

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company

High Integrity Solutions Limited

Company number

04008954

In the
High Court of Justice

(full name of court)

Court case number
2553 of 2008(a) Insert full
name(s) and
address(es) of
administrator(s)I/We (a)
ANTONY ROBERT FANSHAW
Begbies Traynor
41 Castle Way
Southampton
SO14 2BWSue Stockley
Begbies Traynor
Universal House
1 - 2 Queens Parade Place
Bath
BA1 2NN*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) 27 May 2008

Signed


Joint Administrator(s)

Dated

30.5.08.

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 researchers of the

ANTONY ROBERT FANSHAW
Begbies Traynor
41 Castle Way
Southampton
SO14 2BWTelephone Number
DX Number 55954023 8023 3522
DX Exchange Southampton 6

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

THURSDAY



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AZ7P40BK

05/06/2008

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COMPANIES HOUSE

27 May 2008
TO ALL KNOWN CREDITORS

Our Ref 001/HIS4188/RA/100
Your Ref
Contact Rosalind Aldridge

Private and Confidential

Dear Sirs

HIGH INTEGRITY SOLUTIONS LIMITED (IN ADMINISTRATION) (THE COMPANY)
HIGH COURT OF JUSTICE NUMBER 2553 OF 2008
VAT NUMBER 800 2861 68 PAYE REFERENCE 663P148009

In my letter to you dated 4 April 2008 I notified you of our appointment as Joint Administrators of the Company. Our appointment was made by the directors, with the consent of the Company's representative secured creditor, Albany Venture Managers Limited ("Albany")

I am now writing to you pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 to set out our proposals for achieving the purpose of the Administration, to give a report on our actions since our appointment, and to approve the administrators' proposals

Executive Summary

Dependent on the outcome of future asset realisations:

- The Company's secured creditors should receive a modest recovery against their secured claim of about £1,892,000
- Preferential creditors should receive payment in part of their claims of £48,600
- The requirement to "ring-fence" a proportion of assets realised for the benefit of unsecured creditors - pursuant to Section 176A(9) of the Insolvency Act 1986 - applies, given that the fixed and floating charges granted by the company to Albany were created after 15 September 2003. However, based on current information, the funds available under such provisions are less than the prescribed minimum of £10,000, and unless there are further realisations as a result of the actions detailed below, it is unlikely that there will be a dividend to unsecured creditors under the prescribed part.

41 Castle Way, Southampton, SO14 2BW

T 023 8023 3522 F 023 8023 3504 E southampton@beggies-traynor.com W www.beggies-traynor.com

Beggies Traynor (Central) LLP, a limited liability partnership, registered office in England No OC306540, registered office 340 Deansgate Manchester, M3 4LY

Any reference to a partner is to a member of the limited liability partnership. A list of partners is available for inspection at the registered office. A member of the Beggies Traynor Group, Specialist Professional Services www.beggies-traynorgroup.com

Don Bailey, Kevin Coates, Antony Fanshawe, William John Kelly, Gerald M Krasner, Simon Lundy, James Martin, Robert Maxwell, Julian Pitts, Michael Saville, Paul Stanley, Sue Stockley, Richard William Traynor and David Wilson are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales

Stephen Conn, Philip Deyes, Paul Finnty, Jason Greenhalgh, Andrew Haslam, Gary Lee, David Moore, Julie Palmer, Robert Sadler, Peter Sargent, Joanne Wright and Robert Young are licensed to act as insolvency practitioners by the Insolvency Practitioners Association. Peter Blair, Dawn L Chadwick, Andrew Dick, John Lowe and Richard Saville are licensed to act as insolvency practitioners by the Secretary of State for Business, Enterprise and Regulatory Reform. David Anthony Horner and David Broadbent are licensed to act as insolvency practitioners by the Association of Chartered Certified Accountants

Partners, Directors and Consultants acting as administrators or administrative receivers contract as agents and without personal liability

- We have now completed a sale of the business and assets of the Company as a going concern to Artisan Software Tools Limited (Artisan) Under the terms of the Sale/Purchase Agreement in addition to cash paid at completion, the agreement provides for the Company to receive additional payment in respect certain future sales secured by Artisan.
- We have received advice that the Company has a claim against BAE Systems Integrated Systems Technologies ("Insyte") in respect of loss and damages resulting from the premature contract termination in March 2008. This action ultimately led to the company convening an emergency board meeting and resolving to place the company into Administration.

Company History and Events Leading Up To Appointment

The Company was formed in 2002 The founders were Mr Ron Stewart and Mr Paul Lester The business was initially funded by BAE Systems, who under various guises have remained the sole customer Latterly, the business has been funded by private equity funds The purpose of the Company was to take the software tools used in the creation of safety critical systems and turn them into an integrated engineering environment The product, which is known as "VDS", has subsequently developed to become an engineering Information Technology solution, applicable to the wider engineering community deliverable as a managed service

The founders had identified that complex software intensive systems can be hugely expensive to develop and prone to vast cost over-runs Engineering companies' projects suffer from failures in quality, which inevitably result in the need for rework, and lack of productivity through inefficiencies In addition, they felt that the cost of ownership of the environment in which they are developed is not generally optimised It is also well established that complex projects with a high software content are notorious for failure

VDS was developed to manage engineering business improvement for, and across, various projects The business process is embedded via the VDS configuration, and VDS deploys a data centric software integration which means engineers wherever they are, and in whatever time zone, use live, but fully controlled and configured information in one version of 'the truth' This provides an opportunity to make a step-change in productivity and quality

The BAE Systems Group have been the Company's sole customer since inception Prior to my appointment the Company had contracts with two Companies within the BAE Systems Group, to provide the benefits of the VDS product by way of managed service contracts A "Managed Service Agreement" with BAE Systems E&IS (Rochester), and a "TeamPoint Integration Agreement" with Insyte

Under the terms of the Managed Service Agreement the Company provided managed support services of the VDS system integrated within the Rochester business units Systems Rochester was the first and launch customer for this product

The TeamPoint Integration Agreement provided for both the Company and Insyte to complete a number of activities, which subject to "acceptance", was anticipated ultimately to result in a further agreement for the Company to provide a similar managed support service to Insyte of the VDS product, as was currently in place with Rochester

Both parties agreed to adopt and execute this joint development plan with an objective of completing the development work by a target date of 30 June 2007. Each party acknowledged its dependence on the other party in both carrying out the development work, and completing key tasks as planned. Completion would be evidenced by "acceptance" of the work by Insyte.

