Rule 2.46

Form 2.23B

The Insolvency Act 1986

Notice of result of meeting of creditors

2.23B

Name of Company	Company Number
Addiscombe Group Limited	02850080

In the	Court case number
Companies Court, Chancery Division, High Court of Justice (full name of court)	4745 of 2006

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

We (a) Michael John Andrew Jervis and Dan Yoram Schwarzmann both of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT

*Delete as applicable

hereby report that a meeting of the creditors of the above company was held at

(b) Insert place of meeting

(b) New Connaught Rooms, 61-65 Great Queen Street, London WC2B 5DA

(c) Insert date of meeting

on (c) Thursday 7th September 2006 at 2pm at which:

*Delete as applicable

*1. The Administrators' Proposals were approved.

*2. ~~Proposals / revised proposals were modified and approved.~~

The modifications made to the proposals are as follows:

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

(d) N/A

*3. ~~The proposals were rejected.~~

(e) Insert time and date of adjourned meeting

*4. The meeting was adjourned to (e) N/A

(f) Details of other resolutions passed

*5. Other resolutions: (f) The creditors resolved to form a creditors' committee and the creditors resolved to extend the period of administration by six months.

The revised date for automatic end to administration is 3 January 2008.

*Delete as applicable

A creditors' committee was formed.

Signed _______________
Joint Administrator

Dated 11/9/06

*Delete as applicable

A copy of the original proposals is attached for those who did not receive such documents prior to the meeting.

Contact Details:

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

Jenna Knight	
PricewaterhouseCoopers LLP, Plumtree Court, London, EC4A 4HT	
	Tel 0207 213 8496
DX Number	DX Exchange

Companies House receipt date barcode

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**

PRICEWATERHOUSECOOPERS

Addiscombe Group Limited – in Administration

High Court of Justice, Chancery Division, Companies Court
Case No. 4745 of 2006

Joint Administrators' proposals for achieving the purpose of the Administration

18 August 2006

Contents

1. Purpose of this document

I wrote to all creditors on 17 July 2006 to advise them that I had been appointed Joint Administrator of Addiscombe Group Limited ("the Company") together with my colleague, MJA Jervis, (jointly referred to as "the Joint Administrators") on 3 July 2006.

The Joint Administrators were appointed to manage the affairs, business and property of the Company. They will act until such time as the proposals for achieving the purpose of the Administration have been agreed by creditors and implemented, following which the Administration will be ended.

The purpose of an Administration is to achieve one of the following (statutory) objectives:

(a) Primarily, rescuing the Company as a going concern, or failing that

(b) Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration), or finally

(c) Realising property in order to make a distribution to one or more secured or preferential creditors.

Objective (b) is being pursued as the Joint Administrators concluded that it was not reasonably practical to rescue the Company as a going concern.

This document and its appendices form the Joint Administrators' Statement of Proposals for achieving the purpose of the Administration as required by Paragraph 49 Schedule B1 of the Insolvency Act 1986 ("Sch.B1 IA86") and is also a progress report pursuant to Rule 2.112 of the Insolvency Rules 1986 for the purposes of the extension which the Joint Administrators are seeking.

An initial creditors' meeting will be held at 2pm on Thursday 7th September 2006, at the New Connaught Rooms, 61-65 Great Queen Street, London WC2B 5DA to consider these proposals and determine whether a Creditors' Committee should be formed. Formal notice of the meeting, Form 2.20B, is enclosed.

Please note that creditors will be bound by the resolutions passed at the meeting, including the Joint Administrators' proposals, if they are approved at the creditors' meeting by the requisite majority of creditors. It is therefore important 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.

1. Purpose of this document

As a creditor you can attend the creditors' meeting either in person or by submitting a proxy. Please let me have details of your claim on the enclosed form as soon as possible. Please note that you are not obliged to attend the meeting and you will not compromise your claim and entitlement to a dividend, should there be one, if you do not attend.

