Sections 24(4)
25(6)

The Insolvency Act 1986

Form 2.8 (Scot)

S24(4)/25(6)

Notice of Result of Meeting of Creditors

Pursuant to section 24(4)/25(6) of the Insolvency Act 1986

For official use

To the Registrar of Companies

Company number: SC020509.

Name of Company

Insert name of company: ATLANTIC TELECOM GROUP PLC

Insert name of person giving notice

~~I~~/We NEVILLE KAHN AND STEVEN PEARSON OF PRICEWATERHOUSE
of COOPERS, PLUMTREE COURT, LONDON EC4A4HT
AND IAIN BENNET OF PRICEWATERHOUSECOOPERS
1 BLYTHSWOOD SQUARE, GLASGOW G24AD.

administrator(s) of the company attach a copy of my/our report to the Court dated:

Insert date: 30 NOVEMBER 2001.

detailing the resolution(s) passed at a meeting of creditors held on:

Insert date: 17 DECEMBER 2001.

Signed ________ Date 2/1/02
Administrator(s)

Presentor's name, address and reference (if any)

For Official use

Insolvency Section | Post Room

SCT ST5G076J 1353
COMPANIES HOUSE 04/01/02

JAP8(Scot)

PRICEWATERHOUSECOOPERS

Atlantic Telecom Group plc (in administration)

The joint administrators' proposals for achieving the purposes of the administration order

30 November 2001

The company	
Registered number	SC020509
Operating address	Atlantic House, 475-485 Union Street, Aberdeen Aberdeenshire, AB11 6DB
Activity	Group holding company

The creditors' meeting	
Time:	10 am
Date:	17 December 2001
Place:	New Connaught Rooms, Cambridge Room, 61 – 65 Great Queen Street, London WC2B 5DA

The administrators and an outline of their proposals	
Date of the administration order	5 October 2001 joint interim managers appointed 12 October 2001 joint administrators appointed
Administrators	Steven Anthony Pearson, Neville Barry Kahn and Gordon Iain Bennet
Means to achieve the purpose of the administration order	See attached proposals
Future for the company	Distribution of realisations to preferential and unsecured creditors via exit route.
Estimated recovery for unsecured creditors	Preferential creditors 100% Non-preferential unsecured creditors 7% approx.

Contact details for queries

Function	**Contact**	**Address**	**Direct line**	**Email**	**Fax**
General queries	Reena Bhatia	PricewaterhouseCoopers Plumtree Court London EC4A 4HT	020 7212 6465	reena.bhatia@uk.pwcglobal.com	020 7212 6598
Creditors' claims and proxies	Liane Warrington Picken		020 7212 6126	liane.warrington.picken@uk.pwcglobal.com	020 7212 6148

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
Plumtree Court
London EC4A 4HT
Tel: +44 (0) 20 7583 5000
Fax: +44 (0) 20 7822 4652

To creditors of Atlantic Telecom Group plc

Our ref: /SAP/MT/RB/ATLANTIC

30 November 2001

Dear Sirs

Atlantic Telecom Group plc – in administration ("ATG" or "the Company")
Joint administrator's proposals for achieving the purposes of the administration order

I wrote to all creditors on 25 October 2001 to explain that the Company was experiencing financial difficulties and that the Court had made an administration order appointing my colleagues Neville Kahn, Steven Pearson and I as joint administrators of the company on 12 October 2001. I would confirm that we are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

We were appointed as joint administrators to manage the affairs, business and property of the Company. We act until such time as our proposal for achieving the purpose of the administration order has been agreed by creditors and implemented, following which the administration order is discharged. This purpose is a more advantageous realisation of the Company's assets than would be effected on a winding-up.

I enclose with this report a statement of our proposals for achieving this purpose of the order, a summary of the actions we have taken as administrators, the directors' estimated statement of affairs and some information about the Company provided by its directors (Appendix A). I explain the timing and purposes of the meeting of creditors and provide a guide to administrators' fees (Appendix B).

What steps should you be taking now?

You will be bound by our proposals if they are approved at the meeting by the requisite majority of creditors. It is important therefore that you read this document carefully. You may put forward any modifications that you wish to see incorporated into the proposals and make your views known on whether they should be accepted.

As a creditor you can attend the meeting, either in person or by submitting a proxy. We explain later in this document how this is done and the rules relating to the submission of claims and the conduct of the meeting. Please let us have details of your claim on the enclosed form as soon as possible.

Finally, if you have any concerns or questions about the background to this case and what is being proposed, please contact us straight away; you do not have to wait until the meeting to raise them. If you have any modifications to put forward that you believe would improve the proposal, it is helpful for us to know in advance so we can discuss them with the other major creditors.

Our contact details may be found at the beginning of this document.

Yours faithfully
For and on behalf of Atlantic Telecom Group Plc

Iain Bennet
Joint Administrator

Contents

The joint administrators' proposals

As required by Section 23 of the Insolvency Act 1986, as joint administrators we make the following proposals to creditors for achieving the purposes of the administration order dated 12 October 2001. We will seek approval of the proposals below at the meeting of creditors to be held on 17 December 2001. Approval of these proposals will be considered as a single resolution.

1. That the joint administrators continue to manage the business, affairs and property of the Company in such manner as they consider expedient, with a view to achieving the purpose for which the administration order was made, namely a more advantageous realisation of the Company's assets than would be effected on a winding-up.

2. That, where appropriate, group companies are liquidated, to expedite distributions of inter-company receivables to the Company.

3. That the joint administrators plan and execute an orderly vacation of the Company's business premises.

4. That the joint administrators continue to reconcile, analyse and pursue all sums due to the Company whether book debt or any other classification of debt due to the Company.

