

The Insolvency Act 1986

Statement of administrator's proposals 2.17B

Name of Company:
ID Telecommunications Limited

Company number:
3990177

In the: High Court of Justice, Chancery
Division, Manchester District Registry
[full name of court]

Court case number:
1118 of 2006

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

I / We, (a) Gary Bell of Cowgill Holloway Business Recovery LLP, Regency House, 45-51
Chorley New Road, Bolton BL1 4QR

* Delete as applicable

attach a copy of my 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) 23 March 2006

Signed:

Administrator

Dated:

30.3.06

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

Gary Bell

Cowgill Holloway Business Recovery LLP

Tel: 01204 414243

Fax Number: «01204 414244

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



GB/PL/RS/IDT/X

OUR REF:

YOUR REF:

23rd March 2006

DATE:

Gary Bell

PLEASE ASK FOR:

gary.bell@cowgills.co.uk

E-MAIL:

01204 414 270

DIRECT DIAL:

TO ALL CREDITORS

Dear Sirs

ID Telecommunications Limited – In Administration
Re: Administrator's Proposals

I write with reference to my appointment as Administrator of the above named company on 1 February 2006.

I have now formulated my proposals for consideration by Creditors and enclose the following documents for your attention.

- i) A report of the Administrator's proposals to creditors.
- ii) Formal Notice of Conduct of Business by correspondence (Form 2.25B) in accordance with paragraph 58 of Schedule B1 of the Insolvency Act 1986.
- iii) Formal resolution concerning the Administrator's proposal.

To register your vote, please return the completed Form 2.25B no later than the date specified in the notice.

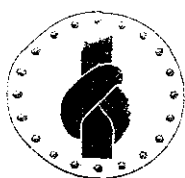
Yours faithfully


GARY BELL
ADMINISTRATOR

Business Turnaround

Business Rescue

Insolvency



Cowgill Holloway Business Recovery LLP

Regency House, 45-51 Chorley New Road, Bolton BL1 4QR Telephone: 01204 414243 Fax: 01204 414244 Web: www.cowgills.co.uk

Cowgill Holloway Business Recovery is a limited liability partnership registered in England and Wales with registration number OC309106.

Gary Bell is authorised by the Insolvency Practitioners Association to act as an Insolvency Practitioner.

Members acting as administrators and administrative receivers contract without personal liability.

Notice of conduct of business by correspondence

Name of Company:
ID Telecommunications Limited

Company number:
03990177

In the: High Court of Justice, Chancery
Division, Manchester District Registry
[full name of court]

Court case number:
1118 of 2006

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

Notice is hereby given by (a) Gary Bell of Cowgill Holloway Business Recovery LLP, Regency House, 45-51 Chorley New Road, Bolton BL1 4QR.

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

to the creditors of (b) ID Telecommunications Limited c/o Cowgill Holloway Business Recovery LLP, Regency House, 45-51 Chorley New Road, Bolton BL1 4QR.

(c) Insert number of
resolutions enclosed

that, pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, enclosed are (c) 2 resolutions for your consideration. Please indicate below whether you are in favour or against each resolution.

(d) Insert address to which
form is to be delivered

This form must be received at (d) Cowgill Holloway Business Recovery LLP, Regency House, 45-51 Chorley New Road, Bolton BL1 4QR

(e) Insert closing date

by 12.00 hours on (e) 12 April 2006 in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.

Repeat as necessary for the
number of resolutions
attached

Resolution (1).....I am *in Favour / Against
Resolution (2).....I am *in Favour / Against
Resolution (3).....I am *in Favour / Against

TO BE COMPLETED BY CREDITOR WHEN RETURNING FORM:

Name of creditor: _____

Signature of creditor: _____

(If signing on behalf of creditor, state capacity e.g. director / solicitor)

If you require any further details or clarification prior to returning your votes, please contact me / us at the address above.

Signed: _____

Administrator

Dated: _____

28 March 2006

The Insolvency Act 1986

ID TELECOMMUNICATIONS LIMITED

Company Number: 03990177

Gary Bell was appointed administrator on 1 February 2006

The affairs, business and property of the Company are being managed by the administrator, who act as the Company's agents.

Resolutions

To accompany Notice of conduct of business by correspondence (Form 2.25B)

(Pursuant to Paragraph 58 of Schedule B1 to the Insolvency Act 1986 and Rule 2.48 of The Insolvency Rules 1986).

1. "That the administrators' proposals for achieving the purpose of the administration, as set out in the document entitled *Report and Proposals of the joint administrators under the provisions of Paragraph 49 of Schedule B1 to the Insolvency Act 1986*, be and hereby are approved."
2. "That the administrator's remuneration be fixed on the basis of their hourly costs at scale rates calculated on the time properly spent in the course of the administration and subject to full disclosure to creditors in accordance with *Statement of Insolvency Practice 9* issued by the Joint Insolvency Committee on behalf of the administrators' licensing bodies, he may draw his remuneration on account as and when funds permit."
3. "That the administrator be authorised to draw disbursements in accordance with the explanatory note on the subject, which accompanied the above-mentioned report".