If you have any concerns or questions regarding the background to this case or what is being proposed, **please telephone our helpline on 020 7213 2002.**

Yours faithfully
For and on behalf of Addiscombe Group Limited

D Y Schwarzmann
Joint Administrator

DY Schwarzmann and MJA Jervis were appointed as Joint Administrators of Addiscombe Group Limited on 3 July 2006 to manage its affairs, business and property as its agents and without personal liability. DY Schwarzmann and MJA Jervis are both licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

2. The Joint Administrators' Statement of Proposals

Brief history of the Company and summary of the Joint Administrators' actions to date

Background

The Millfield Group Plc ("Millfield") was a national financial advisory group offering financial advice to businesses and individuals primarily in the pensions, life assurance, investment and mortgage sectors.

The Millfield group had 33 subsidiaries (the "Group"), however, only Millfield Partnership Limited ("MPL"), Sage Financial Services Limited ("Sage"), Addiscombe Group Limited (formerly Inter-Alliance Group Plc) ("Addiscombe") and Inter-Alliance Group Practices Limited ("Group Practices") were regulated by the Financial Services Authority ("FSA") to provide financial advice. Each company was treated separately by the FSA for regulatory purposes; however, Addiscombe and Group Practices have not traded since 31 March 2005.

Millfield was formed in 1999 and listed on the Alternative Investment Market ("AIM") in March 2001. The Group raised £16.5m on listing and a further £30.4m through four separate rights issues during the three years to April 2004.

In August 2004 Millfield raised £15m through loan agreements with five leading insurance product providers; the proceeds were used to assist the Group's working capital.

The Group's last three years consolidated financial profit and loss account to 30 March 2006 is summarised below:

£'000	31 March '04 Audited	31 March '05 Audited	31 March '06 Unaudited
Turnover	41,899	84,956	119,436
Gross Margin	14,842	25,965	28,430
Overheads	24,169	34,830	34,660
Operating Profit	(9,327)	(8,865)	(6,230)
Loss After Tax	(14,070)	(19,766)	(5,259)

2. The Joint Administrators' Statement of Proposals

Until 6 February 2006 Addiscombe traded as Inter-Alliance Group Plc (Inter-Alliance"). However, it merged with Millfield in August 2004 and transferred the substantial element of its business to MPL. The financial information for Addiscombe to 31 March 2005 is summarised below:

£'000	31 Dec '03 Audited	31 Mar '05 Audited
Turnover	37,955	27,755
Gross Margin	11,220	10,212
Overheads	(38,823)	(26,708)
Operating Profit	(27,603)	(16,496)
Loss After tax	(33,999)	(13,920)

The circumstances giving rise to the Joint Administrators' appointment

The merger of Millfield with Inter-Alliance was intended to create a financial services distributor with a critical mass of Independent Financial Advisors ("IFAs"). However, the merged business failed to integrate the two operating infrastructures quickly enough to benefit from the synergies and anticipated economies of scale.

On 31 October 2005, MPL breached their regulatory capital requirement recording a deficit of £4.5m; this was forecast to peak at £5.1m in July 2006. The directors regularly kept the FSA informed of the movement in the deficit and their plans to remedy it.

In 2006 the directors entered into discussions with their stakeholders and industry competitors in an attempt to seek the investment necessary to eliminate MPL's capital adequacy deficit and support their working capital need. However, terms could not be agreed and the directors were forced to suspend trading in Millfield's shares on 22 June 2006.

Having failed to raise the investment required for Group to continue as a going concern the directors, on 23 June 2006 filed notice with the court of their intention to appoint the joint administrators.

2. The Joint Administrators' Statement of Proposals

Proposed refinancing

In order to secure the Group's future, during 2006 the directors attempted to eliminate MPL's capital adequacy shortfall and support the Group's working capital requirement through the following strategies:

1. Share sale

During early 2006 the directors sought to find a purchaser who would buy the listed shares of Millfield and inject additional capital in the business. Accordingly between February 2006 and May 2006 interested parties were given access to the Group's books and records to carry out due diligence. Extensive commercial and financial due diligence took place over the course of an eight week period, however no formal offers were received for the Group or individual assets.

2. Consensual restructuring

On failing to secure a share sale of the Group the directors focused on a consensual restructuring with their major stakeholders. They attempted to raise equity through their current shareholders and requested the insurance product providers to alter the terms and conditions of their loans in order to ease the Group's cash constraints.

