

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company SKYHAWK AVIATION SECURITY LIMITED	Company number 03906565
In the HIGH COURT OF JUSTICE <div style="text-align: right;">[full name of court]</div>	Court case number 4077 / 2006

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

I/ We (a)

SIMON FRANKLIN PLANT AND DANIEL PLANT
9 ENSIGN HOUSE
ADMIRALS WAY
MARSH WALL
LONDON
E14 9XQ

* 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) Insert date

(b) 3 August 2006

Signed 
Joint Administrator(s)

Dated 23 August 2006

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record

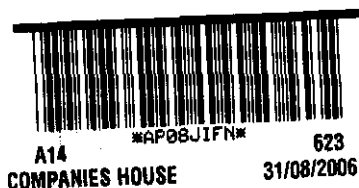
Chris Hilbert, c/o SFP, 9 Ensign House, Admiral Way

Marsh Wall, London, E14 9XQ

Tel 020 7538 2222

DX Number

DX Exchange



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

SFP



TO ALL KNOWN CREDITORS AND SHAREHOLDERS

Date: 3 August 2006
Contact: Chris Hilbert
020 7531 2382

Our Ref: SAS0001/csh030806.P3

Dear Sirs

Skyhawk Aviation Security Limited (in Administration) ("SAS")

I refer to my letter dated 18 July 2006 which was provided to you with, inter alia, a brief explanation of the effect/purpose of the Administration of SAS and the next stage.

I have previously explained that, pursuant to Schedule B1, Paragraph 49 of the Insolvency Act 1986, the Joint Administrators are required, within 8 weeks of their appointment to provide creditors with a statement of proposals for achieving the purpose or purposes specified.

To this end, I enclose a Report and Statement of Proposals, which provides an update as to general progress of SAS's Administration as at 3 August 2006, together with the Joint Administrators' proposals.

Should you have any further queries, please contact the Senior Administrator dealing with this matter, Chris Hilbert or me.

Yours faithfully

Daniel Plant
Joint Administrator

In accordance with paragraph 45 of Schedule B1 of the Insolvency Act 1986, notice is hereby given that the affairs, business and property of Skyhawk Aviation Security Limited (in Administration) are being managed by Simon Franklin Plant and Daniel Plant of SFP, acting as Joint Administrators. Pursuant to paragraph 69 of Schedule B1 of the Insolvency Act 1986, the Joint Administrators act as agents of the company and without personal liability.

Skyhawk Aviation Security Limited (In Administration)
Report to Creditors and Statement of Proposals
Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

Strictly Private and Confidential

Skyhawk Aviation Security Limited (In Administration)

**Report to Creditors and
Statement of Proposals
Pursuant to Paragraph 49(1) of
Schedule B1 to the Insolvency Act 1986**

**Simon Franklin Plant
MIPA MABRP**

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This report has been written and presented for the sole purpose of complying with the relevant provisions of the Insolvency Act 1986 and the Enterprise Act 2002. It may not be disclosed, disseminated or copied without our prior written permission, other than to those entitled under statute or otherwise as ordered by the Court, and no liability will be accepted to any other person or party who acts or refrains from acting on its contents.

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Pursuant to Paragraph 49(1) of Schedule B1 of the Insolvency Act 1986

1. Executive Summary

SECTION/APP. REFERENCE

- | | |
|--|---|
| <p>1.1 The Company was placed into Administration on 8 June 2006. The purpose of rescuing the Company as a going concern was not achievable. The primary purpose of the Administration was therefore to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).</p> | <p>Section 5</p> |
| <p>1.2 The Company traded as a supplier of security services and assistance personnel to various airlines at Terminal 3 of Heathrow Airport. The Company was incorporated on 21 December 1999, commencing trading shortly thereafter from an airside office at Room 5203 at Terminal 3, Gate 24 of Heathrow Airport.</p> | <p>Section 4
and Appendix I</p> |
| <p>1.3 The Company's financial position is understood to have been deteriorating for some time prior to the Administration. At the time of the Administration, the Company was insolvent on a balance sheet test. Further, it no longer had sufficient funds to meet its debts and was therefore unable to meet its liabilities as they fell due.</p> | <p>Section 4
And Appendix II</p> |
| <p>1.4 It was envisaged that the primary purpose of the Administration would be achieved by the sale of the business and assets on a going concern basis. Given the lack of funding available, continued trading of the business was not an option, although the primary purpose was achieved by way of a sale of the business and assets to a connected third party.</p> | <p>Section 6</p> |
| <p>1.5 The purpose of Administration is still in the process of being achieved and there is still a significant amount of work to be undertaken. This includes effecting additional realisations in respect of the deferred sale consideration that is due in instalments, debtor recoveries and continued investigations into the Company's affairs. The Joint Administrators' consider that it may be advisable for the Company to continue in Administration for the time being. However, they require the option of placing it into Creditors' Voluntary Liquidation for distribution purposes in the unlikely event that there are sufficient realisations in the Administration for a dividend to unsecured creditors. Alternatively, the Joint Administrators will file notice of dissolution of the Company at Companies House should they take the view that the Company has no property which might permit a distribution to its creditors, unless they believe that they should present a winding up petition at court, so that a liquidator can be appointed to further investigate the Company's affairs. It is not proposed to convene a meeting of creditors.</p> | <p>Sections 7, 11 and 12</p> |
| <p>1.6 There has been a limited response to the questionnaire that was sent to creditors, responses to which may assist the Administrators with their general investigation duties. Accordingly, those who have not replied are urged to do so.</p> | <p>Section 13</p> |

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2. Introduction

- 2.1 This Report and Statement of Proposals ("the Report") is prepared pursuant to Schedule B1, Paragraph 49 of the Insolvency Act 1986, ("the Act") in relation to Skyhawk Aviation Security Limited (in Administration) ("the Company"), the purpose for which is to provide creditors with a full update as to the present position and seek creditors approval of the next stage of proceedings.
- 2.2 The Report also includes information required to be provided to creditors pursuant to Rule 2.33 of the Insolvency Rules 1986 ("the Rules"). All statutory information pertaining to the Company is set out in **Appendix I**.

