

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company

VG Realisations Limited
(Formerly Vegastream Group Limited)

Company number

04790808

In the

High Court of Justice, Chancery Division
(full name of court)

Court case number

7416 of 2011

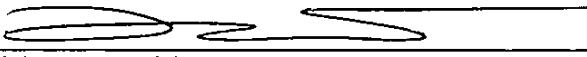
(a) Insert full
name(s) and
address(es) of
administrator(s)I/We (a)
James Sleight
Geoffrey Martin & Co
7-8 Conduit Street
London
W1S 2XFStephen Goderski
Geoffrey Martin & Co
7-8 Conduit Street
London
W1S 2XF*Delete as
applicable

attach a copy of *my/our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) 10 October 2011

Signed


Joint / Administrator(s)

Dated

25/10/2011

Contact DetailsYou 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
formThe contact information that you give
will be visible to researchers of the
public recordJames Sleight
Geoffrey Martin & Co
7-8 Conduit Street
London
W1S 2XF

DX Number

020 7495 1100
DX ExchangeWhen 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

A27

AUWK9YPG
26/10/2011
COMPANIES HOUSE

285

WEDNESDAY
C

**VG Realisations Limited
In Administration
(Formerly Vegastream Group Limited)**

**Joint Administrators' Statement and Proposals pursuant to
Paragraph 49 of Schedule B1 of the Insolvency Act 1986 and
Rule 2.33 of the Insolvency Rules 1986**

**Strictly private and confidential
Not for publication**

VG Realisations Limited - In Administration ("the Company")
(Formerly Vegastream Group Limited)

1 Introduction

- 1.1 I refer to the appointment of my partner, Stephen Goderski, and I as Joint Administrators of the Company on 22 August 2011. The appointment was made by a Qualifying Floating Chargeholder, Noble Venture Finance I Limited, in the High Court of Justice, Chancery Division, pursuant to Paragraph 14 of Schedule B1 of the Insolvency Act 1986 ("the Act").
- 1.2 I now submit my statement and proposals for achieving the purpose of the Administration pursuant to Paragraph 49 of Schedule B1 of the Act and Rule 2.33 (1) of The Insolvency Rules 1986 ("the Rules").
- 1.3 The EC Regulations on Insolvency Proceedings 2000 ("the EC Regulations") do apply and the Company's centre of main interest is in the United Kingdom. The Administration represents "main proceedings" in accordance with the EC Regulations.
- 1.4 In summary, it is proposed that the Joint Administrators do all such other things and generally exercise all their powers as Joint Administrators as they, in their discretion, consider desirable or expedient in order to achieve a purpose of the Administration or protect and preserve the assets of the Company or maximise realisations of those assets, or for any other purpose incidental to these proposals. Without limitation to the general powers of the Joint Administrators, they shall have the power and discretion to compromise claims if, in their opinion, it is beneficial to the achievement of the proposals outlined above to do so.

2. Circumstances giving rise to the appointment of Joint Administrators

- 2.1 The Company was incorporated in June 2003 to act as a holding company and sole shareholder to the trading entity Vegastream Limited ("VL"). The Company received funds from institutional and private investors and these funds were subsequently invested in VL.
- 2.2 The principal activity of the Company in conjunction with VL was the design and distribution of VoIP (Voice over Internet Protocol) gateways which convert a telephone conversation into the correct format as data packets to enable it to travel across a data network as Internet Telephony.
- 2.3 In August 2006 the trading subsidiary of the Company, VL, was placed into Administration and the assets, business and intellectual property were acquired by the Company via a pre-packaged sale. Following the purchase of the business and assets, the Company became the trading entity within the "Vegastream Group" and a new company, Vegastream Holdings Limited ("VHL"), was created to hold the shares of the Company and to act as the conduit for additional funding. By November 2006 the business had raised funds totalling £1.4 million, which included funds secured by a debenture from Noble Venture Finance I Limited ("Noble"), whereby Noble advanced monies to VHL, which was in turn secured by an intercompany cross guarantee provided by the Company.
- 2.4 The business grew slowly and became heavily dependent upon funding from investors. The anticipated revenue streams from several major customers, principally the Indian Air Force, could not be achieved due to the Company having insufficient working capital to enter into volume production for the orders received from customers. This caused significant delays in the manufacture of its products and as a result the Company traded at a loss.
- 2.5 In order to maintain a reasonable supply of the Company's products further funding was required. However, investors were concerned about high levels of historic debt and were unwilling to invest without a formal restructuring of the Vegastream business. In March 2009 Vegastream Distribution Limited ("VDL") was created to act as a new trading entity of the group. This enabled the business to source further funding to assist in securing volume production for existing contracts. VDL's shares were owned by the Company (1%) and by a third party shareholder/investor, Giovanni Amati (99%).

- 2 6 In addition to the restructuring programme the director of the Company approached Geoffrey Martin & Co in April 2009 to discuss the options available to the Company in light of its financial position. In November 2009, as a result of ongoing discussions with Geoffrey Martin & Co, the Company entered into a Company Voluntary Arrangement ("CVA") supported by further funds from external investors. This was the only route available to enable the survival of the Company at the time, whilst offering a better return to creditors than a Liquidation or Administration. The CVA was successfully completed on 20 October 2010.
- 2 7 In February 2011 the Company was approached by a Canadian company, Sangoma Technologies Inc ("Sangoma"), who are one of the leading providers of hardware and software products that enable and enhance IP Communications Systems for both telecom and datacom applications. Sangoma were looking to broaden their portfolio of products and expand their customer base into developing regions. They initially approached the Company with the view to working with them on new marketing, sales and product development initiatives. By April 2011, Sangoma had indicated an interest in purchasing the business as the Company offered an area of expertise in external gateway products that would complement their own products.
- 2 8 During 2011 the business continued to trade at a loss, with VHL defaulting on the loan to Noble and the Company incurring significant accrued liabilities to unsecured creditors, principally HM Revenue & Customs in respect of PAYE/NIC. The Vegastream Group received increasing pressure from Noble to settle its outstanding debt and with this in mind the director of the Company contacted Geoffrey Martin & Co on 4 May 2011 to seek advice on the options available.
- 2 9 From the initial meeting with the sole director, and my subsequent investigations, as detailed in my previous disclosure to creditors in accordance with Statement of Insolvency Practice ("SIP") 16 dated 30 August 2011, it was evident that the Company was insolvent. Geoffrey Martin & Co advised the director, that considering the above and the added fact that the Company was unable to acquire sufficient funding to continue trading, it was necessary to consider a formal insolvency procedure.
- 2 10 Following the director's consideration of the limited options available to the Company and the advice provided by Geoffrey Martin & Co, it was decided that an Administration would yield the best outcome for the Company's creditors as a whole. It was considered that a pre-packaged sale was the most appropriate route for the Company and its creditors bearing in mind the interest shown by Sangoma.
- 2 11 It was initially anticipated that the director would appoint Stephen Goderski and myself pursuant to Paragraph 22 of Schedule B1 of the Act. However, having reviewed the Memorandum and Articles of the Company, there were a number of deficiencies that may have had implications on the validity of the appointment via this route. As such, after discussions with Noble, it was resolved that the most appropriate appointment would be in accordance with Paragraph 14 of Schedule B1 of the Act.
- 2 12 It should be noted that, as previously disclosed, Stephen Goderski and James Sleight had assisted the director and the Company in a previous insolvency process, a Company Voluntary Arrangement in 2009. There was therefore a prior professional relationship with the director and the Company. As also previously noted, the CVA was fully implemented.
- 2 13 For more specific details relating to the Company's actions prior to 22 August 2011, please refer to my letter to creditors providing disclosure in accordance with SIP 16 dated 30 August 2011. A copy of this letter may be viewed and downloaded from my firm's website at www.geoffreymartin.co.uk. In order to access this information select the heading "Creditors" and then "Reports". Creditors will then be required to enter the following password 525413.

3. Statutory and historical information

- 3 1 Statutory information in respect of the Company is summarised at Appendix A.

- 3 2 A summary of the Company's financial statements for the years ended 31 December 2008 and 31 December 2009 are attached at Appendix B Management accounts to 31 December 2010 as also summarised, although some doubt exists in respect of the accuracy of the figures presented in the management accounts

4 The purpose of the Administration

- 4 1 The objectives of Administration, as defined pursuant to Paragraph 3 of Schedule B1 of the Act, are summarised as follows

- Rescuing the Company as a going concern
- 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)
- Realising property in order to make a distribution to one or more secured or preferential creditors

- 4 2 Following a review of the Company's financial position, it was clear that the first objective was not achievable Neither the option of a Company Voluntary Arrangement or a Arrangement under Section 895 of the Companies Act 2006, were considered as a feasible options for reasons outlined below

- Lack of ongoing funding
- Uncertainty over the short term profitability of the Company
- The Company's inability to settle historic liabilities from trading profits within a reasonable time frame
- Inability to service secured debt

- 4 3 It is therefore proposed that I will continue my efforts to achieve the secondary purpose of Administration, namely a better result for creditors than would be likely if the Company were to be wound up without first being in Administration My actions to achieve this objective include

- To manage the business, affairs and property of the Company
- To continue to take any action considered expedient and in particular that
 - i) I continue to wind down the Company's remaining affairs following the going concern sale,
 - ii) I continue to collect the Company's outstanding debts,
 - iii) research any return on VDL shares,
 - iv) that I do all such things I may consider expedient with a view to enhancing or preserving the value of the Company assets prior to realisation

5. Actions since appointment

- 5 1 The business and certain assets of the Company were sold with effect from the date of my appointment under a sale agreement with Sangoma, an unconnected party The sale included the Company's intellectual property/goodwill, office furniture and equipment, for a total consideration of £697,056 As part of the sale agreement funds equating to £75,000 were deducted from the proceeds of the sale and paid into an escrow account As such a consideration totalling £622,056 was received on 22 August 2011 shortly after my appointment
- 5 2 The above transaction was the result of prior planning in conjunction with solicitors and valuers to ensure that the best possible price was obtained for the benefit of creditors
- 5 3 For further information concerning the details and justification of the sale of the Company's business and certain assets, including my disclosures in accordance with SIP 16, please refer to my letter of 30 August 2011

6 Secured creditor

6.1 Further details of Noble's security and claims are set out in the notes to Appendix D. In summary

6.2 The Company was financed through VHL and by Noble's lending to VHL for which a cross guarantee existed. Noble has registered a fixed and floating charge over the Company's assets. The debenture was registered on 12 December 2006 and my solicitors have confirmed its validity.

