

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

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
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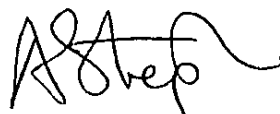
*Delete as
applicable

attach a copy of *my/our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) 5 August 2015

Signed



Joint / Administrator(s)

Dated

7 August 2015

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 researchers of the
public record

Finbarr Thomas O'Connell
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de

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



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COMPANIES HOUSE

SATURDAY

Blinkbox Music Limited (in administration)

Joint administrators' statement of
proposals pursuant to Paragraph 49
of Schedule B1 Insolvency Act 1986

Document date: 31 July 2015



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1. Glossary

Abbreviation	Description
administrators/joint administrators	Finbarr Thomas O'Connell and Adam Henry Stephens
BBMHL	BB Music Holdings Ltd, the direct parent company of the Company. BBMHL was previously registered under the name Guvera UK Ltd (from 6 October 2008 to 3 June 2015) and Blinkbox UK Ltd (from 3 June 2015 to 26 June 2015)
Company	Blinkbox Music Ltd
CVA	Company Voluntary Arrangement
CVL	Creditors' Voluntary Liquidation
Director	Paul Chalk
ETR	Estimated to realise
Former Director	Michael de Vere
Guvera Group	Group of companies controlled by Guvera Ltd, an Australian incorporated company and the ultimate parent company of Blinkbox Music Ltd
Guvera	Guvera Ltd, an Australian incorporated company and the ultimate parent company of Blinkbox Music Ltd
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
Metis Partners	Metis Partners Limited, a commercial IP consulting firm with a professional IP experience in assessment, exploitation, valuation, monetisation & sale of IP assets, instructed by the administrators
RPS	Redundancy Payments Service
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

We, Finbarr Thomas O'Connell and Adam Henry Stephens, of Smith & Williamson LLP, 25 Moorgate, London, EC2R 6AY, licensed insolvency practitioners, were appointed administrators of the Company on 11 June 2015.

This report sets out our proposals in respect of the administration of the Company

Appendix I contains information in respect of the Company and the administrators that is required under the IR86

3. Points of note

- We were appointed administrators of the Company, on 11 June 2015, by the Director of the Company.
- The objective of the administration is, as set out in P3(1)(b) Sch B1, 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.
- Prior to our appointment the Company had instructed agents, Metis Partners, to market the principal assets of the Company, namely its IP assets (including its platform/software sourcecode, use database, website and other items, together "IP Assets"), for sale on a going concern basis. On our appointment we retained Metis Partners to undertake similar work.
- Despite a high level of interest from a number of parties, ultimately, we were unable to complete a sale of the business as a going concern. Consequently the remaining employees were made redundant. Metis Partners are now working to realise value from the Company's IP assets. There has been interest in these assets, and we are in advanced discussions with a number of parties.
- The Company's other main assets include book debts, office furniture, IT kit and cash at bank. Wyles Hardy have been instructed to realise the office furniture and IT kit.
- **It is too early in the administration to comment in any detail on the anticipated returns to creditors. However, it is possible that there will be a dividend to preferential and to unsecured creditors. The timing and quantum is uncertain, and is dependent on (amongst other things) the realisation from the IP assets and our investigations.**
- A meeting of creditors has been called for 19 August 2015 to seek approval of our proposals as administrators.
- **It should be noted that employee creditors may be able to receive certain payments by completing an RP1 form and submitting it to the RPS. If relevant employee creditors have not already done this, then they are encouraged to do so.**

4. Background to the administration

4.1. Incorporation and Company structure

The Company was originally incorporated as Media Graft Ltd on 22 February 2006 and subsequently changed its name to WE7 Ltd on 2 May 2007.

The Company traded as a music streaming platform in the UK.

The Company's main trading premises were at 20-24 Kirby St, London EC1N 8TS. The Company also had an office at Unit 9400 Manches Building, Garsington Road, Oxford Business Park North, Oxford OX4 2HN, which primarily serviced its IT-related functions.

In June 2012, the Company was purchased by Tesco Holdings Limited (an entity within the Tesco plc group) ("Tesco") and was subsequently renamed Blinkbox Music Ltd. The music streaming service was rebranded under the "Blinkbox Music" trading name in May 2013.

In January 2015, the Company was sold to BBMHL (known as Guvera UK Ltd at the time); part of the Australia-based Guvera Group.

4.2. Historical trading performance

We understand that the Company launched "We7", a music download service, in June 2007, with 3 million tracks available to stream from launch. In late 2008, the Company moved from music download to music streaming services and operated a so called "freemium" business model by offering an advert-free service for a monthly subscription. Subsequently, it changed its activities to become akin to a music DJ service, which failed to generate significant revenues.

The Company's annual accounts set out losses of £3.3 million for the year ended December 2011. The Company was acquired by Tesco in June 2012 and was subsequently rebranded as Blinkbox Music. The Company continued to trade at a loss, reporting losses of £4.5 million and £12.5 million in the 2012-13 and 2013-14 financial statements respectively. Management accounts of the Company for the period March 2014 to February 2015 showed a loss before tax of over £15 million. These losses represented Tesco's investment in the business.

As part of Tesco's re-focusing on its core business, it put the company up for sale and BBMHL acquired the company from Tesco in late January 2015.

Following the acquisition of the Company by the Guvera Group, the Company continued to trade at a significant loss.

The Company was acquired by the Guvera Group for c£300,000 and, at that time, it had c£3.5m in its bank account. We are informed by an ex director of the Company that this purchase price was discounted by c.£1m on the basis of undertakings which BBMHL gave to Tesco with regard to the treatment of the employees of the Company. However, such was the cash burn of the Company that most of these funds had been spent within its first few months of ownership by the Guvera Group.

In response to its deteriorating financial position, in March 2015, the Company made an initial round of redundancies as part of the process of reducing costs.

4.3. Events leading up to administration

Even after the aforementioned redundancies, the Company retained a work force of circa 90 people with a corresponding significant liability towards them. Certain liabilities of the employees had been guaranteed by BBMHL as part of the acquisition from Tesco. In light of these liabilities, and as part of a restructuring process, the Company sought to reach a compromise with its creditors, including its employees.

We carried out a review of the financial position of the Company and we estimated that it would require an investment of c.£4m from the Guvera Group to stabilise the finances of the Company through a Company Voluntary Arrangement (CVA) and for it to continue to trade and restructure its finances for a year post-CVA. We were initially told that this process would be acceptable to, and would be funded by, the Guvera Group. However, Darren Herft of the Guvera Group later decided that this form of restructuring was too public for the Guvera Group and might interfere with its own fund raising. On this basis Darren Herft instructed that the restructuring of the Company should happen by way of less public informal arrangements with all of the creditors of the Company individually, with all of the difficulties this approach would entail.

