

The Insolvency Act 1986

Administrator's progress report

Name of Company Blinkbox Music Limited	Company number 5717612
In the High Court of Justice, Chancery Division, Companies Court (full name of court)	Court case number 4042 of 2015

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

I/We (a)
Finbarr Thomas O'Connell
Smith & Williamson LLP
25 Moorgate
London
EC2R 6AY

Adam Henry Stephens
Smith & Williamson LLP
25 Moorgate
London
EC2R 6AY

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

(b) Insert date

From (b) 11 December 2015	To (b) 20 June 2016
------------------------------	------------------------

Signed

Joint / Administrator(s)

Dated

19 December 2016

Contact Details:

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

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

Finbarr Thomas O'Connell
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Blinkbox Music Limited (in administration)

Joint administrators' final progress report

16 December 2016



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1. Glossary

Abbreviation	Description
administrators/joint administrators	Finbarr Thomas O'Connell and Adam Henry Stephens
Company	Blinkbox Music Limited
CVL	Creditors' Voluntary Liquidation
Director	Paul Chalk
Former Director	Michael DeVere / Mr DeVere
Guvera Group	Group of companies controlled by Guvera Limited, an Australian incorporated company and the ultimate parent company of Blinkbox Music Limited
Guvera	Guvera Limited, an Australian incorporated company and the ultimate parent company of Blinkbox Music Limited
HMRC	HM Revenue & Customs
IR86	Insolvency Rules 1986 If preceded by R this denotes a rule number
Irwin Mitchell	Irwin Mitchell LLP, solicitors, instructed by the administrators
IA86	Insolvency Act 1986 If preceded by S this denotes a section number
IP	the Intellectual Property assets of the Company
JD Sports	JD Sports Fashion Plc
MdV	Michael DeVere, a former director of the Company
Metis Partners	Metis Partners Limited, a commercial Intellectual Property (IP) consulting firm with a professional IP experience in assessment, exploitation, valuation, monetisation & sale of IP assets, instructed by the administrators
Proposals	the administrators' proposals to creditors dated 31 July 2015
S&WEBC	Smith & Williamson Employee Benefits Consultancy, a division of Smith & Williamson Financial Services Limited
Sch B1	Schedule B1 to the Insolvency Act 1986 If preceded by P this denotes a paragraph number
SIP	Statement of Insolvency Practice (England & Wales)
SOA	Statement of Affairs
Wyles Hardy	Wyles Hardy & Co Limited, independent business valuation and sales experts, instructed by the administrators

Note The IA86 and IR86 have been subject to a number of significant amendments since their original issue, including a number of substantial and important changes in April 2010. References to IA86 and IR86 in this report are to the legislation as it applies to this case.

2. Introduction

This report provides an account of the administration of the Company since the last progress report and a summary of the outcome of the administration of the Company. It should be read in conjunction with our proposals and any previous reports. By way of reminder, we, Finbarr Thomas O'Connell and Adam Henry Stephens, of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY, were appointed administrators of the Company on 11 June 2015.

Statutory information in respect of the Company and the administration is set out at Appendix I.

3. Administrators' proposals

As previously advised the administrators must perform their functions with the purpose of achieving one of the following objectives:

1. Rescuing the Company as a going concern, or
2. 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 placed into administration, or
3. Realising property in order to make a distribution to one or more secured or preferential creditors.

The objective pursued in this case was the second objective above and our strategy for achieving this objective was set out in our proposals, which were approved on 1 September 2015 by a resolution of the Company's creditors.

In summary, the joint administrators proposed, but were not limited to the following:

- A sale of the IP and chattel assets of the Company, and
- Investigating routes to recovery, and pursuing those if appropriate. Routes investigated will include matters relating to the former management of the Company, and relating to the role of Guvera.

Further details of the progress of the administration are provided below.

4. Progress of the administration

Attached at Appendix II is our receipts and payments account for the period since 11 June 2015. This account includes cumulative figures for the whole of the period of the administration from 11 June 2015.

The receipts and payments account also includes a comparison with the directors' SOA values.

Creditors will recall that we had accepted an offer from MdV for all of the unrealised trading assets of the Company. The total consideration due from MdV was £382,000. At the time of acceptance of the offer, MdV had not secured funding to proceed with the purchase and therefore no rights or possession as regard the assets were provided to him.

Despite being provided with an extension of the deadline to remit the funds to us, MdV failed to remit the sale consideration and we were unable to proceed with sale of the assets to him. In the absence of any other offers, we were left with no option but to instruct our chattel asset agents to proceed with the sale of the Company's assets on the best basis possible. Further details regarding these assets are referred to below.

