

# AM03

## Notice of administrator's proposals



Companies House

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### 1 Company details

Company number 0 2 9 1 6 1 1 3

Company name in full Communisis Limited

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Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Michael Robert

Surname Pink

### 3 Administrator's address

Building name/number c/o Interpath Ltd

Street 10 Fleet Place

Post town London

County/Region

Postcode E C 4 M 7 R B

Country

### 4 Administrator's name

Full forename(s) Stephen John

Surname Absolom

① Other administrator  
Use this section to tell us about  
another administrator.

### 5 Administrator's address

Building name/number c/o Interpath Ltd

Street 10 Fleet Place

Post town London

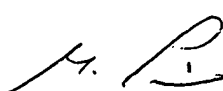


County/Region

Postcode E C 4 M 7 R B

Country

② Other administrator  
Use this section to tell us about  
another administrator.

AM03  
Notice of Administrator's Proposals

<b>6</b>		<b>Statement of proposals</b>		
		<input checked="" type="checkbox"/> I attach a copy of the statement of proposals		
<b>7</b>		<b>Qualifying report and administrator's statement <sup>1</sup></b>		
		<input type="checkbox"/> I attach a copy of the qualifying report		<b>1</b> As required by regulation 9(5) of The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021)
		<input type="checkbox"/> I attach a statement of disposal		
<b>8</b>		<b>Sign and date</b>		
Administrator's Signature	Signature			
				
Signature date	<sup>d</sup> 1 <sup>d</sup> 9	<sup>m</sup> 0 <sup>m</sup> 1	<sup>y</sup> 2 <sup>y</sup> 0	<sup>y</sup> 2 <sup>y</sup> 4

# AM03

## Notice of Administrator's Proposals



### Presenter information

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

Contact name	Francine Pearlman
Company name	Interpath Ltd
Address	5th Floor, 130 St Vincent Street Glasgow
Post town	G2 5HF
County/Region	
Postcode	
Country	
DX	
Telephone	Tel +44 (0) 113 521 7510



### Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



### Important information

All information on this form will appear on the public record.



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The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.



### Further information

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This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

interpath

# Joint Administrators' proposals

**Communis Limited - in Administration**

**19 January 2024**

**Deemed delivered: 19 January 2024**

# Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why the Company entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 8).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, [www.ia-insolv.com/case+INTERPATH+CNB23F3454.html](http://www.ia-insolv.com/case+INTERPATH+CNB23F3454.html). We hope this is helpful to you.

Should you require a hard copy of this report or other document available on the insolvency portal, please contact Aruj Mughal at Interpath Advisory, 5th Floor, 130 St Vincent Street, Glasgow G2 5HF, United Kingdom, 0161 529 8847.

**Please also note that an important legal notice about this statement of proposals is attached (Appendix 9).**

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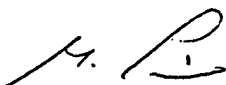
# 1 Executive summary

- Communis Limited ('the Company'), is a parent company within the Communis group (altogether referred to as the 'Group'), with numerous subsidiaries, including Communis UK Limited, Communis Digital Limited and Communis Data Intelligence. All of these subsidiaries, and the Company, entered administration on 28 December 2023. The Group operated within the traditional secure print sector, providing physical printing and mailing services, alongside integrated brand engagement services.
- The traditional print part of the Group, which made up most of CE's operations, was adversely affected by the Covid-19 pandemic, with sales reducing materially from 2020 onwards as a seismic shift toward digitisation accelerated more quickly than forecast. This downturn in performance was exacerbated by constraints placed on certain customer budgets, as organisations sought to recover from the global pandemic.
- As a result of the losses and liquidity pressure, in early 2023, the Group marketed the CE business for sale to seek a strategic partner who could provide the additional funding needed to support the business through its next phase of stabilisation and growth. On 15 March 2023, Interpath was engaged by Output Services Group, Inc. (note this is an entity in the US Group that, at the time, was an intermediate parent of the Group), to support a sale and investment process to explore its options.
- Following the marketing process, which subsequently extended to include the BD part of the Group, two final offers were received on an insolvent basis for the business and certain assets of the Company and three other associated entities within the Group, leading the directors to conclude that the Company had no reasonable prospect of avoiding insolvency (**Section 3 – Background and events leading to the administration**).
- On 28 December 2023, the sole statutory director filed a notice of intention to appoint administrators. The Secured Creditor provided their consent to the proposed administrators. Subsequently, on 28 December 2023, the director filed notices appointing Mike Pink and Stephen Absolom as Joint Administrators of the Company. At the same time, James Clark and Stephen Absolom were appointed Joint Administrators over three other associated entities (**Section 3 – Background and events leading to the administration**).
- Immediately following the filing of the notice of appointment of administrators, a pre-packaged administration sale of certain trade and assets of the Company (and three other Group entities) was successfully completed to an unconnected party, Paragon (**Section 4 – Strategy and progress of the administration to date**).
- The pre-packaged sale has provided increased realisations for the administration estate whilst reducing the risk of deteriorating the creditor positions, compared to alternative options such as trading on in administration, or undertaking a controlled shut-down in administration or liquidation. This transaction has also preserved 581 jobs across the Group (as defined in Section 2), of which 17 relate to employees of the Company, reducing both preferential and unsecured claims. The pre-packaged administration sale is considered in our opinion, and in all circumstances, to be the



best course of action for the general body of creditors (**Section 4 – Strategy and progress of the administration to date**).

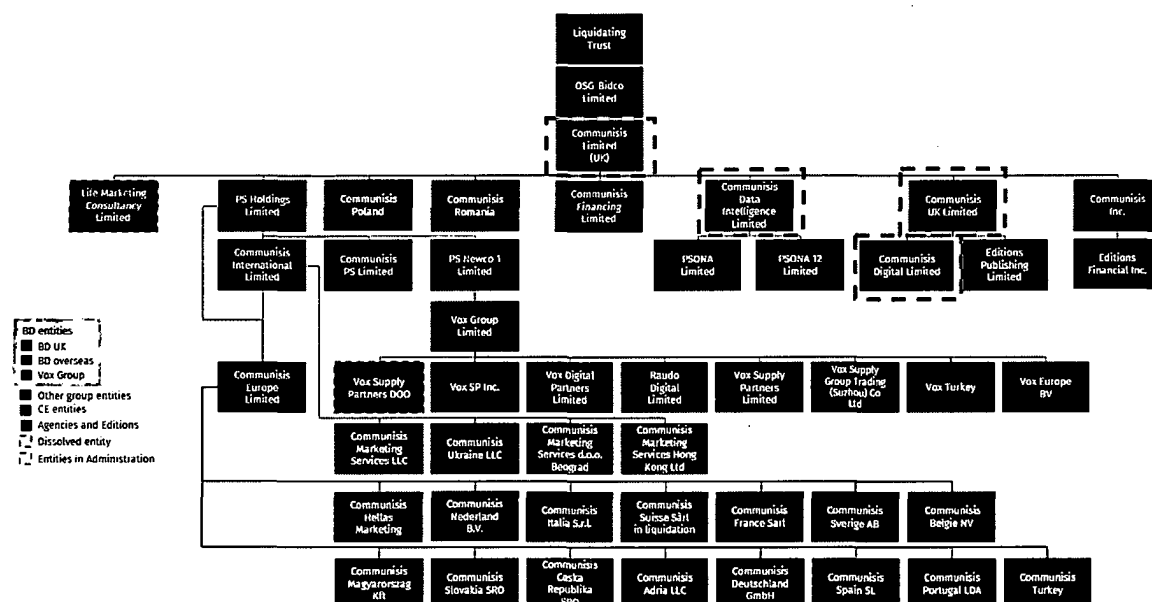
- The Secured Creditor holds fixed and floating charges over the assets of the Company. The Company was not a direct borrower of the amounts owed to the Secured Creditor but is a guarantor in respect of the amounts owed. Entities within the OSG Group were the principal borrowers of the debt. At the time of our appointment, the Secured Creditor was owed approximately \$235 million. Based on current estimates, there should be sufficient funds available to enable a return to the Secured Creditor under its fixed charge, and there may be sufficient funds to enable a distribution under its floating charge (**Section 5 – Dividend prospects**).
- Ordinary preferential claims comprise employees' arrears of wages, holiday pay and certain pension contributions. Based on current estimates, there may sufficient funds available to enable a partial or full payment to the ordinary preferential creditors (**Section 5 – Dividend prospects**).
- Secondary preferential claims comprise certain amounts owed to HMRC. Based on current estimates, there may be sufficient funds available to enable a partial or full payment to the secondary preferential creditors (**Section 5 – Dividend prospects**).
- Based on current estimates, we anticipate that unsecured creditors may receive a dividend by way of the Prescribed Part only. The quantum of any Prescribed Part is dependent on the level of overall asset realisations and expenses of the administration (**Section 5 – Dividend prospects**).
- The Joint Administrators' proposals will be deemed approved eight business days following the delivery of our proposals to creditors (**Section 7 – Approval of proposals**).
- Agreement of the basis of our remuneration, pre-administration costs and the drawing of Category 2 expenses is subject to specific approval. We will be seeking approval from the requisite creditors for our remuneration and pre-administration costs, although we are not seeking this approval at this stage as part of these proposals. We have however included our fee estimate in Appendix 3 (**Section 8 – Joint Administrators' remuneration, expenses and pre-administration costs**).
- At this stage, we anticipate that the most likely exit route will be dissolution, however we have not ruled out other potential exit routes and will keep creditors updated on this in future correspondence, as and when appropriate (**Section 6 – Ending the administration**).
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 9 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.



Mike Pink  
Joint Administrator

## 2 Group structure

### Group and wider appointment structure



Communisis Limited (the 'Company') is part of the wider Communisis group (the 'Group').

The Company has registered offices at Communisis House, Manston Lane, Leeds, LS15 8AH.

The Company is wholly owned by OSG Bidco Limited (incorporated on 11 October 2018) (the "UK TopCo") which is wholly owned by the 'Liquidating Trust'. Note, OSG Bidco Limited was previously a subsidiary of the US OSG Group, with the ultimate parent being OSG Group TopCo, LLC., ('US TopCo'). However, following the Chapter 11 bankruptcy proceedings in the United States in relation to the OSG Group (the 'Ch11'), which occurred in October-November 2023, the Group was severed from the OSG Group, with a Liquidating Trust created in the Ch11, replacing the US TopCo as the Group's ultimate parent.

Together, the four entities (outlined in orange on the group structure above, and listed below for ease) that entered administration on 28 December 2023, are referred to as 'the Companies' within this statement of proposals. All entities in the Communisis group structure above are referred to as 'the Group'.

The Group employed 1,219 people across the world, of which 972 were employed by the Companies.

#### **Communisis Limited – in Administration ('the Company')**

The Company was incorporated on 6 April 1994 as Prime Retail Plc, before its final name change to Communisis Limited on 10 December 2018. The Company is the UK parent and

holding company for both the CE and BD divisions of the Group (See Section 3 for further detail). The Company employed 111 people.

Mike Pink and Stephen Absolom were appointed Joint Administrators of Communisis Limited on 28 December 2023.

#### **Communisis UK Limited – in Administration**

Communisis UK Limited is the main CE trading entity operating in the UK, providing critical direct mail print services to a wide range of customers, including the largest UK financial institutions and governmental departments.

It traded from four locations in the north of the UK, comprising a freehold premises in Leeds and leasehold premises at Liverpool, Copley and Cramlington, and employed 861 people.

James Clark and Stephen Absolom were appointed Joint Administrators of Communisis UK Limited on 28 December 2023.

#### **Communisis Digital Limited – in Administration**

Communisis Digital Limited is based in the UK, with the principal activity of providing digital production services. It sold services either to other entities within the Group, or directly to CE and BD customers.