As part of this restructuring process two further redundancy rounds occurred, over a brief period of time. Also, during this period, the business of the Company and of BBMHL began to operate much more closely together under the direction of Darren Herft through Brad Christiansen, who he had dispatched from Australia, and of BBMHL management.

Unfortunately, at the end of this period, Darren Herft decided that the Guvera Group would not continue to support the Company and that he wanted the Company be placed into formal insolvency.

Before we were appointed as Administrators, Darren Herft put an offer to the ex-employees of the Company from Guvera Ltd through BBMHL, which had guaranteed their liabilities. (BBMHL did not have the assets itself to make this offer) This offer was aimed at settling the ex-employees' claims against the Company and against BBMHL. The offer was a mixture of cash and future proceeds from the sale of certain Guvera Ltd shares. The ex-employees of the Company refused to accept this offer citing it as too little cash and too uncertain.

Having been unable to reach a settlement with the ex-employees and with no alternative sources of adequate financial support available, either from Guvera Group or an alternate other investor, there was no reasonable prospect of the director proposing a successful CVA, which had formed part of the earlier prospective restructuring, in order to continue to trade the Company as a going concern.

The Company had insufficient cash flow available to fund any ongoing trading operations and therefore the Director considered that the remaining value of the assets of the Company would be best preserved by allowing for a possible sale of the Company as a going concern by way of administration.

The notice of intention to appoint administrators was subsequently filed in the High Court of Justice, Chancery Division, Companies Court on 9 June 2015. Subsequently, we were appointed joint administrators of the Company, by the Director, on 11 June 2015. Metis Partners were retained as agents of the Company in administration to market the assets of the Company for sale on a going concern basis.

Subsequently, on 29 June 2015 BBMHL also entered administration with personnel from ReSolve being appointed as administrators. Its major creditors are also the ex-employees of the Company.

4.4. Purpose of administration and strategy

The administrators must perform their functions with the objective of:

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 in administration), or
3. realising property in order to make a distribution to one or more secured or preferential creditors.

In this case, the second objective above is being pursued

Section 7 provides details of the actions taken to date in pursuit of our strategy for the administration and section 10 details our proposals to achieve the purpose of the administration and to bring it to a conclusion in due course.

5. Joint administrators' receipts and payments

A summary of our receipts and payments for the administration period from the date of our appointment to is attached at Appendix III. This shows funds in hand of £779,78.

6. Conduct of the administration

6.1. Attempted sale of the business as a going concern

Immediately upon appointment, the administrators and their team attended the Company's premises in Oxford and London. Work included explaining the situation to the Company's remaining employees, opening a dialogue with certain key suppliers, and taking steps to market the business and assets of the Company.

The administrators instructed IP asset valuation experts (Metis Partners) and business assets valuation and auctioneers (Wyles Hardy) to assist with the combined marketing of the business and assets of the Company with the aim of achieving an accelerated sale.

In order to preserve the IP assets, maintain the data environment and assist the administrators and their agents with providing information to assist the sales process, the Company's remaining (Oxford based) staff were retained and we thank them for their assistance. The wages of these employees had been paid in advance of the administration, by the Company, to the end of June 2015.

Our agents received a number of expressions of interest for the Company's business as a whole, initially suggesting the prospect of an accelerated sale. However, the initial interest did not progress to any offers which were acceptable to our agents. By the end of June 2015, it became clear that a going concern sale could not be achieved. As a result, the

Company's remaining staff were made redundant. Since then our agents have focused on a sale of the Company's assets, these being the IP assets and chattel assets, which are described in the next sections.

6.2. Sale of the IP assets

Metis Partners have worked to market and sell the Company's IP assets. Their work has resulted in a number of expressions of interest. Former staff have helped with this process, and we thank them for their assistance. Several of these parties are in advanced discussion with the administrators.

Due to the commercial sensitivity of this process, it is not possible to provide further information at this stage in respect of the eventual sales consideration that is anticipated to be achieved.

6.3. Chattel assets

The Company had a large amount of IT equipment and furniture at its premises as well as a number of items held in off-site locations.

Our agents, Wyles Hardy, have taken custody of the chattel assets from the premises of the Company. They have, so far, sold some items for £5,500.

The IT assets remain on the market and the administrators are in discussions with several interested parties in respect of a sale.

If any creditors are interested in purchasing items they can contact our agent c/o David Fletcher at dfletcher@wyleshardy.co.uk.

6.4. Book debts and other receipts

At the outset of the administration, the Company had 3 book debts with a total book value of £23,435. Upon our appointment, we wrote to all debtors to request payment of the outstanding debts.

To date, we have realised circa £5,000, which was paid into the Company's trading account and we are currently in the process of having these funds transferred to the administration account of the Company. It appears likely that a significant proportion of the balance outstanding on the debts can be recovered.

6.5. Insurance refund

We have been informed that the Company had prepaid in full for an annual media related insurance policy. There is the prospect of a refund of circa £15,000, and we have instructed our insurance agents, Willis, to seek to recover it.

6.6. Cash at bank

At the date of our appointment, the Company's bank account had a balance of £9,461.17. We are currently corresponding with the bank to have the credit balance transferred to us.

6.7. Other steps taken since appointment

We summarise below the other key matters that we have dealt with since our appointment. We have:

- Isolated and recovered the records of the Company, where required, for the purposes of the administration;
- Initiated a review of the Company's management accounts and other books and records to identify any additional asset recovery routes; and
- Liaised with various creditors or their representative. This has included music supplier related creditors, employees, and property related creditors

7. Financial position at the date of administration

7.1. Director's SOA

Attached at Appendix IV is a copy of the director's SOA as at the date of our appointment as administrators on 11 June 2015. We received the SOA on 16 July 2015 and it has since been filed with the registrar of companies.

We make the following points in relation to the director's SOA.

7.2. Assets as listed in the director's SOA

We understand that the book values of the assets listed in the Director's SOA were based on the management accounts prepared for the month ending February 2015. We also understand that these are the most recent accounts available for the Company. As set out above, the sole Director of the Company was appointed on 14 May 2015 with no previous involvement with the Company. However, we have been informed by the Director that, in his view, the book values may be significantly overstated and this is reflected in the estimated realisable values he has provided in his SOA.

