation of the Company's assets than would be effected in a winding-up
- (b) do all such things and generally exercise all their powers in order to achieve the purposes of the Administration Order and preserve the value of the assets of the Company to maximise the realisations for the benefit of the creditors generally
- (c) consider with the creditors the possibility of the Company proposing a Company Voluntary Arrangement to its creditors under Part 1 of the Insolvency Act 1986
- (d) consult at appropriate intervals with any Creditors' Committee established at the meeting of creditors on 26 June 2003 concerning the conduct of the Administration and the implementation and development of these proposals
- (e) once all assets have been realised, the Joint Administrators take all steps necessary to settle the outstanding Administration costs and, unless a Company Voluntary Arrangement is to be effected, to apply to the Court for a simultaneous discharge of the Administration Order and the making of an Order, either for the Compulsory Winding-Up of the Company, with Simon James Michaels and Christopher Kim Rayment to be appointed as liquidators, or for an Order to facilitate a Voluntary Winding-Up. The Joint Administrators will consult with any Creditors' Committee in this regard.

**PROOF OF DEBT**

**In The High Court of Justice  
Chancery Division  
Companies Court**

**No 002311 of 2003**

**Telecentric Solutions Limited  
- In Administration -**

**Date of Administration Order: 1 April 2003**

- 1 Name of creditor
- 2 Address of creditor
- 3 Total claim including VAT and interest as at  
the date of the Administration Order £  
*(see overleaf)*
- 4 Details of documents by which debt can be  
substantiated
- 5 Amount of any interest included in claim £
- 6 Is the whole or part of the debt preferential? Yes / No  
If so, state amount, and details £  
**See notes overleaf**
- 7 Particulars of how and when debt incurred
- 8 Particulars and value of any security held and  
the date it was given
- 9 Signature of creditor  
or other authorised person .....
- Name in BLOCK LETTERS .....
- Creditor's reference: .....
- 10 Position or Relationship with Creditor .....

### For Use of Administrator Only

11 Admitted to vote for £

Date

Joint Administrator

12 Admitted preferentially  
for £

Admitted non-preferentially  
for £

Date

Date

Joint Administrator

Joint Administrator

### Guidance Notes re Preferential Debts:

The categories of preferential debts under S.386(1) of the Insolvency Act 1986 are as follows:

- money owed to the Inland Revenue for income tax deducted at source
- VAT, car tax, betting and gaming duties
- social security contributions
- pension scheme contributions
- remuneration etc of employees
- Levies on Coal & Steel Productions Insolvency, Beer Duty, Lottery Duty, Air Passenger duty, Landfill Tax and Insurance Premium Tax.

### VAT Bad Debt Relief

The provisions of the Finance Act, 1990, came into effect on 26 July, 1990, and introduced changes in the way that VAT on Bad Debts is recovered.

Your claim overleaf must be quoted inclusive of VAT. You may claim relief on your VAT return when the debt is at least six months old and has been written off. Any dividend you receive in respect of this claim will include payment in respect of the VAT element of your debt and you will be responsible for declaring such VAT to HM Customs & Excise.



**Telecentric Solutions Limited**  
**In Administration**

Statement to Creditors pursuant to Rule  
2.16 of the Insolvency Rules 1986 and  
Statement of Proposals under Section 23 of  
the Insolvency Act 1986

7/SMC/SMC11918/C6

BDO Stoy Hayward

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**Appendix 1****STATEMENT OF AFFAIRS AND STATUTORY INFORMATION****Appendix 2****SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS & PAYMENTS****Appendix 3****A CREDITORS' GUIDE TO ADMINISTRATORS' FEES**