6.3 At the date of my appointment, Noble advised that they were owed £945,899. This figure does not take into account ongoing interest and charges.

6.4 Noble have recently been paid £413,000 in respect of their fixed charge. Subject to further confirmation in respect of elements of amounts owed to Noble and the approval of the costs of the Administration, further payments out of fixed charge realisations will be made.

7 Estimated financial position

7.1 The director has recently submitted to me a Statement of Affairs of the Company as at 22 August 2011. A copy of this document is attached at Appendix C.

7.2 I have prepared an Estimated Outcome Statement ("EOS") as at 7 October 2011 together with supporting notes, which is attached at Appendix D. This Estimated Outcome Statement is based on discussions with the director, my experience of the Administration to date and professional valuations.

7.3 The EOS indicates that

- The Company's only asset of significant value was the Intellectual Property.
- The consideration received for the business and certain assets of the Company is insufficient to pay the fixed charge creditor, Noble, in full and will therefore result in a shortfall to this creditor.
- There are no preferential creditors. (This is due to the successful transfer of undertakings to Sangoma).
- It is unlikely there will be sufficient funds available to make a distribution to unsecured creditors, after taking into consideration the realisations and professional costs of the Administration.

8 Share of assets for unsecured creditors (the 'Prescribed Part')

8.1 I am obliged to consider setting aside a proportion of the Company's net property which would otherwise be available to the holder of floating charge security for the benefit of unsecured creditors (the 'Prescribed Part').

8.2 There is a qualifying floating charge over certain assets of the Company and accordingly the Prescribed Part provisions pursuant to Section 176(2) of the Act apply in respect of any distribution from floating charge assets. The actual amount available to unsecured creditors will be dependent on the actual level of recoveries and the professional and other realisation costs of the Administration. The amount detailed in the EOS is based on the information available and my present estimate of costs.

8.3 The Company's only material asset was its Intellectual Property and the consideration paid in this regard is subject to Noble's fixed charge. The prescribed part does not apply to fixed charge distributions and therefore there will be no amount payable from these funds. The only floating charge assets I am aware of were the Company's office furniture and equipment and book debts which will be applied towards the costs of the Administration. I do not however anticipate that any funds will be available to unsecured creditors.

- 8 4 I attach at Appendix E a schedule of the names and addresses of all known potential creditors. This list is constructed from available records and as such may not be entirely complete or accurate. It is therefore important that creditors complete and submit the enclosed proof of debt form to me so that the reliability of the Company's records can be assessed.
- 8 5 It is proposed that for so long as it appears that the Company may be in a position to make a distribution to unsecured creditors (whether under the provisions of the "Prescribed Part" or otherwise), I may take such steps as appropriate to establish the claims of the unsecured creditors against the Company for formal adjudication by any Liquidators appointed in due course and that the costs of doing so may be defrayed out of the assets of the Company as an expenses of the Administration.
- 8 6 It is proposed that I be authorised to apply to Court under Paragraph 65(3) of Schedule B1 of the Act to request permission to make distributions to unsecured creditors of the Company during the Administration, if, at my sole discretion, I consider it expedient to do so.
- 9. Distributions**
- 9 1 It is proposed that I be authorised to make a distribution to any preferential creditors and floating charge holders as appropriate.
- 10. Administrators' receipts and payments**
- 10 1 I also attach at Appendix F an abstract of my Receipts and Payments account for the period 22 August 2011 to 7 October 2011, in accordance with Rule 2 47(2) of the Rules.
- 11. Investigations**
- 11 1 I have a duty to investigate the extent of the Company's assets, including potential claims against third parties and the director, and to report my findings to creditors. Accordingly, if any creditor has any concerns regarding the way that the business has been conducted, or any information on potential recoveries for the estate, I would be grateful to receive written details. All such correspondence will be treated in strict confidence. This request for information is standard practice and does not imply any criticism or course of action against any person concerned in the management of the Company's affairs. My report is, however, subject to considerations of privilege and confidentiality and whether those investigations and/or any potential litigation might be compromised.
- 11 2 As part of my initial assessment I obtained the Company's books and records (excluding those involved in the sale to Sangoma) and prepared an inventory of the Company's accounts, books and records. In my recent letter sent to creditors on 30 August 2011 I invited creditors to notify me in writing of any matters of concern to them. That invitation is repeated in this report.
- 11 3 I have also made enquires of the directors of the Company in the last three years and the Company secretary and have scrutinised the available information to identify any areas for further enquiry.
- 11 4 It is proposed that I be at liberty to investigate, and if appropriate pursue, any claims that the Company may have against any person under the provisions of the Companies Act 2006, the Insolvency Act 1986 and such other relevant legislation as may apply to the Company.
- 11 5 My investigations and enquires into the affairs of the Company are continuing. I will detail all areas of investigation and any areas of concern in my next report to creditors.
- 12 Administration extension / exit**
- 12 1 It is proposed that I seek an extension of the Administration period if deemed necessary.
- 12 2 The Joint Administrators propose to complete the asset realisations and investigations and

then address the most appropriate method of exiting the Administration. The key issue in determining the exit will be what funds ultimately are available for unsecured creditors.

12.3 In the event that funds do become available for distribution to unsecured creditors, the Joint Administrators propose that the Company moves from Administration into Creditors' Voluntary Liquidation, in accordance with Paragraph 83 of Schedule B1 of the Act to make this distribution. It is also proposed that if this route is followed the Joint Administrators be appointed as Joint Liquidators in accordance with Paragraph 83 (7) of Schedule B1 to the Act and that they act jointly and severally.

12.4 Alternatively, if I conclude that the Company has no property to permit any or a further distribution to unsecured creditors I shall (at my discretion)

- issue a notice in accordance with Paragraph 84 of the Act
- await the automatic termination of the Administration in accordance with Paragraph 76 of the Act,

whereupon the Joint Administrators' appointment shall cease to have effect and the Joint Administrators will seek approval from the secured creditor for their release as office holders and will be discharged from any liability at that time. The effect of this is that the Company would eventually be dissolved without any formal Liquidation.

12.5 Based on current information, it is unlikely there will be surplus funds available for a distribution to unsecured creditors. I therefore, anticipate that the most appropriate exit route from Administration will be the dissolution of the Company pursuant to Paragraph 84 of Schedule B1 of the Act.

12.6 With the acceptance of these proposals and the approval of the secured creditor, it is confirmed that upon discharge of the Administration by way of whichever route applicable, as set out between Paragraph 76 to 84 of Schedule B1 to the Act, that the Joint Administrators are discharged from all liability incurred in respect of the Administration.

13 Pre- Administration costs

13.1 The Joint Administrators have incurred pre-Administration time costs totalling £82,777. These costs relate to fees charged and expenses incurred by the Administrators, and other professionals or persons qualified to act as an Insolvency Practitioner, before the Company entered Administration but with a view to the appointment process and the sale of the Company's business and assets to Sangoma. I will be seeking the secured creditor's approval to discharge these costs.

13.2 My firm was first approached by the Company to advise on the restructuring options available to it in May 2011. We initially advised the Company in general terms, for which we agreed to not receive payment.

13.3 On the basis of our assessment the Company issued written instructions to my firm to place the Company into Administration on 13 July 2011. From that point forward, my partner Stephen Goderski and I were acting as proposed Administrators in relation to the Company and incurring pre-Administration costs.

13.4 Details of the Joint Administrators' pre- Administration time costs are shown at Appendix G. The Joint Administrators provide the information in this format as recommended by the provisions of SIP 9. Time costs currently outstanding amount to £38,693 relating to the appointment process and the sale of the Company's business and assets to Sangoma.

13.5 The agreement under which pre-Administration fees were charged and expenses incurred was in the letter of engagement dated 13 July 2011, whereby the Company gave formal instructions to us. Those instructions included the Company's agreement for our pre-Administration fees to be fixed by reference to time properly given by us and our staff, together with out of pocket disbursements. The letter of engagement also empowered us to instruct agents, solicitors and tax advisors at our discretion and to agree the basis of their remuneration. There was no other party to these instructions.

- 13 6 As time was of the essence, solicitors Charles Russell LLP and agents Edward Symmons LLP were initially instructed orally on 5 August 2011, but both wrote to us to formalise their instructions in written letters of engagement dated 10 August 2011. These letters of engagement, which were accepted by us as the proposed Administrators, set out their bases of remuneration.
- 13 7 Charles Russell LLP and Edward Symmons LLP have incurred pre-Administration expenses of £30,734 and £12,500 respectively before the Company entered into Administration.
- 13 8 In addition to the above advisors, I instructed Haysmacintyre LLP to provide tax advice on the submission of R&D claims and in respect of the tax implications of the sale to Sangoma. A letter of engagement setting out the basis of their remuneration was received on 10 August 2011. Haysmacintyre have incurred time costs totalling £850 in this regard.
- 13 9 As far as we are aware no other person qualified to act as an Insolvency Practitioner has incurred charges in respect of the Company with a view to it entering into Administration prior to the making of the Administration Order.
- 13 10 The work done by Geoffrey Martin & Co as the proposed Administrators and our advisors in the period leading up to Administration was in our view in the interests of creditors as a whole and in furtherance of the objective of the Administration.
- The Joint Administrators' discussions were to ensure that the best possible outcome would be achieved in the Administration and that all statutory requirements were carried out.
 - Charles Russell LLP ensured that all documentation in respect of the appointment and the sale prepared for the Joint Administrators was correct.
 - Edward Symmons LLP ensured the business and assets of the Company were correctly valued and that all interested parties were provided with relevant information.
 - The Tax advisors ensured all pre-appointment tax issues were considered.
- 13 11 All pre-Administration costs are unpaid however, I have received oral confirmation from Noble that a proportion of the pre-Administration costs and expenses, which are detailed at Appendix G, can be paid from funds held. I will be seeking formal confirmation prior to drawing these costs out of the assets of the Company as an expense of the Administration. Please note that this request will be separate to and does not form part of the Joint Administrators' proposals.
- 14 Joint Administrators' costs**
- 14 1 The Joint Administrators propose that their remuneration will be determined by reference to time properly incurred by the Joint Administrators and their staff in attending to all matters arising in respect of the Administration and, in accordance with Rule 2.106(5)A of The Rules, the Joint Administrators be authorised to draw their remuneration from time to time during the period of the Administration with the approval of the secured and preferential creditors.
- 14 2 The Joint Administrators propose that they will incur and shall pay such costs and expenses, including professional fees, that they consider to be incidental to the achievement of the proposals outlined above or their statutory duties as and when funds allow with the agreement of the secured and preferential creditors.
- 14 3 Details of the Joint Administrators' time costs from the date of appointment to 7 October 2011 are shown at Appendix H. The Joint Administrators' provide the information in this format as recommended by the provisions of Statement of Insolvency Practice 9. Time costs currently outstanding amount to £37,611. No fees have been drawn to date and will only be drawn with the approval of the secured creditor.