Due to the commercial sensitivity surrounding the sale of the assets at time Mr Chalk was unable to disclose the estimated realisable value of the physical and intellectual property of the Company

7.3 Charges and secured creditors

The director's SOA makes no reference to the existence of security currently having being granted over the Company's assets. This is consistent with the fact that there are no outstanding charges registered at Companies House in respect of the Company

Since our appointment we have been informed that the following creditor holds a Retention of Title Claim against certain property of the Company. The details are as follows:

Claim holder	Type of claim	Date	Amount due £	Paid to date £
Broadberry Data Systems	ROT claim over 2 servers	1/04/2015	9,416 30	Nil
				7

Ltd

7.4. Preferential creditors

The Company's 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 all accrued but untaken holiday at that date.

It should be noted that the Company's former employees are likely to be able to make a claim to the RPS for part payment of certain elements of their claims. To the extent that former employees have not made a claim (which is now changed to an online system) then they are encouraged to do so.

7.5. Unsecured creditors

Unsecured creditors are estimated to be £11,249,954 in the director's SOA of the Company. Included in the SOA is an amount due to former employees of approximately £10,000,000 (principally in respect of their contractual redundancy and bonus pay). This is an estimate.

Overall, it should be noted that, to date, we have received claims from creditors totalling £730,077. Not all claimants have provided an estimate of their claim, so it is likely that the total amount will be higher. Claimants can also submit updated details. Any claims are subject to adjudication in the event that a dividend will be paid. **Creditors are encouraged to submit a proof of debt if they haven't already done so.**

8. Estimated outcome for creditors

It is too early in the administration to comment in any detail on the anticipated returns to creditors. However, it is possible that there will be a dividend to preferential and to unsecured creditors. The timing and quantum is uncertain, and is dependent on (amongst other things) the realisation from the IP assets and our investigation

9. Proposals for achieving the purpose of administration

Our proposals for achieving the purpose of administration for the Company are as follows.

- I. The administrators will continue to manage the affairs of the Company in order to achieve the purpose of the administration, namely 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) pursuant to P3(1)(b) Sch B1. The precise details are set out in section 5 above. Practical Steps to be taken for this purpose include, but are not limited to, the following:
 - A sale of the IP and chattel assets of the Company
 - 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 Limited.

- ii. If having realised the assets of the Company, the administrators think that a distribution will be made to unsecured creditors, other than by way of any applicable Prescribed Part distribution, they propose filing a notice with the Registrar of Companies which will have the effect of bringing the appointment of the administrators to an end and will move the Company automatically into CVL in order that the distribution can be made. Further details are set out in Section 11.
- iii. If the administrators consider it appropriate and cost effective to do so, they may make an application to court for permission to make any distribution to the unsecured creditors that is not from the Prescribed Part in the administration instead of moving the Company to CVL and then making a distribution. (Note: If permission is granted, subject to the need for further investigations as detailed in the next section, the Company will exit into dissolution once the distribution has been made and the administration concluded).
- iv. If the administrators think that the Company has no property which might permit a distribution to its creditors, they will file a notice with the court and the Registrar of Companies for the dissolution of the Company.
- v. The administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 IA86, as they consider desirable or expedient to achieve the purpose of the administration.
- vi. The administrators propose asking creditors to consider establishing a creditors' committee. If such a committee is formed the creditors who become members of the committee will be responsible for sanctioning the basis of the administrators' remuneration and disbursements, any unpaid pre-administration costs and any proposed act on the part of the administrators. The committee will be able to make these decisions without the need to report back to a further meeting of creditors generally.

10. Exit route from administration

It is proposed that, at the appropriate time, the administrators will use their discretion to exit the administration by way of one of the following means:

- i) If having realised the assets of the Company, the administrators think that a distribution will be made to the unsecured creditors other than by virtue of the Prescribed Part, they may file a notice with the Registrar of Companies which will have the effect of bringing the appointment of the administrators to an end and will move the Company automatically into CVL in order that the distribution can be made, but only if they consider that the associated incremental costs of a CVL are justified. In these circumstances, it is proposed that the administrators will become the joint liquidators of the CVL. The acts of the joint liquidators may be undertaken by either or both of them.

Creditors have the right to nominate alternative liquidators of their choice. To do this, creditors must make their nomination in writing to the administrators prior to these proposals being approved. Where this occurs, the administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the administrators will automatically become the joint liquidators of the Company in the subsequent CVL.

- ii) If the administrators have, with the permission of the court, made a distribution to unsecured creditors in addition to any Prescribed Part distribution, or they think that the Company otherwise has no property which might permit a distribution to its unsecured creditors, subject to there being a need for further investigations as described below, they will file a notice, together with their final progress report, at court and with the Registrar of Companies for the dissolution of the Company. The administrators will send copies of these documents to the Company and its creditors. The administrators' appointment will end following the registration of the notice by the Registrar of Companies.
- iii) Under the insolvency legislation liquidators have greater powers to bring actions for civil claims than administrators. Consequently, if the administrators believe there are matters requiring further investigation by a liquidator or the Official Receiver, or that there are civil claims with a good prospect of success that may be pursued by a liquidator, but not by an administrator, the Company may be placed into CVL or wound up by the court as a compulsory liquidation and the administrators are authorised to take the necessary actions relating to either of the options.

In these circumstances the administrators shall exercise their sole discretion in deciding whether the Company should be placed into CVL or wound up through the court

If a creditors' committee is established the administrators will consult with its members as to the most appropriate means of exiting the administration.

11. Other matters relating to the conduct of the administration

The matters detailed below are not considered to be part of the proposals but are intended to provide creditors with information concerning the remaining statutory and other matters that must be dealt with in the administration.

- Submitting a confidential return or report on the conduct of the directors, and any person who may be deemed a shadow director in the relevant period, to the Department for Business, Innovation and Skills. This obligation arises under the Company Directors' Disqualification Act 1986. Creditors should note that the content of any submission is strictly confidential and under no circumstances will discussions be entered into regarding this
- Agreeing and making payment of preferential claims, subject to availability of funds.
- Filing corporation tax returns and obtaining tax clearance in respect of the administration period
- Paying all costs and expenses of the administration once any required approval has been obtained
- Further statutory reporting as required by IA86 and IR86.

12. Pre-administration costs and expenses

12.1. Pre-administration costs

Pre-administration costs are defined as fees charged and expenses incurred by the administrators or another person qualified to act as an insolvency practitioner before the

Company entered administration (but with a view to its doing so), and "unpaid pre-administration costs" are pre-administration costs which had not been paid when the Company entered administration.

Prior to our appointment as administrators, we were engaged by the Company, on 5 May 2015, to advise the Company on its financial position and the possible restructuring options which might be available to it.