4.1 IT equipment and chattel assets

We have instructed our chattel agents, Wyles Hardy, to realise a large volume of IT equipment and various chattel assets, such as office furniture, and other equipment that the Company owned. An offer had been received from a third party to purchase all of these assets for £90,000 plus VAT but the proposed purchaser failed to provide funding and that sale could not proceed. Accordingly, our agents realised the remaining assets on a break up basis and achieved realisations totalling approximately £65,000 plus VAT. The net proceeds of the sale (less the agent's fees and costs) will be paid to the joint liquidators shortly. No further realisations of this nature are expected.

4.2 Customer data sales

As previously reported, we instructed our IP sales agents, Metis, to advise and assist us in exploring opportunities to recover value from the Company's IP assets. On 30 September 2015, we entered into a license agreement with JD Sports to allow for the use of certain data in respect of which JD Sports paid £17,500 to the administrators. The contractual terms were drafted with assistance from our lawyers, Irwin Mitchell. No further realisations of this nature are expected.

4.3 Book debts

The Company's book debts total £23,435, of which we have realised £17,435 to date. The balance of £6,000 is disputed and the duly appointed liquidators will continue efforts to realise this sum.

4.4 Cash at bank

As previously reported, we recovered the balance of £10,822 from the Company's bank account, together with an additional amount of £600 as compensation which we demanded because the bank failed to respond to our correspondence in a timely manner. No further realisations of this nature are anticipated.

4.5 Rent deposit

We negotiated and signed a surrender of the lease of the Oxford premises of the Company. The balance of the rent deposit of £1,582 has now been recovered. No further realisations of this nature are anticipated.

4.6 Third party funds

We received funds totalling £1,372.61 from the Company's former bankers which represent multiple monthly subscription fees paid in advance by the Company's former customers after it was placed into administration. Due to the low value of each individual receipt, it is not commercially viable to trace the source customer details of each payment received, therefore, should any party believe that they have a claim against these funds for a monthly subscription paid after the Company entered administration on 11 June 2015, could you please forward details of your claim together with a copy of the relevant documentary proof of payment by no later than noon on 11 January 2017. Any funds remaining after this date will be treated as an asset of the Company.

4.7 Unrealisable assets

We are not aware of any assets that are incapable of realisation.

4.8 Employee position

The majority of the employees of the Company issued an Employment Tribunal claim seeking an order that there had been a relevant transfer of the Blinkbox music business from the Company to its ultimate Australian parent, Guvera. Judge Auerbach handed down judgement with regard to this claim on 16 June 2016 and found in favour of the claimants. The judgement concluded that the relevant transfer occurred on 12 May 2015. The effect of this judgement is that there was effectively a TUPE transfer of the Company's employees to Guvera on that date. Guvera has appealed this judgement and that appeal is still pending.

5. Investigations

Under the Company Directors Disqualification Act 1986 we have a duty to make a submission to the Secretary of State for Business, Innovation and Skills on the conduct of all those persons who were directors at the date the Company entered administration or who held office at any time during the three years immediately preceding the administration.

We have complied with our duty in this regard. As all submissions are strictly confidential we are unable to disclose their content.

Shortly after appointment, we made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial creditors' meeting or as a response to our request to complete an investigation questionnaire.

Our investigations have focussed on the following main areas:

- reviewing the actions of various parties (including but not limited to Guvera) in the lead up to the administration of the Company,
- reviewing the Company's books and records, accounting statements and management accounts (to the extent that they were prepared by the Company and made available to us),
- seeking information and documentation from previous directors of the Company in respect of our investigations,
- reviewing the Company's bank statements and noting transactions for further investigation,
- investigating the concerns of the creditors' committee, employees and other ad hoc creditor inquiries in respect of certain actions taken by the Company prior to administration, and
- progressing discussions with our legal advisors regarding possible legal claims against various parties.

Our investigations are on-going and so as not to prejudice any legal action we may take, we are unable to provide further details but confirm that we have been in consultation with members of the creditors' committee in this regard. At this stage, we are unable to provide an indication, with any certainty, as to whether our investigations will result in further realisations for the benefit of the insolvent estate.

6. Creditors' committee

A Committee has been formed in the administration and the original members were as follows:

1. Sven Schmidt (representing himself),
2. Andreas Edebol (representing himself),
3. Georgina Stone (representing herself), and
4. Mathew Headland of the P&A Partnership (representing Arena BLM)

We were subsequently informed that Arena BLM was no longer a client of the P&A Partnership (now Begbies Traynor) and despite corresponding with Arena BLM to find a replacement representative, none was forthcoming. Accordingly, there are now only three committee members (1-3 above).

