

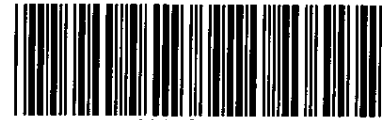
AM10

Notice of administrator's progress report



Companies House

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#272

COMPANIES HOUSE

1 Company details

Company number 0 5 6 5 0 8 6 1

Company name in full AB INTERNET LIMITED

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Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) MARTIN CHARLES

Surname ARMSTRONG

3 Administrator's address

Building name/number ALLEN HOUSE

Street 1 WESTMEAD ROAD

Post town SUTTON

County/Region SURREY

Postcode S M 1 4 L A

Country

4 Administrator's name ①

Full forename(s) JAMES EDMUND

Surname PATCHETT

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number ALLEN HOUSE

Street 1 WESTMEAD ROAD

Post town SUTTON

County/Region SURREY

Postcode S M 1 4 L A

Country

② Other administrator

Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

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|-----------|-----|-----|-----|-----|-----|-----|-----|-----|
| From date | d 2 | d 3 | m 0 | m 5 | y 2 | y 0 | y 1 | y 7 |
| To date | d 2 | d 2 | m 1 | m 1 | y 2 | y 0 | y 1 | y 7 |

7 Progress report

☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X

[Handwritten Signature]

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Signature date

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| d 1 | d 4 | m 1 | m 2 | y 2 | y 0 | y 1 | y 7 |
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AB Internet Limited ("the Company") – In Administration

JOINT ADMINISTRATORS' PROGRESS REPORT TO CREDITORS

For the six months ending 22nd November 2017

EXECUTIVE SUMMARY

The Company operated as an Internet Service Provider ("ISP") operating their own wireless network infrastructure in both urban and rural parts of the UK. It did so by relaying supply from major internet suppliers through its own relay equipment located on land in these locations. The Company would pay a small sum to the owners of the land on which its network broadcast equipment was placed and *would receive a monthly subscription from the customers using its supply.*

The Company had six 'spokes' to its business, being five networks which supplies broadband internet to a designated area and one ongoing contract to build and supply a network in Scotland. The five networks were as follows:

- North Wales
- South Wales
- Loch Tay (physical assets owned by community not the Company)
- Black Isle
- Forest Holidays

The networks all serviced the local community aside from Forest Holidays which serviced the holiday sites operated by Forest Holidays across the country. There had been a further network in Lincoln but that had been sold in December 2016 for £250,000 (payable by deferred instalments).

As stated above, the Company entered into a contract to build and provide a network in Scotland. The contract was with Gigaplus Argyll ("GPA") and was entered into in June 2015. The GPA contract had been expected to be the first of a number of contracts secured with Scottish Government backing although significant delays had been experienced that were primarily related to the acquisition of locations on which to place the required masts. The delays and associated costs had a severe impact on cash flow. Whilst all necessary sites were eventually acquired and the contract (originally due for completion by August 2016) was expected to proceed, the Company did not have sufficient working capital to acquire the hardware/equipment to be installed and therefore could not progress the contract.

In view of interest in the networks, it was considered that a pre-pack sale of the business and assets (either as a whole or piecemeal sales of the networks) would be appropriate. In this case it was hoped that this could be achieved, however, on 19th May 2017 we were contacted by the Board who advised that suppliers had threatened to disconnect supply to the networks. This would have had a catastrophic effect on the Company's ability to service customers and would have dissipated any value of the Company's Goodwill. It was therefore concluded that the Company be placed into *Administration without delay in order to utilise the Administrators powers to compel key suppliers to maintain supply in order to achieve a sale (or sales).* This would require the Company to continue to trade during the Administration until sales were agreed.

Accordingly, on 23rd May 2017, James E Patchett and I were appointed by the Directors of the Company



as Joint Administrators of the Company and took over from the Board responsibility for the management of the affairs, business and property of the Company.

Following appointment we continued to trade the business in order to find a buyer (or buyers) for the networks. After protracted marketing, negotiations and due diligence, two separate sales of the networks were eventually agreed and completed in August 2017. The sale proceeds have enabled the Company's secured creditor to be paid in full, however, there is no prospect of a dividend to any other class of creditor (subject to the approval of the outstanding pre and post appointment Administration costs by the Court).