The basis of our pre-administration costs was set out in our engagement letter with the Company dated 6 May 2015. It was agreed our fees were to be charged on a time cost basis at our standard hourly rates

The broad scope of our work pursuant to our engagement included:

- Reviewing and commenting on the financial position of the Company;
- Identifying the financial options available to the Company in light of its financial position, which included advising on the protection of the Company's business and assets and/or the sale of its assets or business as appropriate;
- Liaising and coordinating with the Company and other stakeholders in respect of the Company's employee-related matters;
- Reviewing the Company's strategy for the business and providing advice accordingly; and
- Preparing, in consultation with the Directors, and solicitors instructed by them or us, all necessary documentation for placing the Company into administration, including the notice of intention to appoint administrators and the notice of appointment administrators, for consideration and execution, as appropriate, by the Directors

Our total time costs in assisting the Company prior to our appointment as administrators are £163,000.00 plus VAT. These fees have been paid in full.

Pre-appointment fees charged and expenses incurred during the pre-administration period are detailed below:

Charged by/service(s) provided	Total amount charged £	Amount paid £	Who made payment	Amount unpaid £
Smith & Williamson LLP (advising the Company and assisting with placing the Company into administration)	163,224.51	163,000.00	The Company 73,000.00 Guvera 90,000.00	224.51
Legal Fees – Irwin Mitchell	12,050.00	12,000.00	Guvera	50.00
IP Asset Agents – Metis Partners	12,500.00	5,000.00	Guvera	7,500.00
Smith & Williamson LLP –Travel, Subsistence & Searches	789.33	Nil		756.45
Total	188,563.84	180,000.00		8,530.96

We set out below further information in relation to these professional advisors

- Irwin Mitchell - provided legal advice and assistance to the Company in regards to employee redundancy claims and in respect of the employee settlement proposal.
- Metis Partners – provided advice and assistance to the Company in respect of marketing the business Company for sale as a going concern prior to administration.

The payment of unpaid pre-administration costs set out above as an expense of the administration is subject to the approval of creditors, separately from the approval of the administrators' proposals.

Smith & Williamson LLP are not seeking approval for payment of the above noted £224.51.

13. Joint administrators' remuneration

The basis of the administrators' remuneration may be fixed as one or more of the following bases and different bases may be fixed in respect of different things done by them:

- as a percentage of the value of the assets they have to deal with, or
- by reference to time properly spent by the administrators and their staff in attending to matters arising in the administration, or
- as a set amount

In this case, the administrators are seeking approval for the basis of their remuneration as follows:

- By reference to the time properly spent by the administrators and their staff in attending to matters arising in the administration

Where no creditors' committee is appointed approval of the administrators' remuneration shall be fixed by resolution of a meeting of creditors or, where the administrators think that the company has insufficient property to enable a distribution to be made to the unsecured creditors (other than via the Prescribed Part), approval will be sought from the secured and (if necessary) the preferential creditors in accordance with R2.106 IR86.

The administrators' time costs at 31 July 2015 are £113,764.75. This represents 404.50 hours at an average rate of £281.25 per hour.

Attached at Appendix V is a time analysis which provides details of the activity costs incurred by staff grade to the above date.

A copy of "A Creditors' Guide to Administrator's fees" is available on request or can be downloaded from the R3 website.

http://www.r3.org.uk/media/documents/publications/professional/Guide_to_Administrators_Fees_Nov2011.pdf

Details of Smith & Williamson LLP's charge out rates and policies in relation to the use of staff are provided at Appendix VI.

14. Administration expenses

14.1. Subcontractors

We have not used any subcontractors.

14.2. Professional advisors

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.

Professional adviser/service	Basis of fee arrangement	Costs	Costs
		Incurred	paid
		£	£
14.2. Irwin Mitchell – Lawyers	Hourly rate and disbursements	13,836 50	NII
HWL Ebsworth Lawyers – Lawyers	Hourly rate and disbursements	2,345 00	NII
Wyles Hardy – Chattel Assets Agents	Hourly rate and disbursements	9,318 13	NII
Metis Partners – IP Asset Agents	Percentage of realisations	NII	NII
Willis – Insurance	Hourly rate and disbursements	662 50	NII
Total		26,162 13	NII

We set out below further information in relation to these professional advisers:

- Irwin Mitchell – for providing legal and advice and assistance to the administrators in respect of a number of outstanding employee issues and also in respect of the sale of the business;
- HWL Ebsworth – for providing legal and advice and assistance to the administrators in respect of Australian law-related issues;
- Willis – for providing advice and assistance in respect of the insurance policies of the Company and in the recovery of the insurance refund due to the Company.

14.3. Administrators' disbursements

We have incurred the following unpaid disbursements in the administration to date:

Description	Incurred in current period £	Paid In current period £	Total costs outstanding at period end £
Statutory advertising	90 00	Nil	Nil
Company Searches	4 00	Nil	4 00
Travel & Subsistence	244 90	Nil	24.00
Administrators Bond	140.00	Nil	140 00
Mail Redirection	160 00	Nil	160 00
Total	638 90	Nil	548 90

14.4. Category 2 disbursements

Since our appointment we have not Incurred In Category 2 disbursements

In accordance with SIP 9, Remuneration of Insolvency Office Holders, the administrators will be seeking approval to draw Category 2 disbursements as and when funds are available, in accordance with Smith & Williamson's disbursement recovery policy.

14.5. Policies regarding use of third parties and disbursement recovery

Details of Smith & Williamson's policies regarding the use of subcontractors and professional advisors and the recovery of disbursements is set out at Appendix VI.

15. Meeting of creditors

An initial meeting of the Company's creditors is being convened to approve the administrators' proposals, remuneration and disbursements and payment of unpaid pre-appointment costs and expenses. Creditors will also be asked to approve the administrators' discharge from liability. Subject to approval being granted, the administrators will be discharged from liability under P98 SchB1 immediately upon their appointment as administrators ceasing to have effect.

The meeting will be held on 19 August 2015 at 10.30 AM at Smith & Williamson 25 Moorgate, London EC2R 6AY. Form 2.20B "Notice of a meeting of Creditors" is annexed to this report. Further information on the meeting is contained in the letter accompanying this report.

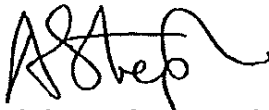
16. Next report and creditors' rights

The administrators are required to provide a progress report within one month of the end of the first six months of the administration or earlier if the administration has been finalised.

From receipt of the first progress report, creditors have rights under IR86 to request further information and to challenge the administrators' remuneration and/or expenses incurred. In summary:

- Within 21 days of the receipt of a progress 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 the 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 a progress 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 the report, are excessive.