The purpose of the Committee is to represent the interests of the creditors as a whole, not just the interests of the individual members. It may also serve to assist the administrators generally and act as a sounding board to obtain views for matters pertaining to the administration.

The Committee is responsible for fixing the administrators' remuneration and to review the adequacy of the administrators' security bond.

In light of the legal requirement to seek creditors' approval of the basis of our fees, we propose seeking the appropriate approval from the creditors' committee at its next meeting.

7. Pre-administration costs

At a meeting of the committee of creditors on 7 October 2015 the following amounts in respect of pre-administration costs were approved

Recipient	Brief description of services provided	Amount approved £	Amount paid £
Irwin Mitchell LLP	Legal fees	50 00	50 00
Metis Partners	Marketed the Company's business for sale as a going concern	7,500 00	7,500 00
Smith & Williamson LLP	Travel, subsistence and searches	756 45	Nil
Total		8,306 45	7,550 00

8. Administrators' remuneration

As noted in Section 6 above, it falls to the Committee to approve the administrators' remuneration. At the time of reporting, the appropriate resolution has not been obtained and the joint liquidators will be seeking a resolution from the Committee. The resolution sought is that the remuneration of the Joint Administrators be fixed by reference to time properly given by them and their staff in attending to matters arising in the administration.

The administrators' time costs are

Period	Total hours hrs	Total costs £	Average hourly rate £/hr	Fees drawn £
11 June 2015 to 10 December 2015	712 65	194,549 75	272 99	Nil
11 December 2015 to 20 June 2016	214 20	63,309 25	295 56	Nil
Total	926 85	257,859 00	278 21	Nil

Attached as Appendix III is a time analysis which provides details of the activity costs incurred by staff grade during the period of this report in respect of the costs fixed by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration. Details of work carried out in the period are also included in the appendix.

A copy of 'A Creditors' Guide to Administrators' Fees' is available on request or can be downloaded from the R3 website at the following address:

https://www.r3.org.uk/media/documents/technical_library/SIPS/SIP%209%20Dec%202015.pdf

It should be noted that, whilst this statement makes reference to the need to provide creditors with a fees and costs estimate in the event that fees are being drawn on a time costs basis, this requirement only applies to appointments on or after 1 October 2015, the date that the Insolvency (Amendment) Rules 2015 ("new rules") took effect. Prior to the new rules, there was no statutory obligation to produce fees and costs estimates.

Details of our charge out rates and policies in relation to the use of staff are provided at Appendix V.

As noted above the unpaid balance of the administrators' remuneration totals £257,859.00. It is our intention that this will be drawn as an expense of the succeeding liquidation when sufficient funds become available and following the approval of the requisite resolutions from the Creditors' Committee.

9. Administration expenses

9.1 Subcontractors

We have not utilised the services of any subcontractors in this case

9.2 Professional advisers

On this assignment we have used the professional advisers listed below. We have also indicated alongside the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of professional adviser/Service(s)	Basis of fee arrangement	Costs incurred			
		in current period	Costs paid in current period	Total costs incurred	Total costs paid
		£	£	£	£
Irwin Mitchell - Solicitors	Hourly rate and disbursements	745.00	Nil	28,322.14	4,807.00
HWL Ebsworth - Solicitors	Hourly rate and disbursements	Nil	Nil	2,345.00	2,345.00
Wyles Hardy - Chattel asset agents	Hourly rate and disbursements	7,012.50	Nil	14,806.63	Nil
Metis Partners - IP asset agents	Percentage of realisation and fixed fee	Nil	Nil	7,000.00	7,000.00
Willis - insurance brokers	Hourly rate and disbursements	Nil	Nil	662.50	662.50
Jonathan Wright - Data access	Hourly rate and disbursements	Nil	225.00	225.00	225.00
Seramy Games Limited - employee consultancy	Hourly rate and disbursements	270.00	270.00	270.00	270.00
Totals		8,027.50	495.00	53,631.27	15,309.50

Note: Total costs outstanding may include costs incurred in prior periods, but not yet paid.

- Irwin Mitchell - for providing legal advice and assistance to the administrators, including but not limited to, in respect of a number of employee issues, the aborted sale of the assets to Mr DeVere and the surrendering of the lease of the Oxford premises
- HWL Ebsworth - for providing legal advice and assistance to the administrators in respect of Australian law-related issues
- Wyles Hardy - for valuing the chattel assets (inc numerous items of IT equipment), liaising with Mr DeVere re the aborted sale and receiving subsequent instructions from the administrators to dispose of all remaining chattel assets by way of an online auction. The agents are currently holding £7,760 in respect of asset sales achieved to date. It is anticipated the residual assets will be sold within the next few weeks and the net proceeds passed to the liquidators.

