

The Insolvency Act 1986

Administrator's progress report

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)

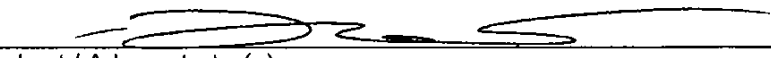
~~W~~ (a)
James Sleight
Geoffrey Martin & Co
7-8 Conduit Street
London
W1S 2XF

Stephen Goderski
Geoffrey Martin & Co
7-8 Conduit Street
London
W1S 2XF

administrator(s) of the above company attach a progress report for the period

From (b) 22 August 2011	To (b) 21 February 2012
----------------------------	----------------------------

Signed


Joint / Administrator(s)

Dated

19 March 2012

Contact Details

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form

The contact information that you give will be visible to searchers of the

James Sleight
Geoffrey Martin & Co
7-8 Conduit Street
London
W1S 2XF

DX Number

020 7495 1100
DX Exchange

When you have completed and signed this form, please send it to the Registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

WEDNESDAY



A155UR0Z

A21

21/03/2012

#451

COMPANIES HOUSE



**G E O F F R E Y
M A R T I N
& C O**

7-8 Conduit Street
London
W1S 2XF

Telephone 020 7495 1100
Fax 020 7495 1144

E-Mail info@geoffreymartin.co.uk
www.geoffreymartin.co.uk

when telephoning please
ask for—

19 March 2012

To all known creditors

Our Ref JAS/SG/PW/JD/VEGA401/RB2/ Progress

Jessica Dmochowska

Dear Sirs

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

I write following my appointment as Joint Administrator of the Company on 22 August 2011 and to provide creditors with my first report on the progress of the Administration pursuant to Rule 2.47 of the Insolvency Rules 1986 (“the Rules”)

This report should be read in conjunction with my report dated 10 October 2011 prepared pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 (“the Act”) and my report of 30 August 2011 providing information in accordance with Statement of Insolvency Practice (“SIP”)16

This report will provide details of the Administration for the six month period from 22 August 2011 to 21 February 2012

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

The information that I am required to disclose in accordance with Rule 2.47 (a) to (c) of the Rules is attached at Appendix A

1 Executive Summary

My Estimated Outcome Statement (“EOS”) updated to 21 February 2012 is attached at Appendix B, together with supporting notes

In summary, the majority of the Company’s assets have been realised, with the exception of the shares held in Vegastream Distribution Limited (“VDL”), a wholly owned subsidiary. It still remains uncertain as to the value, if any, of the Company’s shareholding and this will not become apparent until the financial affairs of VDL have been finalised

The EOS shows that a distribution of £413,000 has been paid to the secured creditor, Noble Venture Finance I Limited (“Noble”) and that, as anticipated, no preferential claims have been received or paid. Creditors will note that there are insufficient assets to enable a distribution from the floating charge realisations to either the floating charge creditor or unsecured creditors. It is anticipated that Noble will have an estimated shortfall of £163,423 from its floating charge

I confirm that the objective of the Administration continues to be the achievement of a better result for creditors than would be likely if the Company were wound up without first being in Administration, pursuant to Paragraph 3(1)(b) of Schedule B1 to the Act

2 Receipts and Payments Account

In accordance with Rule 2 47(2) of the Rules, I attach the Joint Administrators' Abstract of Receipts and Payments for the period 22 August 2011 to 21 February 2012 at Appendix C

3. Summary of the Joint Administrators' Proposals

The Joint Administrators' Proposals for achieving the purpose of the Administration, as detailed in my report to creditors dated 10 October 2011 and summarised at Appendix D, were deemed to have been approved by creditors without modification. Creditors were informed of the deemed approval of my Proposals in correspondence dated 25 October 2011

4. Asset Realisations

Full details of the asset realisations in the Administration as at 21 February 2012 can be found in the EOS and associated notes at Appendix B. Details of ongoing asset realisations in the Administration, together with any realisations since my last report dated 10 October 2011 are summarised as follows

4.1 Sale of Business

Creditors will have noted from my previous reports that a going concern sale of the Company's business and certain assets was completed on the date of my appointment under a sale agreement with Sangoma Technologies Inc ("Sangoma"), an unconnected party for a net consideration of £622,056