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



Finbarr Thomas O'Connell and Adam Henry Stephens

Joint Administrators

Date: 31 July 2015

I Statutory Information

Relevant Court	High Court of Justices, 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 Ltd
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 Ltd – 100% shareholder. This Company is now in administration
EC Regulations	The EC Regulation on Insolvency Proceedings 2000 applies to the administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom

II Prior professional relationship

Statement of prior professional relationship of Finbarr Thomas O'Connell and Adam Henry Stephens in respect of the appointment of administrators

We have a prior professional relationship with the Company to the extent set out below:

From the period 5 May 2015 to 10 June 2015 we were engaged by the Company to provide the following services:

- Reviewing and commenting on the financial position of the Company;
- Identifying the financial options available to the Company in light of its financial position,
- Liaising and coordinating with representatives of Guvera on a number of employee matters; and
- Reviewing the director's strategy for the business and providing advice accordingly.

We received total fees of £163,000.00 plus VAT. Of the total fees, £90,000, plus VAT, was paid by Guvera the ultimate parent company of the Company.

We confirm that we have fully considered the relevant guide to professional conduct and ethics issued by our professional body and are satisfied that the existence of this prior relationship does not create any conflict of interest or threat to independence for us as office holders.

We confirm that we considered whether the interests of creditors would be better served by the appointment of other insolvency practitioners as the administrators and are satisfied that the interests of creditors will not be prejudiced by our appointment as the administrators. No objections were received

Receipts and payments account to 31 July 2015

Notes and further information required by SIP 7

- 18

- 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.

IV Director's Statement of Affairs of the Company as at 11 June 2015

Statement of affairs

Name of Company
Blinkbox Music Limited

Company number
5717612

In the
High Court of Justice, Chancery Division,
Companies Court

Court case number
4042 of 2015

(a) Insert name and address of
registered office of the company

Statement as to the affairs of (a) Blinkbox Music Limited, 20-24 Kirby Street, London EC1N 8TS
on the (b) 11 June 2015, the date that the company entered administration

(b) Insert date

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named company as at (b) 11 June 2015 the date that the company entered administration.

Full name:

Paul Andrew Chalk

Signed

Dated

16-7-15

Assets

Assets subject to floating charge

Tangible Assets¹

Book Value £	Estimated to Realise £
852	852
42,900	17,435
725,406	Nil
10,518,000	TBC ²
1,591,000	TBC ²
12,878,158	TBC

Estimated total assets available for preferential creditors

Signature

Date _____

16-7-15

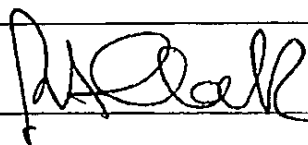
¹ Book value figures obtained from the February 2015 Management Accounts (Last management accounts available)

² Figures To Be Confirmed ("TBC") and withheld as commercially sensitive at this time

A1 – Summary of Liabilities

		Estimated to realise £
Estimated total assets available for preferential creditors (carried from page A)	£	TBC
Liabilities	£	
Preferential creditors:-	134,082	
Estimated deficiency/surplus as regards preferential creditors	£	TBC
Estimated prescribed part of net property where applicable (to carry forward)	£	
Estimated total assets available for floating charge holders	£	TBC
Debts secured by floating charges	£	
Estimated deficiency/surplus of assets after floating charges	£	TBC
Estimated prescribed part of net property where applicable (brought down)	£	
Total assets available to unsecured creditors	£	TBC
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£	
Unsecured Employee Creditors	10,000,000 ³	
HMRC	146,483	
Trade and Other Creditors	1,103,471	
Total	11,249,954	
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	£	
Shortfall to floating charge holders (brought down)	£	
Estimated deficiency/surplus as regards creditors	£1	
Issued and called up capital	£	
Estimated total deficiency/surplus as regards members	£	TBC ⁴

Signature



Date

16-7-15

³ Estimate following discussions with ex-employees legal representative

⁴ Figure withheld as commercially sensitive at this time

COMPANY CREDITORS

Note: You must include all creditors and identify all creditors under hire-purchase, chattel leasing or conditional sale agreements *and* customers claiming amounts paid in advance of the supply of goods or services *and* creditors claiming retention of title over property in the company's possession

[illegible]

Signature

Date 16-7-15

Date 16-7-15

COMPANY SHAREHOLDERS

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value	Details of Shares held
BB Music Holdings Ltd (In Administration)	Silver House, 31-35 Beak Street, London, UK, W1F 95X	1	£1	Ordinary
TOTALS		1	£1	

Signature [Handwritten Signature]

Date 16-7-15

Blinkbox Music Limited (In Administration)
Unsecured Creditors

Name	Amount	Address 1	Address 2	Address 3	Address 4	Address 5
Nicoll Curtin Technology Ltd	10,764.00	48 Gracechurch Street		London	EC3V0EU	
Accord Office Products	154.00	Dorcan 300	Murdoch Road	Swindon		SN3 5HY
Adam Reynolds	Unknown	C/O Ferran Healy 1st Floor 49-51 Rathbone Street		London	W1T 1NP	
Addison Lee	136.00	7-10 Chandos Street	London	W1G 9DL		
AdTech	4,090.00	Robert Bosch Strasse 32	63303 Dreieich	Germany		
Amberflight	9,645.00	58 Bloomsbury Street	London	WC1B 3QT		
AppsFlyers	5,800.00	Hasadnaat 4 STR	POB 12371	Herziya		Israel 4672831
Arena Media	350,185.72	C/o The P & A Partnership Limited 93 Queen Street		Sheffield	S11WF	
AWAL UK Limited	47.00	Sheffield Technology Park	Copper Building	Arundel Street	S1 2NS	Sheffield
Bank of Scotland	13,668.00	Pentland House	8 Lochside Avenue	Edinburgh		EH12 9DJ
Believe (formerly Mtunes)	109.00	2 Place du Colonel Fabien at 6 AV	Mathurin	Moreau	Pans, France	75019
Blinkbox Entertainment	131,000.00	28-30 Kirby Street	London	EC1N 8TS		
Boradberry Data System Ltd	9,416.00	Integration House	61 Bideford Ave	Pennvale	UB6 7PP	Middlesex
British Telecommunications	Unknown	PO Box 329	Durham	DH981EE		
Comparex Software	876.00	The Powerhouse	87 West Street	Harrow on the Hill		HA1 3EL
Cool Water Direct	Unknown	Denby Dale Business Park,	Wakefield Road	Denby Dale		HD8 8QH
DrinkWorks	324.00	90 Cannon Lane	Pinner	Middlesex		HA5 1HR
EE Limited	Unknown	PO Box 4813 Units 1-2 Chartwell Business Centre	Chartwell Road	Lancing	BN15 9RB	West Sussex
EMI Global	2,278.00	30 Golden Square	London	W1F 9LD		
EMI Music Publishing Limited	5,982.00	30 Golden Square	London	W1F 9LD		
Exponential-e	Unknown	100 Leman Street	London	E1 8EU		
Ferran Healy	9,450.00	1st Floor 49-51 Rathbone Street		London	W1T 1NP	
Finetunes GmbH	23.00	Stresenannstrasse 375	Unit 11	22761	Germany	Hamburg
Fruitdrop Ltd	438.00	Unit 3 Voyager Business Estate	Spa Road	Bermondsey	SE16 4RP	London
Good Energy	Unknown	Monkton Reach	Monkton Hill	Chippenham	SN15 1EE	Wiltshire
Google Ireland Limited	Unknown	Gordon House	Barrow Street	Dublin 4		Ireland
Grass Roots	47.36	Pennyroyal Court straton Rd	Tong Herts,	HP23 5QY		
Harrowell & Atkins	360.00	Boxwell House	275 High Street	Berhamsted		HP4 1BW
HM Revenue & Customs	146,483.73	ICHU	Benton Park View	Longbenton	NE98 1ZZ	Newcastle Upon Tyne