On 22 June 2006 a number of the shareholders withdrew their support of the proposed deal. We understand the quantum of the shortfall would have made it difficult for the Group to continue as a going concern in the medium term.

On the 23 June 2006 the directors contacted a number of parties who had previously expressed an interest in purchasing the Group in an attempt to gauge their appetite for a distressed purchase of some or all of the Group. One party, The Money Portal Plc ("TMP"), provided the directors with a prompt undertaking to complete a transaction within a very short period of time.

During the course of the following week TMP completed their due diligence and on 3 July 2006 the directors of MPL, Addiscombe, Millfield Management Services Limited, Millfield Atlas Limited and HST Financial Services Limited filed for administration. Shortly after their appointment the Joint Administrators exercised an existing put option to sell the business and assets of these subsidiaries to Bates Investment Services Limited ("Bates"), a subsidiary of TMP. HST, as the sole owner of Sage sold its shareholding to Bates.

The Administration of Millfield became effective on 7 July 2006, five days after the directors had provided the floating chargeholder with their statutory notice period of their intention to appoint the administrators.

2. The Joint Administrators' Statement of Proposals

On the 10 July 2006 the directors of Sureline Limited ("Sureline") filed for administration. The assets of both Millfield and Sureline were also sold to Bates.

The manner in which the Company's affairs and business have been managed and financed

The assets of the entities that filed for Administration were sold to Bates shortly after the Administrators' appointment. The Administrators continue to work with Bates to provide transitional services to enable them to move the business and assets they have acquired to a new operating platform.

We have also been giving consideration to the process of identifying customers who have submitted a claim against the regulated entities and identifying customers who have indicated that they might have a claim.

Dividend prospects

It is envisaged funds will be available for a distribution to the unsecured creditors. The timing and level of dividend is entirely dependant upon the eventual level of recoveries and the level of claims made in the estate. At present we are not in a position to estimate the value of the likely dividend with any degree of certainty.

2. The Joint Administrators' Statement of Proposals

Ending the Administration

The method by which the Administration is brought to an end will depend on the level of realisations from the Company's assets and whether a dividend is payable to ordinary unsecured creditors.

The appointment of the Administrators will automatically cease to have effect at the end of one year beginning with the date that their appointment took effect. However, if the Administrators consider it necessary for achieving the purpose of the Administration, this statutory one year period may be extended either by application to the Court or with the consent of the creditors.

The Joint Administrators have already formed the opinion that because of the nature of the potential liabilities that may arise against the Company and the complexity of ascertaining the validity and the valuation of any such claims it is likely that it will not be possible to implement an appropriate distribution mechanism within the initial 12 month time limit of Administration. Accordingly, the Joint Administrators are requesting that the creditors grant a six months' extension of the Administration. A resolution to this effect is included on the enclosed proxy form.

The Joint Administrators envisage that once the objective of the Administration has been achieved, the most likely method for distributing funds will be to place the Company into Creditors' Voluntary Liquidation ("CVL"). However, whilst CVL is the most likely route, depending on the circumstances at the time it may be more appropriate to pursue alternative routes. These include:

(a) the Joint Administrators could apply to the Court to allow the Joint Administrators to distribute surplus funds, if any, to unsecured non-preferential creditors; or

(b) if it transpires there are no prospects of a dividend, the Joint Administrators will file notice under Paragraph 84(1) Sch.B1 IA86 with the Registrar of Companies, following which the Company will be dissolved three months later.

2. The Joint Administrators' Statement of Proposals

Proposals for achieving the purpose of the Administration

The Joint Administrators make the following proposals for achieving the purpose of the Administration:

i) The Joint Administrators will continue to manage the Company's affairs and property in such manner as they consider expedient with a view to achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being placed in Administration).

ii) The Joint Administrators may investigate and, if appropriate, pursue any claims that the Company may have under the Companies Act 1985 or Insolvency Act 1986. In addition, the Joint Administrators shall do all such other things and generally exercise all their powers as Joint Administrators as they in their discretion consider desirable in order to achieve the purpose of the Administration or to protect and preserve the assets of the Company or to maximise their realisations or for any other purpose incidental to these proposals.

