

The Insolvency Act 1986

Statement of administrator's proposals

2.17B

Name of Company GEONOVO LIMITED	Company number 07377267
In the Manchester District Registry of the High Court [full name of court]	Court case number 2095 of 2014

(a) Insert full name(s) and address(es) of administrator(s) I/We (a) K G Murphy & A Poxon of Leonard Curtis, Tower 12,
18/22 Bridge Street, Spinningfields, Manchester M3 3BZ

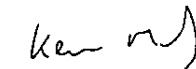
attach a copy of ~~my~~ our proposals in respect of the administration of the above company

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

* Delete as applicable

(b) Insert date (b) 5 March 2014

Signed



K G Murphy & A Poxon - Joint Administrator(s)

Dated

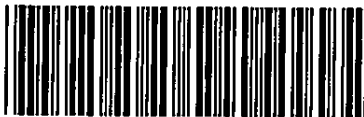
5 March 2014

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.

Leonard Curtis	
Tower 12, 18/22 Bridge Street, Spinningfields, Manchester,	
M3 3BZ	Tel 0161 7671250
DX Number	DX Exchange

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



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**GEONOVO LIMITED
(IN ADMINISTRATION)**

Registered Number. 07377267
Court Ref. 2095 of 2014
Manchester District Registry of the High Court

Joint Administrators' Report and Statement of Proposals

05 March 2014

Leonard Curtis

Tower 12, 18/22 Bridge Street, Spinningfields,
Manchester M3 3BZ
Tel 0161 7671250 Fax 0161 7671240

Ref M/35/RB/NG791K/1040

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TO. THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL SHAREHOLDERS

1 INTRODUCTION

- 1.1 I refer to the appointment of A Poxon and myself as Joint Administrators ("the Joint Administrators") of Geonovo Limited ("the Company") on 24 January 2014 and now write to present our proposals ("the Proposals") (Appendix A) for the Company pursuant to the Insolvency Act 1986 ("the Act")
- 1.2 We do not propose to convene a meeting of creditors in this instance, as we anticipate that the Company will have insufficient property to enable a distribution to be made to unsecured creditors, other than via the prescribed part, and therefore the requirement to convene a meeting is disapplied by Paragraph 52(1)(b) of Schedule B1 to the Act
- 1.3 Creditors whose debts amount to at least 10% of the total debts of the Company may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 19 March 2014. Security for the costs of holding the meeting must also be provided
- 1.4 In the event that no meeting is requested, the Proposals will be deemed to have been approved in accordance with Rule 2.33(5) of the Insolvency Rules 1986. Where this is the case, notification of the date on which the Proposals were deemed to have been approved will be given to creditors as soon as reasonably practicable after the date given in 1.3 above

2 STATUTORY INFORMATION

- 2.1 The Administration proceedings are under the jurisdiction of the Manchester District Registry of the High Court under Court reference 2095 of 2014
- 2.2 During the period in which the Administration Order is in force, any act or function required or authorised to be done by the Joint Administrators may be exercised by both or either of them
- 2.3 The Company's registered office was changed from 100 Barbirolli Square, Manchester M2 3AB to Tower 12, 18/22 Bridge Street, Spinningfields, Manchester M3 3BZ on 30 January 2014. The registered number is 07377267
- 2.4 The Company operated from leasehold premises at 2nd Floor Regus, 268 Bath Road, Slough SL1 4DX
- 2.5 The Company's directors and secretary are

Name	Role	Date Appointed
William Moore	Company secretary	16/09/2010
Lawne Hutcheon	Director	16/09/2010
Peter Lusty	Director	16/09/2010
David Mason	Director	16/09/2010
William Moore	Director	16/09/2010

- 2.6 The Company's authorised share capital is 500,000 ordinary £1 shares and are owned as follows

Name	Class of Share	No of Shares	% of Total Owned
Andrew Parker	Ordinary	4,250	0.85%
William Moore	Ordinary	3,000	0.60%
Peter Lusty	Ordinary	6,000	1.20%
Lawrie Hutcheon	Ordinary	3,000	0.60%
Neil McArthur	Ordinary	480,750	96.15%
David Mason	Ordinary	3,000	0.60%
		500,000	100%

- 2.7 According to the information registered at Companies House, the Company has the following registered charges

Chargeholder	Date created	Description	Amount secured £	Assets Charged
Neil McArthur	17/09/2010	Mortgage Debenture	All Monies	All Assets

- 2.8 The EC Regulation on Insolvency Proceedings 2000 applies to this Administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