It is understood that this entity did not have any employees.

James Clark and Stephen Absolom were appointed Joint Administrators of Communisis Digital Limited on 28 December 2023.

#### **Communisis Data Intelligence Limited – in Administration**

Communisis Data Intelligence Limited is based in the UK, with its principal activity being the provision of data services. It specialised in providing integrated marketing data services and database management, both internally to entities within the Group, and to a small number of external customers.

It is understood that this entity did not have any employees.

James Clark and Stephen Absolom were appointed Joint Administrators of Communisis Data Intelligence Limited on 28 December 2023.

## 3 Background and events leading to the administration

### 3.1 Background information

The Group is made up of two main divisions: Customer Experience ('CE') and Brand Deployment ('BD'). The Group also includes two much smaller divisions, named Agencies and Editions. Communis Inc., which is part of the Editions part of the Group, was a subsidiary of the Company. The other entities within the Agencies and Editions part of the Group sit in other subsidiaries in the Group.

The Group provides direct mail and digital transactional communications, procurement services and marketing execution to customers across the fast moving consumer goods, retail and regulated markets.

The Group's two main constituent parts are summarised below:

**CE division** – provides traditional secure physical print and mailing services for a number of the UK's largest financial and public institutions. The CE business also prints chequebooks, bank statements, stationery, and provides outbound communications management, inbound mailing, SMS/email, point-of-sale support, logistics and marketing technology solutions.

**BD division** – provides integrated brand engagement services through a range of in-store and online channels, being a specialist in point-of-sale displays. BD operates from several smaller locations around the UK as well as having subsidiaries in a variety of geographies around the world.

In its management accounts for 2021, the Group recorded turnover of approximately £255 million, with CE generating approximately £122 million, and BD, Agencies and Editions generating the balance of approximately £133 million. The Company, in its capacity as the UK parent and holding company, generated no turnover in this regard, primarily providing head office services to the rest of the Group.

As set out later in this report (and detailed within the SIP 16 memorandum provided shortly after the sale – see attached at Appendix 7), immediately following the Joint Administrators' appointment, a pre-packaged sale of the business and certain assets of the Company (together with that of the three other Group entities referenced above) was completed to PCC Global PLC and Paragon Customer Communications (London) Limited, which are wholly owned by Paragon Group Limited (referred to as 'Paragon' or the 'Purchaser' in this document).

The Purchaser is not considered a connected party in accordance with SIP 13.

## 3.2 Funding and financial position of the Company

### Financial position

As set out above, the Company was a holding company and therefore in the last filed statutory accounts for the year ending 31 December 2021, reported £nil turnover. These filed accounts also present a net asset position of £68.1 million, noting that the balance sheet includes a carrying value of the Company's investments (i.e. the subsidiaries, including the CE subsidiaries) of £148.4m. Clearly the value of the CE subsidiaries reduced substantially in the period from this set of filed accounts to the appointment of administrators, and we set out in further detail in **Section 3.3 – Events leading to the administration**, how any equity value in the CE subsidiaries reduced considerably. The 2021 accounts also do not include the debt owed to the Secured Creditor that the Company was a guarantor of, which at the time was in excess of \$600 million.

As referenced above, a number of entities within the Group (including the Company) are guarantors of security provided in the US Group to a group of lenders, referred to in this document, and otherwise, as 'the 1Ls' or the 'Secured Creditor'. The 1Ls hold fixed and floating security against certain assets of the Company.

As part of the Ch11: the value of the 1L debt was reduced as part of a balance sheet restructure from being in excess of \$600 million, to approximately \$235 million at the date of appointment; and, our understanding is that the 1Ls agreed through the Liquidating Trust to re-direct the benefit of any recoveries from their UK security rights to the Communis Pension Plan (being the defined benefit pension scheme associated with the Group and referred to herein as the 'Pension Scheme').

### Funding position

**Shareholders** – Prior to the Group's ultimate parent changing from OSG Group TopCo, LLC, to the Liquidating Trust, the Group (including the Company) was part of the OSG Group, a US-based corporation that acquired the Group in December 2018. Since the 2018 transaction, we understand there has been approximately £129 million of net cash payments from the OSG Group to the UK businesses. The US part of the OSG Group itself has been through significant restructuring, with the latest Ch11 process concluding in November 2023 (with the first Ch11 being in September 2022).

Due to the financial position of the OSG Group, it was not able to provide funding to the Company or the Group in the months prior to the Companies entering administration.

**CE's customers** – the Company forecasted a liquidity shortfall to occur in September 2023. Absent funding provided from other sources, CE's largest customers were approached in August 2023 to provide funding whilst a solution was sought for the Group. A number of the Company's largest customers subsequently provided funding under an Interim Funding Agreement. The funding was provided principally to ensure service continuity and bridge to a transaction of either the CE business or a sale of the full Group, and was extended a number of times. Prior to the appointment of administrators, the customers who were still providing funding under the agreement advised that they would not be willing to provide further funding beyond 28 December 2023.

To continue trading outside an insolvency process beyond 28 December 2023, the Company would have required an immediate injection of cash. With no other sources of funding available and no solvent offers for the Group, the Company was insolvent on both a balance sheet and cash flow basis.

### **3.3 Events leading to the administration**

#### **Summary**

The CE business was adversely affected by the Covid-19 pandemic, with sales reducing materially from 2020 onwards as a seismic shift from traditional printing to digitisation accelerated quicker than forecast.

In addition to the reduction in volumes in the CE business, the Group was undertaking a comprehensive IT transformation process that was capital intensive.

As a result of the cash losses and liquidity pressure, caused from both trading and the additional capital outlay of the IT transformation project, in early 2023, the directors of the Group decided to market the CE business for sale. This sale process was aimed at identifying a strategic partner who could provide the additional funding needed to support the business through its next phase of stabilisation and growth. On 15 March 2023, Interpath was engaged by Output Services Group, Inc. (note this is an entity in the US Group that, at the time, was an intermediate parent of the Group), to support a sale and investment process to explore its options.

Following the marketing process, two final offers were received on an insolvent basis for the business and certain assets of the Company and three other associated entities within the Group, leading the directors to conclude that the Company had no reasonable prospect of avoiding insolvency.

Immediately following the Joint Administrators' appointment, a pre-packaged sale of the business and certain assets of the Company (together with that of the three other Group entities referenced above) was completed to the Purchaser.

Further details in relation to both the events leading to the appointment of administrators and the marketing of the business for sale can be found in the SIP 16 memorandum that is attached at Appendix 7.

#### **Source of introduction**

The Interpath Pensions team (at the time part of KPMG) had been engaged by the Group as pension covenant advisors for approximately 12 years. Advice provided has been on an ad hoc basis. Interpath's Pensions team introduced members of the firm's wider service lines to the Group's directors in February 2023, when the need for additional support had been identified. This introduction subsequently led to Interpath being engaged on 15 March 2023. Further details of the work undertaken by Interpath, prior to the appointment of the administrators is set out in the SIP 16 memorandum that is attached at Appendix 7.

At the time of our appointment, we disclosed to the Court details of the work carried out by Interpath up to that time.

We are satisfied that the work carried out by Interpath before our appointment, including the pre-administration work summarised below, has not resulted in any relationships which create a conflict of interest or which threaten our independence.

Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

### **3.4 Pre-administration work**

The following work was carried out prior to our appointment, with a view to placing the Company into administration and helping the Joint Administrators achieve the purpose of the administration, in accordance with Paragraph 3(1)(b), being to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

- The proposed Joint Administrators negotiated with the Purchaser and legal advisors in relation to the Sale and Purchase Agreement detailed in our SIP 16 memorandum;
- We finalised insolvency planning in order for the proposed Joint Administrators to be in a position to accept the appointment;
- We liaised with the key stakeholders throughout the sale negotiations and in relation to the administration appointment;
- We liaised with legal advisors for the preparation and filing of the appointment documents and advised the Company regarding the appointment of administrators;
- Addleshaw Goddard ('AG') assisted with the preparation of the sale contract documentation; and
- Clifford Chance ('CC') assisted with the preparation and filing of the appointment documents and working with the Company regarding the administration appointment.

The costs incurred by Interpath and the legal advisers in relation to this pre-appointment work are set out in Section 8.2.

### **3.5 Appointment of Joint Administrators**

The director resolved on 27 December 2023 to appoint us as Joint Administrators and a notice of intention to appoint administrators was filed at court on 28 December 2023.

The notice of appointment was lodged at the High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD) on 28 December 2023 and we were duly appointed.

## **4 Strategy and progress of the administration to date**

### **4.1 Strategy to date**

#### **Strategy**

In the circumstances, the Joint Administrators are of the opinion that the pre-packaged sale of certain trade and assets of the Company has enabled the objective of achieving a better result for the Company's creditors as a whole. Several alternative options for the Company (in addition to a pre-pack sale) were considered by the Joint Administrators. For further details, please refer to the SIP 16 memorandum attached at Appendix 7.

We did not consider that trading the business in administration was a viable option as there was no funding available to be able to trade, coupled with the view that trading the business would result in lower realisations for creditors.

Following our appointment and the sale completion to the Purchaser, workstreams are ongoing to realise the Company's remaining assets, principally this includes realising cash at bank and collecting debtor balances. In addition, we continue to fulfil our statutory duties, including carrying out our statutory investigations. We will also undertake initial VAT and tax reviews in consultation with our internal specialists to ascertain the position.

#### **Sale of business**

Immediately after our appointment on 28 December 2023, we completed the sale of the Company's business and certain assets to the Purchaser. The Purchaser paid total upfront consideration of £26.9 million in respect of the transaction, of which £22.5 million related to assets held by the Company. The consideration was transferred to our solicitors, Addleshaw Goddard, immediately following our appointment, and was transferred to the administration bank account on 11 January 2024.

The principal asset sold by the administrators of the Company was the shares it held in PS Holdings Limited, which is the parent company of the BD part of the Group. This accounted for £22.4 million of the asset realisations, with the balance of £0.1 million relating to other assets sold by the administrators of the Company.

Further detailed information around the transaction is included in our SIP 16 memorandum at Appendix 7.

#### **Poland and Romania**



The Company is the 100% shareholder of subsidiaries in Poland and Romania. These subsidiaries operate as part of the BD division and were excluded from the transaction. These subsidiaries continue to trade, and the administrators will look to realise the value of these subsidiaries in due course.

## Data

Following administration, the Companies ceased the provision of services to customers. Immediately following their appointment, the Joint Administrators sold such right, title, and interest that the Companies may have in the Companies' business and certain assets, including the IT infrastructure, to the Purchaser.

The Joint Administrators are aware that customer data may be held by the Companies. Whilst customer data was not sold as part of the transaction, ownership of the IT infrastructure has passed to the Purchaser. A key part of the sale negotiations involved the Joint Administrators implementing a managed process to safeguard customer data and endeavour to ensure it could be securely preserved and/or deleted appropriately. Accordingly, the Joint Administrators entered into a Transitional Services Arrangement ('TSA') with the Purchaser to ensure this activity can be carried out in a secure and orderly manner.

Note, we understand that the majority of customer contracts and IT infrastructure sit within Communis UK Limited, however we have included commentary in this statement of proposals for completeness.

## 4.2 Asset realisations

No realisations have been made to the Joint Administrators' bank account to 29 December 2023. However, the monies in relation to the asset realisations listed in Section 4.1 for the business and asset sales were transferred to Addleshaw Goddard on completion, and these amounts were transferred to the administration bank account on 11 January 2024.

## Investigations

We are reviewing the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Aruj Mughal at Interpath Advisory, 5th Floor, 130 St Vincent Street, Glasgow G2 5HF, United Kingdom.

## 4.3 Costs

An estimate of all the anticipated costs likely to be incurred throughout the duration of the administration is set out in the attached summary of expenses (Appendix 4).