5. That the joint administrators investigate and if appropriate pursue any claims that the Company may have.

6. That if the joint administrators consider it appropriate, they apply to the Court under Section 18 of the Insolvency Act 1986 for an order that the administration order be varied.

7. That a formal creditors' committee be established.

8. That the joint administrators consult with the established creditors' committee concerning the appropriate exit route from the administration, including liquidation, and if no such creditors committee be appointed that the joint administrators in their absolute discretion be empowered to take such steps and authorise such actions so as to implement the exit route.

1. How do we propose to achieve one of the purpose of the administration order?	• The joint administrators proposals as detailed above are necessarily drafted very widely, however, the actions that we intend to carry out include: 1. A constant and thorough review of the assets of the Company with a view to maximising the return to creditors. This may include the placing of certain subsidiaries into liquidation. 2. The managed and orderly conclusion of the Company's activities in order to minimise creditor claims. 3. Continuing to investigate and, if appropriate, to pursue claims that the Company may have against any parties. 4. Continue to investigate the reasons for the Company's failure. 5. The joint administrators currently believe that there is value for creditors in pursuing these actions and that the costs are such that if executed successfully, they will produce a net benefit to creditors. However, the joint administrators will continue to keep their overall strategy under constant review having regard to a cost/benefit analysis of incurring further costs in order to achieve higher asset realisations. 6. When appropriate, the joint administrators will consider with the creditors' committee, if one is established, the most appropriate exit route from administration to facilitate payments to creditors and the maximisation of realisations generally.
2. What is the future for the company itself?	• Under the provisions of the Insolvency Act 1986, administrators have no power to agree the claims of creditors or make distributions. • We will consider the best way of distributing any surplus funds to creditors and shall proceed with the most appropriate option following consultation with the creditors' committee, if one is appointed . The options to be considered may include petitioning the Court for the appointment of ourselves or other partners/directors in our firm as joint liquidators of the Company.
3. What investigation work will the administrators undertake?	• The administrators may investigate transactions in the period leading up to the administration order. Any further investigations may be best dealt with by a liquidator who has greater powers to take action. Creditors are requested that if they have any information that they believe could assist in any investigation that they bring this to the attention of the joint administrators at the earliest opportunity.
4. How long will the administration order remain in force?	• We shall apply for the discharge of the administration order once the purpose for which the order was obtained has been achieved.

5. Will there be a creditors' committee?	• A creditors' committee may be formed if three or more creditors are willing to serve on it. • If a committee is formed, we shall consult with it from time to time on the conduct of the administration and the implementation and development of these proposals. Where we consider it appropriate, we will seek the committee's sanction to proposed action on our part instead of convening a meeting of all the creditors.
6. How will the joint administrators' fees be calculated?	• The creditors' committee will fix our fees as administrators. • If no creditors' committee is formed, our fees will be determined by the Court. An extract from the Statement of Insolvency Practice 9 (Scotland); creditors' guidance to fees in administrations, is enclosed at Appendix B.

Statement required to be annexed to the proposals

Details relating to:	
a) The appointment of administrators	Steven Pearson, Neville Kahn and Iain Bennet of PricewaterhouseCoopers, were appointed joint interim managers on 5 October 2001. On 12 October 2001 Messrs Pearson, Kahn and Bennet were appointed joint administrators. Both following a petition by the Chairman, Graham J Duncan.
b) The purposes for which an administration order was made	The purpose of the administration order was a more advantageous realisation of the Company's assets than would be effected on a winding-up.
c) Any subsequent variation of those purposes	None.
d) The names of the Company's directors and secretary	Directors: Martin Leslie Beard, Graham John Duncan, Edward Joseph Hornsby, Alisdair Douglas McKenzie Gordon Bruce Sleigh Secretary: Philip Norman Allenby (resigned). Details of the directors are given in Appendix A.
e) The circumstances giving rise to the application for an administration order	• The Company is a public company whose shares are listed on the London Stock Exchange. • The principal operating subsidiaries are based in the UK (Atlantic Telecommunications Limited), Germany (Atlantic Telecom Gmbh) and the Netherlands (Inovara). At the date of appointment the subsidiaries were engaged in the provision of integrated voice and data telephony and internet services for residential and business customers in the UK, Germany and the Netherlands. • The Company had invested £256m by March 2001 to fund the development of its network assets and a further £60m was invested in other assets. This was, in part, funded by the issue of two series of High Yield Notes in December 1999. A further £94m was raised through equity and vendor finance. At the time the Company estimated it had sufficient resources to reach EBITDA breakeven. • Trading losses during the development of the networks were forecast, since growth was wholly dependent on their completion. It was anticipated that the funding raised from the sources detailed above would be sufficient to achieve a positive operational cashflow for the Group (as defined by the Group structure at Appendix A) as a whole.

e) **The circumstances giving rise to the application for an administration order (contd)**	• From 31 March 2001 the Group continued to be cash negative and used some £80m to fund the operations of its subsidiaries in this period. It was estimated that the Company had some £29m at 2 October 2001 of available cash resources plus some £14m held in escrow to meet interest payments on the High Yield Notes. • The deterioration of the Group's financial position arose from: 1. delays in the launches of Digital Subscriber Line services in Germany and the Netherlands, partly as a result of delays in leasing lines from Deutsche Telecom AG and delays associated in the installation of the UK national network. 2. significant costs associated with scaling down the size of the Group's UK and German networks from its original plans. The Group was required to fund, interalia, redundancy costs and lease termination costs. 3. delays in the installation of the UK national network. • Due to this deterioration and increasing cash usage the Company's management concluded that it had insufficient funding to complete the development of the Groups businesses to cash breakeven. Prior to reaching the decision to petition, the Board of directors had been advised by suitably qualified lawyers and financial advisers and had explored the possibility of selling the business. However, it was established that the best route forward was to place the Company in administration as there was no reasonable likelihood of the Company securing additional funding in the short term or agreeing a restructuring with its key stakeholders. • The Company's Chairman petitioned the Court of Session on 5 October 2001 and my colleagues Neville Kahn and Steven Pearson and I were appointed interim managers over Atlantic Telecom Group Plc. • An administration order was granted on the 12 October 2001.
f) **Statement of Affairs**	• The directors have provided us with a sworn statement of affairs. We include a summary of this statement at Appendix A.

