

The Insolvency Act 1986

Administrator's progress report

Name of Company AudioGO Limited	Company number 01315795
In the High Court of Justice, Chancery Division <small>[full name of court]</small>	Court case number 7535 of 2013

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

We (a) Mark Shaw and Antony David Nygate of BDO LLP, 55 Baker Street, London W1U 7EU

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

(b) Insert date	From (b) 31 October 2013	to (b) 30 April 2014
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Signed

Joint/administrator(s)

Dated

28/5/14

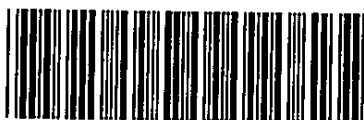
Contact details:

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

c/o Robert Ferne, BDO LLP, 55 Baker Street, London, W1U 7EU	
Our Ref	Tel 020 7893 3562
DX Number	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

FRIDAY



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COMPANIES HOUSE



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Private and Confidential

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XX
XX

30 May 2014

Our ref: 237271/KH/MJW/

Please ask for Robert Ferne
Direct line 020 7893 3562
Email: robert.ferne@bdo.co.uk

TO ALL CREDITORS

Dear Sirs

AudioGO Limited ("the Company") - In Administration

It is now six months since my appointment in respect of the Company. In accordance with Rule 2.47 of the Insolvency Rules 1986 I am now reporting the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration.

This report should be read in conjunction with my proposal document dated 20 December 2013.

1 Statutory Information

- 1.1 The Joint Administrators are Mark James Shaw and Antony David Nygate of BDO LLP, 55 Baker Street, London, W1U 7EU and they were appointed in respect of the above company on 31 October 2013. Under the provisions of paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the Joint Administrators carry out their functions jointly and severally and neither Joint Administrator has exclusive power to exercise any function.
- 1.2 The Joint Administrators were appointed by the directors, pursuant to Paragraph 12 of Schedule B1 of the Insolvency Act 1986. The Administration proceedings are dealt with in the High Court of Justice, Chancery Division and the court case number is 7535 of 2013.
- 1.3 The company's registered office is situated at 55 Baker Street, London, W1U 7EU and the registered number is 01315795.
- 1.4 I enclose, for your information, a summary of my receipts and payments to date showing a balance in hand of £1,575,787.34, together with a copy of my abstract account covering the last six month period, and report as follows:

2 Receipts

The receipts shown have either been described in my proposals or are largely self-explanatory, although I would comment specifically as follows:



2.1 Sales Income

- 2.1.1 To date £138,366.57 has been received in respect of digital sales through online retailers iTunes and Overdrive. Of this amount the sum of £67,325 was not due to the Company and has been received in error. I will be instructing a payment to transfer these sums to the relevant third parties. No further digital sales are anticipated.

2.2 Master Recordings

- 2.2.1 As previously advised, a licence agreement was entered into with Audible Inc. ("Audible") for the master recordings owned by the Company. The use of these recordings was subject to new licence agreements being granted by the relevant rights holders.
- 2.2.2 The total consideration for the sale was between US\$1.4m and US\$2.3m, with the final level of consideration being dependent on the number of new license agreements entered into as at 14 February 2014. The final amount due from Audible is still in negotiation, however to date I have received payments totalling US\$1.4m (£896,958).
- 2.2.3 Once all of the sales information has been provided, the Company will be required to account to the rights holders in respect of royalties due for sales that have been made post-appointment. I am in the process of collating the various sales reports in order that the relevant royalty calculations can be made.

2.3 Chattel Assets

- 2.3.1 The sum of £65,470 has been realised by my chattel agent Eddisons Commercial Limited ("Eddisons") from the sale of the Company's fixtures, fittings, office furniture and equipment. This includes the studio equipment that was situated in the head office building.

2.4 Physical Stock

- 2.4.1 As detailed in my proposals, the physical stock was sold to a number of interested third parties for total consideration of £269,733, all of which was paid prior to any stock collections being facilitated. There will be no further realisations in this regard.

2.5 Book Debts

- 2.5.1 The total sum of £973,652 has been collected in respect of book debts of which £50,404 has been realised since the date of my last report. The level of recovery achieved is significantly higher than anticipated at the outset of the Administration.

3 Payments

3.1 Payroll Costs

- 3.1.1 As stated in my proposals, it was necessary to retain a number of staff to assist with the closure of the business and sale of Company assets. The salary costs in this regard totalled £118,402. In addition the PAYE and National Insurance contributions payable for the post-appointment period were £14,558.