Insyte further agreed to pay the Company a contribution towards its development costs in accordance with a payment schedule. Crucially, the development work would only be deemed to have been completed once both parties had accepted in writing that the VDS integration had met the requirements set out in a specification schedule.

There followed a series of delays and issues in implementing the planned integration. It is the Company's claim that these delays were primarily caused by the failure of Insyte to implement and complete specific key tasks and internal developments. The delays resulting in mounting cash flow difficulties for the Company. Despite these difficulties the Company continued to participate in the integration agreement, and endeavoured to address the issues preventing acceptance.

However, on 20 March 2008 Insyte notified the Company that despite exchange of correspondence and various meetings, Insyte had considered their relationship with the Company and as a result of their deliberations had decided that they would not proceed further with the Managed Service Agreement, and accordingly would be terminating the agreement immediately.

In the light of this notice, the board of directors immediately convened a board meeting and resolved that it was not feasible to continue to trade the Company. Although the Company had secured in principle a further round of funding to continue the Company with a view to executing the commercial exploitation of VDS to other users, in the light of the termination by Insyte the private equity funders had concluded that their continuing support would no longer be forthcoming.

On 31 March 2008 the Company made its entire workforce redundant, as it had no feasible means of meeting its salary commitments beyond this date. In response to the letter dated 20 March from Insyte, the Company notified Insyte of what it felt was the wrongful termination by Insyte of the agreement, and further notified Insyte of the Company's intention to pursue a claim for costs, damages and interest. Insyte have subsequently rejected these claims.

Notwithstanding the termination by Insyte, the directors firmly believed that there was a realistic prospect of achieving a sale of the business and assets of the Company (primarily its Intellectual Property). The rescue of the Company as a whole was never a feasible option.

Consequently, my partner, Susan Jane Stockley and I were appointed joint administrators by the directors (with the consent of the Company's secured creditor) on 3 April 2008.

The Purpose Of The Administration

Pursuant to Paragraph 3(1) of Schedule B1 to the Insolvency Act 1986 the objective of the administration is

- to achieve a better result for the Company's creditors as a whole, than would be likely if the Company were wound up or, if that is not reasonably practicable to achieve,
- to realise property in order to make a distribution to one or more secured or preferential creditors

The rationale for achieving the first objective was primarily that the benefit of a legal moratorium would assist continued trading whilst efforts were made to seek a buyer for the business as a going concern

I took the view that the first statutory objective of an administration "rescuing the Company as a going concern", was not feasible given the extent of the Company's current and contingent liabilities, and the uncertainty of the Company's future contracts with its sole customer – the BAE Systems Group

My formal proposals for achieving one or the other of the above objectives are set out later in this report

Administrator's Actions Since Appointment

Maintaining the Business of the Company

The Company continued to provide support services to Rochester under the terms of its Managed Service Agreement. It was my intention to continue to provide this service following my appointment, as I recognised both that Rochester were dependent on continuation of this service in order to maintain their systems which were currently utilising VDS and that the prospect of finding a suitable buyer for the business and assets as a going concern would be enhanced by keeping this contract alive, albeit that maintaining the establishment to service it would alone give rise to a trading loss

Prior to my appointment the Company had identified a core team of nine former employees who in the event of continued trading would be required to maintain the support service to Rochester, and to assist the administrators in relation to a proposed sale as a going concern

It was my intention to engage the former employees as consultants only, and my initial strategy was to secure funding in order to meet the costs of retaining the core team, together with other key costs associated with continuation of trade such as rent, rates, and utility supplies for as long as possible

The Company had no available funds and no readily realisable assets. Upon my request for assistance in order to achieve the purpose of the administration Rochester declined to provide financial assistance. Whilst the service was to be maintained for their benefit, they were unwilling to provide financial assistance to the administrators because they had already pre-paid for the Managed Service Agreement

I did, however, manage to secure administration funding from the secured creditors (the private equity funders). They agreed to advance the sum of £40,000 to cover the trading shortfall. I estimated that this would enable trading to continue for about a month, while I sought a purchaser. The principal cost was consultancy and so I negotiated to retain the core team at a much reduced rate for a three day week. Recognising that the core team was very employable, I negotiated a bonus arrangement payable on a successful sale

The funders required that the administration funding should be repaid first from the proceeds of sale

Sale of the Business of the Company

The Company had already identified a list of potential purchasers, and following my appointment formal contact was made by both my staff and senior management of the Company to establish the extent of their interest. It soon became apparent that whilst there was interest in the business and assets (primarily the intellectual property), from a number of sources, the task of converting this interest into serious financial

offers was very much hampered by the relative shortness of available time in which to secure a sale of what is a very complex product and commercial proposition

I received a number of expressions of interest but little commitment to investigate the business. Following a number of discussions and negotiations, I ultimately concluded a sale On 21 May 2008 of the business and assets of High Integrity Solutions Limited to Artisan Software Tools Limited. The initial consideration received was £100,000, which has been allocated as follows

	£
• Goodwill	1 00
• Chattel Assets	34,999 00
• Business Intellectual Property & Information Technology	64,999 00
• Work in Progress	1 00

The assets of the business were valued by Hilco Appraisal Limited on 30 April 2008. The consideration paid by Artisan for the chattel assets is considerably greater than the estimated recoveries on a break up basis.