## **TELECENTRIC SOLUTIONS LIMITED - IN ADMINISTRATION**

### **1 Introduction**

- 1.1 This report is addressed to the creditors of Telecentric Solutions Limited ("the Company") and incorporates the Joint Administrators' proposals. These proposals are to be considered by the creditors' meeting called pursuant to Section 23 of the Insolvency Act 1986 to be held at the offices of BDO Stoy Hayward, 8 Baker Street, London W1U 3LL on 26 June 2003 at 10.30 hrs.
- 1.2 Creditors may approve the proposals with or without modifications subject to the Joint Administrators' agreement to any such modifications. If the creditors reject the Joint Administrators' proposals a report will be required to be sent to the High Court of Justice confirming that the creditors have so rejected the proposals. The Court may then discharge the Administration Order and make consequential directions. Alternatively, it may adjourn the hearing or make some other Order as it thinks fit.
- 1.3 If the Joint Administrators' proposals are agreed at the meeting of creditors then the Joint Administrators will continue to control the business of the Company to the extent that it has not been transferred. The Joint Administrators would at some later date advise creditors of the Company's likely exit route from Administration. Based on the information presently available and the current situation it is likely that a proposal that the Company enter into a Company Voluntary Arrangement will be presented by the Joint Administrators.

### **2 Events leading up to the making of the Administration Order**

- 2.1 The Company was incorporated on 28 May 1999, and was a fully owned subsidiary of Affinity Internet Holdings plc ("AIH"). The Company operated as a fixed telephony network operator, providing traffic to resellers and other network operators who in turn resold the traffic to other resellers and end user customers.
- 2.2 In February 2000, 50% of the Company was acquired by Powergen UK plc ("Powergen") for a consideration of £5m on completion, with a further £5m of deferred consideration subsequently being paid.
- 2.3 The Company was considered to be one of the top 10 fixed telecommunication service providers in the UK. It operated 3 switches and 14 points of presence, and utilised 1,200km of state of the art fibre network. The Company also operated an advanced convergent billing platform that was able to produce a combined web based bill, for the fixed line telephony, mobile and internet traffic supplied by both the Company and other associated companies in the Affinity group. The Company employed over 50 members of staff and traded principally from the Tabernacle Street premises in London.
- 2.4 The Company successfully attracted new customers and expanded rapidly, producing a turnover of £31m with a net loss of £1.3m in the year ending 31 December 2001. Whilst the Company has not filed accounts for the year ended 31 December 2002, its management accounts recorded a turnover of £52m, with a loss of approximately £300,000. The Company anticipated exceeding £60m of turnover in the current year, and making a profit for the first time.

- 2.5 The Company was reliant on the continued financial support of its shareholders, but the relationship between the shareholders appears to have become strained due to disputes regarding the management issues affecting the business and the level of new customer connections.
- 2.6 The Affinity group of companies encountered financial difficulties at the start of the year as a result of cashflow problems caused by the consolidated trading losses of the group. AIH sought professional advice in an attempt to raise additional working capital to fund the operation of its businesses. However, on 24 March 2003, Affinity Wireless Limited ("AWL") was placed into Administration. AWL was a substantial customer of the Company, owing approximately £4m according to the Company's books and records, and the insolvency of AWL caused immediate cashflow difficulties for the Company.
- 2.7 As a result of the financial difficulties being experienced by the Affinity group, and the uncertainty surrounding the business, no further shareholder funding was available to the Company. The Company immediately came under considerable financial pressure, due to rents and salaries that were falling due at the end of March, and the continued level of operating costs being incurred. The directors therefore sought advice from the Company's professional advisors regarding the Company's financial difficulties and the options available.
- 2.8 On 1 April 2003 a petition was presented in the High Court of Justice for the making of an Administration Order and proposing that myself and my partner, Christopher Kim Rayment, be appointed as Joint Administrators of the Company. An Administration Order was granted the same day and Christopher Kim Rayment and I were appointed Joint Administrators.

### **3 The Administration Order**

- 3.1 As mentioned above the Administration Order was made on 1 April 2003 on the basis that the Company was or was likely to become unable to pay its debts. The petition for the Order was supported by a report prepared by an independent accountant and insolvency practitioner under Rule 2.2 of the Insolvency Rules 1986. The independent accountant reported that, on the basis of the information provided to him, the Company was insolvent but that there was a real prospect that the objective stated in the petition could be achieved.
- 3.2 The Administration Order was therefore granted to facilitate the following purpose being achieved:
- (a) a more advantageous realisation of the Company's assets than would be effected on a winding-up.