3 HISTORICAL BACKGROUND AND EVENTS LEADING UP TO ADMINISTRATION

- 3.1 The Company was incorporated in September 2010 and began trading following the purchase of the business and assets of Romad Ltd – In Administration ("Romad"). The previous insolvency was administered by Baker Tilly. The directors since incorporation have been Mr Lawrie George, Mr Peter Lusty, Mr David Mason and Mr William Moore. The majority shareholder is Mr Neil McArthur who holds 96.2% of the shares.
- 3.2 Romad focused on the research and development (and limited commercial launch) of a mobile tracking and assistance unit, for use by lone workers. It is understood that Mr Neil McArthur had been a major investor in Romad and when the shareholders rejected requests for further investment, the Company purchased the business and assets of Romad.
- 3.3 The Company has been funded by way of loans from Mr Neil McArthur, totalling c£1.8m, who holds security by way of a mortgage debenture, incorporating a fixed and floating charge, over the Company assets and created on 17 September 2010.
- 3.4 The Company has made significant losses since incorporation. In the period from commencement of trading to 30 September 2011, accounts detail a loss of £782,000. In the year ended 30 September 2012, accounts detail turnover of £332,000, and a loss of £577,000 was recorded. In the year ended 30 September 2013, accounts detail turnover of £318,000 and a loss of £403,000 was recorded.
- 3.5 The Company, has throughout its history, continued to develop its product offering although it failed to successfully launch any product or services on a large scale basis.
- 3.6 The Company had initially focused on developing a mobile unit which provided GPS and SOS messaging services between an employee and employer. Typically, this was used by staff who worked

- remotely from their employers premises. The product was valued by organisations which needed to establish (and prove) the location of their staff for both financial and health and safety requirements. The units also provided an emergency messaging/location service in the event the employee was in distress.
- 3 7 The market was considered extremely niche and with several alternatives and competitors. The Company both manufactures (using a South Korean based fabricator) and sells/maintains the unit, and provides the monitoring services. The Company was understood to have c60 clients with a total of 1,000 "end users".
- 3 8 Whilst the Company had offered this product and service throughout its history, the board of Directors advised that they had, at an early stage, concluded this business was not sufficiently scalable to create a sustainable business. However, they believed this trading provided them with a commercial platform and credibility for other "spin off" services.
- 3 9 Since incorporation, the board of Directors had endeavoured to broaden the offering to encompass the more lucrative and wider market covering elderly and personal care.
- 3 10 The Company sought several joint venture partners to enter the "telecare" sector. A project was proposed and developed with Tunstall to provide Local Authorities with a reliable method of monitoring and offering emergency call services to elderly and vulnerable individuals in their care.
- 3 11 Again, whilst there are known to be several alternative products, the Directors considered the product and service (which used digital technology as opposed to competitors analogue services) to be superior and hence commercially viable. Whilst the facility had an extremely broad range of additional features these were proving costly to develop and implement and were not proving to have any commercial appeal to the prospective purchaser.
- 3 12 The Company had also developed a mobile/tablet application with a major telecommunications provider. Whilst the product had received acclaim from the potential commercial partner, the product had proved costly to develop, launch and operate. It had been estimated that it may take a further £1m of investment to bring the service to a standard capable of commercial launch.
- 3 13 As a consequence a decision was taken to market the business for sale and a sales memorandum was prepared by the Board and circulated to all known competitors and other candidates in the sector. Whilst interest was shown in the business no offers were made. It should be noted that Mr Neil McArthur was prepared to write off his investment to achieve a solvent sale.
- 3 14 The Board of Directors subsequently sought advice from Leonard Curtis in relation to the options available to the Company to best protect the value of the business of the Company.
- 3 15 The advice resulted in the Directors concluding that the Company was insolvent as it is unable to pay its debts as and when they fell due and that immediate steps should be taken to protect the creditors' position.
- 3 16 However, it was concluded that a further marketing campaign should be undertaken and an offer was received to purchase the business on a solvent basis although this was subsequently withdrawn.
- 3 17 Subsequently, a Notice of Intention to appoint A Poxon and I of this office as Joint Administrators of the Company was given by the Directors and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 22 January 2014. The Notice was subsequently served on the Company, and Neil McArthur, as holder of a qualifying floating charge, pursuant to Rule 2 20 of The Insolvency Rules 1986.

- 3 18 Following the receipt of the consent of Neil McArthur, the qualifying floating charge holder, to the appointment, a Notice appointing A Poxon and I of this office as Joint Administrators of the Company was given by the directors, and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 24 January 2014
- 3 19 My colleague, A Poxon and I are licensed by the Institute of Chartered Accountants in England and Wales In accordance with paragraph 100(2) of the Insolvency Schedule B1 to the Act, the function of the Joint Administrators may be exercised by either or both, acting jointly or alone

4 RECENT TRADING RESULTS AND CURRENT FINANCIAL POSITION

- 4 1 The Company's trading results for the year ended 30 September 2012 and 30 September 2013 are detailed below

	Signed Year ended 30/09/2013 £'000	Signed Year ended 30/09/2012 £'000
Turnover	318	332
Gross Profit	288	250
Gross Profit %	90.6%	75.3%
Administrative expenses	(799)	(826)
Operating Profit/(Loss)	(511)	(576)
Interest and charges	-	-
Profit/(Loss) before tax	(511)	(576)
Taxation	108	-
Profit for the year	(403)	(576)