- Metis Partners - received £3,500 (20%) of the £17,500 sale of data to JD Sports and a fixed fee element for marketing the customer data for sale of £3,500
- Willis - for providing advice and assistance in respect of the insurance policies of the Company and the recovery of an insurance refund due to the Company
- Jonathan David Edwin Wright - An ex-employee of the Company who helped us access the data of the Company for the sale to JD Sports
- Seramy Games Limited - for advising in respect of employee issues

9.3 Administrators' disbursements

We have paid and/or incurred the following disbursements during the administration

Description	Incurred in current period £	Paid in current period £	Total costs outstanding at period end £
Statutory advertising	90 00	90 00	Nil
Company Searches	54 03	Nil	54 03
Travel & Subsistence	297 90	Nil	297 90
Administrators' bonds	140 00	Nil	140 00
Mail Redirection	160 00	Nil	160 00
Courier	37 30	Nil	37 30
IT Expenses	79 00	Nil	79 00
Total	858.23	90.00	768.23

9.4 Category 2 disbursements

Since our appointment we have not incurred any Category 2 disbursements. Appendix V provides details of Smith & Williamson LLP's policies in relation to Category 2 disbursements.

9.5 Policies regarding use of third parties and disbursement recovery

Appendix V provides details of Smith & Williamson LLP's policies in relation to the use of subcontractors and professional advisers, and the recovery of disbursements.

10. Outcome for creditors

The outcome for each class of creditors in the administration is set out below

10.1 Secured creditors

The following table provides details of a retention of title claim over assets of the Company

Chargeholder	Type of charge	Date	Amount due £	Paid in current period £	Total paid £
Broadberry Data Systems	Retention of Title claim over two servers	1/04/2015	9,416 30	Nil (NB their servers were returned)	Nil (NB their servers were returned)

10.2 Prescribed Part

The Company did not grant any floating charges and the Prescribed Part requirements did not therefore apply

10.3 Preferential creditors

The Company's contingent preferential creditors were estimated to be £134,082, comprising of arrears of wages (a maximum of £800 per employee) at the date the Company entered administration and with regard to all accrued but untaken holiday at that date

We have not taken legal advice with regard to these contingent claims at this stage as there are currently no funds available to pay a dividend to creditors

10.4 Unsecured creditors

We have received claims totalling £1,059,385 from 29 creditors. Total claims as per the director's SOA were £1,249,954

We have been informed that the employees have contingent unsecured claims against the Company for circa £10 million should they not be paid by Guvera, following the TUPE transfer of the Company's employees to that company

We have not taken legal advice with regard to these contingent claims at this stage as there are currently no funds available to pay a dividend to creditors

No dividend distribution was made to unsecured creditors in the administration as there were insufficient funds in the estate

Should we be successful in some of the potential legal actions in the CVL that we are considering we anticipate being in a position to pay a dividend to the unsecured creditors. We shall keep creditors informed, within the grounds of confidentiality, with regard to these claims

11. Ending the administration

In accordance with the proposals approved at the adjourned meeting of creditors held on 1 September 2015, the administrators have filed a notice with the Registrar of Companies which has brought the appointment of the administrators to an end and moved the Company automatically into CVL. This notice was sent to the Registrar on 7 June 2016 and registered on 20 June 2016

In view of the above, the administrators have automatically become the joint liquidators of the CVL and the acts of the joint liquidators may be undertaken by either or both of them

Authorisation for the administrators to be discharged from liability under P98(3) of Sch B1 was granted by the creditors at the adjourned first meeting of creditors held on 1 September 2015. The administrators were discharged from liability when their appointment ceased to have effect on 20 June 2016

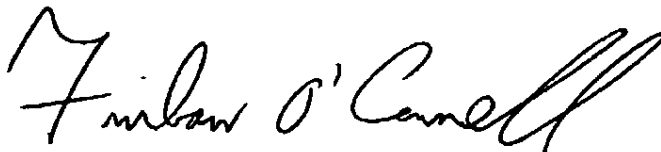
12. Creditors' rights

Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors or otherwise with the court's permission) may request in writing that the administrators provide further information about their remuneration or expenses which have been itemised in this report

Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors or otherwise with the court's permission) may within 8 weeks of receipt of this report make an application to court on the grounds that, in all the circumstances, the basis fixed for the administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred (including any paid) by the administrators, as set out in this report, are excessive

These rights apply only to matters which have not been disclosed in previous reports