<table>
<tr><th colspan="2">The manner in which the affairs and business of the company:</th></tr>
<tr><td>a) have, since the date of the administrators' appointment, been managed and financed</td><td>

Upon appointment the joint administrators' strategy was to preserve the Company's assets, particularly the cash balances, whilst seeking to enhance realisations, by supporting trading subsidiaries, if appropriate.
As the holding company of the Group the Company had been the principal provider of working capital to the operating subsidiaries. The administration order empowered the joint administrators, at their discretion, to make available short term funding to the primary trading subsidiaries to enable the continuation of trading, whilst disposal of the businesses as going concerns was pursued.
To date, no funding has been provided by the Company to its subsidiaries. Atlantic Telecommunications Limited ("ATL") entered administration on 5 October 2001. Sufficient funds were generated from its debtors to fund itself, for a short period, to explore whether there was sufficient interest to pursue a going concern sale. Despite an initial high level of interest, no going concern sale has been achieved and steps are being taken to realise ATL's assets on a piecemeal basis. No funding will be sought from ATG.
Atlantic Telecom Gmbh filed for insolvency proceedings on 10 October 2001. Ms Claudia Jansen of White & Case Feddersen has been named administrator by the German court. Trading has ceased and its telephone and data business assets are being realised. No recovery from the Company's equity interest is anticipated.
The Company indirectly holds 65% equity ownership interest in Inovara (formerly Telepartner Plus BV). The joint administrators have been actively working with Inovara's directors (who represent the 35% remaining shareholding) to market and sell the business. Interest to date has been limited and for the purposes of estimating the likely financial outcome of the administration the joint administrators have assumed that ATG will not realise any value fom its investment in Inovara.
In addition to its principal trading subsidiaries the Company holds a 6.4% minority interest in the web hosting company Host Europe plc ("Host"). This holding is subject to a lock-in arrangement until 9 March 2002 whereby the shares cannot be sold without the approval of Host. We are working actively with Host to identify a buyer for the 6.4% interest that would meet their requirements.
The Company's other principal interest was as sponsors of the Manchester 2002 Commonwealth Games. It had entered into a contract worth £8 million in sponsorship goods and services. We met with Manchester 2002 Limited early in the Administration and advised that there would be no further financial support. Accordingly Manchester 2002 Limited is seeking alternative sponsors for the Games.

</td></tr>
</table>

b) **will, if the administrator's proposals are approved, continue to be managed and financed**	• Our future strategy remains to pursue value, in realising the investments held by the Company, provided there is a benefit to the creditors. • We are also reviewing where assets and liabilities lie elsewhere in the Group to ensure that any potential for upstreaming dividends within the Group to the Company is captured. This will involve liquidations of other Group companies.

Receipts and payments account and estimated outcome for creditors

Receipts and payments accounts and estimated final outcome

	Receipts/ Payments) to 16 Nov 2001 £'000	Estimated Final Outcome £'000
Cash subject to escrow security		
(in favour of Bankers Trust Company ("BTC"))		14,113
		14,113
Due to BTC		(208,253)
Deficit on BTC indebtedness		(194,140)
Other assets		
Balance at bank	28,701	28,701
Inter-company debtors	0	1,000
	28,701	29,701
Less: Professional fees		(622)
Total funds available to preferential and unsecured creditors		29,079
Less:Preferential creditors		(153)
Total funds available for unsecured creditors		28,926
Unsecured creditors		(392,875)
Estimated deficiency		**(364,449)**

Receipts and payments account in the administration period

We set out on the opposite page a summary of the receipts and payments account for the period of the administration to 16 November 2001, which shows funds in hand of £28.7m.

1. Cash held in escrow in favour of BTC does not comprise an asset of the Company.
2. As at 16 November 2001 all funds held in bank accounts at the date of the joint administrators' appointment had been realised with the exception of a euro money market account. Funds in this account remain invested in order to avoid interest penalties.
3. Unsecured creditors include the deficit due to BTC of £194m.
4. Professional fees include fees and disbursements of the joint administrators, their agents, advisers and other incidental costs of the administration.

Estimated outcome for creditors

We set out opposite an estimate of the outcome of the administration. This shows that, after meeting the claims of BTC and the costs of realisation and administration, we estimate that there will be funds of approximately £29m for distribution to the creditors. Based on the estimated outcome and before costs of liquidation, we estimate that creditors will obtain the following dividends:

Preferential creditors 100p in the £

Unsecured creditors 7p in the £ approximately

The actual results may vary significantly from the projected results which could impact materially upon projected dividends to creditors.

Matters potentially requiring investigation

Do the joint administrators believe there are any events that a liquidator could challenge?