The consideration is detailed as follows

	£
Intellectual Property	605,390
Goodwill	1
Shares (Vegastream Networks Private Ltd)	6,662
Plant, Machinery and Office Equipment	10,000
Stock	1
WIP	1
Company Records	1
	<u>£622,056</u>

In addition to the above consideration and in accordance with the terms of the sale agreement, funds equating to £75,000 were deposited by Sangoma into an escrow account. It was agreed that Sangoma would be entitled to draw against the funds held in the escrow account in respect of any employment liabilities paid by them which related to the pre-Administration period. It was further agreed that any claim made against the escrow account should be submitted within a given timeframe outlined in the sale agreement.

Further to the above, Sangoma submitted a claim totalling £83,220 comprising the following liabilities

	£
Unpaid pension contributions	53,916
Employee expenses	7,317
Overseas employee	3,300
Wages for the period 1 August to 21 August 2011	18,687
Total paid by Sangoma	<u>£83,220</u>

The claim was reviewed and it was agreed that Sangoma would receive the full balance of the escrow account. The funds were transferred on 22 November 2011 and therefore no realisations for the benefit of creditors have been possible in this regard.

For further details concerning the sale to Sangoma please refer to my report of 30 August 2011.

4.2 Debtors

The Company's debtor ledger as at 22 August 2011 showed an outstanding balance totalling £19,597. This debt was 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. The Company received one payment totalling £11,496 on 16 September 2011 and the remaining balance of £11,786 was subsequently collected by the Joint Administrators on 5 October 2011, giving a total of £23,281 realised in the Administration. There will be no further realisations from debtors.

The amount received was greater than initially anticipated due to the fact that anticipated credits, listed in the Company's debtor ledger, were not offset against the outstanding balance.

4.3 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 terms of 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 is still to be resolved by the Administrators.

4.4 VAT Refund

At 22 August 2011 it was calculated that the Company was due a total VAT refund of £7,142 for the quarters ending 30 June 2011 and 30 September 2011. The director completed the outstanding returns and forwarded them to me for onward submission to HM Revenue & Customs ("HMRC"). Following submission of the VAT returns a total refund of £7,012 was requested. HMRC have not refunded this money but instead have applied a set-off against the PAYE liability due by the Company. As such HMRC's claim in the Administration has been reduced accordingly.

4.5 Bank Interest (Gross)

Interest of £217 up to 21 February 2012 has accrued on the Administration bank account.

4.6 Sundry Receipt

A payment of £44 was received from HSBC Bank Plc in respect of the refund of a BACS payment erroneously paid subsequent to my instruction to freeze all payments leaving the Company's bank account after my appointment.

5 Investigations

In accordance with SIP 2, I confirm that my mandatory investigations have included

- Dealing with enquiries and information provided by creditors
- Conducting enquiries of the officers of the Company
- Investigating the accuracy of the Company's Statement of Affairs and comparing with financial statements prepared
- Reviewing the Company's records in order to identify unusual or exceptional items
- Investigations relating to transactions with associated companies and connected persons

I confirm that my statutory report on the conduct of the Company's director was submitted to The Department of Business, Innovation and Skills on 2 December 2011. The content of this report is, however, strictly private and confidential.

Please be advised that my investigations are now complete and none of the identified issues have proved worthy of pursuance in the interests of creditors.

6 Outcome for Creditors

My Estimated Outcome Statement updated to 21 February 2012 is attached as Appendix B and shows the utilisation of funds in the Administration. The outcome for each category of creditor may be summarised as follows:

6.1. Secured Creditor

The secured creditor, Noble, provided financing to the Company's parent company, Vegastream Holdings Limited ("VHL"), under a number of loan facilities. Funds were provided to the Company by VHL. The Company was party to the agreements between VHL and Noble and is liable in respect of sums due to Noble under a cross guarantee scheme.

I sought legal advice regarding the remaining liabilities due in respect of the loan facilities and the security registered at Companies House in favour of Noble. It was confirmed by my solicitors that the following loan liabilities are captured under Noble's fixed charge:

	£
Loan Agreement dated November 2005	268,713
Loan Agreement dated November 2006	144,386
Loan Agreement dated August 2011	261,998
	<u>£675,097</u>

A total of £413,000 was paid to Noble from fixed charge realisations on 23 September 2011 and a further distribution totalling £80,000 was paid on 1 March 2012 although this payment falls beyond the scope of this report. A third and final distribution is anticipated under Noble's fixed charge, however, the precise timing and quantum of the distribution cannot be confirmed until all liabilities and costs of the Administration have been finalised and agreed.