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ID TELECOMMUNICATIONS LIMITED – IN ADMINISTRATION

**REPORT AND PROPOSALS OF THE ADMINISTRATOR PURSUANT TO
PARAGRAPH 49 OF SCHEDULE B1 TO THE INSOLVENCY ACT 1986**

Gary Bell appointed Administrator on 01 February 2006

The affairs, business and property are being managed by the Administrator.

The Administrator acts as the Company's agent.

1. STATUTORY INFORMATION

Date of Incorporation: 11 May 2000
Company registered number: 003990177
Registered office: c/o Cowgill Holloway Business Recovery LLP
Regency House
45-51 Chorley New Road
Bolton, Lancs
BL1 4QR

Trading address: Kilburn House, Manchester Science Park, Pencroft Way,
Manchester, M15 6SE

Principal business activities: Supply of telecommunications.

Directors: I G Westlake, D M Westlake (Resigned)
R J Bass (Resigned) S MacLean (Resigned)

Company Secretary A P Clegg

Share Capital: Authorised share capital: 330,000 ordinary shares of 10p each

Issued Share Capital: Issued share capital: 300,000 ordinary shares of 10p each

Shareholders: Telecomplete Ltd
300,000

2. DETAILS OF APPOINTMENT OF THE ADMINISTRATOR.

Gary Bell was appointed Administrator of the ID Telecommunications Ltd ('the Company') on 1 February 2006.

The appointment was made by the Company at the High Court of Justice, Manchester District Registry, Case Number 1118 of 2006

EC Regulations do apply and these proceedings are considered to be main proceedings within Article 3 of the EC Regulations 2002.

3. CIRCUMSTANCES GIVING RISE TO APPOINTMENT

The founders and directors of the Company are brother's Ian and Darren Westlake, both of whom have over ten years technical experience in the computing industry. During the early 90's the Westlake's identified an opportunity to develop, for commercial purposes, Voice Over Internet Protocol ("VOIP"), a method of making telephone calls via the internet.

The ethos behind the Company's trading strategy was built around the premise that the internet is a "publicly owned" media in the terms of acting as a means of communication. As a consequence, the level of overhead associated in providing a telecommunication service over the internet is significantly lower than that associated with traditional telephone providers, for example no line rentals need to be paid. As a result a user of the VOIP systems in the Far East is able to make telephone calls at a fraction of the cost as compared with the service offered by the conventional telephone service providers.

In 1994 Darren Westlake formed a company which sold the hardware utilised by the VOIP's service. During 2000 this company was taken over by a UK based technology company. Whilst no longer a director, Darren Westlake remained as an employee.

In May 2000, the brothers formed and became the directors of ID Telecommunications Limited. As discussed above, the directors had already recognised the potential of the VOIP system, however, rather than provide hardware, the new Company looked to develop its market in terms of the end user, by way of the sale of 'on-line time' (minutes and hours) direct to users.

The business was funded by means of a small number of private investors who acquired shares in the business and who became non-executive directors.

The VOIP's market quickly grew, initially virtually all of the Company's turnover comprised sales to other established telecoms providers. Accounts for the year ended 31 October 2003 reveal that the Company made a profit of £80,000 on a turnover of £7million. Unfortunately, the expansion in the market attracted a large number of competitors, resulting in a significant reduction in profit margins. Further, the Company discovered that as the VOIP's service started to grow in popularity, Governments in several countries, where historically stated owned monopolies had operated the telecommunications systems, began introducing regulation to prevent the introduction or expansion of the VOIP's system.

Both these factors had a significant and detrimental impact on the Company's trading performance.

Within a two year period the Company's market had changed completely and by 2004 the Company no longer sold to telecom suppliers, instead concentrating on sales to end users. This change in emphasis was largely brought about by the increase in ownership of home computers by individuals.

By March 2005 the directors decided that they would look to sell the business. Contact was made with a company named Telecomplete Limited, an internet provider, who had expressed an interest in acquiring the Company. Following negotiation the shares in the Company were acquired by Telecomplete Limited on 15 January 2006 for £50,000. The director states that the final consideration paid reflected the general downturn in the Company's trading in the twelve months to October 2005. Draft management accounts for the same period reveal that the Company made a loss of £30,000 on a turnover of just over £1.1 million for the year.

Following the acquisition, due to the magnitude of the losses and the absence of any new investment, a decision was taken to cause the Company to cease to trade. At the end of January 2006 the Company approached Cowgill Holloway Business Recovery LLP and requested that the necessary steps be taken to place the Company into Administration.