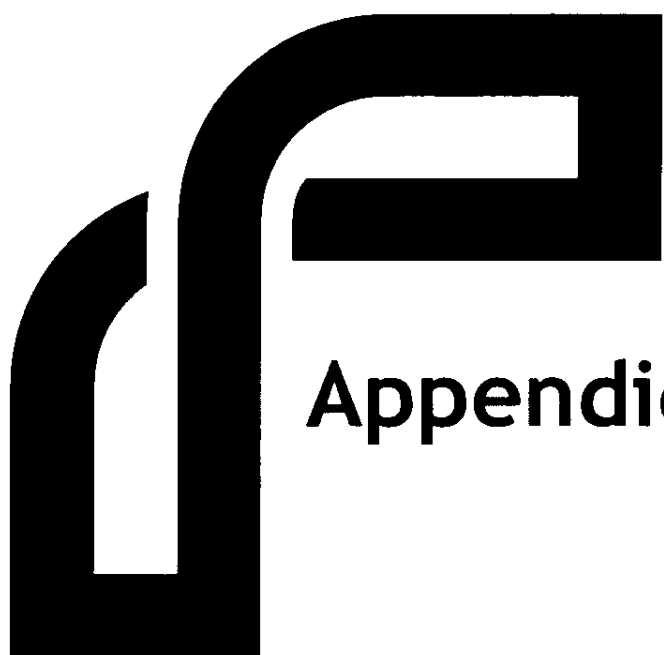
Further information regarding creditors' rights is available on application to the administrators



Finbarr Thomas O'Connell and Adam Henry Stephens

Joint Administrators

Date 16 December 2016



Appendices

I Statutory information

Relevant Court	High Court of Justice, Chancery Division, Companies Court
Court Reference	4042 of 2015
Trading Name(s)	Blinkbox Music
Trading Addresses	20-24 Kirby Street, London, EC1N 8TS
Former Name(s)	WE7 Limited, Media Graft Limited
Registered Office	20-24 Kirby Street, London, EC1N 8TS (Formerly Silver House, 2nd Floor East and West, 31-37 Beak Street, London, W1F 9SX)
Registered Number	5717612
Joint Administrators	Finbarr Thomas O'Connell and Adam Henry Stephens both of 25 Moorgate, London, EC2R 6AY (IP No(s) 7931 and 9748) In accordance with P100 (2) Sch B1 1A 86 a statement has been made authorising the Joint Administrators to act jointly and severally
Date of Appointment	11 June 2015
Appointor	The sole director of the Company
Director(s)	Paul Chalk
Shareholder(s)	BB Music Holdings Limited - 100% shareholder This Company is now dissolved

II Receipts and payments account

Receipts and payments account to 20 June 2016

Blinkbox Music Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs	From 11/12/2015 To 20/06/2016	From 11/06/2015 To 20/06/2016
£	£	£
ASSET REALISATIONS		
	1 582 31	1,582 31
	NIL	166 67
17,435 00	12 000 00	17 435 41
	1 500 00	1,500 00
852 00	NIL	10 821 97
	NIL	74 68
	NIL	195 00
	48 30	112 12
	NIL	1 372 61
	NIL	600 00
	NIL	17 500 00
	<u>15,130 61</u>	<u>51,360 77</u>
COST OF REALISATIONS		
	225 00	225 00
	270 00	270 00
	NIL	7,000 00
	NIL	7 500 00
	NIL	4 807 00
	NIL	50 00
	NIL	1,132 40
	8 00	8 00
	NIL	75 00
	NIL	662 50
	0 40	28 00
	<u>(503 40)</u>	<u>(21,757 90)</u>
UNSECURED CREDITORS		
(1,103,437 00)	NIL	NIL
(10,000,000 00)	NIL	NIL
(146,483 00)	NIL	NIL
	NIL	NIL
(11,231,633 00)	<u>14,627 21</u>	<u>29,602 87</u>
REPRESENTED BY		
		1,500 00
		28,102 87
		<u>29,602 87</u>

Notes and further information required by SIP 7

- The book values set out in the Director's SOA were based upon the Company's management accounts as at 28 February 2015, which was the latest financial information of the Company that was available at the time of completing the SOA
- The administrators' remuneration has not yet been approved
- Wyles Hardy is currently holding approximately £65,000 on our behalf in relation to realisations of some of the Company's chattel assets. The amount will be offset against any costs and fees Wyles Hardy have incurred with the balance to be remitted to the CVL estate in due course
- Amounts totalling £1,372.61 have been received in respect of third party funds. We have invited claims in respect of the balance of £1,372.61, which relate to customer monthly subscription payments. Other than these amounts, no payments have been made to us from outside the estate
- Details of significant expenses paid are provided in the body of our report
- Information concerning our remuneration and disbursements incurred is provided in the body of the report
- Information concerning the ability to challenge remuneration and expenses of the administration is provided in our report
- All bank accounts are interest bearing
- There are no foreign currency holdings
- All amounts in the receipts and payments account are shown exclusive of any attributable VAT. Where VAT is not recoverable it is shown as irrecoverable VAT