### **4 Statement of Affairs and statutory information**

- 4.1 I attach, at Appendix 1 to this report, a summary of the estimated statement of affairs of the Company at the date of my appointment, prepared by the directors, together with certain statutory information relating to the Company. The summary statement of affairs has been prepared from the Company records and information available as at 1 April 2003. No audit or other verification work has been carried out.

**5 Management of the Company's affairs since the Joint Administrators' appointment**

**5.1 Initial Actions**

- 5.1.1 Upon the making of the Administration Order, my staff and I immediately attended the Company's premises to meet the management and undertake an immediate review of the Company's affairs, with particular regard to its financial and resource requirements. This assessment was carried out in liaison with the directors and management of the Company having regard to the Company's ongoing business commitments and its anticipated cashflows. I also ensured that members of staff from BDO Stoy Hayward Telecommunications Consultants Limited attended the Company's premises to provide me with their specialist advice.
- 5.1.2 It was apparent that the Company had a good core business with a number of blue chip customers, and would potentially be of interest to parties looking to acquire a business in the telecommunications industry. The Company did not have the necessary funding, however, to continue to trade for any length of time. I therefore considered that the preferred strategy for the Administration would be to continue to trade the Company whilst exploring the possibility of effecting a sale of the business as a going concern.
- 5.1.3 I considered that a sale as a going concern would provide a number of benefits including the maximisation of the value of the company's assets and goodwill, the preservation of many of the employees' jobs (and a reduction in the value of the preferential claims of employees against the Company), and it would provide the continuity of service necessary to maximise the recoveries in respect of the Company's book debts.
- 5.1.4 I attended the Company's premises on the morning of 2 April, where I was advised that the bailiff was in attendance on behalf of the landlord, and was looking to distrain over the Company's assets situated at the premises. I advised the bailiff of the Administration Order and that, in accordance with section 11 of the Insolvency Act 1986, he was prevented from exercising distraint over the Company's assets whilst the Administration Order was in force. This prevented the landlord from seizing assets that may have prevented the Company from continuing to trade in the Administration period.
- 5.1.5 A staff meeting was held on the morning of 2 April to inform the employees of the Company's financial situation and to explain the effects of the Administration Order. Whilst there was a great deal of concern on the part of the staff due to the uncertainty created by the Administration, all of the staff agreed to support the Company and continued to work whilst the business was marketed for sale.
- 5.1.6 I immediately arranged for a business for sale advert to be placed in the next edition of the Financial Times, where businesses for sale are advertised twice weekly. After discussions with the Company's directors and management, I also contacted a number of parties whom it was considered may have an interest in the business. At the same time, a number of parties who had heard of the Company's financial difficulties contacted my office direct to express an interest in the business.
- 5.1.7 All interested parties were advised that, due to the financial constraints facing the Company, any sale would have to complete in a relatively short space of time, and

they were therefore invited to sign confidentiality letters and attend the Company's premises as soon as possible to meet with my staff and the Company's management. Expressions of interest were received from over 50 different parties.

- 5.1.8 It was recognised that the value of the business rested in its contracts and relationships with its customer base. Whilst customer contracts were in place, they were terminable upon the insolvency of the Company, although the customers were dependent, at least in the short term, on the traffic being supplied by the Company. Any prospective purchaser would wish to ensure, as well as it was able, that the customers remained with the business moving forward. I therefore contacted the main customers and kept them informed of progress in the Administration.
- 5.1.9 The Company had very limited funding to enable it to continue to trade, and I was unable to provide any undertakings to suppliers to ensure continued supplies. All major suppliers were therefore contacted by myself and my staff to explain the position. On the basis that there was likely to be a better return to creditors if the business could be sold as a going concern, the major creditors agreed to continue to support the business for at least the short term.
- 5.1.10 At the same time, I held a number of discussions with various parties, including the shareholders and interested parties, to establish whether there was any possibility of obtaining funding to allow the Company to continue to trade in Administration whilst the business was fully marketed and negotiations with all interested parties were pursued. However, due to the uncertainties surrounding the business, and the increasing pressure being brought to bear by a number of the Company's creditors, it was clear by the close of business on Thursday, 3 April, that not only was it increasingly difficult to keep the business trading but that it was very unlikely that any party would be willing to advance funds to enable the business to continue to trade through the weekend and into the next week.
- 5.1.11 If the Company ceased trading, I would be forced to accept a break up value for the Company's tangible assets and, due to the disruption in supply, would face counter-claims from the customers which could significantly affect the realisable value of the Company's book debts. On the evening of 3 April, therefore, I contacted all parties that had expressed an interest in acquiring the business and who had previously attended the Company's premises to meet with my staff and the Company's management, and advised them that I required them to submit best offers for the business by lunchtime on Friday, 4 April. I advised the interested parties that, if I was unable to obtain funding to allow the Company to continue to trade, the offers would be considered with a view to establishing whether a rapid sale of the business and assets would be in the best interests of the creditors of the Company.
- 5.1.12 A number of the interested parties considered that they would be unable to submit offers in the time available, as they had not had the time necessary to meet with the Company's major customers and suppliers with a view to ensuring their continued support for the business. It was recognised that, if the support of these key parties could not be obtained, there would be very little value in the business. I did, however, receive offers from a number of the interested parties, and further negotiations were held with these parties during the afternoon of 4 April. By the close of business it was apparent that the best offer received was from Powergen