iii) If the Joint Administrators determine that funds should become available for unsecured creditors, the Joint Administrators may at their discretion establish in principle the claims of unsecured creditors although these will fall to be agreed in a subsequent liquidation or Company Voluntary Arrangement and that the costs of so doing be met as a cost of the Administration as part of the Joint Administrators' remuneration.

iv) A Creditors' Committee will be established if sufficient creditors are willing to act on it. The Joint Administrators propose to seek the election of a Creditors' Committee and to consult with it from time to time. Where the Joint Administrators consider it appropriate, they will seek sanction from the Committee to a proposed action rather than convening a meeting of all creditors.

v) The Joint Administrators have already formed the view that it would be advantageous to extend the initial period of the Administration and are seeking creditors approval to a six month extension at the meeting of creditors. The Joint Administrators will consult with the Creditors' Committee concerning the necessary steps to further extend the Administration should it be considered advantageous. If a Creditors' Committee is not appointed, the Joint Administrators shall apply to the Court without further recourse to creditors.

vi) The Joint Administrators may use any or a combination of the "exit route" strategies in Paragraphs 76 to 80 and 83 to 84 of Sch.B1 IA86 in order to bring the Administration to an end, but in this particular instance the Joint Administrators are likely to wish to pursue one of the following options as being the most cost effective and practical in the present circumstances:

(a) The Joint Administrators may place the Company in Creditors' Voluntary Liquidation. In these circumstances, it is proposed that Michael John Andrew Jervis and Dan Yoram Schwarzmann be appointed as Joint Liquidators and any act required or authorised to be done by the Joint Liquidators may be done by either or both of them. In accordance with Paragraph 83(7) Sch.B1 IA86 and Rule 2.117(3) *Insolvency Rules 1986* ("IR86"), creditors may nominate alternative Liquidators, provided that the nominations are made after the receipt of these proposals and before they are approved.

OR

(b) Once the asset disposals are complete, the Joint Administrators may apply to the Court to allow the Joint Administrators to distribute surplus funds, if any, to non-preferential unsecured creditors. In such circumstances the Administration shall be brought to an end either:

(i) automatically at the end of one year after the Joint Administrators' appointment pursuant to Paragraph 76(1) Sch.B1 IA86, or

(ii) by notice to the Registrar of Companies on completion of the Administration under Paragraphs 80 or 84 Sch.B1 IA86.

OR

(c) A Scheme of Arrangement under section 425 of the Companies Act 1985. In such circumstances, the Administration will be brought to an end either:

(i) automatically one year after the Joint Administrators' appointment pursuant to Paragraph 76(1) Sch.B1 IA86, or

(ii) when the Scheme of Arrangement is brought to an end if it is more cost effective to run both procedures in tandem than for the Administration to be discharged.

(iii) by notice to the Registrar of Companies on completion of the Administration under Paragraphs 80 or 84 Sch.B1 IA86.

OR

(d) If it transpires that there are insufficient funds available to make a distribution in respect of non-preferential unsecured claims, then once all of the assets have been realised and the Joint Administrators have concluded all work within the Administration, the Joint Administrators will register notice under Paragraph 84(1) Sch.B1 IA86 with the Registrar of Companies, following which the Company will be dissolved three months thereafter.

vii) The Joint Administrators shall be discharged from liability pursuant to Paragraph 98(1) Sch.B1 IA86 in respect of any action of theirs as Joint Administrators either at a time agreed by the Creditors' Committee or, if there is no Creditors' Committee, then automatically 14 days after the Joint Administrators cease to act as Joint Administrators of the Company. In any event the Joint Administrators shall be at liberty to apply to the Court for their discharge from liability.

viii) It is proposed under Rule 2.106(2) IR86 that the Joint Administrators' fees will be fixed by reference to the time properly given by them and the various grades of their staff according to their firm's usual charge out rates for work of this nature and that Category Two disbursements (as defined by Statement of Insolvency Practice No.9) be charged in accordance with their firm's policy. It will be for the Creditors' Committee to fix the basis and level of the Joint Administrators' fees and Category Two disbursements, but if no such Committee is appointed then it will be for the general body of creditors to determine these instead.