Section 214 – wrongful trading • No matters have come to the attention of the joint administrators	**Section 238 – transactions at an undervalue.** • No matters have come to the attention of the joint administrators
Section 239 – preferences. • No matters have come to the attention of the joint administrators.	**Section 245 – floating charges invalid** • No matters have come to the attention of the joint administrators.
Section 244 – extortionate credit transactions. • No matters have come to the attention of the joint administrators.	**Directors' conduct** • An administrator is required to submit a report to the Department of Trade and Industry concerning the conduct of every director of a company that is subject to an administration order. Whilst the content of this report is confidential, creditors are invited to provide the administrators with any information they believe is relevant. This invitation is a standard part of our procedures and does not imply any criticism of the directors.

PRICEWATERHOUSECOOPERS

Appendix A

Atlantic Telecom Group Plc (in administration)

Company profile

30 November 2001

Restriction on the content and use of this document

The joint administrators have prepared this document to provide information which is intended to help people not directly connected with the Company to understand something about it, its financial affairs and its business.

Because our involvement with the Company is relatively recent, we have had to obtain the information that this document contains about the Company from the directors and recently conducted company searches.

We have not carried out anything in the nature of an audit of this information nor have we sought to verify the existence of, title to and value of the Company's assets and liabilities.

This document should not be used for any other purpose other than in connection with an insolvency procedure or by any party other than a creditor or the directors without our express permission in writing

Statutory information including Group structure

Company information

Company number	SC020509
Date of incorporation	9 July 1938
Registered office	1 Blythswood *Square*, Glasgow, G2 4AD Formerly Atlantic House, 475-485 Union Street, Aberdeen, Aberdeenshire, AB11 6DB
Trading addresses	Atlantic House, 475-485 Union Street, Aberdeen, Aberdeenshire, AB11 6DB
Auditors	Grant Thornton

Director information

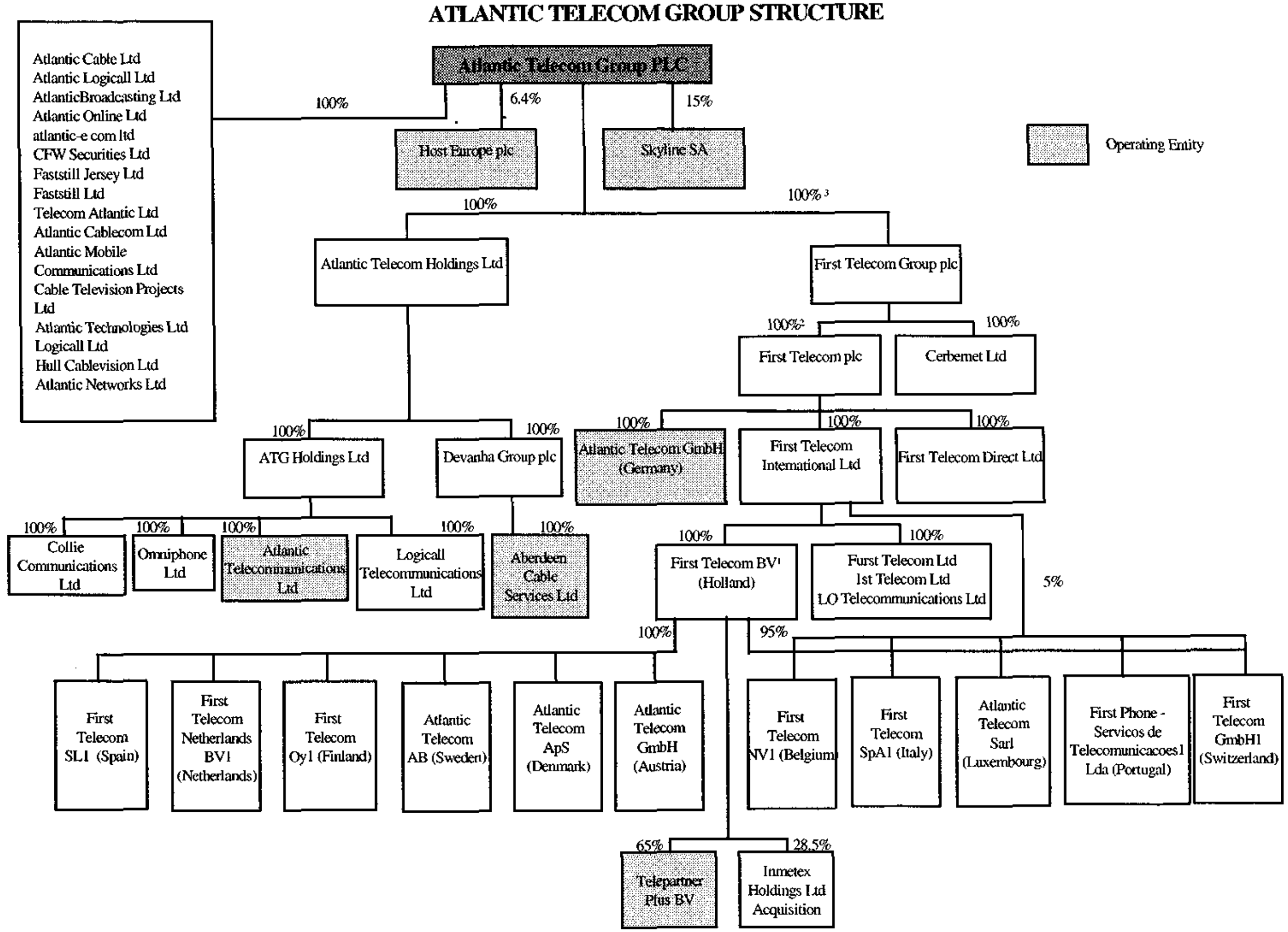
Name	Date of appointment	Date of resignation
Martin Leslie Beard	10.01.95	-
Graham John Duncan	10.01.95	-
Edward Joseph Hornsby	29.08.96	-
Alisdair Douglas McKenzie	10.01.95	-
Gordon Bruce Sleigh	10.01.95	-
Damian Hugh Reid	13.06.00	-
John Hunter Maxwell	13.06.00	-
Company secretary		
Phillip Norman Allenby		Resigned