14 4 The Joint Administrators propose that they be authorised to draw a disbursements charge relating to the recovery of overhead costs in accordance with their firm's current disbursements policy (Appendix I) pending approval by the secured creditor

14 5 No Category 2 disbursements have been drawn to date

14 6 Appendix I contains details of my firm's policy on charging disbursements

14 7 Please find attached at Appendix J a copy of 'a creditors guide to Administrators' fees'

15 Meeting of creditors

15 1 The Joint Administrators do not intend to convene an initial meeting of creditors as they think that the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176A(2)(a) of the Rules ("the Prescribed Part"), in accordance with Paragraph 52(1)(b) of Schedule B1 of the Act

15 2 The Joint Administrators shall, however, summon an initial meeting of creditors in accordance with Paragraph 52(2) of Schedule B1 of the Act if requested by creditors whose debts amount to at least 10% of the total debts of the Company. Any such request should be made by completing and returning the attached Form 2.21B to the Joint Administrators within eight business days of the date on which these proposals were sent

15 3 In accordance with Rule 2.33(5) of the Rules the Joint Administrators' proposals will be deemed to have been approved by creditors if no meeting has been requested by the creditors within the above time scale

15 4 In the event that a creditors' meeting is convened, the creditors should consider establishing and if thought fit appointing a Creditors' Committee to exercise the functions conferred on it by or under the Act. Should a creditor wish to form a Creditors' Committee that creditor should, within eight business days of the date of these proposals, state their intention in writing to the Joint Administrators. Should the required amount of requests be received the Joint Administrator will call a meeting of creditors for the purpose of appointing a Creditors' Committee

15 5 The Joint Administrators will consult with the Creditors' Committee, if formed, at appropriate intervals concerning the conduct of the Administration and the implementation and development of these proposals and where they consider it expedient obtain the sanction of that Committee on behalf of the creditors of the Company (and without further reference to them) to any proposed action on the part of the Joint Administrators

An executive summary of the Joint Administrators' Key Proposals has been provided for ease of reference on the next page of this report. Should you have any queries regarding these Proposals or any aspect of this report, please contact Jessica Dmochowska at this office

Yours faithfully
For and on behalf of
VG Realisations Limited



James Sleight
Joint Administrator
Acting as agent of the Company
and contracting without personal liability

Encs

The affairs, business and property of the Company are managed by the Joint Administrators who act as the Company's agents and without personal liability

James Sleight is licensed in the United Kingdom by the Insolvency Practitioners Association
Stephen Goderski is licensed in the United Kingdom by the Insolvency Practitioners Association

VG Realisations Limited - In Administration ("the Company")
(Formerly Vegastream Group Limited)

Executive Summary of the Joint Administrators' Key Proposals

In accordance with Paragraph 49 of Schedule B1 to the Insolvency Act 1986 ("the Act") and Rule 2.33(1) of the Insolvency Rules 1986 ("the Rules"), James Sleight and Stephen Goderski, the Joint Administrators of the Company ("the Joint Administrators"), make the following proposals for achieving the purposes of the Administration, following their appointment on 22 August 2011, to the creditors of the Company for consideration and, if thought fit, approval

The Joint Administrators propose

- (1) To manage the business, affairs and property of the Company
- (2) To continue to take any action consider expedient and in particular that
 - (i) they continue to wind down the Company's remaining affairs following the going concern sale,
 - (ii) they continue to collect the Company's outstanding debts,
 - (iii) they research any return on VDL shares,
 - (iv) that they do all such things they may consider expedient with a view to enhancing or preserving the value of the Company assets prior to realisation
- (3) That they be authorised to make a distribution to any preferential creditors and floating charge holders as appropriate
- (4) That they be at liberty to investigate and if appropriate pursue, any claims that the Company may have against any person
- (5) That they complete the asset realisations and investigations and then address the most appropriate method of exiting the Administration
- (6) That their remuneration be fixed by time properly incurred by them and their staff
- (7) That they will incur and shall pay such costs and expenses, including professional fees, that they consider to be incidental to the achievement of the proposals
- (8) That they be authorised to charge disbursements in accordance with their firms' current disbursement policy
- (9) It is proposed that the Joint Administrators do all such other things and generally exercise all their powers as Joint Administrators as they in their discretion consider desirable or expedient in order to achieve a purpose of the Administration or protect and preserve the assets of the Company or maximise realisations of those assets, or for any other purpose incidental to these proposals. Without limitation to the general powers of the Joint Administrators, they shall have the power and discretion to compromise claims if, in their opinion, it is beneficial to the achievement of the proposals outlined above to do so

For full details of the Joint Administrators' Proposals please refer to the report issued to creditors dated 10 October 2011



James Sleight
Joint Administrator of VG Realisations Limited
(Formerly Vegastream Group Limited)

Rule 2 37

Creditor's request for a meeting

Name of Company

VG Realisations Limited
(Formerly Vegastream Group Limited)

Company number

04790808

In the

High Court of Justice, Chancery Division
(full name of court)

Court case number

7416 of 2011

(a) Insert full name and
address of the creditor
making the request

I (a)

(b) Insert full name and
address of registered
office of the companyrequest a meeting of the creditors of (b)
VG Realisations Limited
(Formerly Vegastream Group Limited)
Geoffrey Martin & Co
7-8 Conduit Street
London

(c) Insert amount of claim

My claim in the Administration is (c)

(d) Insert full name(s) and
address(es) of creditors
concurring with the
request (if any) and their
claims in the
administration if the
requesting creditor's
claim
is below the required 10%

(d)

concur with the above request, and I attach copies of their written confirmation of
concurrence(e) Insert details of the
purpose of the meeting

The purpose of the meeting is (e)

Signed

Dated

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX A

**APPOINTMENT & STATUTORY
INFORMATION**

VG Realisations Limited – In Administration (“the Company”)
(Formerly Vegastream Group Limited)

Statutory Information

Details relating to the appointment of Joint Administrators of the Company are provided below

Court Details:	In the High Court of Justice, Chancery Division, Companies Court	
Court Number:	7416 of 2011	
Date of Appointment:	22 August 2011	
Administrators’ Details:	James Sleight Geoffrey Martin & Co 7-8 Conduit Street London W1S 2XF	Stephen Goderski Geoffrey Martin & Co 7-8 Conduit Street London W1S 2XF
Appointment By:	The qualifying floating charge holder, Nobel Venture Finance I Limited in accordance with Paragraph 14 of Schedule B1 to the Insolvency Act 1986	

In accordance with paragraph 100(2) to Schedule B1 of the Insolvency Act 1986 the Joint Administrators confirm that any act required or authorised under any enactment to be done by an Administrator may be done by either of us individually or jointly

The EC Regulations on Insolvency Proceedings 2000 do apply and the Company’s centre of main interest is in the United Kingdom. In accordance with these Regulations, the Administration represents main proceedings

The statutory information of the Company as extracted from the Company’s file at Companies House is as follows

Company Number:	04790808
Registered Office:	c/o Geoffrey Martin & Co 7-8 Conduit Street London W1S 2XF
Former Registered Office:	Eagle House, The Ring Bracknell Berkshire United Kingdom RG12 1HB
Share Capital:	The Company has authorised share capital of £5,694,167 divided into 0.1p ordinary shares
Shareholder:	Vegastream Holdings Limited
	Ordinary 0.1p shares 5,694,167,000

Directors:		Appointed	Resigned
		06/06/2003	N/a
	Mr Ernest Richardson	10/09/2003	16/09/2008

Company Secretary.	Mr Timothy Burne	Appointed	Resigned
		10/09/2003	N/a

Previous Names:	Date Name Changed	
	Vegastream Group Limited	25/08/2011

Registered Charges: The Company has eight charges, two of which are outstanding and six are satisfied Details of the two outstanding charges are below

A fixed and floating charge in favour of Noble Venture Finance I Limited, created on 23 November 2006 and registered on 12 December 2006, securing against all liabilities due or to become due by the Company by way of a fixed charge over the Company's uncalled capital, the goodwill and intellectual property and a floating charge over all other Company assets

A legal charge in favour of Noble Venture Finance I Limited, created on 16 November 2005 and registered on 29 November 2005, securing against all liabilities due or to become due by the Company by way of a charge over the Company's fixed assets

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX B

FINANCIAL INFORMATION

VG Realisations Limited – In Administration
(Formerly Vegastream Group Limited)

Company Balance Sheet

	Management Accounts for the year ended 31 December 2010 £	Financial Statements for the year ended 31 December 2009 £	Financial Statements for the year ended 31 December 2008 £
Fixed assets			
Tangible assets	14,061	21,700	30,413
	<u>14,061</u>	<u>21,700</u>	<u>30,413</u>
Current assets			
Stocks	-	-	349,946
Debtors	55,119	22	576,096
Cash at Bank and in Hand	19,927	1,769	159,805
	<u>75,046</u>	<u>1,791</u>	<u>1,085,847</u>
Creditors: amounts falling due within one year	<u>(727,184)</u>	<u>(160,729)</u>	<u>(2,472,391)</u>
Net current assets/ (liabilities)	(652,138)	(158,938)	(1,386,544)
Total assets less current liabilities	<u>(638,077)</u>	<u>(137,238)</u>	<u>(1,356,131)</u>
Creditors, amounts falling due after more than one year	(4,918,650)	(4,514,283)	(4,171,998)
Net Assets/Liabilities	<u>(5,556,727)</u>	<u>(4,651,521)</u>	<u>(5,528,129)</u>
Capital and reserves			
Called-up equity share capital	5,239,667	5,239,667	5,239,667
Reserves	(9,891,188)	(8,035,956)	(8,901,537)
Profit and loss account	(905,206)	(1,855,232)	(1,866,259)
Shareholders' Funds	<u>(5,556,727)</u>	<u>(4,651,521)</u>	<u>(5,528,129)</u>

Note: Please note the management accounts presented are not to be relied on as they are only draft figures and have not been reconciled
In addition to the above, due to the lack of sufficient information, the historical P & L figures for the Company have not been able to be disclosed

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX C

STATEMENT OF AFFAIRS

STATEMENT OF AFFAIRS

Name of Company VG Realisations Limited (Formerly Vegastream Group Limited)	Company Number 04790808
In the High Court of Justice, Chancery Division	Court case number No 7416 of 2011

Statement as to the affairs of

VG Realisations Limited ("the Company")
(Formerly Vegastream Group Limited)
Geoffrey Martin & Co
7-8 Conduit Street
London
W1S 2XF

on the 22 August 2011, 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 Company as at 22 August 2011 the date that the Company entered Administration

Full Name Timothy B...