Blinkbox Music Limited (In Administration)
Unsecured Creditors

Name	Amount	Address 1	Address 2	Address 3	Address 4	Address 5
HM Revenue & Customs	Unknown	Government Buildings	Ty Glas	Llanishen	CF14 5YA	Cardiff
HM Revenue & Customs	Unknown	Enforcement Office	Dumington Bridge House Road	Barnington Road	BN12 4SE	Worthing
Imagesound plc	5 186 00	Venture way	Dunston Technology Park	Chesterfield S41 8NE		
Intercall Conferencing Services Limited	Unknown	Building C	Imperial Gate Business Park	Connium Avenue	GL4 3HX	Barnwood, Gloucester
Isolation Network Inc	33 00	55 Francisco St	Suite 170	San Francisco	USA	CA 94133
Isolation Network Inc	6 00	55 Francisco St	Suite 170	San Francisco	USA	CA 94133
Jaywing	37,341 00	300 Attercliffe Common	Sheffield	S9 2AG		
Konditor and Cook Ltd	181 00	3 Stoney Street	Borough Market	London		
Ley pool and Leisure centre	276 00	Pegasus Road	Oxford	OX4 6JL		SE1 9AD
Lyncefind	9,474 00	40 Eglinton Ave. East	Sut 400	Toronto, Canada		M4P 3A2
Maxwell Solicitors	Unknown	Suite 204	Queens Way House	275-285 High Street Stratford	E15 2TF	London
Miss L Revery	325 00	29 Nettlebed Mead	Oxford	OX4 7FQ		
Music in Offices Ltd	1,442.00	81 Brightside Road	London	SE13 6EP		
Mythic Beast	Unknown	103 Beche Road	Cambridge	CB5 8HX		
O2 business	Unknown	280 Bath Rd	Slough	Berkshire		SL1 4DX
Pagerduty	72 00	548 Market St #26994	San Francisco, CA	94104		USA
PEACOL GMBH	263.00	30 Golden Square	London	W1F 9LD		
PIAS UK Limited	22,200.00	1 Bevington Path	London	SE1 3PW		
Plantena Group	4,580 16	The Old Fire Station	Wheeler Lane	Witley		GUB 5QU
PPL	28,425 53	1 Upper James Street	London	W1F 9DE		
Pragmatic Web Limited	Unknown	19 New Road	Brighton	BN1 1UF		
Proddow Mackay Solicitors	Unknown	PM House	250 Sheppcote Lane	Sheffield		S91TP
PRS for Music	188,000 00	Payments	PO Box 4575	Worthing		BN11 9AR
PWC Auditors	Unknown	10 Bracket Road	St Albans	AL1 3JX		
Reed Smith	Unknown	The Broadgate Tower	20 Primrose Street	London		EC2A 2RS
Return Path	Unknown	3 Park Avenue	41st Floor	New York	USA	NY 10016
Rush councers	206 06	Welbeck House	67 Wells Street	London		W1T 3PZ
Sam Parker	Unknown	100 Alderbrook Road	Balham	London		SW12 8AB
Scottish Widows plc	Unknown	15 Dalkeith Road	Edinburgh	EH16 5BU		
Silver Saints	Unknown	91A Ramsdem Road	London	SW12 8RD		

Blinkbox Music Limited (In Administration)
Unsecured Creditors

Name	Amount	Address 1	Address 2	Address 3	Address 4	Address 5
SKY Digital	Unknown	PO Box 43	Livingston	West Lothian		EH54 7DD
SNK Studios	420.00	114 - 115 Tottenham Court road	London	W1T 5AH		
Sony Music Entertainment UK Limited	104,246 91	9 Dery Street	London	W8 5HY		
Sony/ATV Music Publishing (UK) Limited	Unknown	30 Golden Square	London	W1F 9LD		
Tesco Stores Limited	24,170.00	Tesco House	Maes-Y-Coed Road	Cardiff		CF14 4TS
The Orchard	185.00	Orchard Enterprises NY Inc	23 East 4th Street	New York	USA	NY 10003
The State 51 Conspiracy	9.00	17 Hereford Street	London	E2 6EX		
Three Corners Trust	Unknown	The Youth Centre	Northampton Road	London		EC1R 0HU
Universal Music Operations Limited	27,314.00	Credit Control Ground Floor	Beaumont House	Avonmore Road	W14 8TS	London
Urban Arshup Inc	25,395.00	1417 NW Everett Street	Suite 300	Portland		
Vidzone	12.00	Rams Limited T/A Vidzone Digital Media	First Floor	107 Mortlake High Street	SW14 8HQ	London
Warner Chappell Music Limited	6,000.00	The Warner Building	28 Kensington Church Street	London		W8 4EP
Warner Music UK Limited	Unknown	3rd Floor Griffin House	161 Hammersmith	London		W6 8BS
WEA GB	53,924.00	Unknown				
WEA International	315.00	Unknown				
WLS	120.00	22 36 Paxton Place, London	SE27 9SS			
workman	8,555.00	4th Floor, Minton place	Station Street Road	Swindon		SN1 1DA
YAC	Unknown	Unknown				
Yaving	Unknown	Unknown				
Total	1,249,954.47					