Shareholders

	Shares of 25p each		
Shareholders	**Issued Shares at 31.03.01 Number**	**Fully Paid At 31.03.01 £m**	**% control**
Various	213,289,657	53,322	N/A

Statutory information including Group structure

ATLANTIC TELECOM GROUP STRUCTURE



[1] Name change applied for but not yet registered
[2] 1 share held by Andrew Fingret
[3] 1 share held by Philip Allerby

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Recent financial information

Profit and loss accounts - consolidated

Audited accounts and qualifications

- The latest accounts that are filed are those for the year to 31 March 2001. These contained an unqualified audit opinion.

- Management accounts for the 6 month period to 20.09.01 are presented below.

	Period to 30.09.01 6 Months Unaudited £'m	Year to 31.03.01 Audited £'000	Year to 31.03.00 Audited £'000
Turnover	**27,587**	**77,017**	**21,307**
Operating Costs	(62,436)	(186,486)	(49,753)
Group Operating Loss	(34,849)	(109,469)	(28,446)
Exceptional Items	-	(8,721)	-
Interest Payable	(13,988)	(17,523)	(4,931)
Loss for the financial Year / Period Retained	**(48,836)**	**(135,713)**	**(33,377)**

Balance sheets - Company

	Period to 30.09.01 6 Months Unaudited £'000	31.03.2001 Audited £'000	31.03.2000 Audited £'000
Fixed assets			
Tangible assets / Investments	679,822	682,562	205,373
	679,822	682,562	205,373
Current assets	194,271	207,598	366,500
Current liabilities	(7,865)	(6,224)	(5,834)
Net current assets/(liabilities)	186,406	201,374	360,666
Total assets less current liabilities	866,228	883,936	566,039
Long term liabilities / Provisions / Minority Interest	(183,798)	(181,407)	(178,999)
Net assets/(liabilities)	**682,430**	**702,529**	**387,040**
Representing:			
Called up share capital	54,856	53,322	38,430
Share premium account	343,423	340,724	328,639
Reserve for shares	-	31,431	-
Merger / other reserves	335,312	311,380	28,102
Profit and loss reserves	(51,161)	(34,328)	(8,131)
	682,430	**702,529**	**387,040**

The directors' statement of affairs

Summary statement of affairs

	Book Value £'000	Estimated to Realise £'000
Cash subject to escrow security		
Sterling investments	4,860	4,860
Euro investments	7,841	7,841
Restricted cash balances – Sterling	503	503
Restricted cash balances – Euros	909	909
	14,113	14,113
BTC indebtedness	(208,253)	(208,253)
Deficit on BTC indebtedness	(194,140)	(194,140)
Other assets		
Balance at bank	28,701	28,701
Cash in hand	1	1
Marketable securities	2,500	500
VAT receivable	1,115	183
Trade debtors	15	0
Inter-company	293,243	0
Furniture & fittings	16	2
Investments / marketable securities	677,305	0
	1,002,897	29,386
Less: preferential creditors	(153)	(153)
	1,002,744	29,233
Creditors secured by floating charges	(0)	(0)
	1,002,744	29,233
Unsecured creditors	(198,735)	(198,735)
Fixed charge deficit	(194,140)	(194,140)
Net assets/(liabilities)	**609,869**	**(363,642)**

The directors' sworn statement of affairs is summarised opposite

On 23 November 2001, the directors swore a declaration that the statement was a full, true and complete statement of the affairs of the Company at 12 October 2001, the date of our appointment as joint administrators.

The statement includes the book values of the assets and liabilities of the Company at the date of the administration order, together with the directors' estimate of the value that the assets will realise in the administration. The statement does not include any provision for the costs of realisation or administration.

Joint administrators' comments.

1. Total creditor claims may differ from the amount declared on the statement of affairs. Any increase in claims will adversely affect the quantum of the estimated dividend

Notice of meeting of creditors in administration proceedings

Atlantic Telecom Group PLC (in administration)
(Registered in Scotland)

Notice is hereby given that a meeting of creditors in the above matter is to be held on Monday 17 December 2001 at the The New Connaught Rooms, Cambridge Room, 61-65 Great Queen Street, London WC2B 5DA at 10.00am to consider the administrators' proposals under Section 23(1) of the Insolvency Act 1986 and to consider establishing a creditors' committee.

Votes at the meeting are based on the value of creditors' claims. A resolution at the meeting is passed if a majority in value of those voting have voted in favour of it.

If you are not a limited company, you may vote by simply attending the meeting, bringing a statement of your claim. If you do not wish to attend the meeting, you may complete and return the enclosed proxy so that someone else nominated by you, or the chairman of the meeting, can vote on your behalf. If you are a corporate body, such as a limited company, and wish to attend and vote at the meeting, you should complete and return the proxy form. (Companies can alternatively arrange to be represented by someone authorised by a resolution of their directors under section 375 of the Companies Act 1985.)

A creditor will be entitled to vote at the meeting only if a claim has been lodged with me at the meeting or before the meeting at my office and it has been accepted for voting purposes in whole or part. For the purpose of formulating claims creditors should note that the date of commencement of the administration is 12 October 2001.

Proxies may also be lodged with me at the meeting or before the meeting at my office. The proxy form must be signed.