3.1.2 Other statutory and contractual payments totalling £9,822 were also paid in respect of pension contributions and employee benefits.

3.2 Property Costs

3.2.1 Utility costs of £7,635 have been incurred in respect of the period of occupation at the Company's trading premises. In respect of the freehold property at Hengoed, Wales, further costs will continue to accrue until the property is sold. In addition business rates totalling £7,364 have been paid.

3.3 IT & Website

3.3.1 As stated in my previous report, costs have been incurred in respect of the maintenance and subsequent closure of the Company's website. It was also necessary to purchase a licence to the Company's main accounting and royalty software, IBS Bookmaster, in order to secure read only access going forward. To date the sum of £25,641 has been incurred in respect of IT costs.

3.4 Destruction Costs

3.4.1 There were a significant number of master recordings and stock lines that I was obliged to destroy due to numerous licences having expired. In order to comply with copyright obligations a specialist contractor was engaged by my agent to destroy the recordings securely.

3.5 Agent's Fees

3.5.1 The sum of £28,555 has been paid to Eddisons in respect of their valuation advice and fees for dealing with the sale of the various chattel assets located at the Company's three trading premises.

3.6 Legal Fees

3.6.1 Pinsent Masons LLP were engaged by the Joint Administrators in order to provide advice in respect of any legal matters arising during the course of the Administration, including in relation to the appointment process

3.6.2 To date the sum of £34,950 has been paid and I anticipate further costs will be incurred in respect of advice provided for on-going issues.

3.7 Storage Costs

3.7.1 The Joint Administrators engaged a specialist agent, Total Data Management Solutions Limited to uplift the Company's books and records. The quantity of records was significant and costs incurred to date in respect of collection, listing and storage total £13,742.

4 Other Assets

4.1 Freehold Property

- 4.1.1 The freehold property at Hengoed, Wales, has now been cleared and agents engaged to commence marketing it for sale.

4.2 Shareholding

- 4.2.1 The Company had a 0.5% shareholding in AudioBoo Limited ("AudioBoo"), the book value of which was £500.
- 4.2.2 In April 2014 the major shareholder of AudioBoo proposed and facilitated a sale to a new third party entity, One Delta plc ("One Delta"). The consideration for which was an exchange of shares and warrants in One Delta.
- 4.2.3 After consideration I was satisfied that the sale was in the best interests of the Company and agreed to sign the Sale and Purchase Agreement for the exchange of the shares in AudioBoo. This transaction completed in May 2014.
- 4.2.4 The value of the Company's shareholding in the new company based on its current listing is expected to be higher than book value.

5 Other Matters

- 5.1 The Joint Administrators will be investigating the circumstances leading to the insolvency of the Company. This is in accordance with their statutory duties under the Company Directors Disqualification Act 1986 and regulatory best practice.

- 5.2 I am currently considering the above and working closely with my advisors

6 Future of the Administration

- 6.1 The Joint Administrators proposals, deemed approved on 7 January 2014 in the absence of a meeting of creditors, stated that the Company would move to Creditors' Voluntary Liquidation. I anticipate that the Company will move to Liquidation prior to the expiry of the Administration, which is due to occur on 30 October 2014.

7 Prospects for Creditors

7.1 Secured Creditors

- 7.1.1 As stated in my proposal document, the Company's main bankers, National Westminster Bank plc ("NatWest"), hold fixed and floating charges over the assets of the Company dated 13 July 2010. As at the date of the Administration, NatWest was due c. £9million in respect of its secured debt. It is anticipated that NatWest will suffer a shortfall in respect of its lending.
- 7.1.2 Subject to a final reconciliation of the pre-appointment bank accounts, NatWest have received £613,504.68. This consists of book debts and digital sales paid into the pre-appointment account.

7.1 3

- 7.1.4 In addition, Quintus European Mezzanine Fund Sarl ("Quintus") also holds fixed and floating charges dated 27 December 2012. Quintus has advised that US\$8,548,682 is due from the Company. As Quintus may not receive any payment from the Company's assets under their security, they will be able to submit an unsecured claim and participate in the dividend paid from Prescribed Part monies, should they elect to surrender their security.

7.2 Preferential Creditors

- 7.2.1 Preferential claims are those of employees in respect of arrears of wages, capped at £800 per employee, and any accrued holiday pay for those employees who have been made redundant. Employee preferential claims total £26,965.02 and will be paid in full.