3. The Joint Administrators' Appointment

- 3.1 On 8 June 2006, Notice of Appointment of an Administrator by Holder of a Qualifying Floating Charge ("the Notice of Appointment") was presented to the High Court of Justice by the Company's factors Bibby Financial Services Limited ("Bibby").
- 3.2 On 8 June 2006, Notice of Appointment of an Administrator was presented to the Chancery Division of the High Court of Justice. Both Simon Franklin Plant and Daniel Plant of SFP, 9 Ensign House, Admirals Way, Marsh Wall, London E14 9XQ were appointed Joint Administrators ("the Joint Administrators"). Pursuant to Schedule B1, Paragraph 100(2) of the Act, the Joint Administrators act jointly and severally.

4. Company History and Events Leading to the Administration Order

- 4.1 Albeit that statutory information is contained in **Appendix I**, this report provides brief details in relation to the Company's history. This is based on limited discussions with the directors of the company, Naval Patel and Alvin Vaz ("the Directors").
- 4.2 The Company commenced trading in December 1999 as a supplier of security services and assistance personnel to various airlines at Terminal 3 of Heathrow Airport. From the outset and up to the date of Administration, the Company occupied an office at Room 5203 at Terminal 3, Gate 24 of Heathrow Airport. Occupation is alleged to be pursuant to a lease granted by the UK aviation industry regulators BAA plc.
- 4.3 Given the security implications of operating an airside company within Heathrow Airport it has been extremely difficult to ascertain a copy of any lease from BAA plc ("BAA").
- 4.4 The Company's bankers have at all time been Barclays Bank plc which, as at the date of Administration Barclays operated two accounts. The first was circa £14,500 overdrawn with the second account being circa £11,000 in credit. It was apparent that Barclays would apply set off in this regard leaving a liability to Barclays of circa £3,500.
- 4.5 A company search has revealed that Bibby Financial Services Limited ("Bibby") had registered an All Assets Debenture over the Company on 26 November 2004. It is also understood that Bibby has secured personal guarantees against its liability. Barclays do not have a registered debenture against the Company.
- 4.6 It is understood that following commencement of trading the Company established a solid client base of several airlines operating from Terminal 3 of Heathrow Airport. It was able to secure business from a number of significant high profile operators in the business.

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- 4.7 It is understood that, from inception to the date of Administration the Company suffered financial difficulties. The last abbreviated accounts filed at Companies House were to 31 December 2004 which indicate that the Company incurred a loss of £109,285, being an increase of circa £70,000 from the year before. Recently, the Company also experienced extreme cash flow difficulties with its debtors failing to pay within agreed credit terms and due to the time it took the airlines to authorise and process payments.
- 4.8 The finances of the Company were controlled by a firm of accountants with the Directors having little involvement and knowledge as to their state. It is alleged that it only became apparent to the Directors that cash flow was becoming critical in the few months prior to the Joint Administrators appointment.
- 4.9 During the second quarter of 2006 it became clear that creditor pressure was insurmountable. Further, as a result of poor collections from debtors, Bibby were left with no choice but to suspend the Company's financing facility in order to protect its position. As a result, Bibby sought the advice of insolvency practitioners, SFP. It was clear that the Company was insolvent on both a balance sheet and cash-flow test. As a result, Bibby resolved to place the Company into Administration.
- 4.10 At Appendix II is an Estimated Statement of Affairs as at the date that the Company was placed into Administration ("the Statement of Affairs"). This has been prepared with the assistance of chattel asset valuers SHM Smith Hodgkinson ("SHM"). The Statement of Affairs indicates that the Company was insolvent on a balance sheet basis with a deficiency to creditors of £306,618.

5. The Purpose of the Administration

- 5.1 The purposes of an Administration are set out in Schedule B1, Paragraph 3(1) of the Act. In short, this provides that an Administrator of a company must perform his functions with the objective of:
- 5.1.1 rescuing the company as a going concern, or
 - 5.1.2 achieving a better result for the creditors as a whole than would be likely to be achieved if the company were wound up (without first being in Administration), or
 - 5.1.3 realising property in order to make a distribution to one or more secured or preferential creditors.
- 5.2 The purposes are therefore a hierarchy of objectives. The rescue of a company is the priority. Next is to instead achieve a better return to the creditors as a whole. In the event that this cannot be achieved then the Administrator is permitted to realise assets for the benefit of the preferential or secured creditors.
- 5.3 In the light of the insolvency of the Company, the initial purpose relating to its rescue could only be achieved through a company voluntary arrangement. This was not considered to be achievable, although it appeared that the second purpose was a viable option. Full details concerning progress in respect of this purpose are set out in Section 7.

6. Events Following the Joint Administrators' Appointment Leading to Initial Strategy

- 6.1 The primary purpose of the Administration was to rescue the Company as a going concern. This would potentially be achieved with the assistance of a statutory moratorium which protects a company when it is placed into Administration. The moratorium effectively prevents all creditors' actions being taken or progressed without leave of the Court or the Administrator's consent, thereby providing a company with a breathing space in which a strategy can be invoked to maximise realisations.

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- 6.2 Given the obvious security risks associated with this business trading from an airside location at Heathrow Airport it was necessary to contact BAA and Head of Security at Heathrow Airport prior to the Joint Administrators appointment in order to obtain the necessary security clearance to access the restricted areas of the airport. BAA agreed to provide passes and an escort in order for the Joint Administrators and their agents to gain access to the Company's premises at Gate 24 in Terminal 3.
- 6.3 Immediately upon their appointment two of the Joint Administrators staff attended Room 5203 at Terminal 3, Gate 24 of Heathrow Airport to have an initial meeting with the Directors and the Company's employees, which numbered an additional twenty two people. That meeting was also attended by the agents instructed by the Joint Administrators in relation to the matter, SHM Smith Hodgkinson ("SHM"). The purpose of the meeting was to consider the viability of continued trading against an immediate sale of the business and assets, obtain full details of the debtors ledger and address any immediate issues/difficulties that could hamper the maximisation of realisations.
- 6.4 During the course of the meeting, it became clear that any disruption to the Company's business would have a significant impact on the airlines that it serves. With several flights a day to handle, the loss of security and passenger services the Company provides would mean a rapid deterioration in its customer base. The airlines would have no alternative other than to source alternative providers elsewhere as a matter of urgency. In the light of this as well as insurance issues and given the Company's lack of funds it was clear that continued trading was not a viable possibility.
- 6.5 The Directors had intimated that he had an interest in acquiring the business and assets of the Company on a going concern basis, therefore in order to preserve the business and maximise realisations the Joint Administrators sought to negotiate a sale to the Directors.