Iain Bennet
Joint Administrator

Common questions and answers *(references to "Rules" are to the Insolvency (Scotland) Rules 1986)*

Who will be at the meeting?

One of the joint administrators will chair the meeting and answer creditors' questions. There is no requirement for the directors of the Company to attend and the directors have indicated that they do not expect to attend.

What will happen at the meeting?

It will be assumed that creditors will already have received and read the administrators' proposals and statement enclosed with this notice. The meeting will give creditors an opportunity to put questions to the administrator. The meeting will then consider and vote upon any modifications that individual creditors might put forward, following which a vote will be taken upon the whole proposals as modified.

Various other resolutions might be considered, in particular those dealing with the basis of the administrators' remuneration and the composition of any creditors' committee.

Am I obliged to attend the creditors' meeting?

You are not obliged to attend the creditors' meeting. On the one hand, it is your opportunity to ask questions before deciding whether to suggest any modifications and how to vote on the administrators' proposals. On the other hand, you will not compromise your claim and entitlement to dividend if you do not attend. The law recognises that creditors are not always able to attend in person and allows you to ask a representative to attend as proxy and vote on your behalf.

How do I ensure that my vote counts at the meeting?

In order to vote, a creditor must have submitted a written notice of his claim in the prescribed form and the chairman must have admitted that claim following the guidelines below. This claim together with any proxy must be lodged at or before the meeting (Rule 7.16(2)).

Do I need to lodge a proxy form?

If you yourself are the creditor (and not a corporate body such as a limited company), you may vote by simply attending the meeting, provided you have lodged a claim as explained above.

If you do not want to attend the meeting, you may nominate someone else, or the chairman of the meeting, to vote for you. They can vote either on your instructions or at their discretion. Do, however, remember that the chairman will be one of the administrators and you might wish to consider specifying clearly how he should vote. (Rule 7.14).

You must do this by completing the enclosed proxy form or a substantially similar form. The form needs to be signed by the creditor or by someone authorised by him, either generally or with reference to a particular meeting, and the nature of the person's authority to sign should be stated. If a company is the creditor, a director should normally sign (Rule 7.15). The proxy form must then be submitted at or before the meeting in the same way as a written notice of the claim.

Please also remember that if the debt is owed to a limited company or other corporation and you wish to attend and vote at the meeting, you should complete and return the proxy form even if you are a director of the company. (Alternatively you can produce at the meeting a resolution of the directors authorising you to represent that company.) (Rule 7.20)

Who decides whether my claim ranks for voting purposes?

You are entitled to vote if your claim has been accepted in whole or in part. If your claim has not already been dealt with then the chairman may decide to accept it at the meeting (Rule 7.9(2)).

What happens if I disagree with the chairman's decision?

You are entitled to appeal to the court within 14 days of the chairman's decision for an order reversing his decision on your claim (Bankruptcy (Scotland) Act 1985, s.49(6), as applied by Rule 7.9(3)).

Creditors also have the right to appeal to the court if they believe that the administration unfairly prejudices their interests or that there was a material irregularity at the meeting (Section 27, Insolvency Act 1986).

We recommend that you seek legal advice about the merits of taking these steps in any particular circumstances.

Common questions and answers *(references to "Rules" are to the Insolvency (Scotland) Rules 1986)*

How do I calculate my claim for voting purposes?

Your vote is based on the value of your debt at the date of the administration order less any amounts paid subsequently. (Rule 2.22(4)). Votes rank in proportion to the claim.

What majorities are needed to approve resolutions?

A resolution to approve the proposals, or any modification to them, is passed at the creditors' meeting if supported by a majority in excess of 50% in value of the creditors present in person or by proxy and voting on the resolution (Rule 7.12(1)).

What happens if I cannot yet quantify my claim with certainty?

A creditor cannot vote in respect of a debt for an unliquidated amount or any debt whose value is not ascertained. If a minimum value can be placed on the debt then the chairman may agree to allow the claim in part up to that value (Rule 7.9(2)).

What happens if my debt is partly secured?

You are entitled only to vote in respect of the balance of your claim (if any) after deducting the value of your security as estimated by you (Rule 2.11). Your claim should be stated after deducting the value of any goods supplied to the Company to which you still claim title under the terms of your sale contract. The position with hire purchase agreements is complex and separate advice should be sought from your own advisors.

Am I bound by the administrators' proposals if they are approved at the meeting?

The administrators' proposals, when approved by the creditors' meeting, will dictate how the company's affairs will be conducted in future and how creditors' claims will be addressed.

Once approved the proposals are binding on all creditors, including those not present or represented at the meeting. For this reason, it is important that creditors properly consider the proposals and decide whether and how they wish to vote.

What are the functions of the creditors' committee?

The creditors' committee shall assist the administrator in discharging his functions, and act in relation to him in such manner as may be agreed from time to time (Rule 2.15(4)).

In particular, it has the duty to agree the basis of the administrators' remuneration (Rule 2.16(1)).

How is the creditors' committee formed?

The creditors' committee is established at the creditors' meeting. It is not obligatory but the creditors decide whether it is necessary (Section 26(1) of the Insolvency Act 1986).

The committee must consist of at least three and not more than five creditors of the company elected at the meeting (Rule 3.4(1) as applied by Rule 2.15).

Any creditor of the company is eligible to be a member of the committee, so long as his claim has not been rejected for the purpose of his entitlement to vote (Rule 3.4(2) as applied by Rule 2.15). A body corporate or a partnership may be a member of the committee, but it can only act as such through a properly appointed representative (Rule 3.4(3) as applied by Rule 2.15).