STATUTORY INFORMATION

| | |
|--|--|
| Company name: | AB Internet Limited |
| Court name and reference: | High Court of Justice Reference CR-2017-003785 |
| Registered office: | Allen House, 1 Westmead Road, Sutton, Surrey, SM1 4LA |
| Former registered office: | Landmark House, 1 Riseholme Road, Lincoln, Lincolnshire LN1 3SN |
| Registered number: | 05650861 |
| Joint Administrators' names; | Martin C Armstrong and James E Patchett |
| Joint Administrators' address: | Turpin Barker Armstrong, Allen House, 1 Westmead Road, Sutton, Surrey, SM1 4LA |
| Joint Administrators' date of appointment: | 23 rd May 2017 |
| Actions of Joint Administrators: | Any act required or authorised under any enactment to be done by an administrator may be done by either or both of the Administrators acting jointly or alone. |

JOINT ADMINISTRATORS' ACTIONS SINCE APPOINTMENT

The matters dealt with and the work undertaken since our appointment can be summarised as follows:

Trading

As detailed in the Proposals, and as mentioned previously, it was considered appropriate to trade the business until a buyer (or buyers) could be found for the Company's networks and assets. The trading period was funded by customer receipts and the GPA contract payment received shortly after our appointment. The decision to continue to trade has been justified by the realisations of sufficient funds to enable the secured creditor to be paid in full and the continuation of supply to customers (which has minimised claims from customers for loss of service).



As shown on the attached receipts and payments account, there is currently a trading loss of £23,071.57 (excluding our time costs which are subject to approval by the Court). There are additional trading costs to be paid although these are still to be calculated. Notwithstanding this, the final trading loss (inclusive of the Joint Administrators' costs) is expected to be less than the £80,000 included in the estimated outcome statement appended to the Proposals.

The principle work undertaken in respect of trading was as follows:

Suppliers

In order to continue to trade it was essential to maintain supply from the backhaul internet providers for each network (the backbone of the networks). These suppliers were engaged with and supply was maintained where possible. In addition, time was spent trying to facilitate the reconnection of lines that had previously been disconnected prior to Administration.

Landlords/Premises

The Company operated from two premises in Lincoln (albeit only one lease was held in the name of the Company). Time has been spent liaising with the landlords in respect of the occupation of both premises, paying appropriate rent, and dealing with vacation of the properties.

Additionally, due to the Company's financial position, payments to many of the landowners had not been made in accordance with the relevant contracts and therefore there was some reluctance among these landowners to allow the Company to continue to use their land whilst we sought a buyer of the business.

As a result of their dissatisfaction, some of the landowners had switched off/tampered with the equipment on their land which required careful negotiations (and in some circumstances ransom payments and site visits) in order to resume supply.

Utilities

We have been required to liaise with the utility providers for both premises in order to maintain the supply of gas and electricity to enable ongoing trade.

Customers

In the trading period it has also been necessary to have extensive daily correspondence with customers regarding various issues, including service outages, faulty sites/equipment, payments, potential new suppliers and claims for any losses suffered by them as a result of the Company's insolvency. As mentioned previously, some sites were intentionally switched off/tampered with by landowners which had an onward effect on customers. In addition, some networks suffered issues due to inclement weather. Any time a portion of a network went offline it resulted in significant enquiries from customers as to the nature of the fault and when it could expect to be fixed.

Following the sales, we have also had some further contact with customers who had not been contacted by, or were having trouble getting in contact with, the purchaser of their network.

Employees/Contractors

We also liaised with the directors regarding the key clerical and technical personnel required to continue trading and deal with any outages. In this regard, one director was made redundant with effect from 24th May 2017 (but retained on a contracted basis to assist with the proposed sales). A further 6 staff (including the remaining 2 directors) were made redundant on 31st May 2017 (again the two directors were retained on a contracted basis to assist with the proposed sales and ongoing trading). Correspondence was entered

into with staff regarding their position and any unpaid entitlements (and their ability to make a claim from the Redundancy Payments Office ("RPO")).

Day to day affairs

Daily correspondence was required with the Company's directors in order to oversee daily trading and deal with administrative functions and the maintenance of internet supply/networks.

Other

In addition to the above, the following tasks have also been undertaken for the trading period:

- Arranging suitable insurance for the business and assets.
- Dealing with payroll matters including reviewing and making payments in respect of staff wages, PAYE/NIC and pension contributions.
- Liaising with Company's pension provider.
- Reviewing and processing all necessary receipts / payments.
- Liaising with the Company's bankers in respect of receipts received into the Company's current account.

Sale of business and assets

As mentioned above, the sales of the business and assets did not occur immediately upon appointment. I instructed agents, Lambert Smith Hampton Limited ("LSH") to value, market and negotiate sales of the Company's business and assets (on a piecemeal basis if necessary). This lengthy marketing and negotiating process required ongoing communications with LSH, interested parties and the directors in order to deal with offers received and to provide various technical and financial information to interested parties.

As detailed in the Proposals, sales of the Company's networks were agreed in principle with two purchasers. Broad terms of the agreements in principle were as follows:

- The sale of the Forest Holidays network for £65,000 ("Sale 1").
- The sale of the remaining 4 networks and other assets for £200,000 (less a maximum £25,000 deduction in lieu of any potential claims under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE") (which were not expected)) ("Sale 2").