7. General Progress In Relation to the Administration

Sale of the business and assets as a going concern

- 7.1 The decision was taken to try to achieve a sale of the Company's business and assets on a going concern basis. A sale had to take place as quickly as possible, since any disruption in trading meant that goodwill would be eroded. This effectively meant that in the time that it would take to advertise the business, the goodwill would be reduced so significantly that a realisation for the business would be unlikely.
- 7.2 Immediately following the placing of the Company into Administration, the Joint Administrators were advised that the Directors were interested in purchasing the business and assets in order to continue trading. SHM carried out an immediate valuation in order that the Joint Administrators could enter sale negotiations. Accordingly, the Joint Administrators attended a meeting with the Company's directors to discuss a potential sale of the Company's business and assets. A subsequent sale was agreed
- 7.3 SIP13 provides that the Joint Administrators should provide details concerning the sale of a business as a going concern to connected parties. Given that the Directors are a connected party, creditors are entitled to be provided the following information:
- 7.3.1 the assets purchased by the Directors were the goodwill (including the customer list and the Company name) and the office furniture and equipment. The sale completed on 9 June 2006;

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- 7.3.2 the consideration for the purchase of the business and assets sold was £50,000, payable on a deferred basis as follows;

£10,000 within two weeks of completion;
£7,500 due before 8 July 2006;
£7,500 due before 8 August 2006;
£7,500 due before 8 September 2006;
£7,500 due before 8 October 2006; and
£10,000 due before 8 November 2006

- 7.3.3 To the date of this report £17,500 has been paid.

- 7.3.4 the Joint Administrators are uncertain as to whether or not the Directors took independent advice in relation to the purchase, although it did not instruct solicitors to assist with the sale documentation; and

- 7.3.5 the sale had to be concluded as quickly as possible in order for the goodwill element not to be eroded and to thus maximise realisations. Accordingly, this took place without consultation with the Company's creditors.

Debtors

- 7.4 As at the date of the placing of the Company into Administration, the total amount on its sales ledger was £135,991. Bibby's indebtedness was circa £78,000 plus termination charges. Immediately upon the Joint Administrators appointment, details of the outstanding debts together with supporting documentation were collected from the Company's premises in order to begin the collection of debtor monies.
- 7.5 The Joint Administrators made initial contact with the debtors in order to advise of the administration and ascertain the reasons behind previous slow payments to the Company. It transpired that all but three of the debtors have subsequently paid their accounts in full, direct to Bibby.
- 7.6 The largest debtor is disputing various invoices and alleging that some invoices have been paid to the Company directly and not Bibby. These are currently being investigated.
- 7.7 To date, recovery of the sales ledger has been carried out by the Joint Administrators who fully reviewed the Company's paper and computer records in order to obtain copies of invoices and any supporting documentation. Bibby are still presently owed circa £48,000 plus termination. Indicators suggest that Bibby may suffer a small shortfall.

Investigation into the Company's Affairs Prior to the Administration

- 7.8 Investigations into the Company's affairs prior to it being placed into Administration are being undertaken by a company associated with the Joint Administrators, SFP Forensic Limited ("SFP Forensic") and are still presently ongoing.

Additional Issues and Realisations

- 7.9 The Joint Administrators are yet to receive a copy of the lease in respect of the office premises at Heathrow Airport. Once a copy of the lease is obtained SHM shall provide a valuation to determine whether there is any premium associated with it.

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8. The Statement of Affairs and the Outcome for Creditors

- 8.1** At **Appendix II** is the Estimated Statement of Affairs as at the date that the Company was placed into Administration, completed by the Joint Administrators' with the assistance of their agents.
- 8.2** Also attached is a list of the Company's creditors whose details have been provided by Mr Patel. Unless there are significant recoveries resulting from the Company's sales ledger or investigations into its affairs, there will be no prospect of a dividend to unsecured creditors.

9. The Joint Administrators' Costs

- 9.1** It looks to be the case that there will not be any surplus available to the unsecured creditors and that the third purpose only of the Administration (at **para 5.1.3**) will be achieved. Further, it is anticipated that there will be a shortfall in relation to fees incurred by the Joint Administrators and their agents' and that a proportion of these will be written off.
- 9.2** To date, the Joint Administrators have undertaken, inter alia, the following actions:
- 9.2.1** undertaking initial review of the trading position and entering into discussions with the Directors to ascertain viability of continuing to trade;
 - 9.2.2** liaising with trade creditors and assisting those claiming a third party interest and dealing with all employee matters;
 - 9.2.3** collating documentation in support of the Company's outstanding debts, liaising with Bibby, the directors and certain debtors to effect recoveries;
 - 9.2.4** negotiating and completing the sale of the Company's business and assets to the directors; and
 - 9.2.5** undertaking all statutory measures including updating creditors, advertising and filing requisite documents and forms at Companies House.
- 9.3** At **Appendix III** is a breakdown of the time that has been incurred by SFP to date, together with details of charge out rates / activity summaries. At **Appendix V** is a Guide to Administrators and Liquidators Fees, being Statement of Insolvency Practice 9.
- 9.4** **Section 12** sets out the Joint Administrators proposals. The Joint Administrators do not envisage a distribution to unsecured creditors. On this basis, the Rules provide that the secured creditors (and preferential creditors if they receive a dividend) are to agree the Joint Administrators fees. Albeit unlikely that there will be a distribution to unsecured creditors, for the sake of good order, the Joint Administrators are seeking authorisation from them of their remuneration on a time cost basis, being the time properly given by the Joint Administrators and their staff in attending to matters arising in the administration under rule 2.106(2) of the Rules.
- 9.5** Disbursements and specific expenditure relating to the administration of an insolvent estate and payable to an independent third party are recoverable without creditor approval. Such expenditure is made, if funds are available from the insolvent estate. If funds are not available the payment is made from this firm's office account and this firm is reimbursed from the insolvent estate if and when funds become available.
- 9.6** Payments made out of a firm's office account and re-charged to an insolvent estate are defined as 'Category 1 Disbursements'. This disbursement is explained further under the expenses and