There have been no payments made from the date of our appointment to 29 December 2023.

## **5 Dividend prospects**

### **5.1 Secured Creditor**

The Joint Administrators understand that, as part of the Ch11 restructurings, the 1Ls (the 'Secured Creditor') have agreed to re-direct the benefit of any recoveries from their UK security rights to the Pension Scheme.

The Secured Creditor holds fixed and floating charges over the Company and are owed approximately \$235 million as at the date of our appointment. There are four charges created on 15 October 2019, 4 February 2020, 30 November 2022 and 14 December 2023 which contain cross-guarantees around the Group in respect of this debt.

Based on current estimates, there should be sufficient funds available to enable a return to the Secured Creditor under its fixed charge and there may be sufficient funds to enable a distribution under its floating charge. We are yet to determine the amount of any such distributions but we will do so when we have completed the realisation of assets and the payment of associated costs. We do not anticipate that the Secured Creditor will be repaid in full.

### **5.2 Ordinary preferential creditors (employees)**

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank preferentially (in advance of floating charge holders and ordinary unsecured creditors) and in priority to other preferential creditors (see 5.3 below). These claims are therefore referred to as "ordinary preferential creditors".

Based on current estimates, we anticipate that ordinary preferential creditors may receive a dividend, either partial or in full settlement. We have yet to determine the amount of this but we will do so when we have completed the realisation of assets and the payment of associated costs.

### **5.3 Secondary preferential creditors (HMRC)**

Certain claims from HMRC rank preferentially, but secondary to the employee, ordinary preferential creditors above. These claims are therefore referred to as "secondary preferential creditors".

As part of our duties as administrators, we will need to investigate the origin of any secondary preferential claims received.

Based on current estimates, we anticipate that secondary preferential creditors may receive a dividend, either partial or in full settlement. We have yet to determine the amount of this but we will do so when we have completed the realisation of assets and the payment of associated costs.

## **5.4 Unsecured creditors**

Based on current estimates, we anticipate that unsecured creditors may receive a dividend by way of the Prescribed Part only. We have yet to determine the amount of this but we will do so when we have completed the realisation of assets and the payment of associated costs.

# **6 Ending the administration**

## **6.1 Exit route from administration**

We consider it prudent to retain all of the options available to us, as listed in Section 9 to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be dissolution.

## **6.2 Discharge from liability**

In due course, we will propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

We are not seeking discharge from liability as part of these proposals, and we will write to the requisite creditors at a later date to seek approval of our discharge from liability.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

# **7 Approval of proposals**

## **7.1 Deemed approval of proposals**

The administrators' proposals will be deemed approved, with no requirement to seek deemed consent or use a decision procedure, as it appears that the Company has insufficient property to enable us to make a distribution to the unsecured creditors beyond a potential Prescribed Part dividend.

On expiry of eight business days from the date our proposals were delivered to the creditors, they will be deemed to have been approved by the creditors unless 10% in value of creditors request that a decision procedure is convened. Further details of the steps to convene a procedure are detailed below.

## 7.2 Creditors' right to request a decision

We will use a decision-making procedure or deemed consent to seek approval of our proposals (1) if asked to do so by creditors whose debts amount to at least 10% of the total debts of the Company, and (2) if the procedures set out below are followed.

Requests for a decision must be made within eight business days of the date on which our proposals were delivered. They must include:

- ❑ a statement of the requesting creditor's claim;
- ❑ a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration;
- ❑ written confirmation of their concurrence from each concurring creditor; and
- ❑ a statement of the purpose of the proposed meeting.

In addition, the expenses of the decision procedure at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us.

If you wish to request a decision, please complete and return the decision requisition form which is available on the website.

# 8 Joint Administrators' remuneration, expenses and pre-administration costs

## 8.1 Approval of the basis of remuneration and expenses

Agreement to the basis of our remuneration and the drawing of Category 2 expenses is subject to specific approval. **It does not form part of our proposals. We will write to the requisite creditors at a later date to seek approval for the basis of our remuneration and to draw our remuneration, Category 2 expenses, and any unpaid pre-administration costs.**

Should a Creditors' Committee be formed, we will seek to obtain approval from the Creditors' Committee that:

- ❑ our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5;
- ❑ Category 2 expenses (as defined in Statement of Insolvency Practice 9) will be charged and drawn in accordance with Interpath Advisory's policy as set out in Appendix 5.

### Time costs

From the date of our appointment to 29 December 2023, we have incurred time costs of £30,166. These represent 37 hours at an average rate of £807 per hour.

### Expenses

We have incurred no expenses during the period.

#### Additional information

We have attached (Appendix 5) an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by Interpath for the period from our appointment to 29 December 2023. We have also attached our charging and expenses recovery policy.

## 8.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 3.4:

Pre-administration costs			
	Paid (£)	Unpaid (£)	Total (£)
Interpath fees	-	43,506	43,506
Legal fees & disbursements	-	63,257	63,257
<b>Total</b>	-	<b>106,763</b>	<b>106,763</b>

The payment of unpaid pre-administration costs as an expense of the administration is subject to the same approval as our remuneration, as outlined above. It is not part of our proposals.

## 9 Summary of proposals

Due to the lack of available funding and the absence of any offers for the Group or the Company as a whole or in part on a solvent basis during the marketing process, rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable.

Therefore, our primary objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in liquidation), in accordance with Paragraph 3(1)(b).

In addition to the specific itemised proposals below, this document in its entirety constitutes our proposals.

We propose the following:

#### General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of the Company in accordance with the objective as set out above;
- to investigate and, if appropriate, to pursue any claims the Company may have;

- ❑ to seek an extension to the administration period if we consider it necessary.

#### Distributions

- ❑ to make distribution to the secured and preferential creditors where funds allow;
- ❑ to make distributions to the unsecured creditors if funds become available, and to apply to the Court for authority to do so, where applicable.

#### Ending the administration

We might use any or a combination of the following exit route strategies in order to bring the administration to an end:

- ❑ apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the Directors;
- ❑ place the Company into creditors' voluntary liquidation. In these circumstances we propose that we, Mike Pink and Steve Absolom, be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- ❑ petition the Court for a winding-up order placing the Company into compulsory liquidation and to consider, if deemed appropriate, appointing us, Mike Pink and Steve Absolom, as Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- ❑ file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

#### Joint Administrators' remuneration and pre-administration costs

**As stated in this report, our request for remuneration approval does not form part of our proposals. We will write to the requisite creditors at a later date to seek approval for the basis of our remuneration and to draw our remuneration, any Category 2 expenses, and any unpaid pre-administration costs.**

In due course, we will propose that:

- ❑ our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5;
- ❑ Category 2 expenses (as defined in Statement of Insolvency Practice 9) will be charged and drawn in accordance with Interpath Advisory's policy as set out in Appendix 5;

- ▣ unpaid pre-administration costs be an expense of the administration.

#### Discharge from liability

In due course, we will propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

This request does not form part of our proposals and we shall write to the requisite creditors at a later date to seek approval of our discharge from liability.

## Appendix 1 Statutory information

### Company information

Company and Trading name	Communis Limited
Date of incorporation	6 April 1994
Company registration number	02916113
Trading address	Communis House Manston Lane Leeds LS15 8AH
Previous registered office	Communis House Manston Lane Leeds LS15 8AH
Present registered office	C/O Interpath Ltd, 4th Floor, Tailors Corner, Thirsk Row, Leeds, LS1 4DP
Company Directors	Keith Maib (resigned 30 November 2023) Phil Hoggarth (resigned 28 December 2023)
Company Secretary	N/A

### Administration information

Administration appointment	The administration appointment granted in High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD), 007269 of 2023
Appointor	Director
Date of appointment	28 December 2023
Joint Administrators	Mike Pink and Steve Absolom
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2).
Current administration expiry date	27 December 2024
Prescribed Part	The Prescribed Part is applicable on this case, and based on current estimates there may be sufficient funds available to enable a return to the unsecured creditors via the Prescribed Part.
Estimated values of the Net Property and Prescribed Part	Estimated Net Property is currently unknown.



## Administration information

### Prescribed Part distribution

Based on current estimates, it is uncertain whether the Joint Administrators intend to apply to Court to obtain an order that the Prescribed Part shall not apply.

This is because the level of realisations and estimated net property is currently unknown. Accordingly, there could be a scenario where the Prescribed Part may be automatically disapplied should the estimated Net Property be less than £10,000 and where the costs of making a distribution are expected to be disproportionate to the benefits.

Depending on the circumstances of the administration, the Joint Administrators may make a distribution to the unsecured creditors; or if appropriate, may apply to the Court to obtain an order that the Prescribed Part shall not apply on the grounds that the cost of making a distribution to the unsecured creditors would be disproportionate to the benefits.

### Application of EU Regulations

EU Regulations apply and these proceedings will be the COMI Proceedings as defined in Article 3 of the EU Regulations.

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## Appendix 2      Joint Administrators' receipts and payments account

Communis Limited - in Administration		
Abstract of receipts & payments		
Statement of affairs (£)	From 28/12/2023 To 29/12/2023 (£)	From 28/12/2023 To 29/12/2023 (£)
	NIL	NIL

### Note

Immediately after our appointment on 28 December 2023 we completed the sale of the Company's business and certain assets to the Purchaser. The Purchaser paid cash consideration of £26.9 million in respect of the whole transaction, of which £22.5 million related to assets held by the Company. The consideration was transferred to our solicitors, Addleshaw Goddard, immediately following our appointment, and monies were transferred to the administration bank account on 11 January 2024.

## Appendix 3

## Joint Administrators' fees estimate

Estimated time costs for the engagement				
	Narrative	Estimated total hours	Estimated time cost (£)	Estimated average hourly rate (£)
<b>Administration &amp; Planning</b>				
<b>Bankrupt/Director/Member</b>	Note 1	21.80	18,543.00	850.60
<b>Cashiering</b> - processing receipts, payments, and bank reconciliations	Note 2	33.20	18,057.00	543.89
<b>General</b> - books & records, fees & work in progress	Note 3	47.85	36,675.25	766.46
<b>Statutory and compliance</b> - appointment & related formalities, bonding, checklist & reviews, reports to secured creditors, advertising, strategy	Note 4	100.90	71,317.50	706.81
<b>Tax</b> - VAT & Corporation tax, initial reviews, pre and post appointment tax	Note 5	46.00	27,394.50	595.53
<b>Creditors</b>				
<b>Creditors and claims</b> - general correspondence, notification of appointment, statutory reports	Note 6	56.05	39,684.50	708.02
<b>Employees</b> - correspondence	Note 7	122.45	86,387.50	705.49
<b>Investigations</b>				
<b>Directors</b> - correspondence, statement of affairs, questionnaires	Note 8	16.60	8,529.50	513.83
<b>Investigations</b> - director conduct and affairs of the Company	Note 9	29.70	16,357.00	550.74
<b>Realisation of Assets</b>				
<b>Asset Realisation</b> - including insurance of assets	Note 10	85.75	57,295.00	668.16
<b>Total</b>		<b>560.30</b>	<b>380,240.75</b>	<b>678.64</b>

### Note 1 – Bankrupt / Director / Member

To comply with our statutory obligations, time has been spent notifying the shareholder of our appointment. Time has also been spent liaising with the directors of the Company with regard to various matters around our appointment.

### Note 2 – Cashiering

This work involves maintaining the administration bank account and processing transactions anticipated during the course of the Administration.

### Note 3 – General

General time costs include arranging for the Company's electronic and paper books and records to be collected on appointment, the ongoing storage and subsequent destruction

of the books and records and drawing and seeking approval for the basis of the Administrators' fees.