It was thought that the above sales would be completed shortly after the Proposals were issued, however, this was unfortunately not the case. Sale 1 was not completed until 2nd August 2017 with delays caused attempting to address various concerns of the buyer and also negotiating fairly significant amendments to the sale agreement due to the complicated nature of the Company's operating model and the fact that this was a sale of just one part of the business.

One of the key assets in Sale 2 was the contract with a supplier of broadband (which the Company then relayed on to its customers). Due to non-payment by the Company to the supplier in the period prior to Administration a significant amount of time was incurred dealing with the supplier to ensure that the supply remained in place while the sale was completed. In addition, the purchaser in Sale 2 had to liaise with the representative of the Loch Tay community network (who owned the physical assets for that network) in order to obtain their consent to operate the network using their goods. This was fundamental to the purchase as without this consent they could not operate this network and they would therefore lose any income stream associated to it.

Although the above matters were resolved, shortly prior to the sale being completed the buyer for Sale 2 reduced the proposed purchase price from £200,000 to £165,000 with £50,000 payable on completion and the balance paid over three months.

Due to the fact that no other serious buyers had been identified and the fact that any further marketing after trading the business for three months would lead to further significant trading costs and would be unlikely to result in any offers in excess of £165,000, I took the decision to accept the reduction in the purchase price following advice from LSH. Sale 2 was therefore not completed until 16th August 2017.

During the periods of delays I continued to trade the business, retain staff/contractors and make attempts to preserve the value of the Company's assets (by preserving supply to customers). As mentioned above, the sales were delayed whilst attempting to address various concerns of the buyers and also negotiating significant amendments to the sale agreements due to the complicated nature of the Company's operating model and the fact that these were two separate sales of parts of the business. The extended period agreeing the sales and the detailed negotiation of the sale agreements inevitably led to a substantial amount of time dealing with these matters.

Motor Vehicles

Once they were no longer required for trading, LSH were instructed to value and dispose of the Company's motor vehicles and liaise with finance providers and interested parties as applicable.

Book Debts

The Company's book debts were primarily made up of circa £160,000 due from the purchaser of the Lincoln network (which was to be discharged via deferred payments). Following Administration, a payment of £19,895.08 was received for the May instalment although no further payments have been received due to alleged breaches of contract by the Company. I have been in discussions with the debtor in respect of the outstanding payment and payments going forward (due to the contractual nature of the debt) and a full and final settlement of £70,000 was proposed by the debtor. A decision on this offer has not yet been made as I am currently reviewing the sale contract in order to consider the following before agreeing to any reduced settlement:

- (a) the allegations that the Company is in breach of the contract;
- (b) if the Company is in breach, how it affects our ability to collect the deferred consideration (and any other implications);
- (c) what the Company's ongoing obligations are under the contract;
- (d) if the purchaser of the network has breached the contract (and any relative implications).

Once this review has been finalised we will be in a position to assess the offer of settlement proposed.

GPA Contract

It was originally anticipated that the GPA contract would be included in any sale of the business. Time was therefore spent discussing the position with the Board of GPA and exploring a potential novation of the contract. However, as GPA would have to consent to any novation the contract was not considered to have any value. The contract was therefore not included in either sale and GPA gave notice on 11th August 2017 of formal termination of the contract with effect from 18th August 2017.

Joint Administrators' Proposals

In the period covered by this report, my staff and I prepared the Proposals which were circulated to creditors on 11th July 2017.

Statutory Objective

Creditors may recall that it was originally intended that we would seek to achieve objective (b) for the Company. This objective was 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) and was to be achieved by completing sales of the Company's networks and assets and enabling a dividends to both the secured and preferential creditors.

Unfortunately realisations are now expected to be insufficient to enable a dividend to preferential creditors and therefore objective (b) will not be achieved. Objective (c), being to realise property in order to make a distribution to one or more secured or preferential creditors has, however, been achieved by making payments to the secured creditor to discharge their claim in full.

My solicitors have advised there is no need to seek approval of the variation of the statutory objective given that it is relatively minor and has no impact on unsecured creditors. This report, however, serves as notice to unsecured creditors of the variation to the Proposals and to provide an opportunity to query or object to the change.

In addition, there is certain work that I am required by the insolvency legislation to undertake in connection with the Administration that provides no financial benefit for the creditors. A description of the routine work undertaken since my appointment as Joint Administrator is contained in Appendix 1.

RECEIPTS AND PAYMENTS ACCOUNT

My Receipts & Payments Account for the period from 23rd May 2017 to 22nd November 2017 is attached at Appendix 2.

The following transactions have passed through the estate bank account in the period since the end the reporting period to the date of this report:

| <u>Date</u> | <u>Receipt</u> | <u>Payment</u> | <u>Nature of transaction</u> |
|-------------|----------------|----------------|--------------------------------------|
| 27/11/2017 | £15,000.00 | - | Final instalment from Bogons Limited |
| 27/11/2017 | - | (£928.43) | Payment of rates for trading period |
| 30/11/2017 | £6.42 | - | Gross bank interest |

The balance of funds are held in an interest bearing estate bank account.