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Disbursements heading in the Guide to Administrators and liquidators fees at **Appendix V**. There have been the following Category 1 disbursements to date:

Travelling Expenses	£162.20
Courier Charges	£ 17.00
Bordereau	£125.00

9.7 Expenditure incidental to the administration of the insolvent case, which by its nature includes an element of shared or allocated costs are recoverable with creditor approval. These payments are defined as 'Category 2 Disbursements' and, once again, this disbursement is explained further in the Guide to Administrators and liquidators fees at **Appendix V**. There have been no Category 2 Disbursements to date.

9.8 The fees incurred by SHM and KSB Law are on a time cost basis. D-Key Services Limited has been employed by the Joint Administrators to store the Company's books and records. Its fees are calculated on a fixed fee basis.

9.9 SFP Forensic is an entity which is associated with the Joint Administrators firm, SFP ("the Associated Entity"). Pursuant to SIP 9 payments made to outside parties in which the office holder or his firm or any associate has an interest should be treated as a Category 2 Disbursement. In accordance with SIP 9 the following information is provided concerning the Associated Entity:

9.9.1 the Associated Entity have been established by SFP to perform functions to which either the office holder or outside agencies could undertake. It is considered that by virtue of their specialist nature and close proximity to SFP they will achieve better results than the office holder, his team or any outside agencies would be able to accomplish;

9.9.2 the Associated Entity's remuneration is calculated in this instance on the following basis:

Entity	Basis of Remuneration	Staff Charge Out Rates
SFP Forensic	Time Cost	£75 - £350*

*The charge out rates detail the bands that will be applied dependent upon the grading of staff required to deal with any one specific assignment. Please note that these may fluctuate/alter during the course of the Administration or the placing of the Company into a subsequent insolvency regime.

9.9.3 the proposals to creditors seek the approval of the payment of SIP 9 Category 2 Disbursements. Approval will entitle the office holder to settle these as and when deemed necessary without the need for any further authorisation.

10. Additional Points Required to Be Made Pursuant to the Rules

10.1 For creditors' general information, the EC Regulations on insolvency proceedings do apply in this case, and these proceedings are the main proceedings.

10.2 Pursuant to Schedule B1, Paragraph 47(1) of the Act, the Joint Administrators may request one or more relevant persons to provide a Statement of Affairs of the Company. Despite chaser letters, the Joint Administrators are yet to receive a completed Statement of Affairs from the directors of the Company.

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- 10.3 The Joint Administrators do not consider that the prescribed part defined under section 176A of the Act will be payable and therefore do not intend to make an application to Court pursuant to section 176A(5) of the Act.

11. The Dispensing Of A Meeting of Creditors

- 11.1 Pursuant to Schedule B1, Paragraph 51(1) a copy of the Administrator's statement of proposals must be accompanied by an invitation to a creditors meeting. However, this requirement may be dispensed with in circumstances where there is likely to be nothing of substance that the creditors meeting could decide.
- 11.2 These circumstances are set out in Paragraph 52(1) which provides that the need to convene a meeting shall not apply where the statement of proposals states that the Administrator thinks that:
- 11.2.1 the company has sufficient property to enable each creditor of the company to be paid in full,
 - 11.2.2 the company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of payment through the prescribed element of floating charge realisations, or
 - 11.2.3 the only objective of the Administration which the Administrator thinks is capable of achievement is realising property in order to make a distribution to one or more secured or preferential creditors.
- 11.3 In this instance the Joint Administrators are of that the view that paragraph 11.2.3 will only apply in relation to the Company.
- 11.4 Notwithstanding this, the Joint Administrators shall be required to summon a meeting of creditors if it is requested by the Company's creditors whose debts amount to at least 10% of the total debts of the Company, by way of service of a Form 2.21B, within 12 days from the date on which the proposals are sent out.
- 11.5 If such meeting is requested it must be held within 28 days of the request being received by the Joint Administrators. Security must be given for the expenses of summoning and holding the meeting. At Appendix VI is a copy of the Form 2.21B should any creditor wish to request a meeting. If no meeting is requested the proposals will be deemed to be accepted pursuant to Rule 2.33(5) of the Rules.

12. The Joint Administrators' Proposal

- 12.1 The Administration has enabled the Company to have a breathing space in which to sell the business and assets on a going concern basis.
- 12.2 Albeit that a sale has now been achieved, the protection of the Administration is still required in order to finalise all outstanding matters. The prescribed time limit for an Administration is 12 months. In the event that an Administration lasts in excess of 12 months, the Joint Administrators have to obtain creditors approval or make an application to Court to extend its length.
- 12.3 It is intended to leave the Company in Administration to affect further debtor recoveries and wind up the remainder of its affairs.
- 12.4 If the Company has no property which might permit a distribution to unsecured creditors it will subsequently be dissolved.