7.3 Unsecured Creditors

- 7.3.1 Based upon Company records, trade creditor claims are estimated to be in the order of £3,426,628.
- 7.3.2 Employee unsecured claims in respect of redundancy pay and payment in lieu of notice are estimated to be c.£1million.
- 7.3.3 Associated company creditors are Audio London Limited, which is owed £1,771,589 and Cover to Cover Limited which is owed £4,481,156 according to Company records.
- 7.3.4 HM Revenue & Customs has submitted a proof of debt form for £157,053.15 in respect of unpaid VAT and payroll taxes.
- 7.3.5 I am aware that royalty statements are outstanding for the period leading up to my appointment, from 1 January 2013 to 31 October 2013. I am currently considering with my legal advisors the most cost effective course of action for issuing these statements and agreeing the claims of c.5,000 rights holders. It is estimated that the total claims from royalty creditors is £756,188.
- 7.3.6 As previously advised, there will be insufficient realisations to distribute to unsecured creditors other than under the provisions of the prescribed part, as set out below

7.4 Prescribed Part

Under Section 176A of the Insolvency Act 1986 where after 15 September 2003 the Company has granted to a creditor a floating charge a proportion of the net property of the Company, after the payment of preferential creditors, must be made available for the unsecured creditors. Based on present information the Joint Administrators estimate that after allowing for costs the value of the Company's net property will be in the region of £1 7million. This means that the prescribed part may be £343,000.

8 Pre Appointment Costs

8 Pre Appointment Costs

- 8.1 With regard to the Joint Administrators' pre-appointment costs, as previously advised, £100,000 has been paid and the balance of my time costs written off. No further payments will therefore be made in this regard.

9 Joint Administrators' Remuneration

- 9.1 Where there is insufficient realisable property to enable a distribution to be made to unsecured creditors, other than under the prescribed part, the Joint Administrators remuneration will be subject to approval of the secured and preferential creditors in accordance with Rule 2.106(5A) of the Insolvency Rules 1986.
- 9.2 The Joint Administrators have sought approval for remuneration on a time costs basis. To date costs of £669,382.05 have accrued over 2,215.80 hours at an average rate of £302.09 per hour. Attached is a schedule which summarises the time costs incurred to date and indicates the work undertaken in that respect. No fees in respect of my post appointment time costs have been drawn to date.

10 Joint Administrators' Disbursements

- 10.1 Upon deemed approval of my proposals, a resolution was passed authorising the Joint Administrators to draw category 2 disbursements in respect of postage, stationery, photocopying charges, telephone, fax and other electronic communications on the basis of £12.50 per creditor in the first year of the Administration and £6.25 per creditor in respect of each subsequent year. To date no disbursements have been drawn.
- 10.2 I provide at the end of this report an extract from the Insolvency Rules 1986 setting out the rights of creditors to request further information and/or challenge the remuneration or fees within the Administration.

The Insolvency Service has established a central gateway for considering complaints in respect of Insolvency practitioners. In the event that you make a complaint to me but are not satisfied with the response from me then you should visit <http://www.bis.gov.uk/insolvency/contact-us/IP-Complaints-Gateway> where you will find further information on how you may pursue the complaint.

I hope that this has provided a useful update on the progress of the Administration. If you have any queries please do not hesitate to contact this office.

Please note that the Joint Administrators' act as agents of the Company and without personal liability.

Yours faithfully
For and on behalf of
AudioGO Limited



M. Shaw
Joint Administrator

Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses:-

Rule 2.48A Creditors' request for further information

(1) If—

- (a) within 21 days of receipt of a progress report under Rule 2.47—
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
- (b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor, makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).

(2) The administrator complies with this paragraph by either—

- (a) providing all of the information asked for, or
- (b) so far as the administrator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or
 - (iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

- (a) the giving by the administrator of reasons for not providing all of the information asked for, or
- (b) the expiry of the 14 days provided for in paragraph (1),
and the court may make such order as it thinks just.

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just

Rule 2.109 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

(1A) Application may be made on the grounds that—

- (a) the remuneration charged by the administrator,
- (b) the basis fixed for the administrator's remuneration under Rule 2.106, or
- (c) expenses incurred by the administrator,
is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

(1B) The application must, subject to any order of the court under Rule 2.48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days' notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses (continued):-**Rule 2.109 (continued)**

(3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

- (a) an order reducing the amount of remuneration which the administrator was entitled to charge;
- (b) an order fixing the basis of remuneration at a reduced rate or amount,
- (c) an order changing the basis of remuneration;
- (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration;

(e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;

and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration.