ASSETS

The assets realised/dealt with in the reporting period are as follows:

Networks and assets

The Company's assets were sold to unconnected parties for a total of £230,000 in the reporting period. Full details of the marketing undertaken can be found in the Proposals. Some details regarding the sales are as follows:

Sale 1

Network sold: Forest Holidays

Purchaser: Forest Holidays Limited

Purchase price: £65,000

Other relevant terms: Full sale price to be paid on completion

Sale 2

Networks sold: North Wales, South Wales, Loch Tay, Black Isle

Purchaser: Bogons Limited

Purchase price: £165,000 (less a maximum £25,000 deduction in lieu of any potential claims under the TUPE)

Other relevant terms: £50,000 payable on completion followed by two monthly instalments of £50,000 and one final payment of £15,000.

An outline of the different types of asset sold and the amount for which they were sold, together with a comparison against the valuation, is as follows:

| Asset category | Valuation basis & amount (£) | | Sale Price Sale 1 | Sale Price Sale 2 |
|----------------------------------|------------------------------|--------------------|-------------------|---|
| | In situ | Ex situ (Break up) | £ | £ |
| <u>Fixed charge</u> | | | | |
| Goodwill (see note below) | 260,500 | Nil | Nil | 150,000 |
| <u>Floating charge</u> | | | | |
| Plant & Equipment (Networks) | | 17,000 | 55,000 | 10,999 |
| Office Furniture & Equipment | 2,000 | 500 | Excluded | |
| Motor Vehicles | 3,927 | 2,227 | Excluded | Excluded |
| Stock | 10,000 | 2,000 | 9,996 | 4,000 |
| Site Share Agreements / Licences | Nil | Nil | 2 | Nil |
| Work in Progress | Nil | Nil | 1 | N/A (included in Stock figure above) |
| IPR, Books & Records | Nil | Nil | 1 | N/A (included in Goodwill figure above) |
| Intangibles | Nil | Nil | Nil | 1 |
| Total | 276,427 | 21,727 | 65,000 | 165,000 |

The in situ valuations of the Networks include any applicable Goodwill. Creditors will note that some categories of asset were sold for below or above the valuation obtained from LSH. Notwithstanding this, the agreements reached were the best available in the circumstances and represent the best outcome for creditors. The above offers were accepted following advice received from LSH.

The full sale price for Sale 1 was paid on completion.

In accordance with the terms of the sale agreement, instalments totalling £150,000 were received from Bogons Limited in the reporting period in respect of Sale 2. As previously reported, the final instalment of £15,000 has been received since the end of the reporting period and is therefore not included on the attached receipts and payments account.

Motor Vehicles

The Company owned two unencumbered vans with significant mechanical issues with both having been declared SORN. The Company also had three other vehicles which were subject to finance agreements. LSH were instructed to dispose of the vehicles once they were not required for ongoing trade and a summary of the valuation attributed to them by LSH and the sale prices achieved are as follows:

| Vehicle | Status | Valuation (net of finance) £ | Sale Consideration £ |
|---|--------------------|---|-------------------------|
| Vauxhall Astra Club Ecoflex 1.7 car derived van Registration no. VU62 ZBR | Unencumbered | 1,025 | 1,083 |
| Tesla model S 5 door hatchback electric car Registration no. EC02 XEC (2014) | Subject to finance | Nil (outstanding finance exceeds value) | N/A |
| Citroen Dispatch 1200 HDI 90 LWB panel van Registration no. YX60 XKD | Unencumbered | 200 | 250 |
| Isuzu D-Max Eiger D/C twin turbo TD pick up Registration no. FY16 EOY | Subject to finance | Nil (outstanding finance exceeds value) | N/A |
| Ford Transit Connect 200 Trend panel van Registration no. FV14 YPF | Subject to finance | 1,800 | 1,560.68* |
| Total | | 3,025 | 2,893.68 |

*Net of finance payment of £772.32 made to Ford Credit Europe.



As mentioned above, the finance outstanding on two of the vehicles subject to finance exceeded the value of the vehicles and therefore no steps were taken to sell these vehicles. Arrangements were made for the Izuzu D-Max Eiger to be returned to the finance company whilst it is understood that a director of the Company settled the finance outstanding on the Tesla personally.

The three remaining vehicles were sold by LSH to Deborah Rizan Stott, a director of the Company, on 12th July 2017 for the sums set out above. Although two of the vans were sold for slightly less than the final valuations, LSH advised that the offers should be accepted on the basis it avoided the costs of collection, storage and disposal.

Accordingly, the total net sum of £2,893.68 was realised in this regard.