Artisan have offered new employment to five members of the core team, and have agreed to enter into new arrangements in relation to the agreed bonus payments, negotiated between the administrators and the retained core team at the commencement of the administration.

I have also negotiated a further deferred element of consideration in the event that Artisan secures orders for VDS from customers other than those within the existing BAE Systems Group within the next 12 months. This could, if Artisan are successful in their commercial exploitation of the software, realise a maximum of a further £75,000. In addition, the Company will also receive an uplift in the consideration paid in the event that Artisan sale the VDS software for profit within the next 12 months.

It was initially my strategy to seek agreement from Rochester to assign the Company's remaining interest in the Managed Service Agreement to any successful purchaser. However, despite Rochester initially indicating a willingness to consider such an assignment, when the time arrived to seek their agreement in order to complete a sale, they were unwilling to novate the contract within the necessary timescale required. Therefore, the sale was completed without transfer of the Company's interest in the Managed Service Agreement.

As previously mentioned the Company notified Insyte of their claim in respect of damages, costs and interest in relation to the termination of the Insyte Managed Service Agreement. It was initially a condition of the Artisan offer that the administrators (acting on behalf of the Company) agreed not to pursue any claim that the Company may have against Insyte. I was not willing to agree to this condition, and therefore it was withdrawn.

The only other competing offer received was from Rochester. They offered to acquire the source code of VDS for the sum of £100,000. However, this offer was conditional on a number of issues, the most onerous of which appeared to be their requirement to include an "acceptance clause" in relation to full payment. Given the Company's previous difficulties in respect of such clauses, I could not progress this offer.

Other Asset Realisations

The Company's claim against BAE Systems Insyte

Following my appointment I instructed professional advisors to review the correspondence and contracts between the Company and Insyte, and to provide me with an initial summary and appraisal in relation to the strength of the Company's claims for financial restitution

These initial comments have been set out in writing to Insyte by solicitors assisting me in this case. Insyte have rejected my summarised claims, but I intend to seek approval from the secured creditors to utilise part of the fixed charge realisations in order to receive specialist legal Counsel opinion in respect of the Company's claim

DTI Grant

I have now recovered the sum of £72,067 due to the Company in respect of work completed both prior to and following my appointment in relation to Project Development funded by the Department of Business Enterprise and Regulatory Reform

Research and Development Tax Credit

The company's accountants have been instructed by the joint administrators to prepare the necessary returns in order for the Tax Credit to be released to the company. Based on current information, it is likely that Crown set off will be applied to the tax credit by virtue of a claim from HM Revenue & Customs in respect of outstanding PAYE

The anticipated net position after the set off has been applied is that roughly £5,000 will be due to the company. I have received confirmation from the company's former accountant that the costs in preparing the necessary paperwork to submit to HM Revenue and Customs for the tax credit is likely to exceed this figure, and therefore subject to confirmation I shall not pursue this potential recovery, as the costs of completing this task would appear to outweigh the benefits

Cash in Hand

The company was holding a small amount in foreign currency which has been paid into the administration account. A total of £1,636.17 has been received in this regard. We are also pursuing two credits which have been paid into the bank up to and after the date of administration. I anticipate realisations of £5,091

Other Potential Recoveries

Interest is receivable on all monies held on account

I am not currently aware of any further potential recoveries in this case other than those referred to above

Administrators' Trading and Receipts And Payments Accounts

I include at Appendix II summary of my receipts and payments since the date of my appointment. Receipts and payments are shown net of VAT where applicable and the funds in hand are held in an interest bearing account.

Priority of Payments

I am unaware of any priority of payment arrangements between the Company's secured creditors. I am seeking confirmation of this point and we will report to creditors in relation to this in due course.

Statement of Affairs

A copy of the Directors' statement of affairs, together with the names and debts of the Company's creditors, including details of any security held, is set out in the prescribed form at Appendix III. Please note that a signed and sworn copy of the statement of affairs will be filed at Companies House shortly. It should also be noted that in line with normal practice the statement of affairs does not make any provision for the cost of the Administration, nor

Estimated Outcome for Creditors

I would refer you to Appendix IV which summarises the anticipated outcome for creditors.

Secured Creditors

It is expected that the fixed and floating charge holders will recover in part their indebtedness of £1,892,184.24.

Preferential Creditors

Preferential creditor claims represent claims by employees in respect of outstanding holiday and arrears of pay. I expect to receive preferential claims in due course in the region of £35,000 together with the claim from the Redundancy Payments Office of £13,700. I am assisting the employees made redundant with these claims.

Subject to further realisations other than those already in hand, a dividend may be payable to preferential creditors in due course.

Unsecured Creditors

There is a small prospect of a dividend becoming payable to the non-preferential unsecured creditors of the Company via the prescribed part provisions should the further realisations detailed in my executive summary be made. However, if no further realisations are made, there is no prospect of a dividend to unsecured creditors.

The Prescribed Part

As the charge granted to Albany came into existence after 15 September 2003, the requirement to "ring-fence" a proportion of floating charge realisations for the benefit of unsecured creditors, pursuant to Section 176A(9) of the Insolvency Act 1986 applies. This is known as the Prescribed Part.

The Prescribed Part is calculated as follows:

- 50% of the first £10,000 of floating charge funds which would otherwise be available to Albany
- 20% of such funds thereafter up to a maximum of £600,000

An estimate of the prescribed part and other surplus funds available to unsecured creditors after payment of the secured creditors and preferential creditors is set out at appendix III. This is, however, only an estimate, and should not be relied upon. It should also be noted that this is based on current realisations only and does not take into account any future realisations which may be received as outlined above.

