

The Insolvency Act 1986

Notice of result of meeting of creditors

2.23B

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 and
address of the administrator

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

* Delete as applicable

hereby report that a meeting of the creditors of the above Company having been dispensed with pursuant to paragraph 52(1) of Schedule B1 to the Insolvency Act 1986.

(b) Insert place of meeting ✕

(c) Insert date of meeting ✕

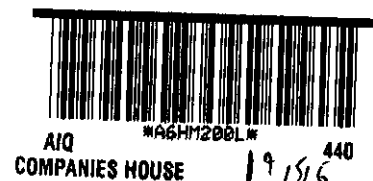
* Delete as applicable

*1. Proposals are deemed approved pursuant to Rule 2.33(5).

(d) Give details of the
modifications (if any)

There were no modification to the proposals

(e) Insert time and date of
adjourned meeting



(f) Details of other resolutions
passed

Business of meeting conducted by correspondence pursuant to paragraph 58 of Schedule B1 of the Insolvency Act 1986 and Rule 2.48 of the Insolvency Rules 1986.

As at 12 April 2006 the closing date specified in Form 2.25B

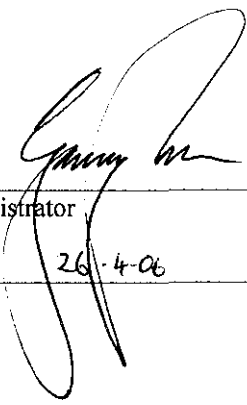
(1) "That the administrators' proposals for achieving the purpose of the administration, as set out in the document entitled Report and Proposals of the Administrator Pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986, be and hereby are approved."

(2) "That the administrator's remuneration be fixed on the basis of his hourly costs at scale rates calculated on the time properly spent in the course of the administration and that, 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 were incorporated into the Report and proposals of the Administrator."

A Creditors Committee was not formed

*Delete as applicable

Signed: 
Administrator

Dated: 26-4-06

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

Gary Bell	
c/o Cowgill Holloway Business Recovery LLP, Regency House, 45-51 Chorley New Road, Bolton BL1 4QR	
	Tel Number: 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

COMPANIES HOUSE

A44
COMPANIES HOUSE

AQS5NF65

401
06/05/2006

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(I) 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(I)(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

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>