Book Debts

The estimated outcome statement included in the Proposals estimated that £160,000 would be realised in respect of the Company's debtors. This estimate solely comprised the sum due from the purchaser of the Lincoln network and, as stated above, this matter is under review. The sum of £19,895.08 was received from the purchaser of the Lincoln network in the reporting period.

Any receipts from customers for invoices raised prior to Administration were considered highly speculative due to service outages. However, the sum of £829.96 has been received from customers in this regard.

VAT Refund

A VAT refund of £2,162.92 was received in the reporting period which relates to VAT on a post-Administration credit note raised against a GPA invoice issued prior to Administration.

Sundry Refunds

Refunds totalling £463.09 have been received in the reporting period. These comprise a rates refund of £401.00 and a utility refund of £62.09.

Gross Bank Interest

Estate funds are held in an interest bearing bank account. Gross bank interest totalling £27.05 has been received in the reporting period.

LIABILITIES

Secured Creditors

An examination of the Company's mortgage register held by the Registrar of Companies, showed that the Company has no current charges over its assets.

The legislation requires that if the Company has created a floating charge after 15th September 2003, a prescribed part of the Company's net property (i.e. the money that would otherwise be available to the charge holder) should be ring-fenced for distribution to unsecured creditors.

Creditors will recall that the Company had previously given a fixed and floating charge to Catalyst Business Finance Limited ("Catalyst") on 21st July 2016 which was outstanding as at the date of Administration. As expected, the money due to Catalyst was fully repaid from the fixed charge they held over Goodwill. As a result, I did not have to pay them any money under their floating charge and



therefore their charge has been formally satisfied. Accordingly, the Company no longer has any floating charge creditors and therefore the prescribed part provisions will not apply.

Preferential Creditors

The estimated outcome statement included in the Proposals anticipated £5,393 in preferential creditors. These claims were met by the Secretary of State to the extent required by the Employment Rights Act 1996. A claim of £3,250.78 has been received from the Secretary of State in respect of payments made to employees in this regard.

I have not calculated and adjudicated upon the preferential employee claims (over and above the limits for payments applied by the Secretary of State) as no preferential dividend has become payable.

Crown Creditors

The estimated outcome statement included in the Proposals included £70,178 owed to HMRC. HMRC's provisional claim of £70,178.05 has been received.

Non-preferential unsecured Creditors

The creditor schedule attached to the estimated outcome statement included in the Proposals included 79 other non-preferential unsecured creditors with an estimated total liability of £572,169.80. In addition, the amount owed to employees in respect of wage arrears (over and above the preferential limit of £800 per employee) was estimated at £320. Unsecured claims in respect of redundancy pay and pay in lieu of notice were uncertain.

I have received claims from 60 creditors at a total of £487,994.71 (which includes the unsecured element of the claim received from the Secretary of State in respect of payments made to employees). I have not received claims from 40 creditors with original estimated claims in the estimated outcome statement of £180,526.16. This total includes a small number of claims received from customers of the Company in respect of loss of service for periods which had been paid for (these claims were also considered uncertain at the date of Administration).

Included in the claims lodged by creditors is one claim in Euros. I have converted this claim into sterling at the following rates:

£1 : €1.1559

The above rates are the Bank of England Daily Spot Exchange Rates on the date the Company entered Administration.

I have not adjudicated upon the unsecured claims as no unsecured dividend has become payable.

DIVIDEND PROSPECTS

Secured creditors

Catalyst have been paid the sum of £133,544.81 under their fixed charge which equates to 100p in the £. This was made up of the following distributions:

| Date | Payment | Rate of dividend |
|------------|------------|------------------|
| 06/09/2017 | £45,454.55 | 34.04p in the £ |

| | | |
|------------|------------|-----------------|
| 02/10/2017 | £45,454.55 | 34.04p in the £ |
| 30/10/2017 | £42,635.71 | 31.92p in the £ |

Preferential creditors

Subject to Court approval on the outstanding pre-Administration costs and post-Administration remuneration, there is no prospect of a dividend to preferential creditors.

Floating charge creditors

As mentioned above, Catalyst have been paid in full under their fixed charge and their charge has now been satisfied. Accordingly, the Company no longer has any floating charge creditors.

Non-preferential unsecured creditors

Creditors will recall that the Company had previously given a fixed and floating charge to Catalyst on 21st July 2016 which was outstanding as at the date of Administration. As expected, the money due to Catalyst was fully repaid from the fixed charge they held over Goodwill. As a result, I did not have to pay them any money under their floating charge and therefore their charge has been formally satisfied. Accordingly, the Company no longer has any floating charge creditors and therefore the prescribed part provisions will not apply.

In any event, there is no prospect of a dividend to non-preferential unsecured creditors.