As well as the loan agreements between VHL, the Company and Noble, VHL also entered into a number of loan agreements with Noble Venture Finance II S.A. ("Noble II"). Noble is a wholly owned subsidiary of Noble II. The loan agreements with Noble II are summarised below:

	£
Loan Agreement dated December 2007	218,563
Loan Agreement dated December 2007	36,775
Loan Agreement dated December 2007	15,464
	<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 I am advised that this liability is unsecured. My solicitors have reviewed the necessary documentation and have confirmed that the above loans are not caught by the Noble charge due to the loans being made from Noble II.

6.2 Preferential Creditors

There have been no preferential claims submitted against the Company as all claims were mitigated following the transfer of all employees to Sangoma

6.3 Unsecured Creditors and the "Prescribed Part"

The 'Prescribed Part' provisions of Section 176A of the Act does apply. 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.

7. Joint Administrators Costs

7.1 Basis of the Joint Administrators' Remuneration and Disbursements

In my report dated 10 October 2011, prepared pursuant to Paragraph 49 of Schedule B1 of the Act setting out my Proposals, I sought agreement from Noble that the underlying basis of my remuneration and disbursements will be fixed by reference to time costs incurred in attending to matters arising in respect of the Administration. In addition I requested that my disbursements be drawn in line with my firm's charging and disbursements policy. The requisite approval was received from Noble on 21 October 2011.

The Joint Administrators have not drawn any remuneration during the period covered by this report.

7.2 Remuneration Charged and Disbursements Incurred

Details of my time costs and disbursements incurred since my appointment to 21 February 2012 are shown on the attached Appendix E. Noble will be consulted in respect of their consent to the drawing of all time costs accrued.

I have provided this information in this format as required by the provisions of the Statement of Insolvency Practice 9.

Appendix F also contains details of my firm's current charging and disbursements policy.

In common with all professional firms, my rates may increase from time to time over the period of the administration of each insolvency case. My firm's hourly charge-out rates were last increased with effect from 1 May 2011, so there have been no increases since the date of my appointment.

7.3 Remuneration and Disbursements Drawn

As explained at 7.1 above I have not yet drawn any of my post appointment time costs. I have, however, drawn a proportion of my post appointment disbursements totalling £100 from floating charge realisations. Any remaining disbursements will be drawn shortly.

Below is a schedule of disbursements incurred and drawn to 21 February 2012.

Description	Disbursement Type	£
Post Appointment		
Specific Bond	Category 1	30
Statutory Advertising	Category 1	70
		<u>100</u>

7.4 Expenses Incurred and Paid

Details of the professional costs incurred in the Administration can be found at Appendix E

8 Creditors' Guide to Fees and Statement of Creditors' Rights

If you require further information relating to Administrators' remuneration, expenses and disbursements please see Appendix G This also gives details of your rights as a creditor

9. Pre-Administration Costs

Details of the pre-Administration costs and expenses amounting to £62,852 are provided within the EOS at Appendix B Shortly following my appointment, it was agreed by Noble that these pre-Administration costs should be paid Accordingly, these costs have been fully discharged

10 Exit from Administration

My Proposals detail the proposed exit routes that the Joint Administrators can take to conclude the Administration It is not anticipated that there will be sufficient funds in the Administration to pay a dividend to the unsecured creditors Consequently the Joint Administrators intend, once all aspects of the Administration have been concluded, to send a notice in accordance with Paragraph 84 of schedule B1 to the Act whereupon the Joint Administrators' appointment shall cease to have effect and the Joint Administrators will be discharged from liability at the time The effect of this is that the Company will eventually dissolve without a formal Liquidation process

There is one matter preventing the closure of this case and that is the wind down of the Company's wholly owned subsidiary VDL

If you have any queries regarding the content of this report or any other matter relating to this case, please contact Jessica Dmochowska at this office

Yours faithfully



James Sleight
Joint Administrator

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

**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, Noble 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
		25/08/2011
	Vegastream Group Limited	