Retail Limited ("Powergen"), and both Powergen and I instructed solicitors with a view to negotiating and signing a sale agreement.

## **5.2 Sale of business**

5.2.1 After protracted negotiations that continued throughout the night of 4 April, and finally completed on Saturday morning, a sale of the business and certain assets of the Company to Powergen was concluded. The consideration paid by Powergen was £250,000. However, the main benefit to securing the sale to Powergen was that, under the terms of the sale agreement, Powergen agreed to pay all outstanding book debts due to the Company, without set-off, on the due dates. These debts, which totalled some £4.5m, were by far the biggest asset of the Company, and thus the sale to Powergen gave a high degree of certainty regarding the realisable value of the main asset of the Company. Powergen had approximately 250,000 customers using traffic supplied by the Company and, if the business ceased trading or was sold to a party with whom Powergen did not want to trade, the Company would face a large counter-claim from Powergen which could seriously affect the recovery of the existing debt and the dividend prospects of creditors. Powergen had also advised that it would look to offset against any book debts the loans made to the Company in its capacity as shareholder, and this again may have substantially reduced the realisable value of the debt.

5.2.2 The other main advantage deriving from the structure of the sale agreement is that Powergen is obliged, for a limited period, to provide an ongoing service to the Company's customers. The purpose of this was to facilitate the collection of the Company's remaining book debts as I considered that, if customers continued to receive the same level of service whilst they either agreed new terms of trading with Powergen, or migrated their traffic from the network, the Company would not be exposed to any counter-claims from its customers, and the value of the remaining book debts would be maximised.

## **5.3 Steps taken since the sale of the business**

5.3.1 Immediately following the sale of the business, I contacted each of the Company's customers and advised them that the business had been sold to Powergen. I advised that there was a mechanism in place to ensure continuity of supply whilst they negotiated with Powergen and/or made arrangements to migrate their traffic from the network. However, it was made clear to the customers that an ongoing service would only be supplied on very strict terms, and that it was a prerequisite that all outstanding book debts due to the Company were settled. In this way I have managed to exert some degree of commercial pressure to ensure the rapid collection of the book debts.

5.3.2 As previously advised, a significant former customer of the Company was AWL. Shortly prior to my appointment the Joint Administrators of AWL effected a sale of part of its business, but I was contacted by both the Joint administrators and the purchaser of that business, as they were reliant upon the Company producing their customer bills for the month of March. I therefore negotiated a facilitation fee with AWL in return for authorising the bill run. It has been agreed that, in return for Powergen producing the necessary customer bills, the Company will receive 20% of any net recoveries from the invoices, on the first £500,000 of realisations made by AWL from these invoices. This should therefore produce a further realisation that may benefit the creditors of the Company.

- 5.3.3 Since the sale of the business, I have been working closely with Powergen regarding the migration of the customer traffic from its network and the recovery of the book debts. The largest customers have decided to migrate their traffic and it is anticipated that the migrations should be concluded by July. I have also continued to assist Powergen with the ongoing issues surrounding the novation and assignment of customer and supplier contracts.