#### **Note 4 - Statutory & Compliance**

Undertaking post-appointment related formalities including notifying the Registrar of Companies and other relevant parties of our appointment, formulating and regularly reviewing the administration strategy, arranging an adequate level of bonding and ensuring compliance with all statutory obligations arising under the Act and Rules. Time costs incurred on these activities are in relation to performing our statutory duties.

#### **Note 5 – Tax**

This work involves engaging our in-house experts to undertake a review of the Company's VAT and tax affairs, with a view to identifying any potential recoveries for the benefit of creditors.

Further, we will be required to complete quarterly VAT returns for the duration of the Administration and also complete and file Corporation Tax returns. Prior to the closure of the Administration, the Company will need to be deregistered for VAT and tax clearance sought. Time costs incurred on these activities are in relation to performing our statutory duties but may also result in asset realisations.

#### **Note 6 - Creditors & claims**

Notifying the creditors of our appointment, attending to creditors' enquiries, and preparing our statutory reports. The time costs incurred on these activities are in relation to performing our statutory duties.

The administrators will spend time liaising with the Secured Creditor throughout the administration, and arranging distributions to them, if and when funds become available.

#### **Note 7 – Employees**

As outlined in this report, the Company employed in excess of 100 people, of which the majority were made redundant on appointment or transferred to the Purchaser. Some time was incurred facilitating employee redundancies at the Company's various sites and supporting their various follow-up queries with regard to their claims against the Company. Our internal employee specialists continue to support former employees until such time that their claims are finalised by the RPS in the coming weeks, in addition to working alongside the RPS. A number of the Company's employees were retained for a short period to assist the administrators with their duties; time is therefore spent aligning the retained employee strategy with the wider case strategy.

Simultaneously, our internal employee specialists work to maintain the Company's weekly payroll facilities in ensuring employees receive net pay, whilst all deductions are paid over to the relevant third parties. This includes but is not limited to deductions of earnings, PAYE and national insurance etc., with monthly PAYE returns submitted to HMRC as required.

#### **Note 8 – Directors**

Corresponding with the Director requesting completion of the Director's Statement of Affairs and questionnaire and dealing with ongoing correspondence from and with the Director. The time costs incurred on these activities are in relation to performing our statutory duties.

**Note 9 – Investigations**

As part of our statutory obligations, we are required to formally investigate the affairs of the Company and the conduct of the Director prior to our appointment and submit our findings to the Secretary of State. The time costs incurred on these activities are in relation to performing our statutory duties.

**Note 10 - Realisation of assets**

Estimated time required to realise the Company's assets, this will be principally in relation to realising value for the Polish and Romanian subsidiaries. Our work will also include reconciling the cash balances received from the pre-administration accounts. Time costs will also be incurred in identifying, quantifying and pursuing the Company's other assets which may include certain prepayments and debtor balances. We will also incur time in relation to supporting the Purchaser post-transaction.

## Appendix 4

## Joint Administrators' expenses estimate

Initial expense estimate				
	Narrative	Paid to date (£)	Future costs (£)	Total (£)
<b>Cost of realisations</b>				
<b>Fixed charge costs</b>				
Legal fees & disbursements	Note 1		20,000	<b>20,000</b>
Administrators' - pre-administration fees	Note 2		21,753	<b>21,753</b>
Legal pre-administration fees	Note 1		30,221	<b>30,221</b>
Other costs	Note 3		50,000	<b>50,000</b>
<b>Floating charge expenses</b>				
Administrators' - pre-administration fees	Note 2		21,753	<b>21,753</b>
Data deletion costs	Note 4		15,000	<b>15,000</b>
Legal pre-administration fees	Note 1		33,037	<b>33,037</b>
Legal fees	Note 1		150,000	<b>150,000</b>
Other costs	Note 3		25,000	<b>25,000</b>
Statutory advertising	Note 5		99	<b>99</b>
<b>TOTAL</b>		-	<b>366,863</b>	<b>366,863</b>

### Note 1 – Legal fees & disbursements

Relates to legal advice in relation to validity of our appointment, validity of security, sale of the Company's assets, including advice in relation to realisation of the Polish and Romanian subsidiaries, and ad-hoc advice in relation to matters arising during the course of the administration.

Pre-administration costs were incurred in receiving legal advice relating to the share sale, the pre-pack sale and advice relating to our appointment as administrators.

### Note 2 – Administrators' pre-administration fees

Please refer to Section 8 for further details.

### Note 3 – Other costs

Other costs include any other costs that will be incurred during the administration. Including redirection of mail, insurance and storage costs. Given the complexity of this administration, there are risks of costs arising that are unknown at this time. These costs have been allocated to other costs.

### Note 4 – Data deletion costs

Costs of destroying private and confidential customer data, both hard copies held on site and electronic copies.

### Note 5 – Statutory advertising

Costs for advertising notice of appointment in the London Gazette and any further advertisements, as and when required.

## Appendix 5 Joint Administrators' charging and expenses policy

### Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of in-house Interpath Advisory tax, VAT and employee specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

<https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29113/page/1/guide-to-administrators-fees/>

If you are unable to access this guide and would like a copy, please contact Aruj Mughal on 0161 529 8847.

### Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£)	
Grade	From 01 Mar 2023 £/hr
Managing Director	1060
Director	980
Associate Director	870
Manager	700
Senior Associate	510
Associate	375
Support	175

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

#### Policy for the recovery of expenses

Where funds permit, the officeholders will seek to recover both Category 1 and Category 2 expenses from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

**Expenses:** These are any payments which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also includes disbursements which are payments first met by the office holder, and then reimbursed to the office holder from the estate.

**Category 1 expenses:** These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

**Category 2 expenses:** These are payments to associates or which have an element of shared costs. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

**Associates:** are defined in the insolvency legislation but also extends to parties where a reasonable and informed third party might consider there would be an association between the third party and the office holder or their firm.

Category 2 expenses charged by Interpath Restructuring include mileage.

Mileage claims are charged at up to a maximum of 45p per mile, depending on the member of staff and vehicle type. When carrying Interpath passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following expenses during the period 28 December 2023 to 29 December 2023.

SIP 9 - Expenses					
Expenses	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Total	NIL		NIL		NIL

We have the authority to pay Category 1 expenses without the need for any prior approval from the creditors of the Company.

Category 2 expenses are to be approved in the same manner as our remuneration.

Narrative of work carried out for the period 28 December 2023 to 29 December 2023



The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> <li>■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences;</li> <li>■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment;</li> <li>■ issuing regular press releases and posting information on a dedicated web page;</li> <li>■ ensuring compliance with all statutory obligations within the relevant timescales.</li> </ul>
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> <li>■ formulating, monitoring and reviewing the administration strategy, including meetings with internal and external parties to agree the same;</li> <li>■ briefing of our staff on the administration strategy and matters in relation to various work-streams;</li> <li>■ regular case management and reviewing of progress, including regular team update meetings and calls;</li> <li>■ meeting with management to review and update strategy and monitor progress;</li> <li>■ reviewing and authorising junior staff correspondence and other work;</li> <li>■ dealing with queries arising during the appointment;</li> <li>■ reviewing matters affecting the outcome of the administration;</li> <li>■ allocating and managing staff/case resourcing and budgeting exercises and reviews;</li> <li>■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters;</li> <li>■ complying with internal filing and information recording practices, including documenting strategy decisions.</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>■ liaising with health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with;</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ dealing with queries from employees regarding various matters relating to the administration and their employment;</li> <li>■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments;</li> <li>■ holding employee briefing meetings to update employees on progress in the administration and our strategy;</li> <li>■ communicating and corresponding with HM Revenue and Customs;</li> <li>■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office;</li> <li>■ managing claims from employees;</li> <li>■ ensuring security of assets held by employees.</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting our proposals and SIP16 memorandum;</li> <li>■ creating and updating the list of unsecured creditors;</li> <li>■ responding to enquiries from creditors regarding the administration and submission of their claims.</li> </ul>

## Time costs

Pre-Administration costs (06/12/2023 to 27/12/2023)							
	Hours						
	Partner / Director	Manager	Administrator	Support	Total	Time Cost (£)	Average Hourly Rate (£)
Pre-Admin Advising company re administration	17.75	19.00	8.50		45.25	36,765.00	812.49
Pre-Admin Appointment documents	5.20		2.60		7.80	6,741.00	864.23
<b>Total</b>	<b>22.95</b>	<b>19.00</b>	<b>11.10</b>	<b>0.00</b>	<b>53.05</b>	<b>43,506.00</b>	<b>820.09</b>

SIP 9 –Time costs analysis (28/12/2023 to 29/12/2023)			
	Hours	Time Cost (£)	Average Hourly Rate (£)
<b>Administration &amp; planning</b>			
Bankrupt/Director/Member			
Notification of appointment	0.50	530.00	1,060.00
Statutory reports	2.00	1,740.00	870.00
Cashiering			
General (Cashiering)	0.30	153.00	510.00
Statutory and compliance			
Appointment and related formalities	11.10	9,373.00	844.41
Strategy documents	2.00	2,120.00	1,060.00
<b>Creditors</b>			
Employees			
Employee Correspondence	21.50	16,250.00	755.81
<b>Total in period</b>	<b>37.40</b>	<b>30,166.00</b>	<b>806.58</b>
Brought forward time (appointment date to SIP 9 period start date)	0	0	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	37.40	30,166.00	
Carry forward time (appointment date to SIP 9 period end date)	37.40	30,166.00	

## **Appendix 6          Statement of Affairs, including creditor list**

This is the Statement of Affairs for the Company as at the date of our appointment.

The Statement of Affairs was provided by Phil Hoggarth on 16 January 2023.

We have not carried out anything in the nature of an audit on the information provided.

The figures do not take into account the costs of the administration.

Rule 3.30

## Statement of Affairs

Name of company Communis Limited	Company number 02916113
In the High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)	Court case number CR-2023-007269

Statement as to the affairs of Communis Limited, Communis House, Manston Lane, Leeds,  
LS15 8AH

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on the 28 December 2023 the date that the company entered administration.

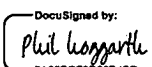
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### Statement of Truth

I believe that the facts stated in this statement of affairs are true. I understand that proceedings for contempt of court may be brought against anyone who makes, or causes to be made, a false statement in a document verified by a statement of truth without an honest belief in its truth.