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

ESTIMATED OUTCOME STATEMENT

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

Appendix B

Estimated Outcome Statement as at 21 February 2012

	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
Shares - Vegastream Networks Private Limited	2	6,662	6,662	-	6,662
Goodwill	4	1	1	-	1
Bank Interest	8		189	50	239
Total Assets Subject to Fixed Charge		612,053	612,242	50	612,292
Pre-Administration Costs Associated With Fixed Charge Assets					
Geoffrey Martin & Co - Fees	10		29,000	-	29,000
Geoffrey Martin & Co - Category 1 Disbursements	10		64	-	64
Geoffrey Martin & Co - Category 2 Disbursements	10		97	-	97
Advertisement for Sale of Business			128	-	128
Charles Russell - Legal Fees	10		25,000	-	25,000
Edward Symmons - Agent's Fees	10		7,500	-	7,500
Edward Symmons - Disbursements	10		215	-	215
Haysmacintyre - Tax Advisors' Fees	10		850	-	850
			(62,852)	-	(62,852)
Administration Costs					
Joint Administrators' Remuneration	11		-	31,000	31,000
Charles Russell - Legal Fees	12		-	4,500	4,500
Charles Russell - Legal Disbursements	12		-	130	130
Haysmacintyre - Tax Advice	13		-	1,950	1,950
Bank Charges	14		25	50	75
			(25)	(37,630)	(37,655)
Funds Available To Fixed Charge Holder			549,365	(37,580)	511,785
Deduct Noble Venture Finance I Limited	15		(413,000 00)	(262,097)	(675,097)
Current Balance on Fixed Charge Account			136,365		
Estimated Shortfall to Noble Venture Finance I Limited					(163,312)
Assets Not Specifically Pledged					
Office Furniture & Equipment	3	10,000	10,000	-	10,000
Stock	4	1	1	-	1
WIP	4	1	1	-	1
Company Records	4	1	1	-	1
Debtors	5	Uncertain	23,281	-	23,281
Return on Shares in VDL	6	Uncertain	-	Uncertain	Uncertain
VAT Reclaim	7	Uncertain	Nil	Nil	Nil
Bank Interest	8		28	25	53
Sundry Receipts	9		44	-	44
Total Assets Subject to Floating Charge		10,003	33,356	25	33,381
Administration Costs					
Joint Administrators' Remuneration	11		-	32,107	32,107
Joint Administrators' Category 1 Disbursements	11		100	311	411
Joint Administrators' Category 2 Disbursements	11		-	351	351
Charles Russell - Legal Fees	12		-	500	500
Bank Charges	14		12	-	12
			(112)	(33,269)	(33,381)
Funds Available For Preferential Creditors			33,244	(33,244)	-
Deduct Preferential Creditors	16				-
Assets Available to 'the Prescribed Part'	17				-
Assets Available to Floating Charge Holder					-
Deduct Shortfall to Noble Venture Finance I Limited	15				(163,312)
Estimated Shortfall to Noble Venture Finance I Limited					(163,312)
Unsecured Creditors					
Trade Creditors	18			163,568	
HSBC Bank Plc	19			740	
HM Revenue & Customs (PAYE/NIC)	20			310,674	
Former Employee / Contractor Claims	21			Uncertain	
Employees - Pension Arrears / Expenses	22			21,497	
Landlord's Claims	23			65,590	
Noble Venture Finance II S.A	24			270,802	
Vegastream Holdings Ltd - Residual CVA Claim	25			4,148,294	
Vegastream Holdings Limited	26			154,254	
Vegastream Distribution Limited	27			213,386	
Total Unsecured Creditors					(5,348,805)
Estimated Shortfall to Unsecured Creditors					(5,512,117)

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 21 February 2012

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 £622,056.

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.

3 Office Furniture & Equipment

The 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 for a consideration of £10,000.

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
	<u>4</u>

5 Debtors

The Company’s debtor ledger as at 22 August 2011 showed an outstanding debt totalling £19,597. These invoices were due to the Company from 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. The Company received one payment totaling £11,496 on 16 September 2011 and the remaining balance of £11,786 was collected by the Joint Administrators following the expiry of the 30 days.

Appendix B (continued)

The outstanding balance was received on 5 October 2011, giving a total of £23,281 realised in the Administration. No further realisations are anticipated.