The Creditors' Meeting

Given that I have concluded that a distribution to the unsecured creditors is unlikely, other than by way of the prescribed part under section 176A of the Insolvency Act 1986, there is no requirement to convene a creditors' meeting, unless 10% in value of the total creditors request me to do so, in accordance with paragraph 52 of Schedule B1 to the Insolvency Act 1986. Such a request must be made within 12 days in accordance with Rule 2.37 of the Insolvency Rules 1986.

The Administrators' Proposals

Our formal proposals to creditors are as follows:

1. That the Joint Administrators continue to pursue the Research and Development Tax Credit and the DTI Grant (using agents and solicitors as the Joint Administrators may deem appropriate) whilst it remains cost effective to do so.
2. That the Administrators continue to pursue other potential recoveries (by themselves or using agents and solicitors as they may deem appropriate) so long as it remains cost effective to do so.
3. Should realisations be sufficient to enable there to be a distribution to unsecured creditors, I propose that the Company should move into Creditors' Voluntary Liquidation in accordance with paragraph 83 of Schedule B1 to the Insolvency Act 1986, and that I, Antony Robert Fanshawe and Susan Jane Stockley of Begbies Traynor, should be appointed joint liquidators of the Company with the power to act jointly and severally. In accordance with paragraph 83(7) and rule 2.117(3) creditors may nominate a different person(s) as the proposed Liquidator(s) provided that the nomination is made after the receipt of the proposals and before the proposals are approved.

- 4 Pursuant to Paragraph 76(1) of Schedule B1 to the Insolvency Act 1986 our appointment as Joint Administrators shall cease at the end of the period of one year beginning with the date on which it takes effect or earlier if appropriate
- 5 If the Joint Administrators conclude that the Company has no further property which might permit any distribution to the general body of unsecured creditors (other than by way of the Prescribed Part) we propose to file a notice to that effect with the Court and Registrar of Companies in accordance with Paragraph 84 of Schedule B1 to the Insolvency Act 1986 Our appointment will then cease to have effect, and the Company will be dissolved
- 6 That if creditors so wish, a creditors' committee be established to exercise the functions conferred on it under the Insolvency Act 1986 The committee should comprise not more than five and not less than three members
- 7 If a creditors' committee is not established, that the Joint Administrators be authorised to draw fees on the basis of the time properly incurred by them and their staff in attending to matters arising in the Administration, and fees of £2,712 50 (as reported below) in respect of time spent prior to their appointment and to obtain reimbursement of Category 2 disbursements at their firm's normal rates from time to time It is our firm's policy to review charge out rates from time to time I enclose a schedule of our firm's current charge out rates by category of staff and our rates for Category 2 disbursements
- 8 In the event that there are insufficient realisations to enable there to be any distribution to unsecured creditors, the Joint Administrators will seek approval for their fees from the secured and preferential creditors in accordance with Rule 2 106 (5A) of the Insolvency Rules 1986 ("the Rules")
- 9 That the Joint Administrators be authorised to carry out any other act, which they consider will be incidental to the proposals outlined above and which will assist in achieving the purpose of the Administration
- 10 The Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 of the Insolvency Act 1986 immediately upon their appointment as joint administrators ceasing to have effect

Administrators' Remuneration

I have incurred time costs to 23 May 2008 totalling £39,753 35 representing 254 81 hours at an average hourly rate of £156 01 A detailed analysis together with additional information in relation to the Administrators' time costs and disbursements is set out at Appendix IV

In addition, we have unbilled time costs amounting to £2,712 50 in respect of time incurred prior to our appointment in dealing with the following

- 1 Preparation of and filing of the required documentation for our appointment and dealing with the associated formalities
- 2 Dealing with the secured creditors and obtaining their consent to our appointment
- 3 Job planning and instructing solicitors and agents
- 4 Associated disbursements of £1 10 have been incurred

I also enclose at Appendix IV an extract from the Statement of Insolvency Practice 9 "SIP 9", which explains the best practice guidance applicable to the drawing of administrators' remuneration. More information can be found on The Association of Business Recovery Professionals ("R3") website, at www.r3.org.uk and follow links to "Publications", "Statements of Insolvency Practice", "SIP9", "Remuneration of Insolvency Office Holder".

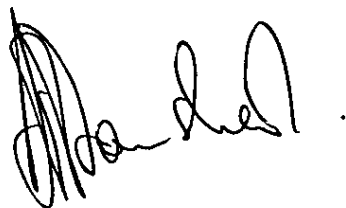
Additional Information Required by The Insolvency Rules 1986

We set out below certain additional information for creditors as required by Rule 2.3 of the Rules as amended.

The Administration constitutes "main proceedings" under the EC Regulations on Insolvency Proceedings. However, as the Company does not have operations in other EC member states this is of little practical relevance. All of the functions of the administrators are to be exercised by any or all of the administrators.

If there are any matters you wish to raise now, or at the meeting, please contact Antony Fanshawe, or James Stares at the above address.

Yours faithfully



A R Fanshawe
Joint Administrator
High Integrity Solutions Limited

Enc	Appendix I	Company Statutory Information
	Appendix II	Administrators' Receipts and Payments Account
	Appendix III	Company Statement of Affairs
	Appendix IV	Estimated Final Outcome Statement
	Appendix V	SIP 9 Statement

HIGH INTEGRITY SOLUTIONS LIMITED (IN ADMINISTRATION)