Blinkbox Music Limited (In Administration)

Employee Creditors

Employee Name	1		2		3	
	Preferential	Non Preferential	Total	Preferential	Non Preferential	Total
Rowan	642.67	18,460.00	19,102.67			
Roberto	2,668.88	22,660.00	25,328.88			
Olivier	1,332.54	16,800.00	18,132.54			
Catherine	2,636.32	29,725.00	32,361.32			
Andrew	698.43	33,976.89	34,675.32			
Anna-Louise	836.93	13,000.00	13,836.93			
Luke	1,451.74	24,166.67	25,618.41			
Nicolas	909.62	30,044.54	30,954.16			
Tristan	2,089.78	33,833.34	35,923.12			
Carlo	1,817.90	27,429.17	29,247.07			
Orazio	614.54	23,200.00	23,814.54			
Jamie	1,722.32	22,880.00	24,602.32			
Andrew	2,655.75	33,800.00	36,455.75			
Darci	4,244.03	58,000.00	62,244.03			
Mateusz	899.20	18,000.00	18,899.20			
Andreas	1,331.26	37,917.50	39,248.76			
Vladimir	309.29	9,441.87	9,751.16			
Anna	1,540.01	13,540.00	15,080.01			
Kristof	1,657.74	20,700.00	22,357.74			
Richard	1,839.08	20,800.00	22,639.08			
Daniel	1,285.11	19,381.67	20,666.78			
Peter	1,220.58	41,380.77	42,601.35			
Duncan	192.83	35,297.43	35,490.26			
Laurence	1,040.54	11,624.16	12,664.70			
Nina	172.41	15,000.00	15,172.41			
Paul	146.15	7,671.12	7,817.27			
Lukasz	1,668.49	16,800.00	18,468.49			
Marios	1,598.28	26,100.00	27,698.28			
Elliot	2,103.02	26,000.00	28,103.02			
Sean	775.84	18,640.00	19,415.84			
Teck	288.35	45,914.43	46,202.78			
Anthony	2,537.61	23,200.00	25,737.61			
Emma	928.38	20,000.00	20,928.38			
Barry	3,389.03	22,625.83	26,014.86			
Hussein	410.05	13,944.16	14,354.21			
Jerome	749.78	24,000.00	24,749.78			

Blinkbox Music Limited (In Administration)

Employee Creditors

Employee Name	1		2		3	
	Preferential	Non Preferential	Total	Preferential	Non Preferential	Total
Robert	1,820.26	24,600.00	26,420.26			
Simon	2,146.00	20,227.50	22,373.50			
Mark	1,127.00	27,260.00	28,387.00			
Frank	1,256.38	25,244.99	26,501.37			
Filip	4,832.77	39,826.67	44,659.44			
James	855.79	15,260.00	16,115.79			
Carlo	2,339.20	19,600.00	21,939.20			
Tiffany	1,442.79	11,890.00	13,332.79			
Emma	1,841.67	31,926.59	33,768.26			
Rebecca	1,733.64	22,000.00	23,733.64			
James	2,025.82	40,300.01	42,325.83			
Miklos	6,920.43	159,999.99	166,920.42			
Will	251.05	15,400.00	15,651.05			
Michael	342.70	12,769.92	13,112.62			
Ila	410.26	27,409.37	27,819.63			
Tim	2,006.16	20,200.00	22,206.16			
Lorenzo	3,515.53	41,451.67	44,967.20			
Krishna	1,576.13	39,306.67	40,882.80			
Katie	380.90	4,200.00	4,580.90			
Anna	1,272.24	12,880.83	14,153.07			
Angus	2,833.24	28,879.16	31,712.40			
Amit	2,565.17	28,033.33	30,598.50			
Meghala	714.85	12,000.00	12,714.85			
Sven	806.55	43,524.17	44,330.72			
Taher	3,758.12	55,249.99	59,008.11			
Daniel	422.57	23,345.75	23,768.32			
Louise	499.47	12,000.00	12,499.47			
Jason	1,451.66	24,891.66	26,343.32			
Emmanouil	806.81	20,000.00	20,806.81			
Trevor	3,107.58	77,088.85	80,196.43			
Georgina	1,181.91	25,999.99	27,181.90			
Christopher	1,083.67	13,302.57	14,386.24			
Luca	1,927.04	22,185.00	24,112.04			
Elisabeta	2,611.59	24,770.83	27,382.42			
Annika	2,749.72	35,750.01	38,499.73			
Kelvin	823.29	19,780.00	20,603.29			

Blinkbox Music Limited (In Administration)

Employee Creditors

Employee Name	1		2		3	
	Preferential	Non Preferential	Preferential	Non Preferential	Total	Total
Laura			525.80	16,868.48		17,394.28
Guillaume			2,452.11	29,466.66		31,918.77
Thomas			3,515.47	48,457.50		51,972.97
Bruce			2,263.48	31,200.00		33,463.48
Samuel			1,926.32	16,340.00		18,266.32
Keith			2,294.13	23,514.17		25,808.30
Andrew			2,831.71	64,053.34		66,885.05
Jonathan			2,428.53	42,058.33		44,486.86
Supplementary provision following discussions involving certain former-employees' legal representative						
Total	134,082.02	10,000,000.00	7,773,531.48			2,360,550.54