Full name Philip David Hoggarth

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Signed   
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Dated 16/01/2024

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## A - Summary of Assets

### Assets

	Book Value £	Estimated to Realise £
<b>Assets subject to fixed charge:</b>		
Investments - PS Holdings Limited	148,358,051	22,455,540
<b>Total assets subject to fixed charge</b>	<b>148,358,051</b>	<b>22,455,540</b>
<b>Less: Amount(s) due to fixed charge holder(s):</b>		
TLs	(137,795,276)	(137,795,276)
<b>Shortfall/surplus to fixed charge holder(s) c/d</b>	<b>148,358,051</b>	<b>(115,339,736)</b>
<b>Assets subject to floating charge:</b>		
Investments - Communisis Inc.		11,000
Software, F&F and Office Equipment	75,871	-
Debtors	246,741	Unknown
IC Communisis Digital Limited	101,000	
IC - Communisis Data Intelligence Limited	15,458,000	
Cash	8,871	8,871
Other assets	-	50,000
<b>Total assets subject to floating charge</b>	<b>15,890,483</b>	<b>69,871</b>
<b>Estimated total assets available for preferential creditors</b>		<b>69,871</b>

DocuSigned by:  
  
 Signature 7A35DDE2C6D4BD Date 16/01/2024

## A1 - Summary of Liabilities

£	Estimated to Realise £
Estimated total assets available for preferential creditors (carried from page A)	69,871
<b>Liabilities</b>	
Ordinary preferential creditors:	
Ordinary preferential (employee) creditors (No. 70 )	(115,907)
Other preferential creditors	(115,907)
Estimated total assets available for secondary preferential creditors	(46,036)
Secondary preferential creditors (HMRC) - PAYE	(2,640,408)
Estimated deficiency/surplus as regards preferential creditors	(2,686,443)
Net property	(2,686,443)
Estimated prescribed part of net property where applicable (to carry forward)	-
Estimated total assets available for floating charge holders	-
Debts secured by floating charges:	
11s	(137,795,276)
Estimated deficiency/surplus of assets after floating charges	(137,795,276)
Estimated prescribed part of net property where applicable (brought down)	-
Total assets available to unsecured creditors	-
Unsecured (trade) (non-preferential) creditors	(60,308,034)
Unsecured (employee) creditors (No. 92 )	(3,036,197)
Unsecured (pre-paid consumer) creditors (No. 0 )	-
Estimated deficiency/surplus as regards unsecured creditors	(63,344,231)
Shortfall to fixed charge holders (brought down)	-
Shortfall to preferential creditors (brought down)	(2,686,443)
Shortfall to floating charge holders (brought down)	(137,795,276)
Estimated deficiency/surplus as regards creditors	(203,825,950)
Issued and called up capital	(54,513,000)
Estimated total deficiency/surplus as regards members	(258,338,950)

DocuSigned by:  
 Signature Phil Longarth Date 16/01/2024  
 7A35DDF2556048D

Signature 7A150067056043D Date 15/01/2024

## Company Shareholders

Name of Shareholder	Address (with post code)	No. of shares held	Nominal Value	Detail of Shares held
OSG Bidco Limited	Communis House, Manston Lane, Leeds LS15 8AH	718052257	\$4,513,000.00	Ordinary
Total			54,513,000	

DocuSign by:

Signature \_\_\_\_\_ Date \_\_\_\_\_  
*(Phil Wignall)*  
JANETROST@OVLTD.CO.UK
16/01/2024





**Communis Limited – in Administration**

**Communis UK Limited – in Administration**

**Communis Digital Limited – in Administration**

**Communis Data Intelligence Limited – in Administration**

## **SIP 16 memorandum of sale of business**

This statement is made in order to comply with the Joint Administrators' responsibilities under Statement of Insolvency Practice ("SIP") 16, the latest version of which is effective from 30 April 2021. Statements of Insolvency Practice are guidance notes issued by the insolvency regulatory authorities with a view to maintaining standards by setting out required practice and harmonising practitioners' approach to particular aspects of insolvency.

SIP 16 concerns arrangements where the sale of all or part of a company's business and assets is negotiated with a purchaser prior to the appointment of an administrator, who affects the sale immediately on, or shortly after, his appointment or for the case of a substantial disposal to a connected person, within eight weeks of appointment. A connected person is defined in SIP 16 as a person with any connection to the directors, shareholders or secured creditors of the company or their associates.

SIP 16 can be located via this link <https://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations-and-standards/sips/england/sip-16---england-and-wales-300421.ashx>

### **Group Overview**

**The entities that are subject to this SIP16 memorandum for the sale of certain business and assets are set out below. Each section of this document covers each of the entities set out below, and creditors of each of the below entities should read this SIP16 memorandum in its entirety.**

- Communis Limited – in Administration (incorporated on 6 April 1994) ('UK Parent')
- Communis UK Limited – in Administration (incorporated on 30 March 1971)
- Communis Digital Limited – in Administration (incorporated on 29 December 2000)
- Communis Data Intelligence Limited – in Administration (incorporated on 27 June 2014)

Altogether these four entities are described in this SIP 16 memorandum as the "Companies". Communis Limited is referred to as the "UK Parent". Communis UK Limited, Communis Digital Limited and Communis Data Intelligence Limited are referred to as the "CE Companies".

The Companies are wholly owned by OSG Bidco Limited (incorporated on 11 October 2018) (the "UK TopCo") which is wholly owned by the 'Liquidating Trust'. Note, the UK TopCo was previously a subsidiary of the US OSG Group, with the ultimate parent being OSG Group TopCo, LLC, ('US TopCo'). However, following the Chapter 11 bankruptcy proceedings in the United States (the 'Ch11') in relation to the OSG Group, which occurred in October-November 2023, the Communis Group ('CMS' or the 'Group') (group structure set out below) was severed from the OSG Group, with a Liquidating Trust created in the Ch11, replacing the Output Services Group, Inc. as the Group's ultimate parent.

The Liquidating Trust is managed by a trustee, however due to the level of liabilities, no funds are expected to flow up the Group for benefit of the Liquidating Trust.

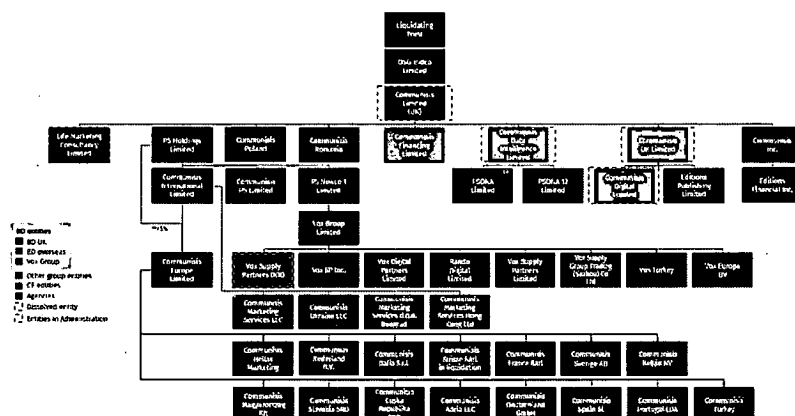
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A number of entities within the Group, including the Companies, are guarantors of security provided in the US Group to a group of lenders, referred to in this document, and otherwise, as the 1Ls. The 1Ls therefore effectively hold fixed and floating security against certain assets of the Companies. The Joint Administrators understand that, as part of the Ch11 restructurings, the 1Ls have agreed to re-direct the benefit of any recoveries from their UK security rights to the Communis Pension Plan (being the defined benefit pension scheme associated with CMS, and referred to herein as the 'Pension Scheme').

The CMS group structure and the entities over which the Joint Administrators have been appointed are outlined below.

## Group and wider appointment structure



CMS is made up of two main divisions: Customer Experience ('CE') and Brand Deployment ('BD'). There is also the Agencies and Editions part of the group which is much smaller and these sit in numerous subsidiaries under Communis Limited, Communis UK Limited and Communis Data Intelligence Limited.

The Group generated turnover of c.£255 million in 2021, with CE generating c.£123 million, and BD and Agencies and Editions generating the balance of c.£132 million.

The Group's two main constituent parts are summarised below:

**Customer Experience ('CE') division** – provides traditional secure physical print and mailing services for the UK's largest financial and public institutions. The CE business also prints chequebooks, bank statements, stationery, and provides outbound communications management, inbound mailing, SMS/email, POS support, logistics and marketing technology solutions. This part of the business had been heavily loss-making and under severe cash flow pressure (with a collection of its largest customers providing liquidity support to CE since September 2023). CE operates predominantly from a number of leased premises in Leeds, Liverpool, Copley and Cramlington.

**Brand Deployment ('BD') division** – provides integrated brand engagement services through a range of in-store and online channels, being a specialist in point-of-sale displays. This part of the group has historically been profitable and had been supporting CE from a liquidity perspective, through an effective repayment of its intercompany creditor position (whereby BD owes CE). BD operates from several smaller locations around the UK as well as having subsidiaries in a variety of geographies around the world.

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## Events leading to insolvency

Prior to the Group's ultimate parent changing from Output Services Group, Inc to the Liquidating Trust, the Group was part of the OSG Group, a US-based corporation that acquired the Group in December 2018. Since the 2018 transaction, we understand there has been approximately £129m net cash payments (£165m including interest accruals) from the US TopCo to the UK business. The US TopCo itself has been through significant restructuring, with the latest Ch11 process concluding in November 2023 (with the first Ch11 being in September 2022). During the period of US ownership of CMS, we understand that no funds have been withdrawn from the UK. The US owners and its UK management had embarked on an operational restructuring plan for the CE business in late 2021 with a focus on the improvement of procurement and IT system functions within the business. A third-party technology provider, Tech Mahindra ('Tech M'), was contracted to support the implementation of this strategy.

The CE business was adversely affected by the Covid-19 pandemic, with sales reducing materially from 2020 onwards as a seismic shift toward digitisation accelerated more quickly than forecast. This downturn in performance was exacerbated by constraints placed on certain customer budgets, as organisations sought to recover from the global pandemic.

In 2022, as the post-Covid environment started to stabilise, CE embarked on a site rationalisation programme to reduce overheads and drive efficiencies, whilst commencing a highly technical digital transformation programme, partnering with Tech M. CE's performance since 2022 reflects a period of transformation, however, the business continued to face challenges which persisted since the pandemic, including inflationary cost rises and an industry-wide decline of volumes as firms continued their migration to digital.

Whilst it was CMS' strategic intention to move deeper into the digitalised space over the medium to long-term, CE had not anticipated the acceleration into digital witnessed in the wake of the pandemic. This placed considerable pressure on working capital cycles and on bandwidth within the business, compounded by issues arising from the IT transformation process. CE operates in a capital-intensive market, and due to this unforeseen disruption, significant additional liquidity was identified as being required to support the ongoing business' transformation to a completion, whilst also ensuring CE could seamlessly maintain contractual service to its customer base.

As a result of the losses and liquidity pressure, in early 2023, the US TopCo resolved to market the CE business for sale to seek a strategic partner who could provide the additional funding needed to support the business through its next phase of stabilisation and growth. On 15 March 2023, Interpath was engaged by the US TopCo, Output Services Group, Inc., to support a sale and investment process to explore its options for CE. The outcome of this process is discussed in more detail in the 'Marketing of the business and assets' section of this document. This section outlines why a solvent transaction for the Group was not achievable and provides an assessment that the pre-packaged transaction presented the best value return for the Companies' creditors.

Interpath and the Companies' directors maintained regular dialogue with key stakeholders throughout the process, to ensure they were appropriately apprised of developments, including progress with negotiations, due diligence, and offers received. Ultimately, the most deliverable offer was progressed.

Notices of Intention to Appoint Administrators ('NOI') were filed at Court on 28 December 2023 in respect of the four Companies detailed in this document.

A Notice of Appointment of Administrators was filed at Court on 28 December 2023 and the transaction (further details are provided in relation to the transaction in 'The transaction' section of this document) completed immediately following the appointment of:

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- James Clark and Steve Absolom as Joint Administrators of Communisis UK Limited, Communisis Digital Limited and Communisis Data Intelligence Limited; and
- Mike Pink and Steve Absolom as Joint Administrators of Communisis Limited,

Collectively referred to in this document as the 'Joint Administrators of the Companies'.

## Pre-appointment considerations

### Initial introduction

The Interpath Pensions team (at the time part of KPMG) had been engaged by the Group as pension covenant advisors for approx. 12 years. Advice provided has been on an ad hoc basis.

Interpath's Pensions team introduced members of the firm's wider service lines to the Group's directors in February 2023, when additional support needs had been identified. Interpath accordingly presented a proposal to the directors of the Group to assist CMS' management with its ongoing M&A plans, stakeholder management, and to provide advisory support in respect of a potential transaction for the CE business.

As set out below, Interpath were also engaged on 12 May to explore a sale of the BD business.