No person may act as a member of the committee unless and until he has agreed to do so (Rule 4.42(3) as applied by Rule 2.15). Unless the relevant proxy or authorisation contains a statement to the contrary, such agreement may be given by the creditors' proxy-holder or representative under section 375 of the Companies Act 1985 present at the meeting establishing the committee (Rule 4.42(3) as applied by Rule 2.15)

A person acting as a committee-member's representative must hold a letter of authority entitling him so to act (either generally or specially) and signed by or on behalf of the committee-member (Rule 4.48 as applied by Rule 2.15).

No member may be represented by a body corporate, or by a person who is an undischarged bankrupt, or is subject to a composition or arrangement with his creditors (Rule 4.50 as applied by Rule 2.15).

No person shall act at one and the same time as representative of more than one committee-member, or act both as a member of the committee and as representative of another member (Rule 4.48(5) as applied by Rule 2.15)).

The creditors' committee does not come into being, and accordingly cannot act, until the administrator has issued a certificate of its due constitution (Rule 4.42 as applied by Rule 2.15).

How is the administrators' remuneration fixed?

The following information about the administrators' fees is from Statement of Insolvency Practice 9 (Scotland) issued by the Association of Business Recovery Professionals, Appendix B: Administrators' guidance.

Introduction

When a company goes into administration the costs of the proceedings are paid out of its assets in priority to creditors' claims. 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.

The nature of administration

Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court in order to achieve one or more of the following statutory purposes:

- the survival of the company and its business in whole or in part;
- the approval of a company voluntary arrangement;
- the sanctioning of a scheme under section 425 of the Companies Act 1985;
- a better realisation of assets than would be possible in a liquidation.

Administration may be followed by a company voluntary arrangement or a liquidation.

The creditors' committee

The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is established at the meeting of creditors that the administrator is required to hold within 3 months of the administration order to consider his proposals. The administrator must call the first meeting of the committee within 3 months of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he need to hold one. The committee has power to summon the administrator to attend before it and provide such information as it may require.

Fixing the administrator's fees

The basis for fixing the administrator's remuneration is set out in Rule 2.16 of the Insolvency (Scotland) Rules 1986, which states that it may be a commission calculated by reference to the value of the company's property with which he has to deal.

It is for the creditors' committee (if there is one) to fix the remuneration and Rule 2.16 says that in arriving at its decision the committee shall take into account:

- the work which, having regard to the value of the company's property, was reasonably undertaken by the administrator; and
- the extent of his responsibilities in administering the company's assets

Although not specifically stated in the rules, the normal basis for determining the remuneration will be that of the time costs properly incurred by the administrator and his staff.

If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration will be fixed by the court on application by the administrator.

What information should be provided by the administrator?

Claims by the administrator for the outlays reasonably incurred by him and for his remuneration shall be made in accordance with section 53 of the Bankruptcy (Scotland) Act 1985 as applied by rule 4.68 which provides that within two weeks after the end of the accounting period, the administrator shall submit to the creditors' committee or if there is no creditors' committee to the court:

- his accounts for audit;
- a claim for the outlays reasonably incurred by him and for his remuneration; and

where the documents are submitted to the creditors' committee, he shall send a copy of them to the court.

The administrator may at any time before the end of an accounting period submit to the creditors' committee (if any) an interim claim for the outlays reasonably incurred by him and for his remuneration.

When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The administrator should always make available an up to date receipts and payments account. The administrator should be prepared to disclose the amount of time spent, together with such additional information as may reasonably be required having regard to the size and complexity of the case. Where the fee is charged as a commission based on the value of the company's property with which the administrator has had to deal, the administrator should provide details of any work which has been or is intended tro be contracted out which would normally be undertaken directly by the administrator or his staff.

Where an administrator makes, or proposes to make, a separate charge by way of expenses and disbursements to recover the cost of facilities provided by his own firm, he should disclose those charges to the committee or the court when seeking approval of his fees, together with an explanation of how those charges are made up and the basis on which they are arrived at.

What if a creditor is dissatisfied?

If a creditor believes that the administrator's remuneration is too high, he may appeal against the determination by virtue of Section 53 (6) of the Bankruptcy Act applied by Rule 4.32 of the Insolvency Rules, which is in turn applied by Rule 2.16. Creditors have a right of appeal against the determination of an administrator's remuneration by virtue of the application of Section 53 (6) of the Bankruptcy (Scotland) Act.

The right of appeal is either to the court (if the determination is by the creditors' committee or to a higher court (if the determination is by a court). Notwithstanding the fact that the statutory time limit for appealing expires eight weeks from the end of the accounting period concerned, it is normal practice to advise the creditors that they may appeal within 14 days of being notified of the determination in cases where this extends beyond the statutory appeal period.

What if the administrator is dissatisfied?

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 an order increasing its amount or rate. 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.

Other matters relating to fees

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.

Form 4.29 (Scot)

Rule 7.15

The Insolvency Act 1986

Proxy
Pursuant to Rules 7.14 and 7.15 of the Insolvency (Scotland) Rules 1986

(a)	Insert the name of the company	(a)	Atlantic Telecom Group PLC
(b)	Insert the nature of the insolvency proceedings	(b)	in administration

Name of Creditor/Member ....

Address ....

....

(hereinafter called 'the principal').

(c) Insert the name and address of the proxy-holder and of any alternatives. A proxy-holder must be an individual aged over 18

Name of proxy-holder
(c) 1. ....

Address ....

....

Whom failing 2.
....

Address ....

....

Whom failing 3.
....

....

....

* Delete as appropriate

I appoint the above person to be the principal's proxy-holder at

*[all meetings in the above insolvency proceedings relating to the above company]

*[the meeting of *creditors/members of the above company to be held on 17 December 2001 or at any adjournment of that meeting].