- 4 2 A profit and loss account has not been provided for the year ended 30 September 2011. However, the balance sheet for the year ended 30 September 2011 indicates that losses of £782,000 have been incurred

- 4.3 The balance sheets as at 30 September 2011, 30 September 2012 and 30 September 2013 are detailed below

	Signed 30/09/2013 £'000	Signed 30/09/2012 £'000	Signed 30/09/2011 £'000
Fixed Assets			
Intangible Assets	308	308	249
Tangible Assets	2	3	2
	<u>310</u>	<u>311</u>	<u>251</u>
Current Assets			
Stocks	189	218	297
Debtors	73	78	106
Cash	73	57	-
	<u>335</u>	<u>353</u>	<u>403</u>
Creditors Amounts Falling due within one year	<u>(103)</u>	<u>(94)</u>	<u>(158)</u>
Net Current Assets/(Liabilities)	<u>232</u>	<u>259</u>	<u>245</u>
Total Assets less Current Liabilities	542	570	496
Creditors Amounts falling due after more than year	<u>(1,803)</u>	<u>(1,428)</u>	<u>(1,178)</u>
Net Assets	<u>(1,261)</u>	<u>(858)</u>	<u>(682)</u>
Represented by			
Called up share capital	500	500	100
Profit/(Loss) for the year	(403)	(576)	(782)
Profit and Loss account	<u>(1,358)</u>	<u>(782)</u>	<u>-</u>
Shareholders' Funds	<u>(1,261)</u>	<u>(858)</u>	<u>(682)</u>

4.4 Statement of Affairs

The Directors are required to lodge a statement of affairs as at 24 January 2014 which has to be filed with the Registrar of Companies. Although the document has not yet been received, I understand that it is in the course of preparation and will be submitted shortly. In the meantime, an estimate of the financial position as at the date of the Joint Administrators' appointment is enclosed at Appendix B, together with a list of creditors including their names, addresses and details of their debts, including any security held.

Please note that no provision has been made for costs and expenses of realisation, costs of the Administration and any corporation tax which may be payable. The following comments are considered to be relevant and should be borne in mind when reading the figures.

4.5 Secured Creditor

Neil McArthur

Neil McArthur holds security by way of an all assets debenture incorporating a fixed and floating charge over the Company's assets created on 17 September 2010. Neil McArthur provided funding to the Company by way of loans.

On our appointment, a sum of £1,803,393 remained outstanding to Neil McArthur in relation to outstanding loans.

To date, £1,800.00 has been paid to Neil McArthur under his floating charge.

It is anticipated that Neil McArthur will receive a payment under his fixed charge following the sale of the intellectual property rights. It is also anticipated that Neil McArthur will receive a further distribution under his floating charge although it is not anticipated that he will be repaid in full.

4.6 Prescribed Part

The Insolvency Act 1986 provides that, where a company has created a floating charge after 15 September 2003, the administrator must make a *prescribed part* of the company's net property available to the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

The method of calculating the prescribed part and additional notes as regards its application are detailed in the notes at Appendix B.

Based upon the information currently available, it is estimated that there will be a prescribed part fund available in this case.

4.7 Preferential Claims

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay. On our appointment, the Company employed 6 staff.

I can advise that 2 employees were made redundant on 31 January 2014. These employees have claims for outstanding holiday pay. I can confirm the necessary claims have been submitted to the Redundancy Payments Office.

A further 2 employees have been retained by the Joint Administrators.

It is anticipated that these employees will also be made redundant in due course and submit the relevant claims to the Redundancy Payments Office.

I can advise that 2 employees transferred to Rocksure Systems Ltd ("Rocksure") upon completion of the sale of certain of the assets acquired by Rocksure.

For the purposes of this report it is estimated preferential claims may total approximately £1,000.

I can advise that it is anticipated that preferential creditors will be repaid in full.

4.8 Unsecured Claims

At present, it is considered unlikely that there will be sufficient funds available to enable a distribution to unsecured creditors, other than via the prescribed part. This statement is being made in accordance with paragraph 52(1)(b) of Schedule B1 to the Act. Creditors should however continue to submit details of their claims using the statement of claim form attached at Appendix H. These claims will be collated and passed to any subsequently appointed Liquidator in due course.

4.9 Receipts and Payments

A receipts and payments account for the period of Administration to date is enclosed at Appendix C.

5 EVENTS FOLLOWING THE JOINT ADMINISTRATORS' APPOINTMENT

5.1 Sale of Assets

Prior to and upon appointment, the directors and the proposed administrators investigated the possibility of concluding a sale of what remained of the business and assets as it was considered that a sale of all or part of the business as a going concern would allow the following:

- Maximise asset realisations – the pre-packaged sales have allowed for minimal disruption in trading which should result in enhanced debtor collections than if the Company had ceased to trade. This is due to minimising any counter claims as Rocksure is able to continue any customer contracts. In addition enhanced realisations for the Company's equipment and stock have been achieved, as compared to ex-situ realisations most likely achievable on a cessation of trade, and
- Preservation of intangible assets – the pre-packaged sales have allowed for sales of the intellectual property rights, customer database and contracts, in excess of an independent valuation, which may not have been available if the Company had ceased to trade. It was critical in maximising realisations from the intangible assets, that there was minimal disruption to trading. Trading the business during administration would not have guaranteed an improved offer, and may, conversely, have devalued the goodwill.