### Prior involvement with the Group (pre-appointment)

Following the initial introduction, and after a number of discussions with the Group's directors and directors of Output Services Group, Inc. (note this is an entity in the US Group that, at the time, was an intermediate parent of the Group), on 15 March 2023 Interpath was engaged by Output Services Group, Inc., to provide the following work:

- **M&A** – support the ongoing M&A process that had been initiated by CE's Management team under instructions from the UK TopCo and consider the other options in relation to a disposal of the CE business only. The UK TopCo initially viewed the best route to stabilise the financial position of the group driven by the ongoing CE transformation was to sell CE to a new owner who was able and willing to complete the turnaround. There was not considered a need to exit the BD business which remained self-sufficient in respect of working capital and profitability.
- **Vendor Assist** – provided support to the CE Management team in respect of preparation for transaction.
- **Options Appraisal** – to consider the potential options for CE in the event a solvent sale cannot be achieved.
- **Short term cash flow support** – provide support to the Group's finance and treasury department to help improve the robustness and efficiency of managements' production of the STCF.

On 18 April 2023, the above work was varied for the purpose of extending the above workstreams as the sale process remained ongoing.

On 12 May 2023, Interpath were engaged by Output Services Group, Inc., to extend the scope of the above engagement to explore the sale of the BD business, including a Group perimeter transaction alongside the ongoing CE process.

Subsequent engagements with Interpath are set out below, denoted by the date of signed engagement and/or variation letters, with a high-level summary of the scope of work provided. Note, all engagements from 2 August 2023 onwards were with Communisis Limited.

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- **2 August 2023:** Undertake detailed CE contingency planning in the event a solvent sale of the CE business was not achievable.
- **8 August 2023:** Continuation of the CE and BD sales process. Note, this was a continuation of the engagement letter dated 12 May 2023 that was previously with Output Service Group, Inc, (as set out above) with this new engagement letter being with Communisis Limited.
- **8 August 2023:** Undertake a BD Separation analysis workstream, to understand the practical implications of BD separating from the CE business.
- **14 August 2023:** Provide further ancillary support with the sales process, including advising on the commercial and financial aspects of 'heads of terms'/legal documents, negotiating with the potential purchasers, managing the data-room and meetings with the potential acquirer and assisting with completion mechanism of a transaction.
- **11 October 2023:** Undertake BD contingency planning in the event a solvent sale of the BD business was not achievable.

#### **Alternative courses of action considered**

We have considered alternative courses of action, comparing the likely outcomes for each potential option including but not limited to:

#### **Continuing to trade outside an insolvency process:**

The CE business was reliant on a significant amount of funding being provided by a number of customers since September 2023 to enable it to continue to trade. It was highly unlikely that further funding from customers was to be provided which would have enabled CE to continue to trade beyond 28 December 2023.

In order to continue trading outside an insolvency process beyond 28 December 2023, CE would have required an immediate injection of cash. Neither the existing shareholders nor other external parties had come forward with a solvent offer for the Group. It is clear that the Group is insolvent, on both a balance sheet and cash flow basis.

Therefore, continuing to trade outside an insolvency process was not a viable option.

#### **Restructuring Plan**

A Restructuring Plan ("RP") did not appear to be viable for the Group on the premise that:

- **Funding** – It would require a significant amount of liquidity funding to bridge to the RP being approved, which was not forthcoming from the CE customer group. In addition, further funding would likely have been required after approval of a RP, to fund the longer-term turnaround of the Group, again it was not apparent which party would provide such funding.
- **Timing** – It would take considerable time for a RP to be implemented and approved, and the level of funding required to reach approval, linked with the creditor pressure across the Group, appeared very challenging.
- **Uncertainty** – RPs are in their infancy and there is currently a level of uncertainty in relation to court's approval/support. This means that given the level of funding required, any funder would require more certainty than a RP currently appears to provide.
- **Sponsor support** – any RP would likely have required the support of a Sponsor/investor (e.g. Paragon or similar). During the sale process we have ran, none of the interested parties have mooted supporting a RP.
- **BD largest customer (60% turnover)** – this customer is central to the underlying viability and profitability of the BD business. In order to keep this customer supportive of the BD business, they advised that they would like an investor to come on board and invest in the infrastructure

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of the business, and therefore a RP, in isolation, which does not provide this investment, may have resulted in this customer exiting the business in the short to medium term.

#### **Company Voluntary Arrangement (CVA):**

There are several reasons why a CVA was deemed not viable, and lots of these are similar to the challenges of a RP as set above (Funding, Timing, Sponsor support, and BD's largest customer).

Whilst a RP could utilise the cross-class cram down (a legal procedure where certain dissenting creditors can be bound into changes to their claim value and / or ranking), and given the level of 1L/Pension Scheme debts, it may be possible to get a RP through a vote, a CVA would require the approval of the unsecured creditors. In the CE business, given the level of creditors that would be compromised, it may be challenging to gain the approval levels required for a CVA vote to pass.

Therefore, due to the level of funding and execution (i.e. deliverability) risks, this was not considered a viable solution for this business.

#### **Trading administration:**

A trading administration has not been undertaken for the following reasons:

- **Returns to creditors:** the returns to the creditors overall are materially better from pre-packaged sale to Paragon than a trading administration.
- **Risk, uncertainty and funding:** any trading administration would require funding to be provided by customers, and administrators to charge a "profit" on the trading activity, with the "profit" being the key asset realisation for creditors. As part of our contingency planning work, we have previously presented to CE's customers our view of what a trading administration would entail and the likely costs involved (i.e. the level of funding that would need to be provided), and customers advised that this would only be considered as a last resort option. It is also unclear from these discussions with customers, what level of trading profit would be achievable.
- **Risk of loss of staff:** An insolvency scenario such as this would result in significant uncertainty for the workforce and there was a risk that it may not be possible to keep the workforce together to deliver a trading administration. Retention payments may also be needed to ensure employee cooperation, the quantum of which is uncertain (and would be needed to be funded by customers). Furthermore, retaining the support of the BD workforce would be a further challenge given they operate around the world.
- **BD largest customer (60% turnover):** This customer's support would be required in any successful trading administration in BD. It is unclear if this customer would support such a scenario, and in any case, it is unlikely that a trading administration in BD would provide the level of returns that have been generated from the share sale in BD.

#### **Liquidation or wind down administration:**

An alternative strategy would have been to shut the businesses on appointment and sell the assets on a break-up basis. Due to the additional professional costs associated with a shutdown of business, coupled with a loss of any retained goodwill value, the creditors would be materially worse off than if the pre-pack offer proposed is executed.

In addition, an immediate shut down of the CE business, would likely lead to a substantial increase in contractual damages claims from CE customers, which would increase the liabilities of the CE Companies.

#### **Summary**

The pre-pack offer received from Paragon (detailed below) is therefore considered the best course of action to achieve the best possible outcome for all creditors of the Companies.

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The pre-pack transaction will allow for the continuation of services to CE's largest customer; will mitigate creditor and employee claims in the process; will allow for the solvent continuation of trading of the BD business; and will preserve a proportion of jobs. Interpath has consulted with key stakeholders and they are supportive of this transaction.

#### **Consultation with major creditors**

Following the turnover of the proceeds of the 1Ls' security being assigned to the Pension Scheme, regular dialogue has been held with the Pension Trustee (along with the Regulators and respective advisors) to ensure they were apprised of developments, and ultimately supportive of the pre-pack sale to the Purchaser on the terms agreed.

The Companies' largest creditors, including Tech M and HMRC, have also been consulted throughout the sale process.

Given that the CE business provides services to a number of the largest financial institutions in the UK, all of whom are regulated entities, we have consulted throughout the process with the FCA and PRA. In addition, given CE also provided services to HMRC, UKGI were consulted throughout the process.

#### **Requests made to potential funders**

**Shareholders** – As documented above, the US Group has historically introduced £129m of funding into the Group. However, due to the financial position of the US Group, which underwent Ch11 Bankruptcy proceedings in September 2022 and October/November 2023, it has not been in a position to provide funding to the Group in the period prior to the Companies entering administration.

**CE Customers** – the CE part of the Group forecast a liquidity shortfall in September 2023. Absent funding provided from other sources, CE's largest customers were approached to provide funding whilst a solution was sought for the Group. A consortium of a number of CE's largest customer subsequently provided funding under an Interim Funding Agreement. This agreement was extended a number of times, with a total of approximately c.17.0 million being provided to fund the CE Companies to the administration appointment. The funding was provided principally to bridge to a transaction of either the CE business or a sale of the full Group. Prior to the appointment of administrators, the customers who were still providing funding under the agreement advised that they would not be willing to provide further funding beyond 28 December 2023.

Note, that the initial round of funding provided by CE's customers in September 2023 included 11 customers. However, as further liquidity requests were made of the customer group, the number of customers willing to provide funding reduced as customers resourced supply with other providers. The number of customers who provided the final tranche of funding was down from the original 11 to four.

#### **Charges**

Attached at Appendix A is a summary of the charges granted by each company, this information is taken from Companies House.

#### **Insolvency fees**

The pre-administration costs and administrators' fees for the estate will be approved by the creditors in accordance with the relevant regulation for Insolvency Practitioners.

#### **Independent legal advice**

The directors took independent legal advice from Clifford Chance LLP in the period prior to the administration appointments.

#### **Other considerations**

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The Companies and their assets have not been acquired from an insolvency process in the previous 24 months.

## **Marketing of the business and assets**

### **Initial process**

As at 15 March 2023, Management had identified three parties in respect of the CE sale process. A long form 'teaser' document was developed and provided to these parties, with a view to receiving expressions of interest by 31 March 2023.

At the end of March 2023, two of the three parties declined to explore the opportunity further. The remaining party, Paragon (the Purchaser), initially provided a solvent offer for the CE only business on 29 March 2023 for £1, inclusive of the Pension Scheme.

On the basis of the above, Paragon was supported to undertake further diligence. However, it became apparent during this period of diligence that Paragon's offer was likely to reduce in value. Therefore, the prospect of including BD in the transaction perimeter was introduced at a management presentation on 17 May 2023.

In response, Paragon provided an updated offer on 30 May 2023 of £1 to acquire the CE and BD business, including the pension scheme.

The Group decided to consider the independent sale of the BD business given there was only one party willing to consider an acquisition of the group, and to ensure competitive tension was maintained.

### **Wider process**

Interpath supported with the preparation of a BD Information Document and compiled a list of parties that may wish to explore the widened opportunity (i.e. CE only; BD only; and, a full perimeter transaction)

Accordingly, the opportunity for a sale process was extended as follows:

- 36 additional parties (to the original three) were approached (therefore 39 in total). These parties were selected based on three key factors: Strategic fit (including with BD's largest customer); financial means (sufficient cashflow, reserves and profitability) to support an acquisition of a business of this scale; and transaction history (number, type and scale of acquisitions):
  - 31 were approached for a full perimeter group transaction;
  - Three parties for a BD only sale; and
  - Two parties on a CE only basis
- 18 parties requested further information, signed an NDA and received a bid instruction letter (initial deadline of 1 June 2023) and information documents / memorandums. These were made up of:
  - Five financial parties;
  - Two special situations parties; and
  - 11 trade parties.

### **First round offers (including resubmission of offer by Paragon)**

Eight parties submitted an offer for the business during this round:

- Five parties (including the Purchaser) for a full perimeter transaction, of which two from trade parties (incl. the Purchaser), three from financial investors;
- One trade party for CE-only; and
- Two trade parties for BD-only.

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Parties were invited to undertake further diligence, those parties specific to the BD process were asked to resubmit their revised offer by 7 July 2023.

Those parties interested on both a full perimeter & CE only basis were requested to resubmit their revised offer by 26 July.

#### **Second round offers**

By 31 July, four parties remained in the process, being:

- Two group perimeter parties, one being the Purchaser, and another being a financial investor.
- One CE only trade party; and
- One BD only trade party.

Three parties previously interested in the Group perimeter provided offers on an insolvent basis materially below that of the remaining two parties. On this basis their offers were not progressed, although contact was maintained if current offers or the business situation deteriorated.