V Time analysis for the period

From 11 June 2015 to 31 July 2015

Classification of work function	Hours					Total hours	Time cost	Average hourly rate
	Partner	Associate director	Manager/ Assistant Manager	Senior Administrator/ Administrator	Assistants & support staff			
Administration and planning								
Statutory returns, reports & meetings	0 00	3 60	7 00	29 85	0 00	40 45	7,454 50	184 29
Initial post-appointment notification letters, including creditors	0 00	8 00	2 00	10 05	0 00	20 05	4,997 50	249 00
Cashiering general, including bonding	0 00	0 00	0 80	2 15	0 00	2 95	505 00	171 19
Job planning, reviews and progression (inc 6 month reviews and planning meetings, checklist & diary)	10 00	7 20	8 65	3 80	0 00	29 65	10,066 75	339 52
Protection of company records (incl electronic)	0 00	0 00	4 40	5 70	0 00	10 10	1,889 00	187 03
Insurance & general asset protection	0 00	2 30	1 00	3 50	0 00	6 80	1,611 00	236 91
Filing, f/e and information management	0 00	0 00	0 35	3 35	0 00	3 70	584 75	158 04
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	7 05	0 00	7 05	1,057 50	150 00
Other	0 00	0 00	0 05	11 15	0 00	11 20	1,684 25	150 38
Investigations								
Directors' correspondence & conduct questionnaires	0 00	0 00	0 00	4 70	0 00	4 70	705 00	150 00
Statutory books and accounting records review	0 00	0 00	0 00	2 50	0 00	2 50	375 00	150 00
Investigation of legal claims	10 00	8 30	2 50	0 50	0 00	21 30	8,533 50	400 63
SIP2 and SIP4 obligations (inc CDDA86 forms)	0 00	9 70	0 00	0 00	0 00	9 70	3,589 00	370 00
Asset tracing (e.g. Land Registry and Company Searches)	0 00	0 00	0 00	3 80	0 00	3 80	570 00	150 00
Enquiries of advisers	0 00	6 30	0 00	0 00	0 00	6 30	2,331 00	370 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	0 00	0 00	0 65	0 00	0 65	97 50	150 00
Other chattel assets	0 00	6 90	0 60	17 20	0 00	24 70	5,274 00	213 52
Sale of business as a whole, including liaison with legal advisers agents etc	42 00	9 70	0 25	3 45	0 00	54 90	24,140 25	139 71
Cash at Bank	0 00	0 00	0 00	3 00	0 00	3 00	450 00	150 00
Liaising with agents (general)	0 00	11 20	0 75	1 35	0 00	13 30	4,522 75	340 06
Other	0 00	0 60	0 00	1 65	0 00	2 25	469 50	208 67
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/NIIC 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 00	0 00	1 00	235 00	235 00
Employees & pension (other) (incl Jobcentre/CSA etc)	12 00	8 90	0 15	26 60	0 00	47 65	13,090 75	274 73
Unsecured creditors	0 00	5 00	0 65	14 65	0 00	20 30	4,197 50	206 77
ROT Claims	0 00	0 60	0 00	2 25	0 00	2 85	559 50	196 32
Filing- creditors	0 00	0 00	0 00	0 50	0 00	0 50	75 00	150 00
Case-Specific 3, AML/Compliance								
AML - If done post appointment	0 00	0 00	0 15	0 00	0 00	0 15	30 00	200 00
Human Resources								
Human Resources	0 00	0 00	2 25	0 20	0 00	2 45	736 25	300 51
Forensics								
Forensics	0 00	0 00	26 50	0 00	0 00	26 50	5,130 00	193 58
Total	74 00	98 90	59 05	163 05	0 00	395 00	109,589 75	277.44

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:

- Preparing the documentation and dealing with the formalities of appointment
- Statutory notifications and advertising
- 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
- Securing the Company's electronic records, including the time that has been incurred by S&W's Forensic team in relation to preserving and image downloading from the Company's server on to a format in which it may be searched for our investigations

Investigations

This section relates to our statutory obligations to investigate the actions of the directors of the Company and review the Company's records to 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 limited to Guvera) in the lead up to the administration of the Company.
- Reviewing the Company's books and records in relation to investigations.
- Corresponding with previous directors regarding our director's questionnaire.
- Reviewing the Company's bank statements and noting transactions for further investigation.
- Discussions with lawyers regarding possible legal claims against various parties.

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 the securing the Company's chattel assets and the sale of the business. The work includes the following:

- Reviewing the Company's accounts and debtor records in order to ascertain book value of the trade debtors and to formulate a recovery strategy.
- Discussions with debtors in respect of balances due.
- Instructing and liaising with our agents, Wyles Hardy, in regards to the securing of the Company's chattel assets.
- Liaising with our agents, Wyles Hardy, in regards to a valuation of the chattel assets.
- In relation to the sub category "Sale of the business as a whole, including liaison with legal advisors, agents etc." our work involved the following:
 - Discussions with our agents (Metis and Wyles Hardy) in relation to the most appropriate strategy.
 - Reviewing sale particulars.

- o Liaising with prospective purchasers.
- o Sourcing relevant information for perspective purchasers. This involved engaging various parties to assist us, including former employees, contractors and suppliers
- o Dealing with other general enquiries in relation to sale of the business as a whole.
- o Liaising with our solicitor in respect of drafting contracts and regulatory matters.

Trading

This section relates to any work carried out in regards to the winding down of activities of the Company during the period in which we were marketing to business as a going concern.

The work includes the following:

- Corresponding with landlords and property managers in regards to the Company's two premises.
- Corresponding with employees.
- General correspondence with suppliers in regards to the trading of the business.

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. The work includes the following:

- Dealing with creditor correspondence via email, telephone and letter.
- Uploading and updating creditors' information on IPS (our computerised case management system).
- Liaising with creditors in relation to third party assets i.e. subject to leasing agreements.
- Making the employees of the Company redundant and issuing correspondence in relation to this.
- Corresponding with employees and their representatives regarding their claims.
- Completing RP14 and RP14a forms for the Redundancy Payments Scheme and various general correspondences with the Redundancy Payments Office.
- Corresponding with employees regarding the Redundancy Payments Scheme.

VI 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 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 utilised in the period covered by this report 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 period covered by this report are set out in the body of this report.

Charge out rates

A schedule of Smith & Williamson LLP's charge out rates was issued to creditors at the time the basis of the administrators' remuneration was approved.

The rates applicable to this appointment are set out below. Changes to the charge out rates during the period of this report were applied with effect from 1 July 2015.

Smith & Williamson LLP Restructuring & Recovery Services	London office £/hr		Regional offices £/hr	
	From 1/7/14	From 1/7/15	From 1/7/14	From 1/7/15
Partner	480	480	350	350
Associate Director	370	370	325-295	300-295
Managers	310-235	310-235	285-190	290-190
Other professional staff	235-150	235-150	170-110	175-120
Support & secretarial staff	85	85	28-75	60 - 135

Forensics Services	£/hr	
	From 1/7/14	From 1/7/15
Partner	375-340	350-390
Manager	210-175	225-200
Other professional staff	155-100	165-105
Support & secretarial staff	85-70	90-80

Human Resources		
	£/hr	
Charge out rates	From 1/7/14	From 1/7/15
Head of Department	450	450
Manager	285-195	285-215
Administrator	50	50

S&WFS Employee Benefits Consultancy		
	£/hr	
Charge out rates	From 1/7/14	From 1/7/15
Director	415-290	415-260
Associate	250-190	250-190
Manager	195-185	195-185
Administrator	165-145	170-50

Corporate Tax and VAT		
	£/hr	
Charge out rates	From 1/7/14	From 1/7/15
Director	505-380	570-450
Associate	360-350	375
Manager	295-175	320-200
Other professional staff	143-110	165-90
Support & secretarial staff	60-50	60

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.

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

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