STATUTORY INFORMATION

Date of Incorporation	6 June 2000		
Company Number	04008954		
Company Type	Private Limited Company		
Registered Office	Fanshawe Lofts 41 Castle Way Southampton SO14 2BW	Formerly at Ebenezer House 5A Poole Road Bournemouth BH2 5QJ	
Trading Address	Unit 7, Romsey Ind Est Greatbridge Road Romsey SO51 0HR		
Past and Present Directors		Appointed	Resigned
	Raymond James Abbott	26/05/2005	N/A
	Dr Peter John Goodchild	27/09/2002	N/A
	David Michael Hughes	26/05/2005	N/A
	Paul John Lester	13/08/2002	N/A
	John Alexander McDermid	13/08/2002	N/A
	Stewart Ronald MacPherson	18/03/2002	N/A
	Robert Charles Trotter	16/06/2000	N/A
	Toby Bryant Waters	01/12/2005	N/A
	Peter Martin Grant Christie	27/09/2002	27/01/2006
	James Edward Land	16/06/2000	26/05/2005
	John William Sandford	13/08/2002	05/10/2005
	Graham Kenneth Thornton	24/01/2003	16/12/2005
Company Secretary	Robert Charles Trotter		
Issued share capital		Aggregate Nominal Value	
	13,785,100 A Ordinary	£137,851	
	12,161,585 Ordinary	£121,615	
	226,856 Deferred	£2,268	
Debenture Holders	Albany Venture Managers Limited (created 25/08/2006)		
	Albany Venture Managers Limited (created 25/05/2007)		

FINANCIAL HISTORY

Profit and Loss

	Accounts to 30 June 2007 Filed	Accounts to 30 June 2006 Filed
Turnover	889,971	624,271
Cost of Sales	(21,092)	(1,968)
Gross Profit	868,879	622,203
Administrative Expenses	(2,328,459)	(2,448,015)
Other Operating Income	141,822	56,780
Operating Loss	(1,317,758)	(1,768,932)
Interest Receivable	506	28,132
Interest Payable	(62,269)	(24,953)
Loss on Ordinary Activities before Taxation	(1,379,521)	(1,765,753)
Tax on Loss on Ordinary Activities	165,705	123,130
Loss for the Financial Year	(1,213,816)	(1,642,623)

Balance Sheet

	Accounts to 30 June 2007 Filed	Accounts to 30 June 2006 Filed	Accounts to 30 June 2005 Filed
Fixed Assets			
Tangible Assets	88,239	92,675	53,823
Current Assets			
Debtors	232,474	221,000	166,920
Cash at Bank and in Hand	182,540	175,112	1,745,021
	415,014	396,112	1,911,941
Creditors Falling Due within One Year	(388,729)	(983,973)	(642,489)
Net Current Assets/Liabilities	26,285	(587,831)	1,269,452
Total Assets less Current Liabilities	114,524	(495,186)	1,323,275
Creditors Falling Due after One Year	(1,740,291)	-	(150,000)
Deferred Income	-	-	(25,838)
Net Liabilities	(1,625,767)	(495,186)	1,147,437

Name of Shareholder	Shares Held	Share Type	Percentage Held
High Integrity Trustees Limited (Held in Trust)	834,545	Ordinary	3 18
James Edward Land	834,546	Ordinary	3 18
Paul J Lester	949,158	Ordinary	3 63
Robert C Trotter	834,545	Ordinary	3 19
Ronald M Stewart	1,669,091	Ordinary	6 38
BAE Systems Ventures Limited	4,400,000	Ordinary	16 81
Foresight 2 Vct Plc	439,951	Ordinary	1 68
Foresight Vct Plc	1,319,850	Ordinary	5 04
Noble Vct Plc	879,899	Ordinary	3 36
Albany Ventures Fund Limited III Partnership	5,799,190	Ordinary A	22 15
Albany Ventures Co Invest Limited Partnership	66,810	Ordinary A	0 26
Foresight 2 Vct Plc	1,319,850	Ordinary A	5 04
Foresight Vct Plc	3,959,550	Ordinary A	15 13
Noble Vct Plc	2,639,700	Ordinary A	10 09
James Edward Land	166,856	Deferred	0 64
John William Sandford	27,500	Deferred	0 11
John Alexander McDermid	22,500	Deferred	0 09
Graham Kenneth Thornton	10,000	Deferred	0 04
	26,173,541		100 00

High Integrity Solutions Limited
(In Administration)
Joint Administrators' Trading Account
To 27/05/2008

S of A £	£	£
POST APPOINTMENT SALES		
Third Party Funding	40,000 00	
Miscellaneous Income	36 43	
	<u> </u>	40,036 43
DIRECT COSTS		
Professional Fees	33,965 01	
	<u> </u>	(33,965 01)
INDIRECT COSTS		
Telephone & Fax	1,950 00	
Printing & Postage	209 84	
Bank Chges/Overdraft Int	365 50	
Sundry Expenses	453 92	
	<u> </u>	(2,979 26)
 <u> </u>		
TRADING SURPLUS/(DEFICIT)		<u><u>3,092.16</u></u>

High Integrity Solutions Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments
To 27/05/2008

S of A £	£	£
REPRESENTED BY		
Input VAT		429 41
Bank 1 Current		104,321 25
		<u>104,750.66</u>

High Integrity Solutions Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments
To 27/05/2008