III Time analysis for the period

From 11 December 2015 to 20 June 2016

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
Administration and planning							£	£
Statutory returns, reports & meetings	0 00	0 00	5 50	17 00	0 05	22 55	4,584 00	203 28
Cashiering general, including bonding	0 00	0 00	0 00	0 85	1 50	2 35	493 50	210 00
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	0 00	0 00	1 00	14 25	0 20	15 45	2,731 00	176 76
Post appointment taxation (VAT, PAYE/NIC, Corp Tax that are not trading related)	0 00	0 00	0 00	2 15	0 00	2 15	380 00	176 74
Travelling	0 00	0 00	0 00	1 00	0 00	1 00	160 00	160 00
Filing, file and information management	0 00	0 00	0 00	2 35	0 00	2 35	470 00	200 00
Pre appointment non creditor tax	0 00	0 00	0 00	0 30	0 00	0 30	60 00	200 00
Filing - Administration and planning	0 00	0 00	0 00	0 10	0 00	0 10	20 00	200 00
Director/manager review, approval and signing	0 15	0 00	0 00	0 00	0 00	0 15	72 00	480 00
Other	0 00	0 00	0 05	3 35	0 00	3 40	649 25	190 96
Investigations								
Statutory books and accounting records review	0 00	0 00	0 00	6 60	0 00	6 60	990 00	150 00
Investigation of legal claims	75 00	0 80	0 00	4 40	0 00	80 20	35,993 50	448 80
SIP2 and SIP4 obligations (inc CDDA86 forms)	0 00	3 50	1 40	4 35	0 00	9 25	2,494 00	269 62
Enquiries of advisers	0 40	0 00	0 00	0 00	0 00	0 40	170 00	425 00
Realisation of assets								
Debtors not financed (includes reassigned debtors)	0 00	0 00	0 00	2 30	0 00	2 30	432 50	188 04
Stock	0 20	0 00	0 00	0 00	0 00	0 20	85 00	425 00
Other chattel assets	0 80	0 00	0 00	0 45	0 00	1 25	430 00	344 00
Liaising with agents (general)	0 60	0 00	0 00	0 00	0 00	0 60	255 00	425 00
Sale of business post completion matters	0 00	0 00	0 00	1 75	0 00	1 75	337 50	192 86
Other	0 00	0 00	0 00	1 30	0 00	1 30	252 50	194 23
Creditors								
RPO and ERA claims & tribunals	0 00	0 00	0 00	44 95	0 00	44 95	8,990 00	200 00
Employees & pension (other) (Incl Jobcentre/CSA etc)	0 50	0 00	0 00	5 15	0 00	5 65	1,225 00	216 81
Unsecured creditors	0 00	0 00	0 05	5 60	0 00	5 65	1,116 75	197 65
Creditors committee	0 00	0 00	1 65	2 65	0 00	4 30	917 75	213 43
Total	77 65	4 30	9 65	120 85	1 75	214 20	£63,309 25	£295 56

Explanation of major work activities undertaken

A description of work undertaken in the administration to date is as follows

Administration and planning

This section of the analysis encompasses the cost of the administrators and their staff in complying with their statutory obligations, internal compliance requirements, and certain tax matters. This work includes the following

- Completing statutory reporting and notifications
- Dealing with routine correspondence
- Maintaining physical case files and electronic case details on IPS (electronic case management software)
- Calculating the bonding requirement
- General case planning and administration
- Ensuring statutory lodgement and tax lodgement obligations are met
- Maintaining and managing the administrators' cash book and bank accounts
- Dealing with post appointment tax issues

Investigations

This section relates to our statutory obligations to investigate the actions of the directors of the Company and to review the Company's records with a view to making asset recoveries. This work includes the following

- Complying with our statutory duties in accordance with the Directors' Disqualification Act 1986
- Investigation the actions of various parties (including but not limited to Guvera) in the lead up to the administration of the Company
- Reviewing the Company's books and records in relation to investigations
- Reviewing the Company's bank statements and pursuing further investigations
- Discussions with lawyers regarding possible legal claims against various parties
- Dealing with employee legal claims

Realisation of assets

This section is in relation to the realisation of the Company's assets. A significant amount of time charged against this category was spent in relation to recovery efforts in respect of securing the Company's chattel assets and the sale of the business. The work includes the following

- Pursuing the recovery of the trade debtor balances
- Instructing and liaising with our agents, Wyles Hardy, in regards to finalising the sale of the Company's chattel assets
- Liaising with our agents, Metis, in respect of potential IP asset sale strategies