Creditors will be asked to vote upon the following matters at the initial meeting of creditors:

First – **that the "Joint Administrators' proposals for achieving the purpose of the Administration dated 18 August 2006 be approved."**

Second – **the formation of a Creditors' Committee.**

Third – **that the creditors agree to extend the period of Administration by six months.**

2. The Joint Administrators' Statement of Proposals

Statement of Affairs

A Statement of Affairs for the Company was delivered to the Joint Administrators on 19 July 2006 and a copy can be found at Appendix A. The Statement was signed by the director Diane Gray-Smith.

The Joint Administrators make the following comments on the Statement of Affairs:

a) In accordance with the standard format of the Statement of Affairs, no provision has been made for the costs of the Administration.

b) The Joint Administrators have not carried out anything in the nature of an audit on the information.

c) The Joint Administrators believe that there may be some contingent claims which may arise against the Company for which no reserves have been made.

d) The Directors have not estimated any recoveries from the inter-company debt due from Millfield Management Services Limited (In Administration). However, we would expect some recoveries from that estate although the timing and quantum of any dividend remains uncertain.

2. The Joint Administrators' Statement of Proposals

Statutory and other information

Court details for the Administration:	High Court of Justice, Chancery Division, Companies Court Case No. 4745 of 2006
Full name:	Addiscombe Group Limited
Trading name:	As above
Registered number:	02850080
Registered address:	Plumtree Court, London EC4A 4HT (formerly Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR)
Activity:	Provision of independent financial and investment advice
Company directors:	Michael Kenneth Duncan
Company secretary:	Iain Gordan Kerr Leighton, John Gerald Crehan
Shareholdings held by the directors and secretary:	None
Date of the Administration appointment:	3 July 2006
Administrators' names and addresses:	Michael John Andrew Jervis and Dan Yoram Schwarzmann of PricewaterhouseCoopers LLP, Plumtree Court, London EC4A 4HT
Appointor's name and address:	The Directors of the Company, c/o Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR
Division of the Administrators' responsibilities:	In relation to Paragraph 100(2) Sch.B1 IA86, during the period for which the Administration is in force, the Joint Administrators will act jointly and severally so that all functions may be exercised by any or all of the Joint Administrators.
Estimated dividend for unsecured creditors:	Uncertain
Estimated values of the prescribed part and the company's net property:	Not applicable
Whether and why the Administrators intend to apply to court under Section 176(A) IA86:	No application intended
The European Regulation on Insolvency Proceedings (Council Proceedings)(EC) No. 1346/2000 of 29 May 2000:	The European Regulation on Insolvency Proceedings applies to this Administration and this proceeding is the main proceeding
Any other information which the Administrators think necessary to enable creditors to decide whether or not to vote for adoption of the proposals:	None

3. Receipts and Payments Account

Abstract of the Joint Administrators' receipts and payments for the period 3 July 2006 to 16 August 2006

There were no receipts and payments in the period.

Rule 2.29 Form 2.14B

Statement of affairs

Name of Company	Company Number
Addiscombe Group Limited	02850080

In the	Court case number
Companies Court, Chancery Division, High Court of Justice (full name of court)	4745 of 2006

(a) Insert name and address of registered office of the company

Statement as to the affairs of (a) Addiscombe Group Limited, 1st Floor Knollys House, 17 Addiscombe Road, Croydon, Surrey CR0 6SR

(b) Insert date

on the (b) 3 July 2006, the date that the company entered administration.

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at (b) ______________ the date that the company entered administration.

Full name DIANE GRANT-SMITH

Signed [illegible]

Dated 19/07/06

Witnessed: [illegible]
N.J. QUINNEY
SOLICITOR

W. H. MATTHEWS & Co.
11 & 13 GROVE ROAD
SUTTON
SURREY SM1 1DS

Appendix A Statement of Affairs

A – Summary of Assets

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge:	NIL	NIL
Assets subject to floating charge:	NIL	NIL
Uncharged assets:		
Inter-company debtor (Millfield Management Services Ltd)	5,280,043	NIL
Estimated total assets available for preferential creditors	5,280,043	NIL