S of A £		£	£
	FIXED CHARGE ASSETS		
NIL	Intellectual Property	64,999 00	
	Goodwill	1 00	
			65,000 00
	FLOATING CHARGE ASSETS		
18,400 00	Furniture & Equipment	34,999 00	
	Work in Progress	1 00	
	Sundry Refunds	1,590 32	
NIL	Prepayments	NIL	
NIL	Rent Deposits	NIL	
1,636 00	Cash at Bank and in Hand	1,636 17	
72,067 00	DTI Grant	NIL	
NIL	Research & Development Tax Credit	NIL	
			38,226 49
	FLOATING CHARGE ASSETS		
	Trading Surplus/(Deficit)	3,092 16	
			3,092 16
	COST OF REALISATION		
	Statutory Advertising	214 99	
	Specific Bond	528 00	
	Bank Interest & Charges	825 00	
			(1,567 99)
	PREFERENTIAL CREDITORS		
(13,731 94)	Redundancy Payments Office	NIL	
(34,713 24)	Employees Holiday Pay	NIL	
(10,073 00)	Pension Schemes	NIL	
			NIL
	FLOATING CHARGE CREDTS		
(1,892,184 24)	Floating Charge	NIL	
			NIL
	UNSECURED CREDITORS		
(204,165 19)	Trade & Expense Creditors	NIL	
(171,856 11)	Employees	NIL	
(61,576 76)	Redundancy Payments Office	NIL	
(134,858 00)	BAE Sales in Advance	NIL	
(335,291 00)	Loan from BAE	NIL	
NIL	HM Revenue & Customs - PAYE	NIL	
			NIL
	CAPITAL		
(121,615 85)	Ordinary Shareholders	NIL	
(137,851 00)	Ordinary A Shareholders	NIL	
(2,268 56)	Deferred Shareholders	NIL	
			NIL
(3,028,081.89)			104,750.66

Insolvency Act 1986

High Integrity Solutions Limited
Estimated Statement Of Affairs as at 3 April 2008

	Book Value £	Estimated to Realise £	£
ASSETS			
Intellectual Property	1 00	NIL	
Furniture & Equipment	73,898 00		18,400 00
Prepayments	4,048 00		NIL
Rent Deposits	13,313 00		NIL
Cash at Bank and in Hand	1,636 00		1,636 00
DTI Grant	87,142 00		72,067 00
Research & Development Tax Credit	106,750 00		NIL
			<u>92,103 00</u>
PREFERENTIAL CREDITORS -			
Redundancy Payments Office		13,731 94	
Employees Holiday Pay		34,713 24	
Pension Schemes		10,073 00	
			<u>58,518 18</u>
			33,584 82
Estimated prescribed part of net property where applicable (to carry forward)			<u>9,716 96</u>
			23,867 86
DEBTS SECURED BY FLOATING CHARGE			
Floating Charge		1,892,184 24	
			<u>1,892,184 24</u>
			<u>(1,868,316 38)</u>
Estimated prescribed part of net property where applicable (brought down)			<u>9,716 96</u>
			9,716 96
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)			
Trade & Expense Creditors		204,165 19	
Employees		171,856 11	
Redundancy Payments Office		61,576 76	
BAE Sales in Advance		134,858 00	
Loan from BAE		335,291 00	
HM Revenue & Customs - PAYE		NIL	
			<u>907,747 06</u>
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)			<u>(898,030 10)</u>
Shortfall to floating charge holders (brought down)			<u>1,868,316 38</u>
			(2,766,346 48)
Issued and called up capital			
Ordinary Shareholders		121,615 85	
Ordinary A Shareholders		137,851 00	

Insolvency Act 1986

High Integrity Solutions Limited
Estimated Statement Of Affairs as at 3 April 2008

	Book Value	Estimated to Realise
	£	£
Deferred Shareholders		2,268 56
		261,735 41
TOTAL SURPLUS/(DEFICIENCY)		(3,028,081 89)

Notes

The Research and Development Tax Credit in the amount of £106,750 will be subject to Crown set-off by virtue of a claim from HM Revenue & Customs in respect of outstanding PAYE estimated to be in the amount of £99,090

Taking into account the costs of agreeing and pursuing this claim, it is considered based on the current information available to be financially unviable to pursue

HIGH INTEGRITY SOLUTIONS LIMITED (IN ADMINISTRATION)
ESTIMATED FINAL OUTCOME

	£
Assets Subject to a Fixed Charge	
Goodwill	1
Business Intellectual Property & Information Technology	64,999
	<u>65,000</u>
Costs attributable to realisation (10%)	(6,500)
Fixed Charge Funds Available to Albany Venture Managers Limited	<u>58,500</u>
Shortfall from Debenture Holder Carried Down to Floating Charge Assets	(1,833,684)
Assets Subject to a Floating Charge	
Furniture & Equipment	34,999
Work in Progress & MISSA Debt & Contracts	1
Cash at Bank and in Hand	1,000
DTI Grant	72,067
	<u>108,067</u>
Repayment of Administration Funding	<u>(40,000)</u>
	68,067
Expenses of Administration	
Legal Fees (provision)	(10,000)
Agents'/Valuers' Fees	(1,500)
Pre-appointment Fees	(2,712)
Administrators' Fees	(49,299)
Administrators' disbursements	(3,500)
Specific Bond	(1,056)
	<u>(68,067)</u>
Estimated Balance available for distribution	Nil
Distribution to Preferential creditors	<u>Nil</u>
Floating Charge Funds available for Albany Venture Managers Limited	<u>Nil</u>
Distribution to Albany Venture Managers Limited Under their Floating Charge	<u>Nil</u>
Floating Charge Funds available for Unsecured Creditors	<u><u>Nil</u></u>

HIGH INTEGRITY SOLUTIONS LIMITED (IN ADMINISTRATION)**Additional Information in Relation to Joint Administrators' Fees
Pursuant to Statement of Insolvency Practice 9**

Registered Number	04008954
Registered Office	41 Castle Way Southampton Hampshire SO14 2BW
Office Holder(s)	A R Fanshawe & S J Stockley Begbies Traynor 41 Castle Way Southampton Hampshire SO14 2BW Telephone 023 8023 3522
Type of Appointment	Administration
Date of Appointment	3 April 2008

The significant aspects of the case affecting the amount of time spent by the Joint Administrators and their staff are summarised below

Administration and planning

Case planning & review

Administrative set-up

Maintenance of records

Notification of appointment

Statutory reporting

Reporting to creditors

Statutory returns

Realisation of Assets

Sale of the business

Cash and other investments

Trading

Review and management of operations
Purchasing and trading costs

Creditors

General Correspondence with Creditors
Employees - dealing with Redundancy Claims
General Correspondence with Employees

Staff Allocation

Our general approach to resourcing our assignments is to allocate staff with the appropriate skills and experience to meet the specific requirements of the case. The team assigned to the case will usually consist of a partner, manager, senior professionals and support staff. The precise constitution of the case team will depend on the size and complexity of the assignment, and on larger more complex cases additional staff may be allocated to meet the specific demands of the job.