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- 12.5 It is a requirement, notwithstanding the fact that a company is left in Administration for the Joint Administrators to investigate the company's affairs and submit the appropriate D form to the Department of Trade and Industry concerning the directors conduct.
- 12.6 In the event that there are or may be further realisations that result in a dividend to unsecured creditors the Joint Administrators shall seek to place the Company into Creditors Voluntary Liquidation in order to effect a distribution. In such circumstances they will be looking to take the appointment as Liquidators. In accordance with Schedule B1, Paragraph 83(7) of the Act and Rule 2.117(3), creditors are able to nominate a different person or persons as proposed Liquidator or Liquidators, provided that the nomination is made after the receipt of the proposals and before they are approved. As an alternative, and should there be no likely funds to distribute to unsecured creditors, that the Joint Administrators may seek to place the Company into Compulsory Liquidation in order to bring proceedings that only a Liquidator may commence for the benefit of the estate.
- 12.7 It is proposed that the Creditors' Voluntary Liquidation would commence from the date of acknowledgement by the Registrar of Companies that the relevant notice has been filled at Companies House. This procedure, which is permitted by the Act would circumvent the need for an additional creditors meeting and keep costs to a minimum.
- 12.7 In the light of the above, and in accordance with Schedule B1, Paragraph 49(1) of the Act, it is proposed by the Joint Administrators that (without further recourse to the creditors):
- 12.7.1 the Administration of the Company continue in order to finalise the collection of outstanding sale consideration and realisations of the Company's debtors and finalise any additional matters which require the assistance of the moratorium;
 - 12.7.2 the Joint Administrators' remuneration be fixed by the time properly spent by them and their staff in attending to matters arising out of the Administration in accordance with Statement of Insolvency Practice 9 and that the Joint Administrators be authorised to draw remuneration as and when funds become available;
 - 12.7.3 the Joint Administrators be authorised to recover all disbursements including category 2 disbursements as defined by the Statement of Insolvency Practice 9;
 - 12.7.4 in the event that the Joint Administrators think that the Company has no property which might permit a distribution to its creditors, they shall be authorised to file a notice of dissolution of the Company pursuant to paragraph 84 of Schedule B1 to the Act.
 - 12.7.5 in the event of a potential distribution being available to unsecured creditors, the Joint Administrators be appointed Joint Liquidators of the Company pursuant to paragraph 83 of Schedule B1 to the Act without further recourse to the creditors with the purpose of making a distribution to unsecured creditors and to continue investigation into the Company's affairs;
 - 12.7.6 as an alternative to paragraphs 12.7.4 and 12.7.5, that the Joint Administrators be able to seek to place the Company into Compulsory Liquidation in order to pursue such actions and bring proceedings that only a Liquidator is permitted to bring pursuant to the Act;
 - 12.7.7 upon the placing of the Company into Liquidation under paragraph 12.7.5 or 12.7.6 or the necessary form being filed for the Company to be dissolved, the Joint Administrators be discharged from liability in respect of any action undertaken by them pursuant to Schedule B1, paragraph 98 of the Act;

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- 12.7.8 upon the placing of the Company into Liquidation, the Joint Liquidators' remuneration be fixed by the time properly spent by them and their staff in attending to matters arising out of the Liquidation in accordance with Statement of Insolvency Practice 9 and that the Joint Liquidators be authorised to draw remuneration as and when funds become available; and
- 12.7.9 the Joint Liquidators be authorised to recover all disbursements including category 2 disbursements as defined by the Statement of Insolvency Practice 9.

13. Ancillary

Creditors Questionnaires

- 13.1 The response that has been forthcoming from the questionnaire provided to creditors has proved to be helpful in relation to the events that transpired up to the date that the Company was placed into Administration.
- 13.2 As previously stated in the first circular to the Company's creditors, responses that are received may prove integral to assist with investigations into the Company's affairs. Accordingly, if you have not previously provided a completed questionnaire, please do so, at your earliest convenience.

Directors Conduct

- 13.3 Pursuant to the Company Directors Disqualification Act 1986, it is the Joint Administrators and any subsequently appointed Liquidator's duty to submit a requisite report/form to the Department of Trade and Industry concerning the directors' conduct.
- 13.4 The report/form must address all persons holding the position as director during the three years up to the date of the onset of insolvency. Please note that this is a standard requirement. Responses to creditors' questionnaires may prove extremely helpful concerning this.

If any creditor has any queries in relation to the above, please do not hesitate to contact either the Joint Administrators or the Senior Administrator dealing with this matter, Chris Hilbert on 020 7538 2222.

Dated this 3 August 2006
Daniel Plant
Joint Administrator

Skyhawk Aviation Security Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX I

- **Statutory Information**

**Skyhawk Aviation Security Limited – In Administration
Statutory Information As Reflected At Companies House**

Company Number: 03906565

Date of Incorporation: 12 December 1999

Previous Names: Tiger Lilly Aviation Security Services Limited

Nature of Business: Aviation Security

Issued Share Capital: 99 Ordinary Shares at £1.00 each

	Name	Appointed	Resigned
Present Director(s):	Naval Kishore Patel	10/11/2003	-
	Alvin Anthony Eulogio Vaz	28/10/2004	-
Previous Directorships:	Brahim Louelhi	20/01/2003	10/05/2004
	Omar Shariff Mulbocus	21/09/2002	28/02/2003
	Mohamed Talebali	21/09/2002	10/06/2003
	Alvin Anthony Eulogio Vaz	14/01/2000	21/09/2002
	Sayad Mohamad Zaidi	12/12/2003	16/12/2003
	Syed Moshin Raza Zaidi	10/11/2003	11/04/2005

Company Secretary: Naval Kishore Patel

Current Registered Office: 9 Ensign House
Admirals Way
Marsh Wall
Docklands
London E14 9XQ

Previous Registered Office: Office 6A 1st Floor
Popin Business Centre
South Way, Wembley
Middlesex
HA9 0HF

Trading Address: Heathrow Airport
Terminal 3
Room 5203
Gate 24

Accountants: Jani Taylor Associates
Office 6A 1st Floor
Popin Business Centre
South Way, Wembley
Middlesex
HA9 0HF

Schedule of Outstanding Mortgages or Charges:

Name	Type of Charge	Registered
Bibby Financial Services Limited	All Assets Debenture	26 November 2004

Skyhawk Aviation Security Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX II

•Estimated Statement of Affairs as at 8 June 2006 with Notes / Creditors Details

SKYHAWK AVIATION SECURITY LIMITED (IN ADMINISTRATION)

ESTIMATED STATEMENT OF AFFAIRS AS AT 8 JUNE 2006

	Notes	Book Value £	Estimated to realise £
Assets (specifically pledged)			
Debtors	1	135,991	78,000
Less: Bibby's Financial Services Limited	1	<u>-78,000</u>	<u>-78,000</u>
Surplus c/d		57,991	<u>nil</u>
Assets (not specifically pledged)			
Plant & Machinery	2	5,000)	
Work in Progress	2	5,000)	50,000
Office furniture and equipment	2	<u>1,500)</u>	
Surplus c/d		<u>69,491</u>	<u>50,000</u>
<i>Estimated total surplus available to creditors</i>			50,000
LIABILITIES			
UNSECURED CREDITORS			
HM Customs & Excise	3	-8,418	
Inland Revenue	3	-31,137	
Trade & expense		<u>-237,456</u>	<u>-277,011</u>
<i>Estimated deficiency as regards creditors</i>			<u><u>-227,011</u></u>

NB.