Signature *[signature]* Date 19/07/06

A1 – Summary of Liabilities

		Estimated to realise £
Estimated total assets available for preferential creditors (carried from page A)		£ NIL
Liabilities Preferential creditors:-	£ NIL	
Estimated deficiency/surplus as regards preferential creditors		£
Estimated prescribed part of net property where applicable (to carry forward)	£ NIL	
Estimated total assets available for floating charge holders		£
Debts secured by floating charges	£ NIL	
Estimated deficiency/surplus of assets after floating charges		£
Estimated prescribed part of net property where applicable (brought down)	£ NIL	
Total assets available to unsecured creditors		£
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£ 537,992	
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)		£ (537,992)
Shortfall to floating charge holders (brought down)	£ NIL	
Estimated deficiency/surplus as regards creditors		£ (537,992)
Issued and called up capital	£ £9,222,201	
Estimated total deficiency/surplus as regards members		£ (9,223,201)

Signature *[signature]* Date 19/7/06

COMPANY CREDITORS

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements *and* customers claiming amounts paid in advance of the supply of goods or services *and* creditors claiming retention of title over property in the company's possession.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £
HMRC	1st Floor, Thomas Paine House, Angel Square, Torrens Street, London, EC1V 1TA	479,728	None	N/A	N/A
HMRC (interest)	1st Floor, Thomas Paine House, Angel Square, Torrens Street, London, EC1V 1TA	58,264	None	N/A	N/A

Signature [signature] Date 13/7/09

Appendix B Common questions and answers and a creditors' guide to Administrators' fees

A The initial meeting of creditors and the Creditors' Committee

Who will be at the meeting?

One of the Joint Administrators or their nominee will chair the meeting and answer creditors' questions. There is no obligation on the directors of the Company to attend unless they are required to do so by the Joint Administrators under Rule 2.34(2) of the Insolvency Rules 1986 (all further references to Rules below are to those contained in the Insolvency Rules 1986).

What will happen at the meeting?

It will be assumed that creditors have received and read the Joint Administrators' proposals. The meeting will give creditors an opportunity to put questions to the Joint 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 Joint 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. The law recognises that creditors are not always able to attend the meeting in person and allows you to ask a representative to attend as proxy and vote on your behalf. You will not prejudice your claim and entitlement to dividend if you do not attend.

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

In order to vote, a creditor must have submitted written details of his claim and the chairman must have admitted that claim following the guidelines below. These details need to be submitted to the Joint Administrators before 12.00 hours on the business day before the meeting (Rule 2.38(1)). You might also need to lodge a proxy if you do not intend to attend in person.

The chairman can admit a claim for voting purposes even though it was submitted late if he is satisfied this was due to reasons beyond the creditor's control (Rule 2.38(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 Joint Administrators and you might wish to consider specifying clearly how he should vote.

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 and the nature of the person's authority to sign should be stated (Rule 8.2). If the creditor is a company a director of it should normally sign. The proxy form must then be submitted at or before the meeting.

Please remember that if a creditor is 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 8.7).

Who decides whether my claim ranks for voting purposes?

The chairman has the power to accept or reject any part of your claim (Rule 2.39(1)). If he is in doubt whether your claim should be admitted, he should mark it as objected to and allow you to vote. If, however, the objection is sustained, then your vote will be declared invalid (Rule 2.39(3)). If your vote was critical to the outcome of the meeting, this could change the resolutions that were passed and/or result in a further meeting (Rule 2.39(4)).

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

You are entitled to appeal to the Court against the chairman's decision within 14 days of the Joint Administrators reporting the result of the meeting to the Court for an Order reversing the chairman's decision on your claim (Rule 2.39(5)). If the Court does reverse the chairman's decision it can order another meeting or make such other order as it thinks just (Rule 2.39(4)).

Creditors also have the right to appeal to the Court if they believe that the Administration unfairly harms their interests (Paragraph 74(1) of Sch.B1 IA86).

We recommend that you seek legal advice about the merits of taking such steps.

How do I calculate my claim for voting purposes?

Votes are calculated according to the amount of the creditor's claim as at the date on which the Company entered Administration, less any payments that have been made to him after that date in respect of his claim and any adjustments by way of set-off in accordance with Rule 2.85 as if that Rule were applied on the date that the votes were counted (Rule 2.38(4)).

What majorities are needed to approve resolutions?