Signed Th...

Dated 9/9/2011

A – SUMMARY OF ASSETS

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge		
Intellectual Property	Nil	605,390
Shares	-	6,662
Goodwill	-	1
Less		
Noble Venture Finance I Limited	(680,467)	(680,467)
Surplus (Deficiency) c/d	(680,467)	(68,414)
Assets subject to floating charge		
Office Furniture & Equipment	14,061	10,000
Stock	Nil	1
WIP	Nil	1
Commercial Records	Nil	1
Trade Debtors	19,597	Uncertain
R&D Tax Reclaim	260,000	Nil
VAT Refund	7,147	Uncertain
	300,805	10,003
Uncharged assets.		
None		
Estimated Total Assets Available For Preferential Creditors		10,003

Signature




Date

9/9/2011

A1- SUMMARY OF LIABILITIES

	Estimated to Realise £
Estimated total assets available for preferential creditors (carried from Page A)	10,003
Liabilities	
Preferential Creditors -	-
Estimated deficiency/surplus as regards preferential creditors	
Debts secured by floating charge pre 15 SEPTEMBER 2003	-
	10,003
Estimated prescribed part of net property where applicable (to carry forward)	(5,001)
Estimated total assets available for floating charge holders	5,002
Debts secured by floating charges	(68,414)
Estimated deficiency / surplus of assets after floating charges (to carry forward)	(63,412)
Estimated prescribed part of net property where applicable (brought down)	5,001
Total assets available to unsecured creditors	5,001
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	
Trade Creditors	163,568
HSBC Bank Plc	740
HM Revenue & Customs – PAYE/NIC	457,524
Ex - Employee Claims	Uncertain
Employees – Expenses/Pensions	82,730
Landlord's Claim – Arrears of Rent	65,590
Vegastream Holdings Ltd – CVA Lending	4,148,294
Intercompany Loans – Vegastream Holdings Limited	666,039
Intercompany Loans – Vegastream Distribution Limited	213,386
	(5,797,871)
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)	(5,792,870)
Estimated Shortfall to Floating Charge (brought down)	(63,412)
Estimated deficiency/surplus as regards creditors	(5,856,282)
Issued and called up capital	(5,694,167)
Estimated total deficiency / surplus as regards members	(11,550,449)

Signature



Date

9 Sept 11

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX D

ESTIMATED OUTCOME STATEMENT & NOTES

Estimated Outcome Statement as at 7 October 2011

	Notes	Statement of Affairs Estimated to Realise £	Receipts and Payments to date £	Anticipated Receipts and Payments £	Estimated Outcome £
Assets Specifically Pledged					
Intellectual Property	1	605,390	605,390	-	605,390
Intellectual Property - Escrow Account	1	Nil	-	Uncertain	Uncertain
Shares - Vegastream Networks Private Limited	2	6,662	6,662	-	6,662
Goodwill	4	1	1	-	1
Bank Interest	8	-	78	250	328
Total Assets Subject to Fixed Charge		612,053	612,131	250	612,381
Pre-Administration Costs Associated With Fixed Charge Assets					
Geoffrey Martin & Co - Fees	9	-	-	29,000	29,000
Geoffrey Martin & Co - Category 1 Disbursements	9	-	95	59	154
Geoffrey Martin & Co - Category 2 Disbursements	9	-	-	97	97
Charles Russell - Legal Fees	11	-	-	25,000	25,000
Charles Russell - Disbursements	11	-	-	35	35
Edward Symmons - Agent's Fees	12	-	-	7,500	7,500
Edward Symmons - Disbursements	12	-	-	215	215
Haysmacintyre - Tax Advisors' Fees	13	-	-	850	850
			(95)	(62,756)	(62,851)
Administration Costs					
Joint Administrators' Remuneration	10	-	-	30,000	30,000
Joint Administrators' Category 1 Disbursements	10	-	-	42	42
Charles Russell - Legal Fees	11	-	-	7,500	7,500
Charles Russell - Legal Disbursements	11	-	-	79	79
Haysmacintyre - Tax Advice	13	-	-	2,000	2,000
Bank Charges	14	-	25	100	125
VAT Receivable	15	-	19	(19)	-
			(44)	(39,702)	(39,746)
Funds Available To Fixed Charge Holder			611,992	(102,208)	509,784
Deduct Noble Venture Finance I Limited	16	-	(413,000)	(262,097)	(675,097)
Current Balance on Fixed Charge Account			198,992		
Estimated Shortfall to Noble Venture Finance I Limited					(165,313)
Assets Not Specifically Pledged					
Office Furniture & Equipment	3	10,000	10,000	-	10,000
Stock	4	1	1	-	1
WMP	4	1	1	-	1
Company Records	4	1	1	-	1
Debtors	5	Uncertain	11,496	5,748	17,244
Return on Shares in VDL	6	Uncertain	-	Uncertain	Uncertain
VAT Reclaim	7	Uncertain	-	Uncertain	Uncertain
Bank Interest	8	-	-	25	25
Total Assets Subject to Floating Charge		10,003	21,499	5,773	27,272
Administration Costs					
Joint Administrators' Remuneration	10	-	-	26,620	26,620
Joint Administrators' Category 1 Disbursements	10	-	100	170	270
Joint Administrators' Category 2 Disbursements	10	-	-	351	351
Bank Charges	14	-	6	25	31
VAT Receivable	15	-	14	(14)	-
			(120)	(27,152)	(27,272)
Funds Available For Preferential Creditors			21,379	(21,379)	-
Deduct Preferential Creditors	17	-	-	-	-
Assets Available to 'the Prescribed Part'	18	-	-	-	-
Assets Available to Floating Charge Holder					-
Deduct Shortfall to Noble Venture Finance I Limited	16	-	-	-	(165,313)
Estimated Shortfall to Noble Venture Finance I Limited					(165,313)
Unsecured Creditors					
Trade Creditors	19	-	-	163,568	
HSBC Bank Plc	20	-	-	740	
HM Revenue & Customs (PAYE/NIC)	21	-	-	457,524	
Former Employee / Contractor Claims	22	-	-	Uncertain	
Employees - Pension Arrears / Expenses	23	-	-	82,730	
Landlord's Claims	24	-	-	65,590	
Noble Venture Finance II S A	25	-	-	270,802	
Vegastream Holdings Ltd - Residual CVA Claim	26	-	-	4,148,294	
Vegastream Holdings Limited	27	-	-	156,255	
Vegastream Distribution Limited	28	-	-	213,386	
Total Unsecured Creditors					(5,558,889)
Estimated Shortfall to Unsecured Creditors					(5,724,202)

The attached notes should be read in conjunction with the above statement.

VG Realisations Limited – In Administration (“the Company”)
(Formerly Vegastream Group Limited)

Notes to Estimated Outcome Statement as at 7 October 2011

ASSETS NOT SPECIFICALLY PLEDGED

1 Intellectual Property (“IP”)

Prior to the Administration a valuation of the Company's assets was conducted by Edward Symmons LLP (“ES”). The valuation advised that, in the event that the Company ceased trading and entered into Liquidation the IP would have no realisable value. In the event that the IP could be sold as part of a going concern sale it was estimated that a realisable value of £500,000 would be achievable.

The IP was sold as part of a going concern sale of the business and certain assets of the Company to Sangoma Technologies Inc (“Sangoma”) on 22 August 2011 for total consideration of £680,390. To date a total of £605,390 has been realised in respect of the IP.

As part of the sale agreement funds equating to £75,000 were deducted from the proceeds of the sale of the IP and have been paid into an escrow account. Sangoma will be able to draw against the funds held in the escrow account of an amount equivalent to:

- 1) any prepayments and payments paid to the Company by third party before the completion date in respect of the purchase of products to be supplied by Sangoma to that third party on or after the completion date and,
- 2) any Employment Liabilities incurred by Sangoma in connection with the transfer of an Transferring Employee to Sangoma.

Any sums payable to Sangoma shall not exceed the escrow sum and the Company and the Administrators shall have no obligation to pay further sums to Sangoma. Any sums remaining in the escrow account shall be held in the escrow account before being released to the Company.

It remains uncertain as to whether the Administration will receive any surplus funds from the escrow account at this stage.

The proceeds of the sale of the Company's IP are subject to a fixed charge in favour of Noble Venture Finance I Limited (“Noble”).

2 Shares - Vegastream Networks Private Limited (“VNPL”)

The Company held 5,000 ordinary 100 Rupee shares in VNPL, a former subsidiary of the Company registered in India. The Company's shareholding in VNPL was sold to Sangoma as part of the going concern sale for total consideration of £6,662. The value obtained for the VNPL shares was based on their nominal value as at 22 August 2011.

The proceeds of the sale of the VNPL shares are subject to a fixed charge in favour of Noble.