Subject to the costs and expenses of the Administration.

Skyhawk Aviation Security Limited (in Administration)
Notes To Estimated Statement Of Affairs As At 8 June 2006

1. The company book debts have been factored by Bibby Financial Services Limited. The Joint Administrators have made a provision for bad or doubtful debts due to the uncertainty of recoveries on the ledger and some debtors having paid into the Company's pre-appointment bank account. The liability to Bibby does not include their termination charges.
2. The company's chattel assets have been valued by an independent firm of specialist valuation agents, SHM Smith Hodgkinson.
3. As a result of recent changes in legislation both The Inland Revenue and HM Customs & Excise have lost their preferential status.

**Skyhawk Aviation Security Limited
Company Creditors**

Key	Name	Address	£
CA02	Airside Co Ltd	Bagnor Road North, Wetherheath, Bucks, SL0 0BN	1800
CA03	Avery Weigh - Tronix	Foundry Lane, Smethwer, West Midlands, B66 2LP	167
CB01	Bardays Bank	Debt Recovery Unit, P O Box 10, Windsor Court, CF10 3WP	14500
CB02	John Bradshaw Ltd	New Lane, Peterborough, PE8 6LW	800
CB03	British Telecom	Burham, DH98 1BT	140
CE02	Euler Hermes Risk Services Ltd	1 Canada Square, London, E14 5DX	1235
CH00	HM Customs & Excise HQ Liverpool	VAT Operations: Insolvency, Queens Dock, Liverpool, L74AF	8418
CH02	H M Revenue & Customs	Lyons House, Station Road, Harrow, HA1 2DG	31137
CH04	Hanney Dawkins & Jones	21 Bridge Street, Pinner, Middlesex, HA5 3HX	2000
CI01	Inland Revenue	Enforcement & Insolvency Service, Barington Road, Worthing, West Sussex, BN12 4SE	0
CJ00	Jani Taylor	8A Popin Business Centre, South Way, Wembley, HA9 0HF	2500
CM00	Moortcroft Debt Recovery	PO Box 17, 2 Spring Gardens, Stockport, SK1 4AJ	406.29
CP03	N Patel	142 Arundel Drive, South Harrow, HA2 8PP	85000
CP04	R Patel	142 Arundel Drive, South Harrow, HA2 8PP	13000
CP05	H Patel	22 Chestnut Grove, Sudbury, Middlesex, HA0 1LX	25000
CP06	J B Patel	213 Chipstead Valley Road, Coulsdon, Surrey, CR5 3BR	29500
CP07	Avenish Patel	142 Arundel Drive, South Harrow, Middlesex, HA2 8PP	4000
CR00	Robinsway	Robinson, London Scottish House, Quays Reach, Salford M50 2ZY	75
CS01	Shakti Communications	28A Popin Business Centre, South Way, Wembley, Middlesex HA9 0HF	3900
CS02	Southern Pacific Loans Ltd	1 Broadgate, London, EC2M 2SP	33063.8
CT00	T Mobile	Buchanan Clarke & Wells, 24 George Street, Glasgow, G2 1EG	1570
CT01	Tennon Outsourcing	Unit 3 Gateway Business Park, Beancross Road, Grangemouth, FK3 8WX	945
CU00	United Telecom	Albrechtika 1183, PO BOX 251	354
CV00	Mr A Vaz	2E Stratford Road, Hounslow, Middlesex, TW3 3EN	17500
EB01	Gagandeep Bhurji	8 Chaucer Road, Forest Gate, London, E7 9NB	uncertain
EC01	Varsha Choski	10 Mansel Road, Greenford, Middlesex, UB8 9EP	uncertain
EF01	Neal Fatina	80 Woodbourn Avenue, Streatham, London, SW16 1UT	uncertain
EH01	Abdul Hasnath	72 Queens Park Court, Ilbert Street, London, W120 4QB	uncertain
EK01	Ashok Kumar	10 Vernon Rise, Greenford, Middlesex, UB8 0EQ	uncertain
EM01	Kabir Mohammed	21 Osbourne Road, Hounslow, Middlesex, TW3 3EP	uncertain
EP01	Chalaben Patel	43 Keats Way, Greenford, Middlesex, UB8 9HE	uncertain
EP02	Chandeep Padda	235 Wentworth Road, Southall, Middlesex, UB2 5TY	uncertain
EP03	Dilip Patel	43/A Sheen Lane, Mortlake, London, SW14 8AB	uncertain
EP04	Hilji Patel	22 Chestnut Grove, Sudbury, Wembley, Middlesex, HA0 2LX	uncertain
EP05	Millap Patel	43A Sheen Lane, Mortlake, London, SW14 8AB	uncertain
EP06	Rama Patel	143 Arundel Drive, South Harrow, Middlesex, HA2 8PP	uncertain
EP07	Bharti Patel	87 Warwick Avenue, South Harrow, Middlesex, HA2 8RE	uncertain
EP08	Punkaj Patel	40A Queensbury, Station Parade, Edgware, Middlesex, HA8 5NN	uncertain
ER01	Zaigham Rizvi	68 Leila Avenue, Hounslow, Middlesex, TW4 7RY	uncertain
ES01	Chandulal Shah	57 St Andrews Drive, Stanmore, Middlesex, HA7 2LY	uncertain
ES02	Sofia Shaikh	373 Northolt Road, South Harrow, HA2 8ES	uncertain
EW01	Alvin A Vaz	2E Stratford Road, Hounslow, Middlesex, TW3 3EN	uncertain
EW01	Kanta Wadia	19 David Avenue, Greenford, Middlesex, UB8 8HG	uncertain
EZ01	Shama Zaidi	21 Boulton House, Green Dragon Lane, Middlesex, TW8 0DA	uncertain