4. THE ADMINISTRATION PERIOD

At the date of Administration, independent agents Messrs Robson Kay & Co Ltd ("the Agents"), were instructed to immediately attend the premises and undertake an inventory and valuation of the physical assets, comprising furniture and computer equipment, of the Company.

The Agents advised that under a forced sale scenario the chattel assets had only a modest resale value. Furthermore, in an insolvency situation the various creditors who were hosting the equipment and assisting in the provision of services would almost certainly take steps to prevent the Company from offering an ongoing service. As a result the only way a potential realisation could be achieved for goodwill would be through a 'seamless transition' in order to provide continuity of service.

The Agents therefore recommended that the assets be sold as part of a package complete with goodwill. Whilst this would not guarantee a seamless transition it could provide any buyer with the possibility of the same. Such a sale would create a value for goodwill and a possible premium on the realisable value of the chattel assets.

Immediately following the appointment of the Administrator an offer of £20,000 was received for the name, customer base, goodwill and chattel assets from Telecomplete Ltd.

The Agent recommended acceptance of this offer on the basis of:-

- i) the limited realisable value of the chattel assets and
- ii) the fact that unless an offer was accepted immediately, then the Company's service would be discontinued, resulting in little or no realisation.

Attached at appendix I is an account of receipts and payment from the commencement of the Administration to date.

5. PURPOSES OF THE ADMINISTRATION

Pursuant to paragraph 3(l) of Schedule B1 to the Insolvency Act 1986 (as amended), the Administrator of the Company must perform his functions with the objective of:

- a) Rescuing the Company as a going concern, or:
- b) Achieving 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), or
- c) Realising property in order to make a distribution to one or more secured or preferential creditors.

In this instance, the Administrator has achieved the purpose as set out in paragraph 3(l)(b) of Schedule B1 of the Insolvency Act 1986 (as amended), achieving 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 an Administration).

The sale of the business included a transfer of the Company's employees thus eliminating any possibility of preferential claims and reducing the claims of non-preferential creditors with particular reference to redundancy /pay-in-lieu costs.

6. ADMINISTRATOR'S PROPOSALS

In accordance with paragraph 49 of Schedule B1 to the Insolvency Act 1986 (as amended) the Administrator makes the following proposals to creditors for achieving the purpose of the Administration:

- i) The Administrator to realise the Company's assets for the best achievable price available.
- ii) In the event of a distribution being available for unsecured creditors, the Company shall be placed into Creditors Voluntary Liquidation. Gary Bell of Cowgill Holloway

Business Recovery LLP proposes to act as Liquidator, however creditors are reminded that in accordance with paragraph 83(7) of Schedule B to the Insolvency Act 1986 (as amended) and Rule 2.117(3) of the Insolvency Rules 1986 (as amended), creditors may nominate a different person to act as Liquidator provided that the nominations are made after receipt of the proposals and before the proposals are accepted.

- iii) In the event that there are insufficient funds to enable a distribution to be made to unsecured creditors, then the Administrator shall without further recourse to creditors, propose to move the Company from Administration to dissolution pursuant to Paragraph 84 of Schedule B1 to the Insolvency Act 1986 (as amended).
- iv) That the Administrator's time spent prior to his appointment in dealing with the affairs of the Company and amounting to £1830 plus VAT be paid as an expense of the Administration.
- v) These proposals shall be subject to such modifications or conditions as the Court may approve or impose.
- vi) The proposals are conditional upon the passing of the resolutions as set out in the correspondence between the creditors and the Administrator and are subject to such modifications as the Administrators may approve.
- vii) That the Administrator will be discharged from liability under Paragraph 98(3) of Schedule B1 to the Insolvency Act 1986 (as amended) in respect of any act/action as Administrator. The discharge from liability will take effect immediately upon his appointment as Administrator ceasing to have effect.
- viii) The Administrator is to be remunerated on the basis of hourly costs, charged at the applicable charge out as shown below, calculated on the basis of time properly spent in the course of the Administration, pursuant to Rule 2.106 (2)(b) of the Insolvency Act 1986 (as amended), and that he may draw his remuneration on account as and when funds permit. The remuneration period will cover the pre-appointment period when initial advice was provided to the Company.

Remuneration drawn will be notified to any creditors committee appointed under Paragraph 57 of Schedule B1 to the Insolvency Act 1986 (as amended). In addition, the Administrator will be reimbursed for any incidental expenses.