Both remaining Group and CE offers required a dowry of £50m - £75m to undertake the acquisition, accounting for the value assumed attributable to the BD acquisition.

The revised offer received from one BD party was materially below the other, and it was understood that the key BD customers were not in support of this party. On this basis, only one BD party was progressed.

This BD party offer was on a solvent basis, however assumed separation of the CE business at the seller's cost. A separation workstream was also initiated in August 2023 to understand the practicalities of carving out BD and CE into two separate divisions (they currently remain highly interconnected via IT, systems etc). The objective of this exercise being to establish whether a potential sale of the BD division could take place, with the proceeds to be used to fund the dowry required for CE.

The BD only sale continued to be pursued in exclusivity until 15 September, however a carve out for the Group parties was agreed.

A final offer from this party was received on 30 October 2023 at a materially reduced price. This material price reduction, alongside the separation work that had been completed, indicated that the costs required for the separation of the two divisions would wipe out all of the value attributable to the BD-only offers received.

It was therefore more beneficial to pursue a full perimeter group transaction if support for the dowry could be obtained.

#### **Dowry, and Group transaction final round**

The basis of the dowry request related to:

- Material balance sheet liabilities of £40m – 50m before considering the Pension Scheme liability, on a self-sufficiency basis, was valued between £28m - £32m during the sale process.
- Forecast restructure and transformation costs to return the business to a long-term sustainable position.

Due to the financial restructure of the US TopCo there was insufficient funding available from outside the Group to fund the required dowries. Funding for a dowry therefore relied on support from key CE customers otherwise alternative insolvent options for the CE business would be required.

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The Group's Management invited the top 15 customers of the CE business (by turnover) on 24 July 2023 to a meeting in which the financial situation of the business was presented as well as the option to provide dowry funding for an acquirer in return for continuity of service.

The three remaining Group and CE parties presented their proposition to this group (the Customer Group) on the 3 and 8 August 2023, revising their offer based on continued diligence and discussions. The Customer Group confirmed an interest in supporting a solvent solution via dowry funding.

The Customer Group communicated concern with the deliverability of the CE only offer, noting the limited time this party had had in the process and timetable to achieve a transaction (based on CE liquidity). This was communicated to the party on 11 August 2023.

A final bid deadline was set for 22 September 2023 and subsequently extended to 26 September 2023 for both Group parties.

#### Review of solvent offers

Final offer positions were confirmed by both parties in w/e 29 September 2023, both remained on a solvent basis and required a significant dowry (to be funded by supporting customers).

Supporting customers were provided with details of these offers. On 6 October 2023, the Group received confirmation from the Customer Group's advisor that all but two customers would be willing to support a dowry, and importantly that only these two would support the business with continued trade going forward (post transaction). Over the course of 9 and 10 October 2023, each supporting customer was contacted individually and the responses were relayed to the interested parties on 10 October 2023.

In the absence of customer support by way of funding a dowry or the procurement of services post-transaction, it became apparent that a transaction could no longer be completed on a solvent basis.

#### Sale process: offers received on an insolvent basis

Both group parties were invited to review the update from 10 October, and re-submit their offer based on the confirmation that a dowry at the quantum required would not be funded, and that several key customers had either migrated from the business or intended to within the short term.

Considering the above, and relevant Directors' duties, the sales process was revisited on 10 October 2023, to re-clarify interest based on an insolvent sale (given a solvent sale did not appear to be viable). The insolvent sale was based on either a CE only or a full perimeter transaction.

The Customer Group on 13 October was presented with the option to provide funding support to the business to enable a broader marketing process of the CE business to be undertaken. 24 additional parties were presented, based on the process to date and agreed by the Directors' to approach. The Customer Group agreed to fund an extension of the process and proposed that seven parties are offered the opportunity to participate in the process, including two existing parties.

As at 31 October, the business had four offers:

- two for the Group (mixture of business and assets, and sale of shares in the BD entities);
- one for the CE business only on a business and asset basis from a new party contacted as part of the above process, confirming agreement to work with another party who would be acquiring BD only; and
- the existing BD only offer noted above.

The Group offers continued to present the most deliverable and therefore best value to the creditors of the Group, when complication and cost of separation and the potential for a delayed timetable due to BD anti-trust clearances were taken into account.

One party's group offer was contingent on specific customer support, on 13 November this customer confirmed that post transaction they would not contract with this party. This was communicated to

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the party, who withdraw their Group offer. After consideration, this party re-submitted an offer solely for the BD business.

#### Further diligence to arrive at final offers

During the month of November 2023, we worked extensively with parties to support the deliverability of their offers, and where possible, increase the quantum of these offers, to improve returns for creditors.

Our work ensured minimising the execution (i.e. deliverability) risks for both transactions, further refining the proposed transaction structures (noting this is a complex transaction) and supporting both parties in finalising their due diligence requirements.

#### Summary of final offers

Following the extensive further negotiations with the two final parties, we received the below final offers:

- **The Purchaser:** Fixed price of £26.9m consideration for the acquisition of certain CE trade and certain assets of the Companies and a solvent purchase of the BD and Agencies and Editions shares. Expected completion in December 2023.
- **Party B:** £36.7m enterprise value for the solvent acquisition of BD (incl. Agencies) shares only. At the time of offer the estimated net debt deductions totalled £6.7m and was subject to further downwards movement related to leakage provisions until completion, expected in late January 2024 / early February 2024.

Both offers were contingent on the granting of exclusivity, for final sale contract and confirmatory diligence. The Purchaser offered a £3m non-refundable payment for exclusivity (to be deducted from the purchase price if successful).

Specific concerns with Party B offer deliverability were:

- Party B was not able to deliver a deposit into escrow in return for exclusivity, which would de-risk the transaction between the offer being received and completion;
- Party B outlined specific areas of diligence still to be undertaken during period of exclusivity. As the offer price was not fixed, total return to creditors would have been subject to material downside risk as a result of further diligence, expense of professional fees and a weakened negotiation position due to granting exclusivity which the purchaser would be aware of.
- Due to diligence, and fund raise process Party B required, completion would not be possible until January / February 2023. CE liquidity could not be assured over this period, and any insolvency of the CE business was expected to have a material impact on the BD business liquidity, which is likely to have threatened the solvency of the BD business and therefore risk BD realisations.
- In the event Party B withdrew or materially reduced their price, it would be challenging to generate a sufficient stable runway to re-market the business, and re-visit prior interested parties, who may also price chip any previous offer.

In contrast, the Purchaser's offer provided:

- A fixed price, providing a stable view of likely creditor returns across the group.
- Financial support by a key customer, who wrote to the Board directly expressing support for the Purchaser, and their financial backing to ensure the fixed price remained as offered.
- A Group solution, which was deemed less risky than dealing with two separate processes, especially considering the interconnectedness of the business.

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- Based on the specific offers, reduced redundancies and further opportunities for employment for those not applicable for TUPE. Mitigating preferential claims, and as limited trade will continue potential unsecured claim reduction.

Following receipt of the offers and considering the above factors, we consulted with key stakeholders, who confirmed that their preferences was for certainty of a transaction with a party that had made a clear financial commitment to complete.

The offer facilitates a significant return to the holders of the UK security.

In our opinion, the Purchaser provided the most deliverable offer and best price reasonably obtainable in the circumstances. The Joint Administrators of the Companies are satisfied that the marketing process was extensive and robust in the timescales available. The offers were discussed with the secured lender and key stakeholders, who were supportive of proceeding with the offer from the Purchaser. As such, this pre-pack transaction was progressed to completion.

## Valuation of the business and assets

Prior to the appointment of the Joint Administrators, independent valuations of certain assets of Communis UK Limited were undertaken by Sanderson Weatherall, who are a member of the Royal Institution of Chartered Surveyors ('MRICS'). Sanderson Weatherall also confirmed to the Joint Administrators that they did not have any independence conflicts in acting and that they carry the appropriate professional indemnity insurance.

Note, we are not aware of any tangible assets (such as plant and machinery and stock) that is held by the other entities that have entered administration.

The valuations were provided on an in situ and ex situ basis.

Asset	Estimated Market Value <i>In situ</i> (£) (Gross realisation)	Estimated Market Value <i>ex situ</i> (£) (Gross realisation)
P&M – encumbered	6.4m	2.6m
P&M – unencumbered	2.9m	1.1m
<b>P&amp;M Total</b>	<b>9.3m</b>	<b>3.7m</b>
<b>Stock</b>	<b>1.7m – 2.1m</b>	<b>0.4m – 0.6m</b>

Sanderson Weatherall also confirmed that they valued the leasehold interest in each of the four sites (Liverpool, Leeds, Copley and Cramlington) within the Group as £nil.

### **P&M**

The total consideration received from the Purchaser that has been allocated to Plant and Machinery is £1.3 million. Note, this is lower than the valuations provided by SW set out above. However, the SW valuation assumes a 180 – 210-day marketing period which would involve holding costs that would wipe out substantially all of the gross proceeds set out in SW's valuation above. The Purchaser's offer provided net realisations on completion (and therefore no holding costs) and also enables significant value to be achieved from other asset realisations in the wider transaction. The Joint Administrators are therefore comfortable that the value received for this asset class is in the best interests of creditors.

### **Stock**

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The total consideration received from the Purchaser that has been allocated to stock is £0.45 million. Note, this is in the range of stock on an ex-situ basis in SW's valuation. Also, the SW valuation assumes a 180 - 240-day marketing period which would involve holding costs that would wipe out substantially all of the gross proceeds set out in SW's valuation above. SW's valuation does also not take into account the risk of any potential retention of title claims that may arise, and thus reduce the value of the stock. For these reasons, the Joint Administrators are comfortable that the value received for this asset class is in the best interests of creditors.

The pre-pack offer ensures a better outcome to the creditors of the Companies than the alternative options, allowing for the continuation of the business and the preservation of a considerable number of jobs. We consulted with the secured lender and the key stakeholder, and they have confirmed their support of this transaction.

#### **Intellectual Property**

Whilst no formal valuation was undertaken for the goodwill and intellectual property, the Joint Administrators are satisfied that the value of these assets has been sufficiently tested during the extensive marketing exercise that has been conducted prior to our appointments (as noted in this document), and the value is reflected in the offer received.

The Joint Administrators are of the opinion that they have achieved the best value for the assets in the circumstances, through the robust marketing and sales process that has been carried out, and through completion of the pre-packaged transaction to the Purchaser.

## **The transaction**

The transaction was completed immediately following the Joint Administrators' appointments on 28 December 2023, with the assets detailed below sold to the Purchaser.

Addleshaw Goddard LLP ('AG') were instructed by the Joint Administrators to prepare legal documentation to assist with the delivery of the proposed transactions to the Purchaser. AG also confirmed to the Joint Administrators that they did not have any independence conflicts in acting for the Joint Administrators.

The offer was deemed to be in the best interests of Companies' creditors and was formalised and documented in the form of a number of sale contracts. The Directors took steps to appoint the Joint Administrators, so that they could immediately execute the transactions with the Purchasers, via pre-packaged sales.

James Clark and Steve Absalom were appointed as Joint Administrators of Communis UK Limited, Communis Digital Limited and Communis Data Intelligence Limited on 28 December 2023, and Mike Pink and Steve Absalom were appointed as Joint Administrators of Communis Limited on 28 December 2023, and the pre-pack transactions to the Purchaser completed immediately following their appointment.

We are not aware of any personal guarantees provided by the Directors in respect of any debts of the Companies.