3 Office Furniture & Equipment

The Company's Statement of Affairs shows Office Furniture & Equipment with a book value of £14,061. This consisted of a range of desks, cabinets and a variety of Dell desktop computers. A valuation was conducted prior to the Administration by ES which confirmed that these assets would have an estimated realisable value of £4,000 in the event that the Company ceased trading and £10,000 in the event that a going concern sale could be achieved.

The Office Furniture & Equipment was sold to Sangoma as part of the sale. Consideration of £10,000 was obtained in respect of the sale of the Office Furniture & Equipment.

The landlord of the Company's trading premises alleged to have a general lien over certain of these assets although it is the Joint Administrators' opinion that this claim is invalid.

4 Other Assets

The following assets were sold to Sangoma as part of the sale for total consideration of £4

	£
Goodwill	1
Stock	1
Work In Progress	1
Company Records	1
	<hr/>
	4

The Goodwill is subject to the fixed charge in favour of Noble.

5 Debtors

The Company's debtor ledger as at 22 August 2011 shows two outstanding invoices totalling £19,597. These invoices are due to the Company by a single debtor who was invoiced in US Dollars. Under the terms of the sale agreement with Sangoma the collection of the book debts was assigned to Sangoma for a period of 30 days.

As at 7 October 2011 a total of £11,496 has been realised in respect of the book debts, representing settlement of one of the invoices. Realisation of the balance due under the second invoice remains uncertain. The customer has not yet disputed the invoice, although I have been advised of a number of potential credits against it therefore, for the sake of prudence, I anticipate realising approximately 50% of the remaining debt.

6 Return on Shares in VDL

Prior to the Administration, the Company had a 1% shareholding in VDL, with the remaining 99% owned by a third party investor, Mr Giovanni Amati. Due to the restructuring of the Vegastream Group, Mr Amati's involvement ceased and his shareholding was transferred to the Company. The value, if any, of this shareholding will be assessed and realised by the Administrators in due course.

7 VAT Reclaim

The Company's records indicated a VAT refund totalling £7,147 due to the Company for quarter ending 30 June 2011. The director of the Company is currently in the process of completing this return for submission to HM Revenue & Customs. The recovery of the refund is uncertain as it is likely that this balance will be offset against other tax liabilities owed by the Company.

8 Bank Interest

Since 22 August 2011 interest of £78 has accrued on the Administration bank account. The interest is subject to the fixed charge in favour of Noble as it has accrued on cash balances which are also secured under this charge. It is anticipated that a further £275 will accrue during the Administration.

COSTS OF THE ADMINISTRATION**9 Geoffrey Martin & Co**

An analysis of Geoffrey Martin & Co's pre-Administration time costs is provided at Appendix G of this report

In total, Geoffrey Martin & Co incurred time costs of £38,693 prior to the Company entering into Administration. Of this time, costs of £1,335 were incurred providing advice to the director of the Company at the outset of the engagement. These costs are not recoverable as an expense of the Administration and have been written off.

Pre-Administration time costs totalling £37,358 were accrued in dealing with the sale of the Company's business and certain assets to Sangoma and taking steps to place the Company into Administration. These costs were incurred with a view to the Administration and are therefore recoverable as an expense of the Administration. In order to maximise the return to the secured creditor Geoffrey Martin & Co have capped their pre-Administration fees at £29,000. The Joint Administrators have received oral confirmation from Noble and await formal authority prior to discharging this liability from fixed asset realisations.

The drawing of disbursements relates to the recovery of costs incurred. Category 1 disbursements relate to specific costs incurred, such as Companies House searches and advertising costs. Category 2 disbursements relate to the recovery of general costs such as mileage and the drawing of an annual charge per creditor to cover postage, stationery and telephone expenses.

Prior to the Administration Geoffrey Martin & Co incurred the following disbursements with a view to the Administration:

	£
Category 1 Disbursements	
Company Search Fees	33
Advertisement for Sale of Business	95
Travelling Expenses	26
Category 2 Disbursements	97
Mileage	
	<u>251</u>

The Joint Administrators have received oral confirmation from Noble to discharge these disbursements from fixed asset realisations.

10 Joint Administrators' Costs

To date, the Joint Administrators have accrued £37,611 of post appointment time costs in respect of the Administration. It is currently anticipated that the Joint Administrators' total time costs will be in excess of £60,000, however, the amount of remuneration drawn will ultimately depend on future asset realisations and will be drawn with the consent of Noble.

The Estimated Outcome Statement shows that, the Joint Administrators propose to seek the consent of Noble to draw an element of their fees from fixed asset realisations.

Since 22 August 2011 the Joint Administrators have incurred and drawn Category 1 disbursements equating to £100 which can be analysed as follows:

	£
Statutory Advertising Costs	70
Specific Penalty Bond	30
	<u>100</u>

Appendix D (continued)

It is anticipated that the Joint Administrators will incur further Category 1 disbursements of £212 which will be drawn from fixed and floating charge realisations in due course depending on the type of disbursement. These are summarised as follows

	£
Travelling Expenses	42
Storage Costs	170
	<u>212</u>

The Joint Administrators will also seek to draw funds of £351 in respect of Category 2 disbursements for the recovery of overhead costs incurred by the Joint Administrators in accordance with their firm's policy on charging disbursements, a copy of which can be found at Appendix I

11 Charles Russell LLP ("CR") – Solicitors' Costs

Pre Administration

Prior to the Administration CR were engaged by Geoffrey Martin & Co on behalf of the Company to assist with the sale of the business and certain assets of the Company to Sangoma and with drafting the legal documentation required to place the Company into Administration

CR have confirmed that their pre-Administration time costs equated to £30,734. To maximise the return to Noble CR agreed to cap their pre-Administration fee at £25,000. CR has also incurred disbursements of £35, being the Court fee for filing the Administration Order.

Again oral confirmation from Noble has recently been received and I await formal confirmation prior to discharging CR's pre-Administration costs and disbursements from fixed asset realisations.

Post Administration

Following their appointment the Joint Administrators have engaged CR to assist them with certain aspects of the Administration including the following

- Advice on the validity and extent of the secured liability due to Noble
- Assistance with general legal matters and specifically a claim of a general lien over the assets of the Company.

As at 7 October 2011 CR have incurred time costs of £6,025. Since 22 August 2011 CR have also incurred disbursements equating to £79 which can be analysed as follows

	£
Bank Charge	25
Travel Expenses	14
Companies House Fee	10
Commissioners Fee	5
Photocopying	25
	<u>79</u>

The Joint Administrators will be seeking the consent of Noble for the following

- to discharge costs incurred by CR in relation to the verification of their security and their outstanding disbursements from fixed asset realisations, and
- to discharge any costs incurred by CR in relation to general legal advice from floating charge realisations

12 Edward Symmons LLP ("ES") – Agents Costs

Prior to the Administration ES were engaged by Geoffrey Martin & Co on behalf of the Company to provide a valuation of the Company's assets and assess the offer received from Sangoma

ES have confirmed that their pre-Administration time costs equated to £12,500, however, ES have agreed to cap their pre-Administration fee at £7,500 ES has also incurred pre-Administration disbursements of £215 in relation to travelling expenses

I have received oral approval from Noble and await formal confirmation before discharging ES's pre-Administration costs and disbursements from fixed asset realisations

13 Haysmacintyre – Tax Advisors Costs

Pre Administration

Prior to the Administration Haysmacintyre were engaged by Geoffrey Martin & Co on behalf of the Company to advise on the tax implications of the sale to Sangoma

Haysmacintyre have confirmed that their pre-Administration time costs equated to £850 I sought oral confirmation from Noble, however await formal confirmation to discharge all pre-Administration costs and disbursements from fixed asset realisations

Post Administration

Following their appointment the Joint Administrators will be utilising the services of Haysmacintyre to assist with the completion of the Company's outstanding pre Administration tax return and the first post Administration tax return which will deal with the disposal of the Company's assets

As at 7 October 2011 Haysmacintyre have incurred time costs of £150 It is anticipated that the Haysmacintyre's total post Administration time cost will equate to approximately £2,000

14 Bank Charges

Bank charges of £31 have been incurred to date, £6 in respect of a payment received from the debtor and £25 in respect of the transfer of funds to Noble

It is anticipated that further bank charges of £125 will be incurred in the Administration relating to the payment of fixed asset distributions to Noble These charges will be allocated against the Company's fixed asset realisations

15 VAT Receivable

There is currently VAT receivable of £33 in the Administration This will be reclaimed in due course

CREDITORS

16 Noble Venture Finance I Limited ("Noble")

Noble provided financing to the Company's parent company, Vegastream Holdings Limited ("VHL"), who then provided subsequent funding to the Company (see note 27 below) The Company was a party to the agreements between VHL and Noble and are liable in respect of any sums due to Noble under a cross guarantee scheme

Appendix D (continued)

Noble provided financing to VHL under a number of loan facilities, a summary of which is provided below

	Initial Lending	Balance as at 5 September 2011
	£	£
Loan agreement no 1	500,000	268,713
Loan agreement no 2	250,000	144,386
Loan agreement no 5	260,000	261,998
	<u>1,010,000</u>	<u>675,097</u>

In addition to the above Noble have incurred legal costs of £9,332 in relation to the Company which they are able to claim from the Company under the terms of the loan agreements

On 23 November 2006 the Company granted Noble a debenture which was registered at Companies House on 12 December 2006. The debenture secures all liabilities due to Noble through a fixed charge over the Company's uncalled capital, IP and goodwill and a floating charge over all other assets. Noble have also been granted a Legal Charge by the Company which was registered at Companies House on 29 November 2005, however, they will not be relying on their security under this charge.

A total of £413,000 was distributed to Noble on 23 September 2011 under their fixed charge from the realisation of the Company's Intellectual Property, VNPL shares and goodwill. Considering the costs of the Administration, it is also anticipated that the Bank will receive a further distribution under their fixed charge. It is not anticipated that there will be sufficient floating charge realisations to discharge the costs of the Administration and therefore there will be no prospect of a return to Noble under its floating charge.

It should be noted that the Joint Administrators may seek the consent of Noble to draw an element of their time costs from fixed asset realisations. If this occurs then the shortfall to Noble will increase accordingly.

As mentioned in Note 25 below, Noble Venture Finance II S A also entered into loan agreements with VHL for which the Company is responsible under the cross guarantee.