Skyhawk Aviation Security Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX III

- **Breakdown of Administrators Fees / Charge Out Rates / Activity Codes**

SUMMARY OF TIME AND CHARGE OUT RATES FOR THE PERIOD 8 JUNE 2006 TO 2 AUGUST 2006

CLASSIFICATION OF WORK FUNCTION

	Managing Partner	Partner	Manager	Senior Administrator	Admin	Assistant	Total
Administration and Planning	-	-	4.70	16.30	2.30	3.60	26.90
Realisation of assets	7.50	4.20	25.00	31.60	2.50	-	70.80
Investigation	-	-	-	-	-	-	0.00
Trading	-	3.40	7.90	0.70	-	-	12.00
Other	-	-	-	-	-	-	0.00
Creditors	-	1.40	3.10	-	2.50	-	7.00
Total hours	7.50	9.00	40.70	48.60	7.30	3.60	116.70
Average rate £ per hour	350.00	300.00	225.00	200.00	100.00	75.00	215.96
Total costs £	2625.00	2700.00	9,157.50	9,720.00	730.00	270.00	25,202.50

Remuneration drawn on account

0

Summary Charge out rates for staff

Managing Partner	£350
Partner	£300
Manager	£225
Senior Administrator	£200
Administrator	£100
Assistant	£75

NB: During the course of this current year the practice rates have increased which would account for variances in the charge out rates.

Skyhawk Aviation Security Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX IV

- **Proof of Debt Form**

**In the matter of Skyhawk Aviation Security Limited (in
Administration)
and in the matter of the Insolvency Act 1986**

1.	Name of Creditor	
2.	Address of Creditor	
3.	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into administration	£
4.	Details of any document by reference to which the debt can be substantiated. [Note the administrator may call for any document or evidence to substantiate the claim at his discretion]	
5.	If the total amount shown above includes Value Added Tax, please show:- (a) amount of Value Added Tax (b) amount of claim NET of Value Added Tax	£ £
6.	If total amount above includes outstanding uncapitalised interest please state amount	£
7.	If you have filled in both box 3 and box 5, please state whether you are claiming the amount shown in box 3 or the amount shown in box 5(b)	
8.	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975)	Category Amount(s) claimed as preferential £
9.	Particulars of how and when debt incurred.	
10.	Particulars of any security held, the value of the security, and the date it was given	£
11.	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	
	Position with or relation to creditor	

Skyhawk Aviation Security Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX V

- **Guide to Administrators and Liquidators Fees**

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

Where Petition Presented or Appointment Made On or After 15 September 2003

ENGLAND AND WALES

1 Introduction

- 1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:

- realising the company as a going concern, or
- achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration,

or, if the administrator thinks neither of these objectives is reasonably practicable

- realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

- 3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:

- as a percentage of the value of the property which the administrator has to deal with, or
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;

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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.

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- 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.

- 4.3 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

- 4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of –

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors –
 - each secured creditor of the company; and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval,

having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

- 4.4 A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

- 5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought;
- the stage during the administration of the case at which it is being sought; and
- the size and complexity of the case.

- 5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

- 5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the

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5.2 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.

- 8.3 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company.

The information which must be provided is –

- the total number of hours spent on the case by the administrator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

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The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

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

A CREDITORS' GUIDE TO LIQUIDATORS' FEES

ENGLAND AND WALES

1 Introduction

- 1.1 When a company goes into liquidation the costs of the proceedings are paid out of its assets. The creditors, who hope 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 liquidator. The insolvency legislation recognises this interest by providing mechanisms for creditors to fix the basis of the liquidator's fees. This guide is intended to help creditors be aware of their rights to approve and monitor fees and explains the basis on which fees are fixed.

2 Liquidation procedure

- 2.1 Liquidation (or 'winding up') is the most common type of corporate insolvency procedure. Liquidation is the formal winding up of a company's affairs entailing the realisation of its assets and the distribution of the proceeds in a prescribed order of priority. Liquidation may be either voluntary, when it is instituted by resolution of the shareholders, or compulsory, when it is instituted by order of the court.
- 2.2 Voluntary liquidation is the more common of the two. An insolvent voluntary liquidation is called a creditors' voluntary liquidation (often abbreviated to 'CVL'). In this type of liquidation an insolvency practitioner acts as liquidator throughout and the creditors can vote on the appointment of the liquidator at the first meeting of creditors.
- 2.3 In a compulsory liquidation on the other hand, the function of liquidator is, in most cases, initially performed not by an insolvency practitioner but by an official called the official receiver. The official receiver is an officer of the court and a member of The Insolvency Service, an executive agency within the Department of Trade and Industry. In most compulsory liquidations, the official receiver becomes liquidator immediately on the making of the winding-up order. Where there are significant assets an insolvency practitioner will usually be appointed to act as liquidator in place of the official receiver, either at a meeting of creditors convened for the purpose or directly by the Secretary of State for Trade and Industry. Where an insolvency practitioner is not appointed the official receiver remains liquidator.
- 2.4 Where a compulsory liquidation follows immediately on an administration the court may appoint the former administrator to act as liquidator. In such cases the official receiver does not become liquidator. An administrator may also subsequently act as liquidator in a CVL.

3 The liquidation committee

- 3.1 In a liquidation (whether voluntary or compulsory) the creditors have the right to appoint a committee called the liquidation committee, with a minimum of 3 and a maximum of 5 members, to monitor the conduct of the liquidation and approve the liquidator's fees. The committee is usually established at the creditors' meeting which appoints the liquidator, but in cases where a liquidation follows immediately on an administration any committee established for the purposes of the administration will continue in being as the liquidation committee.
- 3.2 The liquidator must call the first meeting of the committee within 3 months of its establishment (or his appointment if that is later), and subsequent meetings must be held either at specified dates agreed by the committee, or when requested by a member of the committee, or when the liquidator decides he needs to hold one. The liquidator is required to report to the committee at least every 6 months on the progress of the liquidation, unless the committee directs otherwise. This provides an opportunity for the committee to monitor and discuss the progress of the insolvency and the level of the liquidator's fees.