An offer of £20,000 plus VAT was made to the proposed Administrators for the Customer Database, Contracts and Equipment along with an option to purchase the stock from Rocksure. Following advice from our appointed agents, Cerberus Asset Management ("Cerberus Asset"), who had carried out valuations of the Company's physical assets, and Summerlin Corporate Finance ("Summerlin"), who had valued the Company's intangible assets, this offer was accepted and the asset sale was concluded on 24 January 2014.

I can advise that the £20,000 plus VAT was received in full on completion.

The Administrators have also granted Rocksure a Software and IP Licence for the sum of £1.

Further consideration is due to be paid which has not been quantified at this time. The purchaser is further required to pay the following sums:

- 25% of all cash receipts due in respect of the Customer Contracts from the date of the Agreement until 31 January 2015, plus VAT,
- 10% of all Contracted Revenue generated in relation to Re-Signed Contracts until 31 January 2015, plus VAT, and
- £40 plus VAT per unit of stock for the sale of the first 1000 units and £30 plus VAT for any further unit of stock to be purchased.

The additional consideration is calculated on a monthly basis and is payable by the 30th day of each calendar month. Rocksure shall lodge the sum of £40,000 in a Joint Bank Account by two instalments of £20,000 to be paid on or before 1 March 2014 and 1 May 2014.

Additionally, an offer of £38,000 plus VAT was made to the proposed Administrators for the Intellectual Property Rights from Tunstall Healthcare (UK) Limited ("Tunstall"). Following advice from our appointed agents, Summerlin, who had valued the intangible assets, this offer was accepted and the asset sale was concluded on 29 January 2014.

I can confirm that the £38,000 plus VAT was received in full on completion.

Following the completion of the pre-packaged sale of the Company's assets, the Joint Administrators sent a letter to creditors on 4 February 2014 to provide further information on the sale pursuant to the requirements of Statement of Insolvency Practice 16. A copy of the information provided is attached at Appendix D.

5.2 Cash at Bank

On our appointment, the Company's bank account was in credit in the sum of £16,406.43. I can confirm that this amount has been requested from the bank and is anticipated to be received shortly.

5.3 Research and Development ("R&D") Tax Credit

Prior to our appointment, the Company submitted a claim for a R&D tax credit for the year ended 30 September 2013 in the sum of £53,793.41.

I can advise that a repayment of £28,988.26 has been paid into the Company's bank account following the offset of certain outstanding crown liabilities. This has been requested from the bank and will be received by the Joint Administrators in due course.

5.4 Pre-appointment VAT Refund

The Company records show that £1,304.00 is due to the Company in relation to a pre-appointment VAT return.

The relevant return has been submitted to HMRC, however any outstanding crown liabilities may be offset.

At this time, the amount of any recoveries from this source is unknown.

5.5 Book Debts

The Company records show that a sum of £39,244.88 remains outstanding to the Company.

I can confirm that Occasio Legal ("Occasio") have been instructed to pursue the outstanding amounts.

At this time, the amount of any recoveries from this source is unknown.

5.6 Office Furniture and Equipment

A small amount of office furniture and equipment was held at the Company premises. Following our appointment, independent agents, Cerberus Asset, were instructed to uplift the items held at the Company premises.

These items were subsequently sold for £1,500 plus VAT. No further collections are anticipated.

5.7 Employee Loan Account

The Company records detail that £3,250 is due from an employee

I can advise that £250 has been received from the employee to date. It is anticipated that the loan account will be repaid in full.

5.8 Professional Advisors Used

On this assignment the Joint Administrators have used the professional advisors listed below

Name of Professional Advisor	Service Provided	Basis of Fees
Turner Parkinson LLP	Legal advice	Time costs
Cerberus Asset	Physical asset valuation advice	Time costs
Summerlin	Intangible asset valuation advice	Time costs
EK Employment Law Consultants	Employee advice	Time costs
Pronovotech Limited	R&D tax credit advice	7.5% of claim
Occasio Legal	Debt collection advice	15% of collections

Details of this firm's policy regarding the choice of advisors and the basis for their fees are given in Appendix G.

6 ACHIEVING THE PURPOSE OF ADMINISTRATION

6.1 The Joint Administrators must perform their functions with the purpose of achieving one of the following objectives

- (a) rescuing the Company as a going concern, or (if this cannot be achieved),
- (b) 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 (if (a) and (b) cannot be achieved),
- (c) realising property in order to make a distribution to one or more secured or preferential creditors

6.2 The first objective is not capable of being achieved given the extent of historic liabilities

6.3 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in Administration). It is considered that this objective is unlikely to be achieved as there is little prospect of a dividend to unsecured creditors, other than via the prescribed part.