17 Preferential Creditors

The Sale Agreement with Sangoma contains a provision to transfer the employment of all Company employees to Sangoma in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006. Consequently there are no preferential claims anticipated to be lodged against the Company.

18 Prescribed Part

The Provisions of Section 176A of the Act, concerning the setting aside of a 'prescribed part' of floating charge monies, does apply in this regard. However it is not anticipated that there will be sufficient funds to make a distribution to the unsecured creditors as all floating charge realisations are likely to be used to defray the costs of the Administration.

19 Trade Creditors

The Company's list of creditors as at 22 August 2011 shows trade creditors equating to £163,568, the largest of which is Horizon Co-Invest with an outstanding liability of £44,934.

20 HSBC Bank Plc

The Company operated two bank accounts with HSBC Bank Plc comprising of a US Dollar account and a Sterling current account. When combining the balance of both accounts there was an overdrawn balance of £740 as at 22 August 2011.

21 HM Revenue & Customs (PAYE/NIC)

The Company's records show an outstanding liability of £457,524 due to HM Revenue & Customs in respect of unpaid PAYE/NIC. The Company's records do not confirm the period that this liability has been accrued over, however, it is suspected that the Company has failed to make any payments to HM Revenue & Customs in relation to PAYE/NIC deductions since the 2009/10 tax year.

22 Former Employee / Contractor Claims

Since the onset of the Administration a number of parties have made claims against the Company in respect of employment liabilities accrued over a number of years. It is currently uncertain as to whether these parties were actual employees of the Company or retained under a contract to provide a specific service.

The quantum of these claims is currently uncertain, however, it has been confirmed that due to the age of the debts they will rank as unsecured claims in the Administration regardless of how they were initially incurred.

23 Employee Claims – Pension Arrears / Expenses

The Company's accounts show a historic liability of £72,323 due to a group stakeholder pension scheme that was operated by the Company up until February 2010. The records also show a balance of £10,407 due to the employees of the Company that were transferred to Sangoma in respect of unpaid expenses.

Liabilities due to employees in relation to expenses and historic pension arrears are not captured under the Transfer of Undertakings (Protection of Employment) Regulations 2006 and will therefore form unsecured claims in the Administration.

24 Landlords' Claims

The Company traded from a serviced office situated at Eagle House, The Ring, Bracknell, Berkshire which was occupied under a license to occupy granted by Asmec Management Associates Limited ("the Landlord").

The Company paid a rent deposit of £11,100 to the Landlord in July 2009 when the licence was first granted, however, it is believed that the deposit was offset against the Landlord's claim in the Company Voluntary Arrangement which was agreed between the Company and its creditors on 6 November 2009 and successfully concluded in October 2010 ("the CVA").

As at 22 August 2011 the Landlord has rental arrears of £65,590 that were accrued over a period in excess of 12 months.

It should be noted that the landlord purports to have a general lien over certain of the Company's assets, although my solicitors have advised that they do not believe it to be valid.

25 Noble Venture Finance II S.A. ("Noble II")

As well as the loan agreements between VHL, the Company and Noble, VHL also entered into a number of loan agreements with Noble II. Noble is a wholly owned subsidiary of Noble II. The loan agreements with Noble II are summarised below

	Initial Lending	Balance as at 5 September 2011
	£	£
Loan Agreement No 3	250,000	218,563
Loan Agreement No 3 (extension 1)	35,000	36,775
Loan Agreement No 3 (extension 2)	15,000	15,464
Loan Agreement No 4	250,000	Nil
	<u>550,000</u>	<u>270,802</u>

These liabilities are payable by the Company under a cross guarantee scheme between the Company, VHL and Noble II, however, unlike the cross guarantee scheme with Noble a debenture was not granted to Noble II and therefore it is currently thought that this liability is unsecured. My solicitors are currently reviewing the necessary documentation in order to confirm the current status of these loans and will revert shortly. There is a possibility that these loans may have a secured status against the Company's assets.

26 Vegastream Holdings Limited – CVA Lending

Prior to the CVA the Company had an outstanding liability of £4,148,294 which was due to VHL in respect of its pre CVA lending to the Company. Whilst the CVA proposals confirmed that VHL would forgo its claim in the CVA to maximise the return to other unsecured creditors, they also state that VHL would retain the ability to claim in respect of this liability if the Company subsequently entered into insolvency proceedings.

27 Vegastream Holdings Limited

The Company's accounts as at 22 August 2011 show an outstanding liability of £666,039 due to VHL in respect of investments received by VHL from Noble and Noble II which were subsequently made available to the Company. However, after considering the payments anticipated to be made to Noble in partial satisfaction of amounts loaned by them to VHL, the net liability to VHL has been shown to have been reduced to £156,255.

28 Vegastream Distribution Limited ("VDL")

The Company's accounts show that, as at 22 August 2011, there is a balance owed to VDL by the Company totalling £213,386 which relates to debtor monies received by the Company which were actually due to VDL.

Please note that all figures stated in respect of costs incurred are net of VAT

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX E

COMPANY CREDITORS

Geoffrey Martin & Co
VG Realisations Limited (Formerly Vegastream Group Limited)
B - Company Creditors

Key	Name	Address	£
CA00	Asmec Management Associates Ltd	Eagle House, The Ring, Bracknell, Berks, RG12 1HB	65,589.87
CA01	Amoroso Reliability Associates LLC	188 Jefferson St, Suite 232, Newark, NJ, United States of America, 07105	791.90
CA02	Arada Systems, Inc	4633 Old Ironsides Drive, Suite 415, Santa Clara, CA, United States of America, 95054	1,269.34
CA03	ASK Technology Ltd	Unit 1, Optrex Business Park, Tyne Park, Rotherwick, RG27 9AY	4,285.76
CA04	Aviva	Head Office, Aviva plc, St Helen's, 1 Undershaft, London, EC3P 3DQ	1,447.98
CB00	Beena Rajesh	301, 3rd Main OMBR Layout, Banasawadi, Bangalore, India, 560043	2,400.00
CB02	Bang Communications Ltd	The Black Barn, Farleigh Road, Cliddesden, Hampshire, RG25 2JL	600.00
CC00	Cleware	Neddernd 3, Hollingstedt, Germany, D-24876	223.00
CC01	Computer Futures Solutions Ltd	Central Accounts, Dexter House, 2 Royal Mint Court, London, EC3N 4QN	16,500.00
CC02	Companies House	Main Office, Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ	1,875.00
CC03	CISCO Systems Inc	170 West Tasman Drive, San Jose, CA, United States of America, 95134	2,608.62
CF00	Fair Care Childcare Vouchers	1 Farnham Road, Guildford, Surrey, GU2 4RG	1,053.64
CF01	FMP Europe	17 Ensign House, Admirals Way, London, E14 9XQ	2,583.73
CF02	French Duncan Chartered Accountants	56 Palmerston Place, Edinburgh, EH12 5AY	3,000.00
CH00	HSBC Alco Life Insurance	Bishops Court, 27-33 Artillery Lane, London, E1 7LP	496.10
CH01	Horizon Co-Invest	6 Clevedon Drive, Glasgow, G12 0SE	44,933.59
CH02	HM Revenue & Customs	3rd Floor (NW), Queens Dock, Liverpool, L74 4AA	0.00
CH03	HM Revenue & Customs	Debt Management, Enforcement & Insolvency, Durrington Bridge House, Barrington Road, Worthing, West Sussex, BN12 4SE	0.00
CH04	HM Revenue & Customs	Insolvency Claims Handling Unit, Room BP3202, Longbenton, Benton Park View, Newcastle Upon Tyne, NE98 1ZZ	457,522.00
CH05	HSBC	9 High Street, Bracknell, Berkshire, RG12 1DN	740.00
CI00	Illume Consulting Ltd	37 Colchester Road, West Mersea, Colchester, Essex	1,527.50
CI01	IQ Finance plc Intelligence Financing Solutions	Worthing House, Church Lane, Basingstoke, Hampshire, RG23 8PX	4,975.00
CL00	Mr J Linton	The Dye Cottage, Gydnap Lane, Amberley, Gloucestershire, GL5 5BA	0.00
CM00	Meeting Zone Ltd	Dodwell House, Chilton Business Centre, Chilton, Buckinghamshire, HP18 9LS	37.57
CM01	Miles Publishing Ltd	The White House, 14a Commercial Road, Tunbridge Wells, Kent, TN1 2RR	13,200.00
CN00	Nasstar	14-18 Old Street, London, EC1V 9BH	690.00
CN01	NCC Services Ltd	Manchester Technology Centre, Oxford Road, Manchester, M1 7EF	1,062.00
CN02	Noble Venture Finance Ltd	C/o Noble Group Limited, 5th Floor, 120 Old Broad Street, London, EC2N 1AR	680,467.00



Signature

Geoffrey Martin & Co
VG Realisations Limited (Formerly Vegastream Group Limited)
B - Company Creditors