A resolution to approve the proposals or any modification to them is passed at the creditors' meeting in Administration proceedings if supported by a majority in excess of 50% in value of the creditors voting on the resolution (Rule 2.43(1)). In addition, any resolution passed is invalid if more than 50% of creditors (by number) to whom notice of the meeting was sent and who are not connected to the Company vote against it (Rule 2.43(2)).

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, unless the chairman agrees to put on the debt an estimated minimum value for voting purposes (Rule 2.38(5)).

What happens if my debt is secured?

A secured creditor is entitled to vote only in respect of the balance (if any) of his debt after deducting the value of his security as estimated by him (Rule 2.40(1)).

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

The Joint 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 Joint Administrators in discharging their functions, and act in relation to them in such manner as may be agreed from time to time (Rule 2.52(1)). In particular, it has a duty to agree the basis of the Joint Administrators' remuneration (Rule 2.106(3)).

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 (Paragraph 57(1) of Sch.B1 IA86).

The Committee must consist of at least three and not more than five creditors of the company elected at the meeting (Rule 2.50(1)).

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 2.50(2). A body corporate may be a member of the Committee, but it can only act as such through a properly appointed representative (Rule 2.50(3)).

No person may act as a member of the Committee unless and until he has agreed to do so (Rule 2.51(2)). 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 2.51(2)).

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 2.55(2)).

No member may be represented by a body corporate, or by a person who is an undischarged bankrupt, a disqualified director or a person who is subject to a bankruptcy restrictions order, bankruptcy restrictions *undertaking or interim bankruptcy restrictions order* (Rule 2.55(4)).

No person shall act at one and the same time on the same Committee as representative of more than one Committee member (Rule 2.55(5)).

The Creditors' Committee does not come into being, and accordingly cannot act, until the Joint Administrator has issued a certificate of *its due constitution* (Rule 2.51(1)).

B A creditors' guide to Administrators' fees (in accordance with Statement of Insolvency Practice 9)

Introduction

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 realisation of these 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 protection of the Court such that creditors cannot take further action against the company; the company is also placed under the control of an insolvency practitioner and with the following objective:

(a) rescuing the company as a going concern, or

(b) 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.

The creditors' committee

The creditors have the right to appoint a Committee with a minimum of three and a maximum of five members. One of the functions of the Committee is to determine the basis of the Administrator's remuneration. The Committee is normally established at a meeting of creditors which the Administrator is required to hold within a maximum of 10 weeks from the beginning of the Administration in order to consider his proposals. The Administrator must call the first meeting of the Committee within six 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 such information as it may require.

Fixing the Administrator's fees

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

a) as a percentage of the value of the property which the Administrator has to deal with, or
b) 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:

a) the complexity (or otherwise) of the case;
b) any responsibility of an exceptional kind or degree which falls on the Administrator;
c) the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
d) the value and nature of the property which the Administrator has to deal with.

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.

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 a special fund which may have to be set aside out of floating charge assets. In this case a resolution of the creditors shall be taken as passed if, and only if, passed with the approval of :

a) each secured creditor of the company;

or if the administrator has made or intends to make a distribution to preferential creditors-

a) each secured creditor of the company; and
b) 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 their approval or withholds that approval.

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.

A resolution of creditors may be obtained by correspondence.

What information should be provided by the Administrator?

When seeking fee approval

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:

a) the nature of the approval being sought;
b) the stage during the administration of the case at which it is being sought; and
c) the size and complexity of the case.

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.

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 of that time 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 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:

a) Administration and planning
b) Investigations
c) Realisation of assets
d) Trading
e) Creditors
f) Any other case-specific matters

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

a) Partner
b) Manager
c) Other senior professionals
d) 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:

a) Any significant aspects of the case, particularly those that affect the amount of time spent.
b) The reasons for subsequent changes in strategy.
c) Any comments on any figures in the summary of time being spent accompanying the request the Administrator wishes to make.
d) 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.
e) Any existing agreement about fees.
f) 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.

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.

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 above. Where the fee is charged on a percentage basis the Administrator should provide the details above regarding work which has been sub-contracted out.

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.

What if a creditor is dissatisfied?

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.

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 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.

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.

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.

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

Appendix C Simplified Group structure