6.4 The third objective is to realise property in order to make a distribution to secured or preferential creditors. This objective has already been achieved as Neil McArthur has received a distribution under his floating charge. Neil McArthur will receive a distribution under his fixed charge following a sale of the intellectual property rights. It is also anticipated that Neil McArthur will receive a further distribution under his floating charge and that preferential creditors will be repaid in full.

7 JOINT ADMINISTRATORS' PROPOSALS AND EXIT ROUTE

- 7.1 The Joint Administrators' Proposals for achieving the objective of Administration are attached at Appendix A
- 7.2 Ordinarily the Joint Administrators would seek approval of the Proposals at a meeting of the creditors of the Company. However, in this case, as there is little likelihood of a dividend being available for unsecured creditors, other than via the prescribed part, the Joint Administrators are dispensing with the requirement to hold such a meeting as allowed by Para 52(1)(b) of Schedule B1 to the Act
- 7.3 Creditors whose debts amount to at least 10% of the total debts of the Company, may request a meeting. Any requests for an initial creditors' meeting must be made in writing to this office using Form 2.21B (available on request) by 19 March 2014. Security for the costs of holding the meeting must also be provided
- 7.4 If no meeting is requested, the Proposals will be deemed to have been approved
- 7.5 Once approved, the affairs of the Company will be managed in accordance with the Proposals and financed out of asset realisations
- 7.6 Once the Administration has been finalised, and if there are insufficient funds available to allow a distribution to unsecured creditors, the Joint Administrators will file a Notice with the Registrar of Companies that the Company be dissolved. Alternatively, if there are assets still to be realised or investigations concluded but there will be no return to unsecured creditors, the Company may be placed into Compulsory Liquidation

8 EXTENSION OF ADMINISTRATION

- 8.1 The appointment of administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment
- 8.2 In certain circumstances it may be necessary to extend the Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding six months with the consent of
- each secured creditor of the Company, and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the Company, disregarding debts of any creditor who does not respond to an invitation to give or withhold consent
- 8.3 The appropriate body of creditors will be contacted in due course should an extension be required

9 PRE-ADMINISTRATION COSTS

- 9.1 Pre-administration costs are defined as

- Fees charged, and
- Expenses incurred

by the Administrator, or another person qualified to act as an insolvency practitioner before the company entered Administration (but with a view to its doing so). "Unpaid pre-administration costs" are pre-administration costs which had not been paid when the company entered Administration

- 9 2 Pre-appointment fees charged and expenses incurred by the Joint Administrators in the period prior to their appointment are summarised below

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis	Advice to directors and secured creditor and considering whether an administration purpose could be achieved and negotiating the sales of the assets	£7,425 00	Nil	n/a	£7,425 00
Cerberus Asset	Valuation of physical assets	£1,500 00	Nil	n/a	£1,500 00
Summerlin	Valuation of intangible assets	£1,500 00	Nil	n/a	£1,500 00
Turner Parkinson LLP	Dealing with sale contracts and appointment papers	£8,662 00	Nil	n/a	£8,662 00

- 9 3 Enclosed at Appendix E is an analysis of the Joint Administrators' pre-appointment costs. The analysis shows that total pre-appointment time costs of £7,425 00 have been incurred which represents 18 9 hours at a rate of £392 86 per hour.
- 9 4 In the period prior to the administration, Leonard Curtis provided insolvency advice to the Company and secured creditor, and carried out an assessment of its financial position with a view to establishing the appropriate insolvency procedure for the Company.
- 9 5 Following the decision to place the Company into administration, Cerberus Asset were then requested to provide an assessment of the likely realisable value of the Company's physical assets and Summerlin were requested to provide an assessment of the likely realisable value of the Company's intangible assets. This information enabled Leonard Curtis to properly gauge the Company's financial position and ensure that at least one of the three statutory purposes could be achieved.
- 9 6 Further costs were incurred by Leonard Curtis and Turner Parkinson LLP with regards to the preparation of the appointment papers and the drafting of the sale documentation.
- 9 7 The payment of unpaid pre-administration costs (set out above) as an expense of the Administration is subject to the approval of the appropriate class of creditors, separately to the approval of the Administrators' Proposals. In this case, the Joint Administrators are required to seek the approval of the secured and preferential creditors to this resolution.

10 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

- 10 1 As there is little prospect of a dividend being available for unsecured creditors, other than via the prescribed part, the Joint Administrators are required to agree the basis of their remuneration with the secured and preferential creditors.
- 10 2 The remuneration of the Joint Administrators may be fixed either as a percentage of the value of the property with which they have to deal, as a set amount or by reference to the time spent. In this case the Joint Administrators are requesting agreement to the latter.
- 10 3 Enclosed at Appendix F is a summary of the Joint Administrators' time costs to 31 January 2014. The summary shows that time costs of £14,849 00 have been incurred which represents 43 3 hours at a

rate of £342.93 per hour. Further time has been spent in February and March which has yet to be posted to the system. Further details of my firm's charge-out rates and policy regarding the recharge of disbursements, staff allocation, support staff and the use of subcontractors are attached at Appendix G. Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded from <http://www.leonardcurtis.co.uk/resources/creditorsguides>. If you would prefer this to be sent to you in hard copy please contact Rochelle Baker of this office on 0161 7671250.