Key	Name	Address	£
CO00	Optimal Action Ltd	12 Ashbridge Rise, Chandlers Ford, Hampshire, SO53 1SA	799 00
CP00	PitSoft Consulting Ltd	The Villa, Lyonshall, Kington, Herefordshire, HR5 3JN	14,252 66
CR00	R C.McDerment	6 Dean Park Crescent, Edinburgh, Scotland, GU10 3JL	33,785 80
CR01	Raven Business Services	Unit 8, Forest Park Business Units, Horndean Road, Bracknell, Berkshire, RG12 0XQ	403 51
CR02	Redline Group Ltd	26-34 Liverpool Road, Luton, LU1 1RS	5,875 00
CS00	Salesorder com	47 Castle Street, Reading, Berkshire, RG1 7SR	904 95
CS01	Samtec UK	117 Deerdykes View, Westfield Industrial Estate, Cumbernauld, G68 9HN	469 72
CS02	SES Software Escrow Solutions	Sovereign House, Bramhall, Stockport, Cheshire, SK7 1AW	1,515 76
CS03	Euro Scrobogna	Via Quimodo 4, Peschiera Borromeo (Milano), Italy	0 00
CV01	Vegastream Holdings Ltd	Eagle House, The Ring, Bracknell, Berkshire, RG12 1HB	4,814,333 00
CV02	Vegastream Distribution Ltd	Eagle House, The Ring, Bracknell, Berkshire, RG12 1HB	213,386 00
CX00	XP Plc	Horseshoe Park, Pangbourne, Berks, RG8 7JW	0 00
EH00	Mr Horton	39 Manor Park Drive, Wokingham, Berkshire, RG40 4XE	18,319 14
EH01	Mr Harwood	13A Cromwell Grove, Hammersmith, London, W6 7RQ	16,617 12
EK00	Mr Kruzcek	Amara, Forest Road, Binfield, Bracknell, Berks, RG42 4HL	11,983 30
EL00	Mr Lewington	9 Tiptree Close, Lower Earley, Berkshire, RG6 4HS	0 00
EP00	Mr Pereira	66 Chalfborough Road, High Wycombe, Bucks, HP12 3HJ	288 31
EP01	Mr Pereira	66 Chalfborough Road, High Wycombe, Bucks, HP12 3HJ	1,064 00
EP02	Mr Pithouse	The Villa, Lyonshall, Kington, Herefordshire, HR5 3JN	3,129 87
ES00	Ms Swalsland	24 Ingleton, Wildridings, Bracknell, Berkshire, RG12 7RN	2,449 72
ES01	Mr Sipos	3 Kiln Cottages, Wood Lane End, Hemel Hempstead, HP2 4RE	17,677 10
EW00	Mr Webb	9 Culham Drive, Maldenhead, Berkshire, SL6 7PW	11,201 23
RV00	Mr Burne	50 Taylor Avenue, Richmond, Surrey, TW9 4ED	0 00
51 Entries Totalling			6,478,337 79

Signature 

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX F

JOINT ADMINISTRATORS' ABSTRACT OF RECEIPTS AND PAYMENTS

VG Realisations Limited (Formerly Vegastream Group Limited)
(In Administration)

Joint Administrators' Abstract Of Receipts And Payments
To 07 October 2011

	Statement of Affairs £	Fixed Charge £	Floating Charge £	Total £
RECEIPTS				
Intellectual Property	605,390 00	605,390 00	-	605,390 00
Intellectual Property - Escrow Account	-	Uncertain	-	Uncertain
Shares - Vegastream Networks private Ltd	6,662 00	6,662 00	-	6,662 00
Goodwill	1 00	1 00	-	1 00
Bank Interest	-	77 75	-	77 75
Office Furniture & Equipment	10,000 00	-	10,000 00	10,000 00
Stock	1 00	-	1 00	1 00
Work in Progress	1 00	-	1 00	1 00
Company Records	1 00	-	1 00	1 00
Book Debts	Uncertain	-	11,495 52	11,495 52
VAT Reclaim	Uncertain	-	Uncertain	Uncertain
	622,052 00	612,130 75	21,498 52	633,629 27
PAYMENTS				
Noble Venture Finance I Limited		413,000 00	-	413,000 00
Specific Bond		-	30 00	30 00
Statutory Advertising		-	69 75	69 75
Advertisement for Sale of Business		95 00		95 00
VAT Receivable		19 00	13 95	32 95
Bank Charges		25 00	6 00	31 00
			119 70	413,258 70
Balances in Hand	198,991 75	21,378 82		220,370 57
Balance- 07 October 2011				220,370 57
Made up as follows				
Current Account - Interest Bearing				25,370 57
Deposit Account - Interest Bearing				195,000 00
				220,370 57

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX G

**STATEMENT OF THE JOINT ADMINISTRATORS' PRE- ADMINISTRATION
COSTS**

**VG REALISATIONS LIMITED – In Administration (“the Company”)
(Formerly Vegastream Group Limited)**

Statement of the Joint Administrators’ Pre-Administration costs

The Joint Administrators make the following statement in accordance with Rule 2 33 (2B) of the Insolvency Rules 1986 as amended (“the Rules”) in relation to their pre - Administration costs

Pre – Administration costs are fees charged and expenses incurred by the Joint Administrators, or another person qualified to act as an Insolvency Practitioner, before the Company entered Administration but with a view to its doing so

The Joint Administrators will be seeking approval, in accordance with Rule 2 67 (A) (3), from the Company’s secured creditor, Noble, to the following

“That the Joint Administrators be authorised to draw pre-Administration costs of £62,350 plus VAT and disbursements, including fees charged and expenses incurred by them, out of the assets of the Company as an expense of the Administration, and to be drawn as and when funds permit”

Pre-Administration time costs of the Joint Administrators

The Joint Administrators’ unpaid pre-appointment time costs total £38,693 Of this total cost, £1,335 relates to the provision of generic insolvency advice to the director and conducting financial reviews These costs do not fall within the definition of pre-Administration costs, we are not seeking to recover these costs and they will be written off as irrecoverable

The balance of the Joint Administrators’ pre-appointment time costs totals £37,358 and relates to costs incurred specifically with a view to Administration These costs were all incurred on or after and in relation to the following issues

- Assessing the immediate financial position of the Company and the reasonable estimated outcome of the Administration
- Liaising with secured creditor, key stakeholders and creditors
- Carrying out all necessary steps in order to place the Company into Administration
- Setting up processes to achieve an early sale of the business on advantageous terms for creditors
- Liaising with the purchaser and their solicitor over the terms of the sale contract

An analysis of these costs is as follows

Classification of work function	Hours					Time Costs (£)	Average Hourly rate (£)
	Partner	Manager	Other senior professionals	Assistants & Support Staff	Total Hours		
Appointment Formalities	1 20	0 70	0 00	36 20	38 10	5,883 00	154 41
Sale of Business	22 70	42 70	22 00	82 90	170 30	31,475 00	184 82
Total Hours	23 90	43 40	22 00	119 10	208 40	37,358 00	179 26

The agreement under which we incurred our pre-Administration costs was our Letter of Engagement signed by the director of the Company on 13 July 2011

Appendix G (continued)

In order to maximise the return to the secured creditor, we propose to abate our recovery of our own pre - Administration time costs to £29,000. This has been agreed orally by Noble but we will be seeking formal authority prior to drawing these time costs.

Pre-Administration expenses

Details of pre-Administration expenses which have been incurred in respect of the unpaid fees of professional advisors engaged by us with a view to the Company's Administration are set out below.

Contracts of Retainer	Date of agreement	Fees (£)
Charles Russell LLP (1)	10 August 2011	30,734
Edward Symmons LLP (2)	10 August 2011	12,500
Haymacintyre (3)	10 August 2011	850
Total		44,084

1) I commissioned Charles Russell LLP to draft all necessary paperwork in respect of our appointment and to draw up the agreement for the sale of the Company's business and certain assets of the Company to Sangoma.

Charles Russell LLP has confirmed that their pre - Administration costs equate to £30,734. However, in order to maximise the return to Noble, Charles Russell LLP have agreed to cap their pre - Administration fee at £25,000.

2) I commissioned Edward Symmons LLP to carry out a valuation of the Company's assets on a going concern (in situ and ex situ basis) and a forced sale basis. They also assessed the offer received from Sangoma for the purchase of the business and assets of the Company.

Edward Symmons LLP has confirmed that their pre - Administration time costs equated to £12,500, but have agreed to cap their fees at £7,500.

3) I commissioned Haymacintyre to advise on the tax implications of the sale of the business and certain assets of the Company. Haymacintyre have confirmed that their pre - Administration time costs equated to £850.

I propose to recover the pre - Administration expenses of £33,350 out of the assets of the Company. This has been agreed orally by Noble, and again we will be seeking formal confirmation prior to drawing these time costs.

Pre-Administration disbursements of the Joint Administrators

I have incurred pre - Administration Category 1 and 2 disbursements of £251. Category 1 disbursements are in respect of expenses that are directly attributable to the case, as follows:

Analysis of "Category 1 disbursements"

	Disbursement Type	£
Search Fees	Category 1	33
IP Bid	Category 1	95
Travelling Expenses	Category 1	26
Total		154

Appendix G (continued)

Category 2 disbursements require specific authorisation and consist of disbursements that are not specifically identifiable to the case. These are charged in accordance with the firm's disbursement policy.

	Disbursement Type	£
Mileage	Category 2	97
Total		97

Our pre - Administration disbursements of £251 have been agreed orally by Noble I and will be drawn following formal confirmation from Noble shortly.

Pre - Administration disbursements of professional advisors

Disbursements totalling £250 have been incurred by my professional advisors engaged by us with a view to the Company's Administration. Details are set out below.

Professional Advisors	Description	£
Charles Russell LLP	Bank Charges/Court Fee	35
Edward Symmons	Travelling	215
Total		250

The above disbursements have been verbally agreed by Noble and I await formal confirmation prior to drawing these.

Work done

Full details of the work done by Geoffrey Martin & Co and by our advisors in the period leading up to Administration were reported fully in the first notification that we sent to creditors on 30 August 2011, immediately following the making of the Administration Order.

This explained how our pre - Administration work was in the interests of creditors as a whole, and in furtherance of the objective of this Administration, namely achieving a better result for the Company's creditors as a whole that would be likely of the Company were wound up (without first being in Administration).

If any creditor would like a further copy of that notification, please do not hesitate to contact Jessica Dmochowska of this office.

Other persons entitled to claim

I am unaware of any additional costs incurred by other professionals qualified to act as an Insolvency Practitioner in respect of the Company.

Not part of the Administrators' Proposals

Please note that our request for payment of pre - Administration costs is separate to and does not form part of our Proposals to creditors for the conduct of the Administration.

Right to apply to Court

If the secured creditor fails to approve our request for payment of the pre - Administration costs, then the Joint Administrators, in accordance with Rule 2.33(2B) of the Rules, have the right to apply to Court for an order approving payment of the pre - Administration costs.

The costs associated with any application made to Court will be paid as an expense of the Administration.