Voting instructions
The proxy-holder is authorised to vote or abstain from voting in the name, and on behalf, of the principal in respect of any matter*/s, including resolution*/s, arising for the determination at said meeting*/s and any adjournment*/s thereof and to propose any resolution*/s in the name of the principal, either
(i) in accordance with instructions given below, or
(ii) if no instructions are given, in accordance with his/her own discretion.

(d) Set forth any voting instructions for the proxy-holder or add any other resolution you wish to propose. If more room is required, please attach a separate sheet

(d) 1. For the acceptance/rejection of the administrator's proposals/revised proposals as circulated

....

2. To propose/support a resolution for the establishment of a creditors committee in accordance with section 26 of the Insolvency Act 1986.

3. To nominate: ....

Representing: ....
To serve as a member on such committee.

Signed: .... Date:..............................

Name in BLOCK LETTERS ....
Position of signatory in relation to the *creditor/or member or other authority for signing

....

Notes for the Principal and Proxy-holder

1. The chairman of the meeting who may be nominated as proxy-holder will be the insolvency practitioner who is presently the joint administrator of the company.
2. All proxies must be in this form or a form substantially to the same effect with such variations as circumstances may require (rules 7.15(3) and 7.30).
3. To be valid, the proxy must be lodged at or before the meeting at which it is to be used (rule 7.16(2)).
4. Where the chairman is nominated as proxy-holder, he cannot decline the nomination (rule 7.14(4)).
5. The proxy-holder may vote for or against a resolution for the appointment of a named person to be liquidator jointly with another person, unless the proxy states otherwise (rule 7.16(4)).
6. The proxy-holder may propose any resolution in favour of which he could vote by virtue of this proxy (rule 7.16(5)).
7. The proxy-holder may vote at his discretion on any resolutions not dealt with in the proxy, unless the proxy states otherwise (rule 7.16)).
8. The proxy-holder may not vote in favour of any resolution which places him, or any associate of his, in a position to receive remuneration out of the insolvent estate unless the proxy specifically directs him so to vote (rule 7.19(1)).
9. Unless the proxy contains a statement to the contrary, the proxy-holder has a mandate to act as representative of the principal on the creditors' or liquidation committee (rule 4.48).

Statement of Claim by Creditor

Pursuant to Rule 4.15(2)(a) of the Insolvency (Scotland) Rules 1986

WARNING

It is a criminal offence

- for a creditor to produce a statement of claim, account, voucher or other evidence which is false, unless he shows that he neither knew nor had reason to believe that it was false; or
- for a director or other officer of the company who knows or becomes aware that is false to fail to report it to the administrator within one month of acquiring such knowledge.

On conviction either the creditor or such director or other officer of the company may be liable to a fine and/or imprisonment.

Notes

(a) Insert name of company	(a) Atlantic Telecom Group PLC
(b) Insert name and address of creditor	(b)
(c) Insert name and address, if applicable, of authorised person acting on behalf of the creditor	(c)

(d) Insert total amount as at the due date (see note (e) below) claimed in respect of all the debts, the particulars of which are set out overleaf.

(e) The due date in the case of a company
(i) which is subject to a voluntary arrangement is the date of a creditors' meeting in the voluntary arrangement;
(ii) which is in administration is the date of the administration order;
(iii) which is in receivership is the date of appointment of the receiver; and
(iv) which is in liquidation is the commencement of the winding up.

The date of commencement of the winding up is
(i) in a voluntary winding up the date of the resolution by the company for winding up (sect. 86 or 98); and
(ii) in a winding up by the court, the date of the presentation of the petition for winding up unless it is preceded by a resolution for voluntary winding up (section 129)

I submit a claim of (d) £ in the liquidation of the above company and certify that the particulars of the debt or debts making up that claim, which are set out overleaf, are true, complete and accurate, to the best of my knowledge and belief.

Signed ______________________________
Creditor/person acting on behalf of creditor

Date ______________________________

PARTICULARS OF EACH DEBT

Notes

A separate set of particulars should be made out in respect of each debt.

1. Describe briefly the debt, giving details of its nature, the date when it was incurred and when payment became due

   Attach any documentary evidence of the debt, if available.

   1. **Particulars of Debt**

2. Insert total amount of the debt, showing separately the amount of principal and any interest which is due on the debt as at the due date (see note (e)). Interest may only be claimed if the creditors is entitled to it. Show separately the VAT on the debt and indicate whether the VAT is being claimed back from HM Customs and Excise.

   2. **Amount of Debt**

3. Insert the nature and amount of any preference under Schedule 6 to the Act claimed in respect of the debt.

   3. **Preference claimed for Debt**

4. Specify and give details of the nature of any security held in respect of the debt, including:-

   (a) the subjects covered and the date when it was given;

   (b) the value of the security

   Security is defined in section 248(b) of the Insolvency Act 1986 as meaning 'any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off)'. For claims in administration procedure security also includes a retention of title agreement, hire purchase agreement, agreement for the hire of goods for more than three months and a conditional sale agreement (see Rules 2.11 and 2.12).

   4. **Security for debt**

In liquidation only the creditor should state whether he is surrendering or undertakes to surrender his security; the liquidator may at any time after 12 weeks from the date of commencement of the winding up (note (e)) require a creditor to discharge a security or to convey or assign it to him on payment of the value specified by the creditor.

5. In calculating the total amount of his claim in a liquidation, a creditor shall deduct the value of any security as estimated by him unless he surrenders it (see note 4.). This may apply in administration (see Rule 2.11).

   5. **Total amount of debt**