INVESTIGATION INTO THE AFFAIRS OF THE COMPANY

I undertook an initial investigation into the Company's affairs to establish whether there were any potential asset recoveries or conduct matters that justified further investigation, taking account of the public interest, potential recoveries, the funds likely to be available to fund an investigation, and the costs involved. Specifically, I recovered, listed and reviewed the Company's accounting records; obtained and reviewed copy bank statements for the 2 years prior to Administration from the Company's bankers; and compared the information in the Company's last set of accounts with that contained in the statement of affairs lodged in the Administration and made enquiries about the reasons for the changes.

I took the following action where I considered that further investigation was justified:

1. Bank Transactions

My initial review highlighted certain payments made by the Company which required further investigation. These investigations are ongoing and it is unclear at this stage if these investigations will result in any further recoveries.

Conduct Report

Within three months of my appointment as Administrator, I am required to submit a confidential report to the Secretary of State to include any matters which have come to my attention during the course of my work which may indicate that the conduct of any past or present Director would make them unfit to be concerned with the management of the Company. I would confirm that my report has been submitted.

PRE-ADMINISTRATION COSTS

In view of the financial circumstances of the Company it fell to the secured creditor and the preferential creditors to approve our pre-Administration costs. These were set out in the Proposals as follows:

| <u>Description</u> | <u>Total</u> | <u>Paid pre-appointment</u> | <u>To be paid</u> |
|------------------------------------|------------------|-----------------------------|-------------------|
| | £ | £ | £ |
| Joint Administrators' remuneration | 36,161.50 | Nil | 36,161.50 |
| Legal fees | 2,696.00 | Nil | 2,696.00 |
| Virtual FD | 3,459.40 | Nil | 3,459.40 |
| Total | 42,316.90 | Nil | 42,316.90 |

In accordance with Insolvency legislation, we sought approval from the secured creditor and the preferential creditors of the Company for outstanding pre-appointment costs to be drawn from asset realisations in the Administration. We obtained approval from the secured creditor and also from two of the Company's preferential creditors in accordance with the qualifying decision procedure used. However, the two preferential creditors who voted in approval of the fee resolution had not at the time submitted proofs of debt. Whilst it was known that they had preferential claims they had not been validly submitted at the time of the decision date and therefore no valid approval was received from the preferential creditors.

The above pre-Administration costs were therefore not approved and, as required by insolvency legislation, we will shortly be making an application to Court for approval of these costs (it not being possible to obtain a second approval of fees).

JOINT ADMINISTRATORS' REMUNERATION

In view of the financial circumstances of the Company it fell to the secured creditor and the preferential creditors to fix the basis of our remuneration for acting as Joint Administrators (and approve our pre-Administration costs) as set out in the Proposals.

As stated above, we obtained approval from the secured creditor and also from two of the Company's preferential creditors in accordance with the qualifying decision procedure used. However, the two preferential creditors who voted in approval of the fee resolution had not at the time submitted proofs of debt. Whilst it was known that they had preferential claims they had not been validly submitted at the time of the decision date and therefore no valid approval was received from the preferential creditors.

The proposed bases of our remuneration were therefore not approved and, as required by insolvency legislation, we will shortly be making an application to Court for approval of these (it not being possible to obtain a second approval of fees).

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. A copy of 'A Creditors Guide to Administrators' Fees' also published by R3, together with an explanatory note which shows Turpin Barker Armstrong's fee policy are available at the link <http://www.turpinbainsolvency.co.uk/other-services-information/links>. Please



note that there are different versions of the Guidance Notes and in this case you should refer to the April 2017 version.

JOINT ADMINISTRATORS' EXPENSES

The following table details the estimated expenses originally anticipated to be incurred in addition to those that have actually been incurred/drawn since my appointment as Joint Administrator:

| <u>Type</u> | <u>Estimated expenses</u> | <u>Actual Incurred</u> | <u>Actual Drawn</u> |
|-----------------------|---------------------------|------------------------|---------------------|
| Statutory Advertising | £149.00 | £74.50 | £74.50 |
| Bordereau | £720.00 | £720.00 | £720.00 |
| Agent's Fees | £26,803.00 | £23,788.16 | £3,022.40 |
| Legal Fees | £14,895.50 | £28,239.50 | Nil |
| Accountancy Fees | Nil | £975.00 | £975.00 |
| Insurance of Assets | £2,500.00 | £3,079.63 | £3,079.63 |
| | £45,067.50 | £56,876.79 | £7,871.53 |

I have used the following agents or professional advisors in the reporting period:

| Professional Advisor | Nature of Work | Basis of Fees |
|-------------------------------|-----------------------|----------------------------|
| Lambert Smith Hampton | Valuer/Auctioneer | Percentage of realisations |
| Charles Russell Speechlys LLP | Solicitors | Time costs + disbursements |
| Smlbiz Limited | Accountancy services | Agreed fee |