- 10.4 The Joint Administrators also require approval in respect of the basis upon which they recharge internal disbursements that include an element of allocated costs. These are known as Category 2 costs and the basis of the calculation of their recharge is also detailed in Appendix G. Specific expenditure relating to the administration of a particular case is recoverable without approval and is referred to as a "category 1 disbursement". Category 1 disbursements will generally comprise items such as case advertising and travel costs. Also included will be services specific to the case where these cannot practically be provided internally such as printing, room hire and storage of company records.
- 10.5 Summarised below are Category 1 and 2 disbursements incurred on the case since appointment.

Category 1 disbursements

Charged by	Services provided	Total amount pd by LC £	Amount recovered from case £	Amount still to be recovered from case £
Courts Advertising	Statutory Advertising	84.60	Nil	84.60
Administrators staff	Parking	25.50	Nil	25.50
Companies House	Company Searches	7.00	Nil	7.00
Pelstar Computing	Software Licence	87.00	Nil	87.00
AUA Insolvency Risk Services	IP Bond	90.00	Nil	90.00

Category 2 disbursements

No disbursements of this kind have been incurred in this case.

- 10.6 The outcome of the voting on remuneration will be communicated to creditors in due course.

11 ANTICIPATED OUTCOME AND RELEASE OF ADMINISTRATORS FROM LIABILITY

- 11.1 As soon as all outstanding matters in the Administration have been attended to it is anticipated that we will file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically to dissolution.
- 11.2 The appointment of the Joint Administrators will cease as soon as this notice is issued.
- 11.3 It is ordinarily for the creditors to fix the date upon which the Joint Administrators are discharged from liability in respect of any action of theirs during the Administration. However, as it is considered that there is little prospect of a dividend to unsecured creditors in this case, other than via the prescribed part, we are required to obtain approval to this resolution from the secured and preferential creditors. The appropriate class of creditor will be contacted directly in this respect.

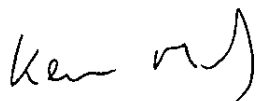
12 CONCLUSION

12.1 It is important that you give careful attention to this report and its Appendices

12.2 Creditors will be notified of the outcome of voting in due course

Should you have any queries or require any further clarification please contact Rochelle Baker at my office, in writing. Electronic communications should also include a full postal address

for and on behalf of
GEONOVO LIMITED



K G MURPHY
Joint Administrator

Licensed in the UK by Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation. It is further proposed that K G Murphy and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved
4. Alternatively, if appropriate, the Joint Administrators apply to Court under Para 65 (3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration
- 5 In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved
- 6 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company
- 7 The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that K G Murphy and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them
- 8 The Joint Administrators shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration

APPENDIX B

ESTIMATED FINANCIAL POSITION AS AT 24 JANUARY 2014

	Notes	Book value £	In Administration £
Assets specifically pledged			
Intellectual Property Rights	1	230,000	38,000
less Neil McArthur	2	<u>(1,803,393)</u>	<u>(1,803,393)</u>
Surplus as regards fixed charge holder		<u>(1,573,393)</u>	<u>(1,765,393)</u>
Assets not specifically pledged			
Cash at Bank	3	16,406	16,406
Customer Database	1	58,000	9,999
Contracts	1	-	1
Equipment	1	2,824	10,000
Stock	1	189,161	n/k
Software and IP Licence	1	-	1
R&D Tax Credit	4	28,988	28,988
Pre-Appointment VAT Refund	5	1,304	n/k
Book Debts	6	39,225	n/k
Office Furniture and Equipment	7	1,500	1,500
Employee Loan Account	8	<u>3,250</u>	<u>3,250</u>
		340,658	70,145
Preferential creditors	9	<u>n/a</u>	<u>(1,000)</u>
Net property available for prescribed part		340,658	69,145
Prescribed part calculation	10		
50% of first £10,000		n/a	(5,000)
20% of balance		<u>n/a</u>	<u>(11,829)</u>
Total prescribed part fund available		n/a	(16,829)
Available for floating charge creditor		340,658	52,316
Neil McArthur	2	<u>(1,573,393)</u>	<u>(1,765,393)</u>
Surplus as regards floating charge holder		<u>(1,232,735)</u>	<u>(1,713,077)</u>
Add back prescribed part	10	<u>n/a</u>	<u>16,829</u>
Available for unsecured creditors		(1,232,735)	16,829
Unsecured creditors			
H M Revenue & Customs – PAYE / NI	11	(12,704)	(12,704)
H M Revenue & Customs - VAT	12	(243)	(243)
Trade and expense creditors	13	(25,466)	(25,466)
Employee Claims – Redundancy and Notice		<u>n/a</u>	<u>n/k</u>
Total value of unsecured creditors		<u>(38,413)</u>	<u>(38,413)</u>
Estimated deficiency as regards unsecured creditors		<u>(1,271,148)</u>	<u>(21,584)</u>

NOTES TO THE ESTIMATED FINANCIAL POSITION

All book values have been taken from the Company's latest financial information or from valuations obtained upon administration by independent valuers. It should be noted that no provision has been made for the costs and expenses of the administration.