With regards to support staff, we would advise that time spent by cashiers in relation to case specific tasks is charged to the case. We only charge and seek to recover time incurred by a member of the secretarial team if there is a large block of time incurred, for example report compilation and distribution.

We have not utilised the services of any sub-contractors in this case.

Explanation of office-holders' charging policy

Pursuant to Rule 2.106 of the Insolvency Rules 1986 the basis for fixing the administrators' remuneration shall be fixed either

- As a percentage of the value of the property which the administrators have to deal with, or
- By reference to the time properly given by the joint administrators and their staff in attending to matters arising in the administration.

In this case we are seeking approval to be authorised to draw fees on the basis of the time properly incurred by ourselves and our staff in attending to matters arising in the administration.

In common with all professional firms Begbies Traynor's chargeout rates and Category 2 Disbursements are subject to periodic review and may increase from time to time over the period of the administration of each insolvency case. Begbies Traynor or any successor firm reserves the right to change the rates and grade structure. The charge out rates for each grade of staff assigned to the case since the date of our appointment is as follows:

	Oct 07
	£
Partner	215 - 250
Senior Manager	180
Manager	150 -180
Assistant Manager	110-130
Administrator	45 -110
Cashiering	45
Support staff	25

	May 08
	£
Partner	305
Director	270
Manager - Senior Manager	180 - 210
Assistant Manager	145
Senior Administrator	115
Administrator	100
Junior Administrator	70
Cashier	100
Secretarial	100

Disbursements

Approval from creditors is not required for the drawing of expenses or disbursements. Professional guidance issued to insolvency practitioners requires that, where the office-holder 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 office-holders own firm), referred to as "Category 2 Disbursements", they must be disclosed together with the basis of charging.

I set out the rates applicable on Appendix V(ii)

Statement from the joint liquidators

As Joint Administrators, Susan Jane Stockley and I have incurred time costs to date totalling £45,616 35, excluding VAT, representing 289 71 hours at an average hourly rate of £157 46

I set out an analysis of our time costs at Appendix V(i), and a schedule of Category 2 and other disbursements incurred by my firm to date at Appendix V(ii)

We have considered the information contained in the above summary, and consider that the level of time costs to be appropriate bearing in mind the value of the work done, the complexity of the case and the nature of the work undertaken.

We have also given consideration to the grades of staff employed to undertake the different tasks within the administration, and consider them to be appropriate given the circumstances of the case.

Professional Advisors

On this assignment we have used the professional advisors listed below. We have also indicated the basis of our fee arrangement with them, which is subject to review on a regular basis. Our choice of advisors was based upon our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

Name of Professional Advisor

Paris Smith & Randall (legal advice)

Hilco Appraisal (Valuation & Disposal)

Basis of Fee Arrangement

Hourly rate & disbursements

Hourly rate & disbursements

Begbies Traynor

TIME & CHARGEOUT SUMMARY

High Integrity Solutions - ADM

For the period 03/04/2008 to 27/05/2008

Hours							
Classification of Work Function	Partner	Manager / Senior Manager	Assistant Manager / Administrator	Cashier / Support	Total Hours	Time Cost £	Average Hourly Rate £
Administration & Planning							
Appointment, Notification & Relating For	1 00	6 25	9 35	-	16 60	2,403 50	144 79
Statutory Meetings, Reports & Returns	-	0 50	26 10	-	26 60	3,740 75	140 63
Planning & Review	1 00	3 75	0 85	-	5 60	1,026 00	183 21
Maintenance of Records	0 20	-	0 85	0 60	1 65	170 50	103 33
Company's/Debtor's Records	-	-	-	2 20	2 20	99 00	45 00
Filing & General Correspondence	-	-	4 30	5 07	9 37	818 75	87 38
Travel Time	-	1 00	-	-	1 00	180 00	180 00
Partner Review & Signing	4 30	-	-	-	4 30	1,081 00	251 40
Realisation of Assets & Other Recoveries							
Freehold & Leasehold Property	-	-	1 50	-	1 50	165 00	110 00
IPR	-	0 50	-	-	0 50	90 00	180 00
Debtors	0 60	-	0 70	-	1 30	227 00	174 62
Cash & Investments	-	-	2 15	-	2 15	271 50	126 28
Sale of Business	19 00	55 75	9 60	-	84 35	17,233 00	204 30
Other Realisations	1 00	7 50	1 35	-	9 85	1,817 00	184 47
Trading							
Management & Review Of Operations	1 00	20 75	4 70	-	26 45	4,647 00	175 69
Purchasing & Trading Costs	-	1 75	23 30	-	25 05	3,439 50	137 31
Employees	0 50	0 50	1 65	1 30	3 95	455 00	115 19
Creditors & Claims							
Gen Corres & Set up Cred Records/Claims	-	-	2 15	-	2 15	236 50	110 00
Secured Creditors	1 00	2 25	-	-	3 25	655 00	201 54
Agreement of Unsec Claims	0 25	-	-	-	0 25	62 50	250 00
Employees							
Notification & Communication	-	-	4 95	0 60	5 55	649 25	116 98
ERA Claims (Excl Pension)	1 50	-	27 90	0 50	29 90	3,721 00	124 45
Cashiering & Accounting							
Cashiering & Treasury	-	-	1 50	16 34	17 84	1,283 10	71 92
Reconciliations & Accounting	-	-	2 75	0 30	3 05	376 00	123 28
Taxation (Income, Corporation & VAT)							
Pre Appointment Returns/Claims	-	-	0 35	-	0 35	50 75	145 00
Post Appointment Returns/Claims	-	-	4 95	-	4 95	717 75	145 00
Total Hours 03/04/2008 to 27/05/2008	31 35	100 50	130 95	26 91	289 71	45,616 35	157 46
Brought forward at 02/04/2008	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total	31 35	100 50	130 95	26 91	289 71	45,616 35	157 46
Average Rate £	269 05	189 85	125 49	62 02	157 46		