Creditors

Work under this section includes correspondence and other contact with the creditors of the Company. The majority of this time corresponds to dealing with employee claims and the Redundancy Payments Office and also in establishing, and subsequently liaising with the creditors' committee. The work includes the following

- Dealing with creditor correspondence via email, telephone and letter
- Convening the creditor committee meetings and dealing with committee enquiries and any concerns thereafter
- Uploading and updating creditors' information on to IPS (our computerised case management system)
- Liaising with creditors in relation to third party assets i.e. subject to leasing agreements
- Corresponding with employees and their representatives regarding their claims
- Various general correspondences with the Redundancy Payments Office
- Corresponding with employees regarding the Redundancy Payments Scheme

IV Cumulative time analysis

For the period from 11 June 2016 to 20 June 2016

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner / Director	Associate director	Manager/ Assistant Manager	Other professional staff	Assistants & support staff			
Administration and planning							£	£
Statutory returns reports & meetings	0 00	17 50	20 05	84 45	0 80	122 80	24 709 50	201 22
Initial post appointment notification letters including creditors	0 00	8 00	2 00	10 05	0 75	20 80	5 056 25	243 09
Cashiering general, including bonding	0 00	0 00	0 00	7 45	6 45	13 90	2 510 00	180 58
Job planning, reviews and progression (inc 6 month reviews and planning meetings checklist & diary)	10 00	8 80	12 65	26 30	0 20	57 95	15 402 25	265 79
Post appointment taxation (VAT PAYE/NIC Corp Tax that are not trading related)	0 00	0 00	0 00	5 45	0 00	5 45	875 00	160 55
Protection of company records (Incl electronic)	0 00	0 00	4 40	8 45	0 00	12 85	2 301 50	179 11
Insurance & general asset protection	0 00	3 10	1 00	4 45	0 00	8 55	2,049 50	239 71
Travelling	0 00	0 00	0 00	1 00	0 00	1 00	160 00	160 00
Filing file and information management	0 00	0 00	0 35	7 45	0 25	8 05	1 338 50	166 27
P/a appointment non creditor tax	0 00	0 00	0 00	0 30	0 00	0 30	60 00	200 00
Agents and advisers general	0 00	0 00	0 00	0 85	0 00	0 85	136 00	160 00
Filing Administration and planning	0 00	0 00	0 00	8 25	0 25	8 50	1 263 75	148 68
Director/manager review approval and signing	0 90	0 00	0 00	0 00	0 00	0 90	432 00	480 00
Other	0 00	0 00	0 15	37 25	0 00	37 40	5,757 75	153 95
Investigations								
Directors correspondence & conduct questionnaires	0 00	2 00	0 00	9 40	0 00	11 40	2 150 00	188 60
Creditor & shareholder complaints	0 00	0 00	0 00	0 35	0 00	0 35	52 50	150 00
Statutory books and accounting records review	0 00	0 00	0 00	27 50	0 00	27 50	4 165 00	151 45
Investigation of legal claims	144 65	25 50	4 25	14 50	0 00	188 90	81 078 25	429 21
SIP2 and SIP4 obligations (inc CDDA86 forms)	0 00	15 20	1 40	4 35	0 00	20 95	6 823 00	325 68
Asset tracing (e.g. Land Registry and Company Searches)	0 00	0 00	0 00	5 20	0 00	5 20	780 00	150 00
Enquiries of advisers	0 40	9 40	0 00	0 25	0 00	10 05	3 685 50	366 72
Other	0 00	0 00	0 00	0 10	0 00	0 10	15 00	150 00
Realisation of assets								
Fixed charge Property (land and buildings)	0 00	0 00	0 00	1 00	0 00	1 00	150 00	150 00
Debtors subject to invoice discounting/factoring	0 00	0 00	0 00	0 30	0 00	0 30	45 00	150 00
Debtors not financed (includes reassigned debtors)	0 00	1 10	0 00	4 50	0 00	5 60	1 169 50	208 84
Stock	0 20	0 00	0 00	0 00	0 00	0 20	85 00	425 00
Other chattel assets	0 80	16 20	0 60	19 15	0 00	36 75	9,370 00	254 97
Sale of business as a whole including liaison with legal advisers agents etc	42 95	9 80	0 25	5 70	0 00	58 70	24 975 25	425 47
Cash at Bank	0 00	0 00	0 00	3 15	0 00	3 15	472 50	150 00
Liaising with agents (general)	6 60	10 90	0 75	1 70	0 00	19 95	7 599 25	380 91
Sale of business post completion matters	0 00	0 00	0 00	2 35	0 00	2 35	427 50	181 91
Other	0 00	0 60	0 00	10 15	0 00	10 75	1 802 00	167 63
Trading								
Trading on decision and day 1-3 operations	0 00	0 00	0 00	1 30	0 00	1 30	195 00	150 00
Purchasing/suppliers (not landlord)	0 00	2 20	0 00	0 00	0 00	2 20	814 00	370 00
Staff and payroll (inc PAYE/NIC for trading period)	0 00	5 10	0 00	0 00	0 00	5 10	1 887 00	370 00
Premises issues (inc landlord and site clearance)	0 00	3 80	0 00	0 00	0 00	3 80	1 406 00	370 00
Creditors								
HP & lease creditors	0 00	0 00	1 00	0 60	0 00	1 60	325 00	203 13
RPO and ERA claims & tribunals	0 00	0 00	0 00	48 80	0 00	48 80	9,567 50	196 06
Employees & pension (other) (Incl Jobcentre/CSA etc)	12 50	11 40	2 20	37 10	0 00	63 20	16,525 00	261 47
Unsecured creditors	0 15	7 40	0 80	38 80	0 15	47 30	9 135 50	193 14
Creditors committee	3 00	1 60	2 40	5 80	0 00	12 80	3 598 50	281 13
ROT Claims	0 00	0 60	0 00	5 25	0 00	5 85	1 009 50	172 56
Filing creditors	0 00	0 00	0 00	0 50	0 00	0 50	75 00	150 00
Other	0 00	0 00	0 00	0 30	0 00	0 30	45 00	150 00
Case-Specific 3 AML/Compliance								
AML If done post appointment	0 00	0 00	0 00	0 00	0 15	0 15	30 00	200 00
Human Resources								
Human Resources	0 00	0 00	1 50	0 95	0 00	2 45	736 25	300 51
Forensics								
Forensics	0 00	0 00	28 50	0 50	0 00	29 00	5 612 50	193 53
Total	222 15	160 20	84 25	451 25	9 00	926 85	£257 859 00	£278 21