Lambert Smith Hampton

As detailed in the Proposals, Lambert Smith Hampton ("LSH") were instructed to value the business and assets and to market the business in order to achieve a sale (or sales) for the best price possible. I have set out below a brief description of the work undertaken by LSH in the reporting period:

1. Brief details of the business were placed on the "businesses for sale" section of the LSH website and circulated to a comprehensive list of potential interested parties.
2. 47 responses were received with 34 NDAs returned. LSH corresponded with these parties and an Information Memorandum with further detailed supporting information was released as requested.
3. *Detailed discussions with interested parties and advice on offers received.*
4. Negotiations with 2 unconnected third parties (subject to contract) in respect of sales.
5. Proof of funding was secured for both parties, with checks made as to the extent of the due diligence required.
6. Ongoing discussions/negotiations with the proposed purchasers with regards to technical queries and terms of sale.

7. Arranging for sales of Company's motor vehicles and dealing with the respective finance companies where applicable.

Charles Russell Speechlys LLP

Charles Russell Speechlys LLP ("CRS") were engaged to draft the sale agreements (and associated documentation) for the proposed sales. Time has been spent liaising with the purchasers' solicitors and dealing with queries/amendments to the terms of the sale agreements.

Unfortunately the sales were delayed whilst attempting to address various concerns of the buyers and also negotiating significant amendments to the sale agreements due to the complicated nature of the Company's operating model and the fact that these were two separate sales of parts of the business. The extended period agreeing the sale and the detailed negotiation of the sale agreement inevitably led to an increase in costs.

In addition, CRS have provided advice on employee related matters and other ad hoc advice. Finally, CRS have prepared a draft application to Court for approval of pre-Administration costs and expenses and post-Administration remuneration.

Smlbiz Limited

Smlbiz Limited finalised and provided financial information in relation to the Company that enabled the Company's pre-appointment tax affairs to be brought up to date.

The choice of professionals used was based on my perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of my fee arrangement with them. I have reviewed the fees charged and am satisfied that they are reasonable in the circumstances of this case.

As you can see from the above table, the expenses I have incurred in this matter to 22nd November 2017 have exceeded the total expenses I estimated I would incur when I sought authorisation for my remuneration. The reasons I have exceeded the expenses estimate are because of higher than anticipated costs in respect of the following:

Legal Fees

As stated above, the sales were delayed whilst attempting to address various concerns of the buyers and also negotiating significant amendments to the sale agreements due to the complicated nature of the Company's operating model and the fact that these were two separate sales of parts of the business. The extended period agreeing the sale and the detailed negotiation of the sale agreement inevitably led to an increase in costs

Accountancy Fees

These costs were unforeseen at the time our estimate was provided to creditors.

Insurance of Assets

We were required to trade the business for a longer period than originally anticipated and therefore insurance costs were higher than previously estimated.

FURTHER INFORMATION

An unsecured creditor may, with the permission of the court or with the concurrence of 5% in value of the unsecured creditors (including the creditor in question) request further details of the Joint Administrators' remuneration and expenses, within 21 days of receipt of this report. Any secured creditor may request the same details in the same time limit.

An unsecured creditor may, with the permission of the court or with the concurrence of 10% in value of the unsecured creditors (including the creditor in question), apply to court to challenge the amount and/or basis of the Joint Administrators' fees and the amount of any proposed expenses or expenses already incurred, within 8 weeks of receipt of this report. Any secured creditor may make a similar application to court within the same time limit.

To comply with the Provision of Services Regulations, some general information about Turpin Barker Armstrong can be found at <http://www.turpinbainsolvency.co.uk/other-services-information/links>.

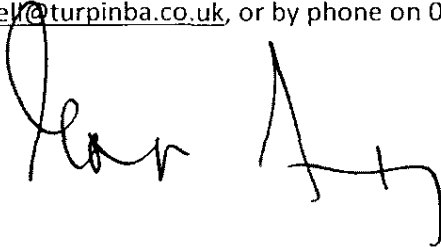
SUMMARY

The Administration will remain open until the following matters have been finalised:

- The outcome of the Court application for approval of pre-Administration costs and expenses and post-Administration remuneration.
- The collection of the sums due from the purchaser of the Lincoln network.
- Investigations into bank transactions reported previously.

I estimate that this will take approximately 3-5 months, and once these matters have been finalised the Administration will cease and my files will be closed.

If creditors have any queries regarding the conduct of the Administration, or if they want hard copies of any of the documents made available on-line, they should contact Ryan Russell by email at ryan.russell@turpinba.co.uk, or by phone on 020 8661 7878.



Martin C Armstrong FCCA FABRP FIPA MBA FNARA
Joint Administrator

The affairs, business and property of the Company are being managed by the Joint Administrators, Martin C Armstrong and James E Patchett. The Joint Administrators act as agents of the Company and contract without personal liability.