## **6 Receipts and payments**

- 6.1 You will find attached, at Appendix 2, a copy of my summary of receipts and payments for the period since the date of the Administration Order, the contents of which I consider are self explanatory.

## **7 Creditors' claims**

- 7.1 The creditors' claims notified to me to date total approximately £3.628m. You will note from the summary of the directors' statement of affairs that, based on present information, the total claims of unsecured creditors could be in the region of £16m, with a further £60,000 being claimed preferentially. There should therefore be sufficient asset realisations to enable preferential creditors to be paid in full and a dividend to be paid to unsecured creditors. Whilst the quantum of any dividend to unsecured creditors will be dependent on both the final level of asset realisations and the adjudication of creditors claims, based on the information currently available, the dividend could total at least 30p in the £.

## **8 Possible outcomes for the Company**

- 8.1 The possible exit routes for the Company from the Administration are for the Joint Administrators to propose a Company Voluntary Arrangement or for the Company to be placed into Liquidation. It is the Joint Administrators' recommendation and proposal, as detailed below, that the purpose of the Administration Order be achieved by them continuing to manage the affairs of the Company. The Joint Administrators also propose that the creditors approve that the Joint Administrators decide the most appropriate exit route from the Administration when they consider that the Administration Order should be discharged.

## **9 Joint Administrators' Remuneration**

- 9.1 You will find attached, at Appendix 3, A Creditors' Guide to Administrators' Fees, which details the methods for fixing the remuneration of the Joint Administrators. It will be my intention to obtain approval for my remuneration in this matter from any Creditors' Committee appointed at the meeting being held on 26 June 2003. If no Creditors' Committee is appointed I will revert to creditors regarding this issue.

## **10 Statement of proposals under Section 23 Insolvency Act 1986**

- 10.1 In accordance with Section 23 of the Insolvency Act 1986 the Joint Administrators make to the creditors the following proposals for achieving the purposes of the Administration Order made on 1 April 2003. Approval of these proposals will be considered as a single resolution by the meeting of creditors to be held on 26 June 2003.

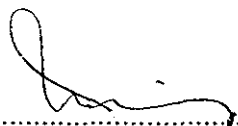


## 10.2 Proposals

### 10.2.1 The Joint Administrators propose that they:

- (a) continue to manage the business affairs and property of the Company on the basis of seeking to achieve the purpose for which the Administration Order was made, namely a more advantageous realisation of the Company's assets than would be effected in a winding-up
- (b) do all such things and generally exercise all their powers in order to achieve the purposes of the Administration Order and preserve the value of the assets of the Company to maximise the realisations for the benefit of the creditors generally
- (c) consider with the creditors the possibility of the Company proposing a Company Voluntary Arrangement to its creditors under Part 1 of the Insolvency Act 1986
- (d) consult at appropriate intervals with any Creditors' Committee established at the meeting of creditors on 26 June 2003 concerning the conduct of the Administration and the implementation and development of these proposals
- (e) once all assets have been realised, the Joint Administrators take all steps necessary to settle the outstanding Administration costs and, unless a Company Voluntary Arrangement is to be effected, to apply to the Court for a simultaneous discharge of the Administration Order and the making of an Order, either for the Compulsory Winding-Up of the Company, with Simon James Michaels and Christopher Kim Rayment to be appointed as liquidators, or for an Order to facilitate a Voluntary Winding-Up. The Joint Administrators will consult with any Creditors' Committee in this regard.

Dated: 10 June 2003



.....  
Simon James Michaels  
Joint Administrator

7/SMC/SMC11928/C6

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**Statement of Affairs and Statutory Information**

## A - Summary of Assets

Assets	Book Value £	Estimate to Realise £
<b>Assets specifically pledged:-</b>		
Finance Lease for Billing Hardware and Software	1,529,890	0
Less balance owing on finance lease	-1,529,890	
Sub-total	0	0
11 Roof Top Boxes	437,501	141,000
Roof top boxes unpaid for	-141,000	-141,000
<b>Assets not specifically pledged:</b>		
Switch Roof top boxed	297,501	75,000
Telecoms Switch	1,466,388	100,000
Billing Equipment	698,223	50,000
Office Equipment and Furniture & Fixtures	113,441	25,000
Trade Debtors	11,325,424	6,268,000
Prepayments	891,474	0
Bank / Cash	137,708	137,708
<b>Estimate total assets available for preferential creditors</b>	<b>15,226,660</b>	<b>6,655,708</b>