1. Sale of Business

The book values have been taken from the company records supplied by the directors or our agent's reinstatement values whilst the realisable values have been achieved following the sale of the business and assets.

2. Neil McArthur

Neil McArthur holds security by way of an all assets debenture incorporating a fixed and floating charge over the Company's assets created on 17 September 2010. Neil McArthur provided funding to the Company by way of loans.

On our appointment, a sum of £1,803,393 remained outstanding to Neil McArthur in relation to outstanding loans.

3. Cash at Bank

On our appointment, the Company's bank account was in credit in the sum of £16,406.43.

4. R&D Tax Credit

Prior to our appointment, the Company submitted a claim for a R&D tax credit for the year ended 30 September 2013 in the sum of £53,793.41.

I can advise that a repayment of £28,988.26 has been paid into the Company's bank account following the offset of certain outstanding crown liabilities. This will be received by the Joint Administrators in due course.

5. Pre-Appointment VAT Refund

The Company records show that £1,304.00 is due to the Company in relation to a pre-appointment VAT return.

The relevant return has been submitted to HMRC, however any outstanding crown liabilities may be offset.

At this time, the amount of any recoveries from this source is unknown.

6. Book Debts

The Company records show that a sum of £39,244.88 remains outstanding to the Company.

I can confirm that Occasio Legal ("Occasio") have been instructed to pursue the outstanding amounts.

At this time, the amount of any recoveries from this source is unknown.

7. Office Furniture and Equipment

A small amount of office furniture and equipment were held at the Company premises. Following our appointment, independent agents, Cerberus Asset, were instructed to uplift the items held at the Company premises.

These items were subsequently sold for £1,500 plus VAT.

8 Employee Loan Account

The Company records detail that £3,250 is due from an employee.

I can advise that £250 has been received from the employee to date. It is anticipated that the loan account will be repaid in full.

9. Preferential Creditors

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay. On our appointment, the Company employed 6 staff.

I can advise that 2 employees were made redundant on 31 January 2014. These employees have claims for outstanding holiday pay. I can confirm the necessary claims have been submitted to the Redundancy Payments Office.

A further 2 employees have been retained by the Joint Administrators.

It is anticipated that these employees will also be made redundant in due course and submit the relevant claims to the Redundancy Payments Office.

I can advise that 2 employees transferred to Rocksure Systems Ltd ("Rocksure") upon completion of the sale of certain of the assets acquired by Rocksure.

For the purposes of this report it is estimated preferential claims may total approximately £1,000.

10 Prescribed Part

The Insolvency Act 1986 provides that, where a company has created a floating charge after 15 September 2003, the administrator must make a *prescribed part* of the company's net property (after costs and preferential creditors) available to the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

The method of calculating the prescribed part is given below:

- *Where the net property does not exceed £10,000*
50% of that property
- *Where the net property exceeds £10,000*
50% of the first £10,000, plus 20% of the property which exceeds £10,000, up to a maximum prescribed part of £600,000

11. H M Revenue & Customs – PAYE / NI

The value has been taken from the Company records and should not be taken as an agreed amount

12 H M Revenue & Customs – VAT

This figure has been taken from an initial claim received from HM Revenue & Customs and should not be regarded as an agreed amount

13. Trade and expense creditors

The unsecured creditor balances have been extracted from the Company records and should not be regarded as agreed amounts

APPENDIX B (continued)

CREDITORS LIST FOR THE ESTIMATED FINANCIAL POSITION

Name	Address --						Per Statement of affairs	Creditors Claim
DataSIM Limited	2 Lansdowne Crescent	Bournemouth	Dorset		BH1 1SA		3,191.67	-
East Midlands Central Station Limited	Waterside House	Tissington Close	Chilwell		Nottingham	NG9 6QG	204.00	-
Equifax Limited	Augustus House	3 New Augustus Street	Bradford		West Yorkshire	BD1 5LL	90.00	-
Franco Vago (UK) Limited	Railstore Int Freight Terminal	Childerditch Lane	West Horndon, Brentwood		Essex	CM13 3ED	432.00	-
HM Revenue & Customs (VAT)	Informal Insolvency Liverpool	1st Floor	Queens Dock		Liverpool	L74 4AG	243.05	243.05
HM Revenue and Customs (PAYE)	Durrington Bridge House	Barrington Road	Worthing		BN12 4SE		12,704.45	-
Marsh Limited	UK Retail, 39 Kings Hill Avenue	Cash Control GRO 2E	Grove House		Newland Street	Witham CM8 2UP	4,711.52	-
Neil McArthur							1,803,393.00	-
OpenMarket Limited	15th Floor	389 Chiswick High Road	London		W4 4AL		2,136.99	-
Preferential Creditors							1,000.00	-
Premium Credit Ltd	PO Box 350	Epsom	KT17 1WP				-	4,536.37
Regus	c/o Christine Day	268 Bath Road	Slough		SL1 4DX		9,732.37	-
Sage (UK) Limited	North Park	Newcastle Upon Tyne	NE13 9AA				1,536.48	-
Secun-Guard Limited	Dark Lake View	Estover	Plymouth		Devon	PL6 7TL	2,469.00	5,018.40
Securitas Security Services Limited	22 Simpson Road	Fenny Stratford	Milton Keynes		MK2 2DD		4.32	-
Suzy Lamplugh Trust	National Centre for Personal Safety	218 Strand	London		WC2R 1AT		600.00	-