Appendix 1.

1. Administration

- Case planning - devising an appropriate strategy for dealing with the case and giving instructions to the staff to undertake the work on the case.
- Setting up electronic case files.
- Setting up the case on the practice's electronic case management system and entering data.
- Issuing the statutory notifications to creditors and other required on appointment as office holder, including gazetting the office holder's appointment.
- Obtaining a specific penalty bond.
- Dealing with all routine correspondence and emails relating to the case.
- Opening, maintaining and managing the office holder's estate bank account.
- Creating, maintaining and managing the office holder's cashbook.
- Undertaking regular bank reconciliations of the bank account containing estate funds.
- Reviewing the adequacy of the specific penalty bond on a quarterly basis.
- Undertaking periodic reviews of the progress of the case.
- Overseeing and controlling the work done on the case by case administrators.
- Preparing, reviewing and issuing annual progress reports to creditors and members.
- Filing returns at Companies House.
- Preparing and filing VAT returns.
- Preparing and filing Corporation Tax returns.

2. Creditors

- Obtaining information from the case records about employee claims.
- Completing documentation for submission to the Redundancy Payments Office.
- Corresponding with employees regarding their claims.
- Liaising with the Redundancy Payments Office regarding employee claims.
- Dealing with creditor correspondence, emails and telephone conversations regarding their claims.
- Maintaining up to date creditor information on the case management system.
- Reviewing proofs of debt received from creditors.

3. Investigations

- Submit an online return on the conduct of the directors as required by the Company Directors Disqualification Act.

AB Internet Limited
(In Administration)
Joint Administrators' Trading Account
To 22/11/2017

| S of A £ | £ | £ |
|----------------------------------|-----------|--------------|
| POST APPOINTMENT SALES | | |
| Customer receipts | 28,025.85 | |
| GPA Contract Payments | 67,451.23 | |
| | | 95,477.08 |
| TRADING EXPENDITURE | | |
| Wages & Salaries | 48,744.65 | |
| Contractors | 24,197.44 | |
| PAYE/NIC | 16,562.25 | |
| Membership/Network Subscriptions | 986.91 | |
| Bank charges | 31.00 | |
| Pension Contributions | 792.82 | |
| Site rental | 1,846.94 | |
| Utilities | 1,082.50 | |
| Rent | 7,493.61 | |
| Suppliers | 13,295.60 | |
| Rates | 3,365.73 | |
| Security Costs | 149.20 | |
| | | (118,548.65) |
| TRADING SURPLUS/(DEFICIT) | | (23,071.57) |

AB Internet Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments
To 22/11/2017

| S of A £ | £ | £ |
|---|-------------|------------------|
| FIXED CHARGE ASSETS | | |
| Goodwill, IPR, Name - Bogons Sale | 136,363.65 | 136,363.65 |
| FIXED CHARGE CREDITORS | | |
| Catalyst Business Finance Limited | 133,544.81 | (133,544.81) |
| HP ASSETS | | |
| Motor Vehicles (Ford Transit) | 2,333.00 | |
| Ford Credit Europe | (772.32) | |
| | | 1,560.68 |
| ASSET REALISATIONS | | |
| IPR, Books & Records - FH Sale | 55,001.00 | |
| Motor Vehicles (Vauxhall Astra / Citroe | 1,333.00 | |
| Stock - Bogons Sale | 3,636.36 | |
| Site Share Agreements - FH Sale | 1.00 | |
| Book Debts | 20,725.04 | |
| Work in Progress - FH Sale | 1.00 | |
| Spares - FH Sale | 5,000.00 | |
| Zabbix Assets - FH Sale | 4,996.00 | |
| Furniture, Equipment, IT System - Bog | 9,999.09 | |
| VAT Refund | 2,162.92 | |
| Point to Point Fixed Links Licences - F | 1.00 | |
| Sundry Refunds | 463.09 | |
| Gross Bank Interest | 27.05 | |
| Intangibles | 0.90 | |
| Trading Surplus/(Deficit) | (23,071.57) | |
| | | 80,275.88 |
| COST OF REALISATIONS | | |
| Agents'/Valuers' Fees | 3,022.40 | (3,022.40) |
| COST OF ADMINISTRATION | | |
| Specific Bond | 720.00 | |
| Statutory Advertising | 74.50 | |
| Insurance of Assets | 3,079.63 | |
| Accountancy Fees | 975.00 | |
| | | (4,849.13) |
| | | 76,783.87 |
| REPRESENTED BY | | |
| Input VAT | | 29.84 |
| Bank - Current a/c | | 78,315.75 |
| Output VAT | | (1,561.72) |
| | | 76,783.87 |

Note:

It should be noted that all figures stated in the Receipts and Payments Account are detailed net of VAT.

The estate bank account is interest bearing