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 is still to be ascertained by the Administrators.

7 VAT Reclaim

At 22 August 2011 it was anticipated that the Company would receive a total VAT refund of £7,142 for the quarters ending 30 June 2011 and 30 September 2011. The director completed the outstanding returns and forwarded them to me for onward submission to HM Revenue & Customs ("HMRC"). Following the submission a total refund of £7,011.58 was due to the Company. However, HMRC have not refunded this money, but instead applied a set-off against the PAYE liability due by the Company. As such HMRC's claim in the Administration has been reduced accordingly.

8 Bank Interest

It is anticipated that a further £75 interest will accrue during the Administration.

9 Sundry Receipt

A payment of £44 was received from HSBC Bank Plc in respect of a BACS payment accidentally paid subsequent to my instruction to freeze all payments going out of the Company's bank account. No further realisations are anticipated.

COSTS OF THE ADMINISTRATION

10 Pre-Administration Costs

Pre-Administration costs amounted to £62,852. For further details of these costs, please refer to Appendix G of my report dated 10 October 2011. Please note however that certain costs, advertising the business and category 1 disbursements, are slightly higher than previously reported.

11 Joint Administrators' Costs

To date, the Joint Administrators have accrued £71,993 of post appointment time costs. It is currently anticipated that the Joint Administrators will incur further time costs of circa £15,000.

The Estimated Outcome Statement shows that, the Joint Administrators propose to seek the consent of Noble to draw an element of their fees, being £31,000 from fixed charge realisations.

During the period covered by this report, 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>

These have been drawn from floating charge realisations and it is anticipated that the Joint Administrators will incur further Category 1 disbursements of £311 which will also be drawn from floating charge realisations in due course. These are summarised as follows:

Appendix B (continued)

	£
Travelling Expenses	84
Company Search Fees	25
Storage Costs	202
	<u>311</u>

The Joint Administrators will also draw funds of £351 in respect of Category 2 disbursements, incurred during the first year of the Administration, 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 F. These will also be drawn from floating charge realisations.

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

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
- Reviewing and dealing with claims on the escrow account
- Advice on post-completion issues

During the period covered by this report, CR have incurred time costs of £6,025 and disbursements equating to £130. CR have recently agreed to cap their fees at £5,000 and, subject to the receipt of the relevant invoice, these will be paid shortly. These costs will be split between fixed and floating charge realisations.

13 Haysmacintyre – Tax Advisors Costs

Following their appointment the Joint Administrators instructed Haysmacintyre to assist with the completion of the Company's outstanding pre Administration tax returns and the first post Administration tax return which dealt with the disposal of the Company's assets.

Haysmacintyre have incurred time costs of £1,950 and I confirm that these fees will be paid shortly.

14 Bank Charges

Bank charges of £37 have been incurred during the period covered by this report, £12 in respect of payments received from the debtor and £25 in respect of the transfer of funds to Noble.

It is anticipated that further bank charges of £50 will be incurred in the Administration relating to the payment of further distributions to Noble.

CREDITORS

15 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 26 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.

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

Appendix B (continued)

	Initial Lending	Balance as at 5 September 2011
	£	£
Loan agreement November 2005	500,000	268,713
Loan agreement November 2006	250,000	144,386
Loan agreement August 2011	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 paid to Noble under its fixed charge on 23 September 2011.

As mentioned in Note 24 below, Noble Venture Finance II S A also entered into loan agreements with VHL for which the Company is responsible under the cross guarantee. See Note 24 for further details.

16 Preferential Creditors

The Sale Agreement with Sangoma contained 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, as anticipated, there have been no preferential claims lodged against the Company.

17 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.

18 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.

19 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.

20 HM Revenue & Customs ("HMRC") - PAYE/NIC

The Company's records show an outstanding liability of £457,524 due to HMRC 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 HMRC in relation to PAYE/NIC deductions since the 2009/10 tax year.

Appendix B (continued)

A claim was received in January 2012 from HMRC in respect of unpaid PAYE/NIC totaling £310,674 but this has yet to be confirmed as a final claim. This claim should be reduced by the VAT refund of £7,012 referred to in note 7.

21 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.