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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 liquidator'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 liquidator 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 liquidator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by a liquidator or his staff.

5.3 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 liquidator should notify the creditors of the details of the resolution in his next report or circular to them. When subsequently reporting to creditors on the progress of the liquidation, or submitting his final report, he 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 liquidator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

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4 Fixing the liquidator's fees

- 4.1 The basis for fixing the liquidator's remuneration is set out in Rules 4.127 - 4.127B of the Insolvency Rules 1986. The Rules state that the remuneration shall be fixed either:

- as a percentage of the value of the assets which are realised or distributed or both, or
- by reference to the time properly given by the liquidator and his staff in attending to matters arising in the liquidation.

It is for the liquidation committee (if there is one) to determine on which of these bases the remuneration is to be fixed, and if it is to be fixed as a percentage, to fix the percentage to be applied. Rule 4.127 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 liquidator in connection with the insolvency;
- the effectiveness with which the liquidator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the assets which the liquidator has to deal with.

- 4.2 If there is no liquidation committee, or the committee does not make the requisite determination, the liquidator's remuneration may be fixed by a resolution of a meeting of creditors. The creditors take account of the same matters as the committee would. A resolution specifying the terms on which the liquidator is to be remunerated may be taken at the meeting which appoints the liquidator. If the remuneration is not fixed in any of these ways, it will be in accordance with a scale set out in the Rules.

5 What information should be provided by the liquidator?

5.1 When seeking fee approval

- 5.1.1 When seeking agreement to his fees the liquidator 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 liquidator 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 liquidator seeks agreement to his fees during the course of the liquidation, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the liquidator 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 liquidator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the liquidator 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 liquidator to provide an analysis of the time spent on the case by type of activity and grade of staff.

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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 liquidator 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 liquidator'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.

5.4 Realisations for secured creditors

Where the liquidator realises an asset on behalf of a secured creditor and receives remuneration out of the proceeds (see paragraph 5.1 below), he should disclose the amount of that remuneration to the committee (if there is one), to any meeting of creditors convened for the purpose of determining his fees, and in any reports he sends to creditors.

5.5 Reporting in compulsory liquidations

It should be borne in mind that in compulsory liquidations there is no statutory requirement for the liquidator to report to creditors until the conclusion of the assignment. In most such cases, therefore, creditors will receive no information during the course of the liquidation unless they specifically request it.

6 What if a creditor is dissatisfied?

- 6.1 Except in cases where there is a liquidation committee it is the creditors as a body who have authority to approve the liquidator's fees. To enable them to carry out this function they may require the liquidator to call a creditors' meeting. In order to do this at least ten per cent in value of the creditors must concur with the request, which must be made to the liquidator in writing.

- 6.2 If a creditor believes that the liquidator'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 liquidator 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 out of the assets of the insolvent company.

7 What if the liquidator is dissatisfied?

If the liquidator considers that the remuneration fixed by the 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 or in accordance with the statutory scale 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 committee and the committee may nominate one or more of its members to appear or be represented at the court hearing. If there is no committee, the liquidator's notice of his application must be sent to such of the 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 out of the assets.

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8 Other matters relating to fees

- 8.1** Where the liquidator realises assets on behalf of a secured creditor he is entitled to be remunerated out of the proceeds of sale in accordance with a scale set out in the Rules. Usually, however, the liquidator will agree the basis of his fee for dealing with charged assets with the secured creditor concerned.
- 8.2** Where two (or more) joint liquidators are appointed it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute between them may be referred to the court, the committee or a meeting of creditors.
- 8.3** If the appointed liquidator is a solicitor and employs his own firm to act in the insolvency, profit costs may not be paid unless authorised by the committee, the creditors or the court.
- 8.4** There may also be occasions when creditors will agree to make funds available themselves to pay for the liquidator to carry out tasks which cannot be paid for out of the assets, either because they are deficient or because it is uncertain whether the work undertaken will result in any benefit to creditors. Arrangements of this kind are sometimes made to fund litigation or investigations into the affairs of the insolvent company. Any arrangements of this nature will be a matter for agreement between the liquidator and the creditors concerned and will not be subject to the statutory rules relating to remuneration.

9. Provision of information – additional requirements

In any case where the liquidator is appointed on or after 1 April 2005 he must provide certain information about the time spent on the case, free of charge, upon request by any creditor, director or shareholder of the company.

The information which must be provided is –

- the total number of hours spent on the case by the liquidator or staff assigned to the case;
- for each grade of staff, the average hourly rate at which they are charged out;
- the number of hours spent by each grade of staff in the relevant period.

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the liquidator's appointment, or where he has vacated office, the date that he vacated office.

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

Skyhawk Aviation Security Limited (In Administration)

Report to Creditors & Statement of Proposals

APPENDIX VI

- **Form 2.21B**

Creditor's request for a meeting

Name of Company
SKYHAWK AVIATION SECURITY LIMITED (IN ADMINISTRATION)

Company number
03906565

In the
HIGH COURT OF JUSTICE CHANCERY DIVISION

[full name of court]

Court case number
4077/2006

(a) Insert full name and
address of the creditor making
the request

I (a) _____

(b) Insert full name and
address of registered office of
the company

request a meeting of the creditors of (b) _____

(c) Insert amount of claim

My claim in the administration is (c) _____

(d) Insert full name(s) and
address(es) of creditors
concurring with the request (if
any) and their claims in the
administration if the
requesting creditor's claim is
below the required 10%

(d) _____

concur with the above request, and I attach copies of their written confirmation of concurrence.

(e) Insert details of the
purpose of the meeting

The purpose of the meeting is (e) _____

Signed _____

Dated _____