Hourly charge-out rates applicable to this matter are as follows:

	£ / per hour
Partner	225
Manager	160
Assistant Manager	130
Senior Administrator	115
Administrator	90
Junior Administrator	70
Cashier/Secretarial	60

An analysis of time spent in administering this matter in accordance with statement Of Insolvency Practice 9 is set out below:-

	Hours		Total Hours	Total Cost £	Average Cost £
	Partner	Manager			
Pre-Appointment	6	3	9	1,830	203.33
Steps upon Appointment	3	4	7	1,315	187.86
Planning & Strategy	4	2	6	1,220	203.33
General Administration	4	16	20	3,460	173.00
Asset Realisation / Management	4	-	4	900	225.00
Trading Related Matters -	-	-	-	-	-
Investigations -	-	-	-	-	-
Employee Matters	1	-	1	225	225.00
Creditor Claims	-	3	3	480	160.00
Reporting	3	6	9	1,635	181.67
Distribution & Closure	-	-	-	-	-
Other Issues	-	-	-	-	-
Totals	25	34	59	11,065	187.54

An explanatory note entitled 'A Creditor's Guide to Administrators Fees' is attached. In accordance with Statement of Insolvency Practice 9, it is proposed that the Administrator be authorised to recover disbursements that arise from the recharge of internal costs at the following rates:-

Mileage 40p per mile

Room Hire £100 per meeting

Unless the cost is specifically attributable to a case, the following items of expenditure will normally be treated as a general overhead and will not be subject to recharge:-

Telephone and facsimile
Printing and photocopying
Stationery

With the exception of the items referred to above, all other expense items are recharged to the case as they are incurred.

7. STATEMENT OF AFFAIRS

A statement of Affairs has been prepared by Ian Westlake. A summary of the Statement of Affairs is shown at Appendix II. The Administrators comments in respect of the Statement of Affairs are given below:-

i) Goodwill / Furniture & Equipment

The figures shown represent the proceeds of the sale received from Telecomplete Ltd, details of which are provided above.

ii) Cash at Bank

The figure shown as cash at bank represent the total balance held as at the date of the Administrators appointment. The figure includes balances held in respect of both a sterling and US dollar account. The final figure for cash held may differ slightly to that shown due to exchange rate differences.

- a) There are no secured creditors in this case.
- b) Trade Creditors represent figures provided by the director and include VAT were appropriate.
- iv) The figure shown as due to the Inland Revenue relates to arrears of PAYE/NIC dating from December 2005.
- v) The Statement of Affairs does not make provision for any costs associated with the Administration.
- vi) Prescribed Part Fund

As there are no secured creditors in this case the prescribed part provisions provided for by Section 176A of the Insolvency Act 1986 (as amended) will not apply.

8. CREDITORS MEETING

Pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, the administrators' proposals will be considered at an initial meeting of the Company's creditor conducted by means of a postal resolution in accordance with the Notice of Conduct of Business by Correspondence (form 2.25B) accompanying this document. Subject to the approval of our proposals, I will report on the progress again approximately six months after the commencement of the administration or at the conclusion of the administration, whichever is the sooner.

ID TELECOMMUNICATIONS LIMITED
- IN ADMINISTRATION

ADMINISTRATION RECEIPTS AND PAYMENT ACCOUNT
As at 22 March 2006

RECEIPTS	£	£
Goodwill		5,000
Furniture & Equipment		15,000
Cash at Bank		15,056
		<hr/> 35,056
PAYMENTS		
Agents & Valuers		(3,000)
Balance in Hand		<hr/> 32,056 <hr/>

ID TELECOMMUNICATIONS LIMITED – IN ADMINISTRATION

SUMMARY OF DIRECTORS SWORN

STATEMENT OF AFFAIRS

AS AT 1 February 2006

	Book Value £	Estimated to Realise £
ASSETS NOT SPECIFICALLY PLEDGED		
Goodwill	-	5,000
Furniture & Equipment	55,000	15,000
Cash at Bank	<u>30,488</u>	<u>30,488</u>
AVAILABLE TO UNSECURED CREDITORS	85,488	50,488
Less:		
Trade Creditors	116,556	-
Inland Revenue	<u>5,298</u>	<u>(121,854)</u>
Shortfall to Unsecured Creditors		(71,366)
£0.10 Ordinary Shares		<u>(30,000)</u>
Shortfall to Shareholders		<u>(101,366)</u>

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

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

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

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

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

3 The creditors' committee

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

4 Fixing the administrator's fees

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

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

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

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

- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

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

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

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

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

having regard to the same matters as the committee would.

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

4.4 A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

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

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

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

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

case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

- Any significant aspects of the case, particularly those that affect the amount of time spent.
- The reasons for subsequent changes in strategy.
- Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement.
- Any existing agreement about fees.
- Details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

6 What if a creditor is dissatisfied?

- 6.1** If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

- 7.1** If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

- 8.1** Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 8.2** If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9. Provision of information – additional requirements

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

The information which must be provided is –

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

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

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