#### **The transaction structure:**

- **CE Division – Purchaser – Paragon Customer Communications London Limited:** acquired certain trade and assets of one of the UK parent companies (Communis Limited) and three of the CE entities (Communis UK Limited, Communis Data Intelligence Limited and Communis Digital Limited);
- **BD – Purchaser – PCC Global Plc:** acquired the Shares of the BD division in its entirety (executed via a sale of Shares in PS Holdings Limited by the administrators of Communis Limited, once appointed) with the exception of the Poland and Romania entities which are

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subject to anti-trust filings (these entities are owned by Communis Limited and are outside the transaction perimeter). We understand that post transaction, the Purchaser intends to make applications to acquire the Polish and Romanian entities for a value to be agreed in due course with the Joint Administrators of Communis Limited.

- **Agencies and Editions – Purchaser – Paragon Customer Communications London Limited:** acquired the shares of the entities associated with these divisions. These share sales are set out below.
  - **Agencies** – Sale of shares in PSONA Ltd and PSONA 12 Ltd from the administrators of Communis Data Intelligence Limited.
  - **Editions** – Sale of shares in Communis Inc. from the administrators of Communis Ltd and sale of shares in Editions Publishing Limited from the administrators of Communis UK Ltd.

## Purchaser and related parties

As set out above, immediately following their appointment, the Joint Administrators sold certain trade and assets of the Companies to PCC Global PLC and Paragon Customer Communications (London) Limited, which are wholly owned by Paragon Group Limited.

The Purchaser is not considered a connected party in accordance with SIP 13. Details of the Purchaser are as follows:

- PCC Global PLC: Lower Ground Floor, Park House, 16/18, Finsbury Circus, London, England, EC2M 7EB
- Paragon Customer Communications (London) Limited: Lower Ground Floor, Park House, 16/18, Finsbury Circus, London, England, EC2M 7EB

## Assets

The assets involved in the pre-pack transaction are summarised as follows:

- The Business of all four Companies;
- The intellectual property and goodwill of all four Companies;
- Certain employees of Communis UK Limited and Communis Limited;
- Shares held by Communis UK Limited in Editions Publishing Limited;
- Shares held by Communis Data Intelligence in PSONA Limited and PSONA 12 Limited;
- Shares held by Communis Limited in PS Holdings Limited and Communis Inc;
- Plant & machinery in Communis UK Limited;
- Stock in Communis UK Limited;
- Contracts and licences of all four Companies;
- IT Systems, including data systems, of all four Companies;
- The Business Names and Business Rights of all four Companies;
- Certain books and records of all four Companies;
- Assignment of certain intercompany receivables.

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Excluded assets from the transaction include the Companies' cash at bank, any debtors/prepayments, any third-party assets, and any contingent claims that the Companies might be party to.

In respect of the sales of the Companies, whereby the Purchaser is taking substantially all of the trade and assets of the Companies, these will each individually be classed as a Transfer of Going Concern ('TOGC') for VAT purposes.

## **Sale consideration**

The total sale consideration of £26.9 million was paid in full immediately following completion of the pre-pack sale (including the release of £3 million deposit paid into escrow ahead of completion).

This cash consideration has been allocated across each separate entity, as detailed in the 'Assets' section above.

There are no options, buy-back agreements, deferred consideration or other conditions attached to the transaction.

We have set out below the consideration split by entity and between fixed and floating charge realisations.

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£	Communis UK Limited	Communis Digital Limited	Communis Data Intelligence Limited	Communis Limited
<b>Fixed charge</b>				
Shares – PS Holdings Limited				22,455,540
Shares – PSONA Ltd			100,000	
Shares – PSONA 12 Limited			978,000	
<b>Floating charge</b>				
Plant & Machinery	1,251,000			
Stock	445,460			
Other assets	250,000		346,000	
Shares – Editions Publishing Limited	183,000			
Shares – Communis Inc				11,000
Allocation from BD sale proceeds (in relation to BD floating charge assets that sit outside of BD perimeter)	50,000	100,000		50,000
Intercompany receivables assignment	222,000	88,000	1,000	
<b>Total</b>	<b>2,401,460</b>	<b>188,000</b>	<b>1,425,000</b>	<b>22,516,540</b>

Note, in addition to the above amounts, £279,000 and £42,000 has been transferred to Communis Poland SP z.o.o. and Communis Romania S.R.L., respectively. These amounts are in respect of the assignment of intercompany receivables. Note, these Polish and Romanian entities are subsidiaries of Communis Limited, and sit outside of the transaction perimeter, these amounts will therefore not be for the benefit of the creditors of the Companies.

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## Conclusion

The Joint Administrators have placed the Companies into administration with the objective of achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration) in accordance with Paragraph 3(1)(b).

They are of the opinion that this pre-packaged sale has enabled them to achieve this purpose because of the value achieved for the business and assets. The Joint Administrators of the Companies consider that a liquidation of the Group entities would have adversely impacted realisations, as it would have resulted in materially diminished asset values. Additionally, liquidations would have resulted in significant redundancies across Communisis UK Limited and Communisis Limited, increasing claims in these entities.

This pre-packaged sale to an experienced trade operator has provided the opportunity to preserve a large number of jobs, whilst also providing CE customers with the opportunity to explore transition of services opportunities with the Purchaser directly.

The Joint Administrators are of the opinion that they have acted in the best interests of the creditors as a whole when negotiating this pre-packaged sale and are satisfied that the sale price achieved was the best reasonably obtainable in all the circumstances.

The Joint Administrators will issue their proposals, providing further information regarding the Group and their appointment as soon as reasonably practicable.

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## Appendix A – Summary of charges

Note – the below information is taken from Companies House.

Charge code	Date created	Persons entitled	Chargee	Brief description
<b>Communists Limited</b>				
0291 6113 0009	30/11/2022	Acquiom Agency Services Ltd as Security Trustee	OSG Bidco Limited, Communists Limited, Communists International Limited, Communists Data Intelligence Limited, Communists Digital Limited, Communists UK Limited, Psona 12 Limited, Psona Limited, Communists PS Limited, PS Holdings Limited, Communists Europe Limited	Contains fixed charge (over the shares, accounts and (not effected) assigned assets and floating charge over all assets (present and future) not already assigned. Floating charge covers all the property or undertaking of the company. Contains negative pledge.
0291 6113 0007	04/02/2020	Barclays Bank PLC	Communists Limited	Contains fixed charge over all present and future rights, title, benefit and interest in and to each account and related deposit. Contains floating charge (permitting the fixed charge to be take effect as a floating charge). Contains negative pledge.
0291 6113 0006	15/10/2019	Barclays Bank PLC	OSG Bidco Limited, Communists Limited, Communists International Limited, Communists Data Intelligence Limited, Communists Digital Limited, Communists UK Limited, Life Marketing Consultancy Limited, Psona 12 Limited and Psona Limited	Contains fixed charge for all present and future right, title and interest in the shares, all accounts and assigned assets (not already assigned). Contains floating charge. Floating charge covers all the assets or undertakings of the company (not otherwise charged). Contains negative pledge.
<b>Communists UK Limited</b>				
0100 6371 0010	30/11/2022	Acquiom Agency Services Ltd as Security Trustee	OSG Bidco Limited, Communists Limited, Communists International Limited, Communists Data Intelligence Limited, Communists Digital Limited, Communists UK Limited, Psona 12 Limited, Psona Limited, Communists PS Limited, PS Holdings Limited, Communists Europe Limited	Contains fixed charge (over the shares, accounts and (not effected) assigned assets and floating charge over all assets (present and future) not already assigned. Floating charge covers all the property/assets or undertaking of the company. Contains negative pledge.
0100 6371 0008	04/02/2020	Barclays Bank PLC	Communists UK Limited	Contains fixed charge over all present and future rights, title, benefit and interest in and to each account and related deposit. Contains floating charge (permitting the fixed charge to be take effect as a floating charge). Contains negative pledge.
0100 6371 0007	15/10/2019	Barclays Bank PLC	OSG Bidco Limited, Communists Limited, Communists International Limited, Communists Data Intelligence Limited, Communists Digital Limited, Communists UK Limited, Psona 12 Limited, Psona Limited, Life Marketing Consultancy Limited	Contains fixed charge (over the shares, accounts and (not effected) assigned assets and floating charge over all assets (present and future) not already assigned. Floating charge covers all the property/assets or undertaking of the company. Contains negative pledge.

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Charge code	Date created	Persons entitled	Chargers	Brief description
<b>Communis Digital Limited</b>				
0413 3016 0004	30/11/2022	Acquiom Agency Services Ltd as Security Trustee	OSG Bidco Limited, Communis Limited, Communis International Limited, Communis Data Intelligence Limited, Communis Digital Limited, Communis UK Limited, Psona T2 Limited, Psona Limited, Communis PS Limited, PS Holdings Limited, Communis Europe Limited	Contains fixed charge (over the shares, accounts and (not effected) assigned assets and floating charge over all assets (present and future) not already assigned. Floating charge covers all the property/assets or undertaking of the company. Contains negative pledge.
0413 3016 0002	15/10/2019	Barclays Bank PLC	OSG Bidco Limited, Communis Limited, Communis International Limited, Communis Data Intelligence Limited, Communis Digital Limited, Communis UK Limited, Psona T2 Limited, Psona Limited, Life Marketing Consultancy Limited	Contains fixed charge (over the shares, accounts and (not effected) assigned assets and floating charge over all assets (present and future) not already assigned. Floating charge covers all the property/assets or undertaking of the company. Contains negative pledge.
<b>Communis Data Intelligence Limited</b>				
0910 5695 0004	30/11/2022	Acquiom Agency Services Ltd as Security Trustee	OSG Bidco Limited, Communis Limited, Communis International Limited, Communis Data Intelligence Limited, Communis Digital Limited, Communis UK Limited, Psona T2 Limited, Psona Limited, Communis PS Limited, PS Holdings Limited, Communis Europe Limited	Contains fixed charge (over the shares, accounts and (not effected) assigned assets and floating charge over all assets (present and future) not already assigned. Floating charge covers all the property/assets or undertaking of the company. Contains negative pledge.
0910 5695 0002	15/10/2019	Barclays Bank PLC	OSG Bidco Limited, Communis Limited, Communis International Limited, Communis Data Intelligence Limited, Communis Digital Limited, Communis UK Limited, Psona T2 Limited, Psona Limited, Life Marketing Consultancy Limited	Contains fixed charge (over the shares, accounts and (not effected) assigned assets and floating charge over all assets (present and future) not already assigned. Floating charge covers all the property/assets or undertaking of the company. Contains negative pledge.

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## **Appendix 8      Glossary**

<b>AG</b>	Addleshaw Goddard LLP
<b>BD</b>	Brand Deployment
<b>CC</b>	Clifford Chance LLP
<b>CE</b>	Customer Experience
<b>Ch11</b>	Chapter 11 bankruptcy proceedings
<b>Company</b>	Communis Limited - in Administration
<b>Group</b>	All companies in the wider Communis group as outlined in section 2
<b>Interpath/Interpath Advisory</b>	Interpath Ltd
<b>Joint Administrators/we/our/us</b>	Mike Pink and Steve Absolom
<b>KPMG</b>	KPMG LLP
<b>Secured Creditor/The 1Ls</b>	The First Lien secured lenders to the OSG Group
<b>TSA</b>	Transitional Services Arrangement
<b>TUPE</b>	Transfer of Undertakings (Protection of Employment) Regulations 2006
<b>UK TopCo</b>	OSG Bidco Limited
<b>US TopCo</b>	OSG Group TopCo, LLC.

Any references in these proposals to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

## Appendix 9

### Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Mike Pink and Steve Absolom, the Joint Administrators of Communisis Limited – in Administration (the 'Company'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the same group.

Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these proposals.

Michael Robert Pink and Stephen John Absolom are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.

We are bound by the Insolvency Code of Ethics.

The Officeholders may be Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – [www.interpathadvisory.com/privacy-insolvency](http://www.interpathadvisory.com/privacy-insolvency).

The Joint Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Interpath Ltd does not assume any responsibility and will not accept any liability to any person in respect of these proposals or the conduct of the administration.

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