V Staffing, charging, subcontractor and adviser policies and charge out rates

Introduction

Detailed below are

- Smith & Williamson LLP's policies in relation to
 - Staff allocation and the use of subcontractors
 - Professional advisers
 - Disbursement recovery
- Smith & Williamson LLP's current charge out rates

Staff allocation and the use of subcontractors

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The constitution of the case team will usually consist of a partner and a partner or director or associate director as joint office holders, a manager, and an administrator or assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. The charge out rate schedule below provides details of all grades of staff and their experience level.

We may use subcontractors to perform work which might ordinarily be carried out by us and our staff where it is cost effective to do so and/or where the specific expertise offered by the subcontractor is required.

Details of any subcontractors' services during the administration are set out in the body of this report.

Use of professional advisers

We select professional advisers such as agents and solicitors on the basis of balancing a number of factors including

- The industry and/or practice area expertise required to perform the required work
- The complexity and nature of the assignment
- The availability of resources to meet the critical deadlines in the case
- The charge out rates or fee structures that would be applicable to the assignment
- The extent to which we believe that the advisers in question can add value to the assignment

Disbursements

Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case.

Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage.

Since 7 July 2012 Smith & Williamson LLP's policy is to recover only one type of Category 2 disbursement, namely business mileage at HMRC's approved mileage rates at the relevant time. Current mileage rates are 45p per mile plus 5p per passenger per mile. Prior to 7 July 2012 approval may have been obtained to recover other types of Category 2 disbursements.

Details of any Category 2 disbursements incurred and/or recovered in the administration are set out in the body of this report.

Charge out rates

The rates applicable to this appointment are set out below. There have been no changes to the charge out rates during the administration.

Smith & Williamson LLP Restructuring & Recovery Services Charge out rates	London	Regional		
	office	offices		
	£/hr	£/hr		
	From 1/7/14	From 1/7/15	From 1/7/14	From 1/7/15
Partner / Director (from 1 January 2016)	480	425-480	350	350
Associate Director	370	370	295-325	295-300
Managers	235-310	235-310	190-290	190-290
Other professional staff	150-235	150-235	120-175	120-175
Support & secretarial staff	85	85	60-135	60-135

Notes

- 1 Time is recorded in units representing 3 minutes or multiples thereof.
- 2 It may be necessary to utilise staff from both regional and London offices, subject to the requirements of individual cases.
- 3 The firm's cashiering function is centralised and London rates apply. The cashiering function time is incorporated within "Other professional staff" rates.

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Principal offices London, Belfast, Birmingham, Bristol, Dublin, Glasgow, Guildford, Manchester, Salisbury and Southampton

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