22 Employee Claims – Pension Arrears / Expenses

My previous report detailed potential liabilities in respect of pension arrears and employee expenses amounting to £82,730. Subsequently, payments of £53,916 and £7,317 have been confirmed as being paid by Sangoma under the terms of the Sale Agreement. The effect of these payments reduced these potential claims to a figure of circa £21,497 although it may ultimately be confirmed that all such liabilities have been paid in full by Sangoma.

23 Landlord's 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.

A claim amounting to £79,367 has been submitted by the Landlord.

24 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 December 2007	250,000	218,563
Loan Agreement December 2007 (ext 1)	35,000	36,775
Loan Agreement December 2007 (ext 2)	15,000	15,464
Loan Agreement August 2011	250,000	Nil
	<u>550,000</u>	<u>270,802</u>

Appendix B (continued)

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 this liability is unsecured. My solicitors have reviewed the necessary documentation and have confirmed that the above loans are not caught by the Noble charge due to the loans being made from Noble II.

25 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.

26 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 £154,254.

27 Vegastream Distribution Limited ("VDL")

The Company's accounts show that, as at 22 August 2011, there was 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.

The actual position in respect of this liability has not been ascertained but it is thought that once VDL has been wound down, its accounts will not indicate any liability due from the Company.

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 C

JOINT ADMINISTRATORS' ABSTRACT OF RECEIPTS & PAYMENTS

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

Joint Administrators' Abstract Of Receipts And Payments
To 21 February 2012

	Statement of Affairs £	Fixed Charge £	Floating Charge £	Total £
RECEIPTS				
Intellectual Property	605,390 00	605,390 00	-	605,390 00
Shares (Vegastream Networks Private Ltd)	6,662 00	6,662 00	-	6,662 00
Goodwill	1 00	1 00	-	1 00
Bank Interest		188 75	27 53	216 28
Plant, Machinery and Office Equipment	10,000 00	-	10,000 00	10,000 00
Stock	1 00	-	1 00	1 00
WIP	1 00	-	1 00	1 00
Company Records	1 00	-	1 00	1 00
Book Debts	Uncertain	-	23,281 28	23,281 28
VAT Reclaim	Uncertain	-	Nil	Nil
Sundry Receipts		-	44 32	44 32
Vat Control Account		-	13 95	13 95
Fixed Vat Control Account		12,570 42	-	12,570 42
	622,056 00	624,701 17	33,481 08	658,182 25
PAYMENTS				
<u>Pre-Administration costs</u>				
Geoffrey Martin & Co		29,000 00	-	29,000 00
Geoffrey Martin & Co Category 1 Disbursements		63 94	-	63 94
Geoffrey Martin & Co Category 2 Disbursements		96 75	-	96 75
Advertisement for Sale of Business		126 25	-	126 25
Legal Fees - Charles Russell		25,000 00	-	25,000 00
Agents/Valuers Fees - Edward Symmons		7,500 00	-	7,500 00
Agent/Valuers Disbursements		215 15	-	215 15
Tax Advice - Haysmacintyre		850 00	-	850 00
<u>Post-Administration Costs</u>				
Specific Bond		-	30 00	30 00
Statutory Advertising		-	69 75	69 75
Bank Charges		25 00	12 00	12 00
VAT Receivable		-	13 95	13 95
Fixed Vat Receivable		12,570 42	-	12,570 42
<u>Distribution to Secured Creditor</u>				
Noble Venture Finance I Limited		413,000 00	-	413,000 00
	(488,447.51)	(125 70)	(488,573 21)	
Balances in Hand	136,253 66	33,355 38	169,609 04	
	624,701 17	33,481 08	658,182 25	
Balance - 21 February 2012				169,609 04
Made up as follows				
Current Account - Interest Bearing				3,609 04
Deposit Account - Interest Bearing				166,000 00
				169,609 04

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

APPENDIX D

JOINT ADMINISTRATORS' KEY PROPOSALS

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)