AudioGO Limited - In Administration

Summary of Joint Administrator's Receipts And Payments from 31 October 2013 (date of appointment) to 30 April 2014

	Estimated to realise per Statement of Affairs (£)	Realisations to Date (Subject to a Floating Charge) (£)
RECEIPTS		
Sales Income	Nil	138,366.57
Master Recordings	906,262	896,957.89
Chattel Assets	27,980	65,470.00
Stock	269,000	269,733.43
Consignment Stock	Nil	106,696.64
Book debts	850,080	973,652.76
VAT Refund	Nil	136,444.00
Bank Interest	Nil	387.51
Output VAT	-	45,600.40
	2,053,322.00	2,633,309.20
PAYMENTS		
Wages		118,402.29
PAYE & NI		14,558.57
Employee Benefits & Pension Contributions		9,822.04
Utilities		7,635.89
Business Rates		7,364.00
Professional Fees		25,109.69
IT & Website		25,640.79
Specific Bond		775.00
Destruction of Unlicensed Products		36,325.00
Data Room Hosting		6,499.13
Book Debt Collection Fees		14,098.68
Agents' Fees		28,555.00
Agents' Disbursements		4,022.50
Legal Fees & Disbursements		34,950.09
Stationery & Postage		3,174.42
Storage & Records Management		13,742.53
Re-direction of Mail		195.00
Statutory Advertising		1,000.00
Insurance		113.58
Duress Payments		2,627.74
Press Office Media Costs		3,588.91
Sundry Expenses		13,601.40
Bank Charges		320.10
Input VAT		44,929.81
		417,052.16
DISTRIBUTIONS		
Secured Creditor - NatWest		613,504.68
Preferential Creditors		26,965.02
Balance in Hand		1,575,787.34
	£	2,633,309.20
<p>BDO LLP 55 Baker Street London W1U 7EU</p> <p>M Shaw & A D Nygate Joint Administrators 30 May 2014</p>		

AudioGO Limited - In Administration

Summary of Time Charged and Rates Applicable for the Period From 31 October 2013 (date of appointment) to 30 April 2014

Description	PARTNER		PRINCIPAL/ SENIOR MANAGER/ MANAGER		ASSISTANT MANAGER		SENIOR EXECUTIVE		EXECUTIVE	OTHER STAFF		GRAND TOTAL		AV RATE	
	Hours	£	Hours	£	Hours	£	Hours	£	Hours	£	Hours	Hours	£	£	£
Steps on Appointment	16 50	10,657 00	50 75	20,331 25			172 75	19,719 00	97 90	16,980 60		327 90	79,872 01	243 89	
Planning and Strategy									20 70	5,071 50		20 70	5,071 50	245 00	
General Administration	24 15	15,956 30	31 90	12,779 95			31 40	6,285 50	124 05	27,665 83		212 40	61,467 80	294 66	
Assets Realisation/Realising	18 75	11,337 50	488 30	204,373 50			25 00	4,932 30	138 15	33,414 00		670 40	137,279 30	213 77	
Trading related matters			267 15	93,038 75			73 80	13,470 00	164 75	37,790 20		504 90	141,398 95	232 04	
Employee Matters			47 75	15,632 25	26 60	4,873 80	9 25	1,591 00	9 95	1,207 50	40 90	134 45	27,083 63	201 46	
Creditor Claims			77 25	29,895 75			13 95	3,587 40	179 90	33,767 20		267 90	69,150 35	239 27	
Reporting	6 00	3,948 00	33 75	13,884 18			2 00	344 00	28 10	9,284 40		68 95	23,462 65	340 28	
Distribution and Closure			9 10	2,373 40								9 10	2,373 40	258 00	
	63 50	41,099 00	1,003 35	383,301 30	26 60	4,873 80	217 85	56,943 40	749 60	163,382 95	40 90				

Net total	2,215.00	469,382.05	302.89
Disbursements		20,988.11	
Billed		120,956.12	
Grand Total		949,382.05	

The Insolvency Act 1986

Administrator's progress report

Name of Company

AudioGO Limited

Company number

01315795

In the

High Court of Justice, Chancery Division

[full name of court]

Court case number

7535 of 2013

(a) Insert full name(s) and
address(es) of administrator(s)We (a) Mark Shaw and Antony David Nygate of BDO LLP, 55 Baker Street, London W1U
7EU

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

(b) Insert date

from

(b)

31 October 2013

to

(b)

30 April 2014

Signed

Joint/administrator(s)

Dated

28 - 5 - 14 .