HIGH INTEGRITY SOLUTIONS LIMITED (IN ADMINISTRATION)

ANALYSIS OF DISBURSEMENTS INCURRED BY BEGBIES TRAYNOR

Category 2 Disbursements	Incurred To Date £	Billed To Date £
Photocopying	50 70	0 00
Fax	20 80	0 00
Total	71 50	0 00
Other Disbursements		
Postage	97 77	0 00
Total	97 77	0 00
Total Disbursements	169 27	0 00

Category 2 Disbursements include payments to the office holder's firm which are not directly referable to a payment to an independent third party (which are recharged at cost) and include an element of shared or allocated costs. Where applicable the following rates apply.

Rates used for Category 2 Disbursements		£
Room Hire		50 00
Photocopying		0 10
Faxes Received		0 10
Faxes Sent		0 50
Colour Printer Sheets		0 20
Company Searches	Full Search	25 00
	Accounts/Final return	2 00

Mileage	Inland Revenue Rates
Long term storage on case closure	Current cost plus 15%

In common with all professional firms, Begbies Traynors' chargeout rates and Category 2 disbursement charges are subject to periodic review and may increase from time to time over the period of the administration of each insolvency case. Begbies Traynor reserves the right to change the rates and charges.

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

- 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

- 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

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

HIGH INTEGRITY SOLUTIONS LIMITED (IN ADMINISTRATION)

Voting Form For Administrators' Proposals

Name of Creditor			
Amount of Claim			
Voting Instructions			
Proposal as per Report	For	Against	Modification
1 That the Administrators continue to pursue the Research and Development Tax Credit and the DTI Grant (by themselves or using agents and solicitors as they may deem appropriate) so long as it remains cost effective to do so			
2 That the Administrators continue to pursue other potential recoveries (by themselves or using agents and solicitors as they may deem appropriate) so long as it remains cost effective to do so			
3 Should realisations be sufficient to enable there to be a distribution to unsecured creditors, we propose that the Company should move into Creditors' Voluntary Liquidation in accordance with paragraph 83 of Schedule B1 to the Insolvency Act 1986, and that we, Antony Robert Fanshawe and Susan Jane Stockley of Begbies Traynor, should be appointed joint liquidators of the Company with the power to act jointly and severally. In accordance with paragraph 83(7) and rule 2.117(3) creditors may nominate a different person(s) as the proposed Liquidator(s) provided that the nomination is made after the receipt of the proposals and before the proposals are approved			
4 Pursuant to Paragraph 76(1) of Schedule B1 to the Insolvency Act 1986 our appointment as administrators shall cease at the end of the period of one year beginning with the date on which it takes effect or earlier if appropriate			
5 If the administrators conclude that the Company has no further property which might permit any distribution to the general body of unsecured creditors they propose to file a notice to that effect with the Court and Registrar of Companies in accordance with Paragraph 84 of Schedule B1 to the Insolvency Act 1986. The administrators' appointment will then cease to have effect, and the Company will be dissolved			
6 If creditors so wish, a creditors' committee be established to exercise the functions conferred on it under the Insolvency Act 1986. The committee should comprise not more than five and not less than three members			

7 If a creditors' committee is not established, that the Joint Administrators be authorised to draw fees on the basis of the time properly incurred by them and their staff in attending to matters arising in the Administration and fees of £2,712 50 in respect of time spent prior to their appointment (as discussed below), and to obtain reimbursement of Category 2 disbursements at his firm's normal rates from time to time It is our firm's policy to review charge out rates from time to time We enclose a schedule of our firm's current charge out rates by category of staff and our rates for Category 2 disbursements			
8 In the event that there are insufficient realisations to enable there to be any distribution to unsecured creditors, the Administrators will seek approval for their fees from the secured and preferential creditors in accordance with Rule 2 106 (5A) of the Insolvency Rules 1986 ("the Rules")			
9 That the Administrators be authorised to carry out any other act, which they consider will be incidental to the proposals outlined above and which will assist in achieving the purpose of the Administration			
10 The Administrators will be discharged from liability under Paragraph 98 of Schedule B1 of the Insolvency Act 1986 immediately upon their appointment as administrator ceasing to have effect			

Modifications may be made in the boxes provided

PROOF OF DEBT - GENERAL FORM

HIGH INTEGRITY SOLUTIONS LIMITED (IN ADMINISTRATION)	
Date of Administrator(s) Appointment/Administration Order : 3 April 2008	
1	Name of Creditor (If a company please also give company registration number)
2	Address of Creditor for correspondence
3	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into liquidation (see note)
4	Details of any documents by reference to which the debt can be substantiated [Note there is no need to attach them now but the liquidator may call for any document or evidence to substantiate the claim at his discretion as may the chairman or convenor of any meeting]
5	If amount in 3 above includes outstanding uncapitalised interest please state amount £
6	Particulars of how and when debt incurred (If you need more space append a continuation sheet to this form)
7	Particulars of any security held, the value of the security, and the date it was given
8	Particulars of any reservation of title claimed in respect of goods supplied to which the claim relates
9	Signature of creditor or person authorised to act on his behalf
	Name in BLOCK LETTERS
	Position with or in relation to creditor
	Address of person signing (if different from 2 above)
Admitted to vote for	Admitted for dividend for
£	£
Date	Date
Liquidator	Liquidator