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

APPENDIX E

**JOINT ADMINISTRATORS' TIME COSTS ANALYSIS
& ANALYSIS OF EXPENSES**

SIP 9 - Time & Cost Summary

Period 22/08/11 21/02/12

Time Summary

Hours						Time Cost (£)	Average hourly rate (£)
Classification of work function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & Planning	0 00	1 60	0 00	23 20	24 80	3 563 50	143 69
Administrative Setup	0 00	0 00	0 20	0 20	0 40	48 00	120 00
Appointment Notification / Filing	0 50	2 10	0 00	0 00	2 60	707 50	272 12
Post Appointment VAT & Tax Ref	0 20	0 30	0 00	2 10	2 60	445 50	171 35
Case Monitoring	5 50	3 20	0 40	6 40	15 50	3 779 00	243 81
Secretarial / Filing	0 00	1 30	0 00	16 10	17 40	2 326 00	133 68
Cashier for Non Trading	0 00	0 00	4 10	4 30	8 40	1 190 50	141 73
Travelling	2 00	1 00	0 00	1 20	4 20	1 160 00	276 19
Other Statutory matters	0 10	0 80	0 00	71 50	72 40	10,746 50	148 43
Administration & planning	8 30	10 30	4 70	125 00	148 30	23 968 50	161 61
Investigations	1 40	6 30	0 00	27 40	35 10	6 178 50	176 03
CDDA Reports	0 30	1 10	0 00	5 20	6 60	1 164 50	176 44
Investigations	1 70	7 40	0 00	32 60	41 70	7 343 00	176 09
Property	1 30	4 70	0 00	3 30	9 30	2,142 00	230 32
Book Debts	0 70	7 10	0 00	7 20	15 00	3 110 50	207 37
Other Assets	0 80	8 30	0 00	0 30	9 40	2 412 00	256 60
Going Concern Sale Assets/Business	3 80	0 70	0 00	3 30	7 80	2,057 00	263 72
Realisations of assets	6 60	20 80	0 00	14 10	41 50	9 721 50	234 25
Preferential Creditors	0 00	0 00	0 00	0 30	0 30	45 00	150 00
Unsecured Creditors	0 00	2 00	0 00	23 10	25 10	3 942 50	157 07
Employee Matters (Claims)	0 50	2 00	21 10	13 10	36 70	5 954 50	162 25
Statutory Reporting to Creditors	7 10	14 20	0 00	34 60	55 90	11 363 50	203 28
Report / Secured Creditor	6 40	9 90	0 00	7 10	23 40	5,876 00	251 11
Pension Issues	0 50	3 20	7 00	10 30	21 00	3 655 00	174 05
Shareholders - Communication	0 00	0 50	0 00	0 00	0 50	125 00	250 00
Creditors	14 50	31 80	28 10	88 50	162 90	30 961 50	190 06
Total Hours	31 10	70 30	32 80	260 20	394 40	71,992 50	182 54

**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
- Liaising with tax advisors regarding completion of pre-post appointment Corporation Tax returns

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
- Liaising with the director of VDL to determine the value of the Company’s shareholding
- Resolving post-completion issues with purchaser

Investigations

- Statutory investigations into the affairs of the Company and its officers
- Completion of Directors’ Conduct Report in accordance with the Company Directors Disqualification Act 1986
- Dealing with enquires and information provided by creditors
- Investigating the accuracy of the Company’s Statement of Affairs and comparing the financial statement prepared
- Reviewing the Company’s records in order to identify unusual or exceptional items
- Investigations relating to transaction with associated companies and connected persons

Creditors

- Managing the transfer of employees under the Transfer of Undertakings (Protection of Employment) Regulations to the Purchaser
- Liaising with the landlord 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.

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

A full summary of their time costs incurred and paid is provided below

Expenses incurred

Charles Russell LLP have incurred time costs of £6,025 in the period covered by this report. However, they have agreed to cap their fees at £5,000.

Haysmacintyre have incurred costs of £1,950 in the period covered by this report.

Expenses paid

Neither Charles Russell LLP nor Haysmacintyre have not yet been paid in respect of their time costs accrued in this period.

Professional Disbursements incurred and paid

In addition to the above, Charles Russell LLP have incurred disbursement charges totalling £79 in the period covered by this report. Disbursements have not been paid to date as I will also require the consent from Noble, prior to discharging these costs.

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

APPENDIX F

CHARGING AND DISBURSEMENTS POLICY

Appendix F

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
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. Time is charged in units of 6 minutes.

Disbursements

A disbursement charge relating to the recovery of overhead costs is levied at the rate of £6.75 per creditor. 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 G

‘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, explain 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