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX H

**JOINT ADMINISTRATORS' POST APPOINTMENT TIME COSTS
ANALYSIS**

VEGA404 VG Realisations Limited

SIP 9 - Time & Cost Summary

Period 22/08/11 07/10/11

Time Summary

Hours						Time Cost (£)	Average hourly rate (£)
Classification of work function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & planning	5 20	4 30	2 00	76 90	88 40	14 238 50	161 07
Investigations	0 10	0 00	0 00	0 00	0 10	36 50	365 00
Realisations of assets	5 30	6 40	0 00	6 60	18 30	4,522 00	247 10
Trading	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Creditors	6 90	11 90	20 10	68 20	107 10	18,814 00	175 67
Case specific matters	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total Hours	17 50	22 60	22 10	151 70	213 90	37,611 00	175 83

**VG Realisations Limited – In Administration (“the Company”)
(Formerly Vegastream Group Limited)**

Overview of Administrators’ time spent

I detail below the key areas of work undertaken by the Joint Administrators and their staff in respect of the Administration

Administration and planning

- Collection of some of the Company books and records
- Liaising with the director
- Statutory requirements imposed by the Insolvency Act and Rules 1986 and Insolvency Bodies
- Administrative setup and filing of all statutory paperwork
- Accounting for receipts and payments in the Administration
- Monitoring the progress of the Administration

Realisation of assets

- Liaising with the Company’s management team in respect of the collection of the pre-appointment debts, with specific reference to the debts due to the Company
- Liaising with the purchasers and former landlords in respect of the leased property and source of rent deposits
- Liaising with the Company’s bank in respect of the recovery of cash at bank balances

Creditors

- Managing the transfer of employees under the Transfer of Undertakings (Protection of Employment) Regulations to the Purchaser
- Liaising with the landlords regarding the lease and deposits
- Dealing with creditor queries and claims, both oral and written
- Statutory reporting to Creditors
- Pension issues
- Employee expense issues
- Liaising with Noble Venture Finance I Limited

Other professional costs of the Administration

I have engaged the services of Charles Russell LLP, solicitors and Haysmacintyre, tax advisors

Charles Russell LLP were instructed to advise on all legal aspects arising during the Administration and were chosen due to their experienced knowledge of insolvency matters. Their charges are on the basis of time properly spent in advising on the various issues of this case.

Haysmacintyre were instructed to complete all necessary pre and post appointment tax returns. Their charges are on the basis of time properly spent in advising on the various issues of this case.

There are no other advisors used to assist the Joint Administrators in respect of the Administration of the Company.

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX I

CHARGING & DISBURSEMENT POLICY

Case Name	VG Realisations Limited (Formerly Vegastream Group Limited)
Court and Number	High Court of Justice, Chancery Division No 7416 of 2011
Office Holders	James Sleight and Stephen Goderski
Firm	Geoffrey Martin & Co
Address	7-8 Conduit Street London W1S 2XF
Telephone	020 7495 1100
Reference	VEGA404/JS/SG/PW/DO/JD
Type of Appointment	Administration
Date of Appointment	22 August 2011

CHARGING AND DISBURSEMENTS POLICY (Combined London & Leeds Offices)

Time Costs

The firm's hourly charge out rates are revised annually from 1 May. The rates currently in use are within the following bands:

	£
Partner	325 – 400
Senior Manager	300
Manager	220 – 285
Senior Administrator	140 – 250
Junior Administrator and Support Staff	65 – 150

Secretarial and cashiers time is charged to the case and their rates are included within the above hourly rates identified above as appropriate.

Disbursements

A disbursement charge relating to the recovery of overhead costs is levied at the rate of £6.75 per creditor from 1 May 2011. This sum is drawn at the outset of the case and on each anniversary thereafter and covers printing, postage, stationery, photocopying, telephone and fax usage.

Outsourced printing and/or photocopying will be charged at cost in addition to the above.

Travelling expenses are charged at the rate of 45p per mile.

**VG REALISATIONS LIMITED
IN ADMINISTRATION
(Formerly Vegastream Group Limited)**

APPENDIX J

A CREDITORS' GUIDE TO ADMINISTRATORS' FEES



A CREDITORS' GUIDE TO ADMINISTRATORS' FEES

ENGLAND AND WALES

1 Introduction

- 1 1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees, explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive.

2 The nature of administration

- 2 1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective

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

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

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

3 The creditors' committee

- 3 1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's remuneration

- 4 1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed

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

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the administrator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the administrator.

It is for the creditors' committee (if there is one) to determine on which of these bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the

committee to determine the percentage or percentages to be applied, and where it is a set amount, to determine that amount. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

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

- 4.2 If there is no creditors' committee, or the committee does not make the requisite determination (and provided the circumstances described in paragraph 4.3 do not apply), the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as apply in the case of the committee. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator, but the administrator may not make such an application unless he has first tried to get his remuneration fixed by the committee or creditors as described above, and in any case not later than 18 months after his appointment.

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

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

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

having regard to the same matters as the committee would.

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

- 4.4 A resolution of creditors may be obtained by correspondence.

5 Review of remuneration

- 5.1 Where there has been a material and substantial change in circumstances since the basis of the administrator's remuneration was fixed, the administrator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval.

6 Approval of pre-administration costs

- 6.1 Sometimes the administrator may need to seek approval for the payment of costs in connection with preparatory work incurred before the company went into administration but which remain unpaid. Such costs may relate to work done either by the administrator or by another insolvency practitioner. Details of such costs must be included in the administrator's proposals.
- 6.2 Where there is a creditors' committee, it is for the committee to determine whether, and to what extent, such costs should be approved for payment. If there is no committee or the committee does not make the necessary determination, or if it does but the administrator, or other insolvency

practitioner who has incurred pre-administration costs, considers the amount agreed to be insufficient, approval may be given by a meeting of creditors. Where the circumstances described in paragraph 4.3 apply, the determination may be made by the same creditors as approve the administrator's remuneration.

- 6.3 The administrator must convene a meeting of the committee or the creditors for the purposes of approving the payment of pre-administration costs if requested to do so by another insolvency practitioner who has incurred such costs. If there is no determination under these provisions, or if there is but the administrator or other insolvency practitioner considers the amount agreed to be insufficient, the administrator may apply to the court for a determination.

7 What information should be provided by the administrator?

7.1 When seeking remuneration approval

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

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

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

- 7.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

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

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

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

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

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

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

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

7.2 After remuneration 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 (see further paragraph 8.1 below). Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such additional information as may be required in accordance with the principles set out in paragraph 7.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 7.1.4 above regarding work which has been sub-contracted out.

7.3 Disbursements and other expenses

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements, but there is provision for the creditors to challenge them, as described below. 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.

8 Progress reports and requests for further information

- 8.1 The administrator is required to send a progress report to creditors at 6-monthly intervals. The report must include

- details of the basis fixed for the remuneration of the administrator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it),
- if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount without any apportionment for the period of the report),
- if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done

during those periods, irrespective of whether payment was actually made during the period of the report,

- a statement of the expenses incurred by the administrator during the period of the report, irrespective of whether payment was actually made during that period,
- the date of approval of any pre-administration costs and the amount approved,
- a statement of the creditors' rights to request further information, as explained in paragraph 8 2, and their right to challenge the administrator's remuneration and expenses

8 2 Within 21 days of receipt of a progress report a creditor may request the administrator to provide further information about the remuneration and expenses (other than pre-administration costs) set out in the report. A request must be in writing, and may be made either by a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court

8 3 The administrator must provide the requested information within 14 days, unless he considers that

- the time and cost involved in preparing the information would be excessive, or
- disclosure would be prejudicial to the conduct of the administration or might be expected to lead to violence against any person, or
- the administrator is subject to an obligation of confidentiality in relation to the information requested,

in which case he must give the reasons for not providing the information

Any creditor may apply to the court within 21 days of the administrator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information

9 Provision of information – additional requirements

The administrator must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company

The information which must be provided is –

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

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

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

10 What if a creditor is dissatisfied?

10 1 If a creditor believes that the administrator's remuneration is too high, the basis is inappropriate, or the expenses incurred by the administrator are in all the circumstances excessive he may, provided certain conditions are met, apply to the court

10 2 Application may be made to the court by any secured creditor, or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the administrator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 8 1 above). 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

- 10 3 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not as an expense of the administration.

11 What if the administrator is dissatisfied?

- 11 1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed. 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.

12 Other matters relating to remuneration

- 12 1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 12 2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.
- 12 3 If a new administrator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new administrator until a further determination, resolution or court order is made.
- 12 4 Where the basis of the remuneration is a set amount, and the administrator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing administrator. The application must be made to the same body as approved the remuneration. Where the outgoing administrator and the incoming administrator are from the same firm, they will usually agree the apportionment between them.

13 Effective date

This guide applies where a company enters administration on or after 6 April 2010, except where

- the application for an administration order was made before that date, or
- where the administration was preceded by a liquidation which commenced before that date

Rule
2 72(3)

PROOF OF DEBT - GENERAL FORM

In the matter of VG Realisations Limited
(Formerly Vegastream Group Limited)
In Administration

and in the matter of The Insolvency Act 1986

Date of Administration Order 22 August 2011

1	Name of Creditor	
2	If a company please give registered number	
3	Address of Creditor	
4	Total amount of claim, including any Value Added Tax and outstanding uncapitalised interest as at the date the company went into administration, or if it was already in liquidation, on the date it went into liquidation (see note)	£
5	Details of any document by reference to which the debt can be substantiated [Note the administrator may call for any document or evidence to substantiate the claim at his discretion]	
6	If total amount above includes Value Added Tax, please show - (a) amount of Value Added Tax (b) amount of claim NET of Value Added Tax	£ £
7	If total amount above includes outstanding uncapitalised interest please state amount	£
8	If you have filled in both box 4 and box 6, please state whether you are claiming the amount shown in box 4 or the amount shown in box 6(b)	
9	Give details of whether the whole or any part of the debt falls within any (and if so which) of the categories of preferential debts under section 386 of, and schedule 6 to, the Insolvency Act 1986 (as read with schedule 3 to the Social Security Pensions Act 1975)	Category Amount(s) claimed as preferential £
10.	Particulars of how and when debt incurred	
11	Particulars of any security held, the value of the security, and the date it was given	£
12	Details of any reservation of title in respect of goods to which the debt refers	
13	Signature of creditor or person authorised to act on his behalf	
	Name in BLOCK LETTERS	
	Address (if different from 3 above)	
	Position with or relation to creditor	

NOTE

A company goes into administration on the date an administration order is made (see top of page) The total claim to be inserted in Section 4 should be net of any payments made after that date in respect of the claim and any adjustment by way of set off in accordance with Rule 2 85 and/or any discounts which would have been available to the Company but for its administration, except any discounts for immediate, early or cash settlement (see Rule 2 84)