## A1 - Summary of Liabilities

		Estimate to Realise £
<b>Estimated total assets available for preferential creditors (carried from page A)</b>		<b>6,655,708</b>
<b>Liabilities:</b>		
<b>Preferential creditors: PAYE to Inland revenue</b>	£	60,000
<b>Estimated deficiency/surplus as regards preferential creditors</b>		<b>6,595,708</b>
<b>Debts secured by a floating charge:</b>		
<b>Estimated (deficiency)/surplus available for non-preferential creditors</b>		<b>6,595,708</b>
<b>Non-preferential claims:</b>	£	8,109,640
<b>Parental Financing</b>		5,240,000
<b>Atlantic Dispute</b>		2,600,000
<b>Estimated (deficiency)/surplus as regards creditors</b>		<b>-9,353,932</b>
<b>Issued and called up capital:</b>	£	2,500,002
<b>Estimated total (deficiency) / surplus as regards members</b>		<b>-11,853,934</b>

# Telecentric Solutions Limited

## Statutory Information

**Company Number:** 03779638

**Date of Incorporation:** 28 May 1999

**Address of Registered Office:** 8 Baker Street, London, W1U 3LL  
Formerly 53 New Broad Street, London EC2M 1SL

**Directors:** Graham John Bartlett  
Nicholas Wenham Horler  
June Carol May  
Nicola Mary Sawford  
Gary Ashley Sheppard

**Company Secretary:** James William Jones

**Nominal Share Capital:** £2,500,002 - divided into 2,500,002 ordinary shares of £1 each

**Registered Shareholders:** No of £1 ordinary shares held

Affinity Internet Holdings plc	1,250,001
Powergen UK plc	1,250,001
	<hr/>
	2,500,002
	<hr/>

### Trading Results:

Y/E	Turnover £'000	Gross Profit/Loss £'000	Net Loss £'000	Directors' remuneration £	Balance on P & L A/c £
31/12/01	31,272	688	(1,290)	nil	(3,801)
31/12/00	4,147	(654)	(2,038)	nil	(2,511)

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**Summary of Joint Administrators' Receipts and Payments**

**Telecentric Solutions Limited ("the company")**  
**- In Administration**

**Summary of Joint Administrators' receipts and payments for the period**  
**1 April 2003 to 6 June 2003**

**Receipts**

£

Cash at bank	269,577.82
Bank interest received	11,755.08
Sundry refunds	256.76
Sale of business consideration	250,000.00
Book debts	5,609,925.68
Book debts received due to Powergen	<u>334,657.68</u>
	<u>£ 6,476,173.02</u>

**Payments**

Wage payments	22,433.24
Employee expenses	768.80
Duress payment	20,216.34
Fee for advertising sale of the business	75.00
Legal fees and disbursements	19,448.63
Bank charges	20.00
Input VAT	<u>7,073.31</u>
	70,035.32

Balance in hand	<u>6,406,137.70</u>
	<u>£ 6,476,173.02</u>

BDO Stoy Hayward  
8 Baker Street  
London  
W1U 3LL

S J Michaels  
Joint Administrator

10 June 2003

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**A Creditors' Guide to Administrators' Fees**



**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, to 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**

1.1.1 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 chargeout 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, and professional guidance has been provided setting out a minimum of 6 category headings under which the work done by the officeholder and his staff should be analysed. As a firm BDO Stoy Hayward operates a computerised time recording system which analyses work done under the following categories:-

- Pre Appointment Matters
- Steps upon Appointment
- Planning and Strategy
- General Administration
- Asset Realisation/Management
- Trading Related Matters
- Employee Matters
- Creditor Claims
- Reporting
- Distribution and Closure
- Other Issues

Professional guidance suggests the following categories 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 subcontracted 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.



**BDO Stoy Hayward**

## **A CREDITORS' GUIDE TO ADMINISTRATORS' FEES**

### **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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