Geonovo Limited - In Administration

Talk Talk Business	PO Box 136	Birchwood	Warrington	WA3 7WJ	117 40	-
Telefónica O2 UK Limited					44 82	-
T-Mobile					69 90	-
TNT UK Limited	P O Box 4	Ransbottom	Bury	BL8 9AR	125 66	-
Total					1,842,806 63	9,797 82

NOTE: Neil McArthur holds security by way of debenture incorporating a fixed and floating charge over the Company's assets which was created on 17 September 2010

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS FROM
24 JANUARY 2014 TO 05 MARCH 2014

	Statement of Affairs £	Received to date £
RECEIPTS		
Intellectual Property Rights	38,000	38,000 00
Cash at Bank	16,406	-
Customer Database	9,999	9,999 00
Contracts	1	1 00
Equipment	10,000	10,000 00
Stock	n/k	-
Software and IP Licence	1	-
R&D Tax Credit	28,988	-
Pre-Appointment VAT Refund	n/k	-
Book Debts	n/k	-
Office Furniture and Equipment	1,500	1,500 00
Employee Loan Account	3,250	250 00
Provision of Employee Services	-	12,000 00
	<u>108,145</u>	<u>71,750 00</u>
PAYMENTS		
Bank Interest and Charges		(40 00)
Employee Wages		<u>(9,531 12)</u>
		<u>(9,571 12)</u>
DISTRIBUTIONS		
Neil McArthur		(1,800 00)
BALANCE IN HAND		<u>60,378.88</u>

**INFORMATION IN RELATION TO THE PRE-PACKAGED SALE
OF THE BUSINESS AND ASSETS IN ACCORDANCE WITH
THE PROVISIONS OF STATEMENT OF INSOLVENCY PRACTICE 16**

1 INITIAL INTRODUCTION

1.1 Leonard Curtis were approached directly by the Board of Directors on 13 December 2013

1.2 We do not believe that there are any significant personal or professional relationships between the Company or its directors and Leonard Curtis, and we confirm that we carried out the appropriate conflict review prior to accepting the appointment

2 PRE-APPOINTMENT CONSIDERATIONS

2.1 The extent of the Administrators' involvement prior to the appointment

Following our engagement, we wrote to the directors of the Company informing them that our role before any formal appointment would involve providing the following services

- i) advising them on which insolvency process would be most appropriate for the Company,
- ii) dealing with all formalities relating to the appointment of Administrators including giving appropriate notification of the intention to make such appointment to secured creditors and other parties entitled to receive notice,
- iii) preparing any report(s) necessary and attending Court hearings if appropriate,
- iv) advising them on the financial control and supervision of the business between the date of our engagement and the date of the appointment of Administrators,
- v) advising them on whether an early sale of the Company's business and trading assets would be likely to be in the interests of creditors

We made it clear that these services were to be given for the benefit of the creditors of the Company and that our role was not to advise the directors in their personal capacity. We recommended that they seek their own independent advice if they were uncertain on any matter, particularly if they had expressed, or were likely to express, an interest in purchasing the Company's business and trading assets

2.2 The Company was incorporated in September 2010 and began trading following the purchase of the business and assets of Romad Ltd – In Administration ("Romad"). The previous insolvency was administered by Baker Tilly. The directors since incorporation have been Mr Lawne George, Mr Peter Lusty, Mr David Mason and Mr William Moore. The majority shareholder is Mr Neil McArthur who holds 96.2% of the shares.

Romad focused on the research and development (and limited commercial launch) of a mobile tracking and assistance unit, for use by lone workers. It is understood that Mr Neil McArthur had been a major investor in Romad and when the shareholders rejected requests for further investment, the Company purchased the business and assets of Romad.

The Company has been funded by way of loans from Mr Neil McArthur, totalling c£1.8m, who holds security by way of a mortgage debenture, incorporating a fixed and floating charge, over the Company assets and created on 17 September 2010

The Company has made significant losses since incorporation. In the period from commencement of trading to 30 September 2011, accounts detail a loss of £782,000. In the year ended 30 September 2012, accounts detail turnover of £332,000, and a loss of £577,000 was recorded. In the year ended 30 September 2013, accounts detail turnover of £318,000 and a loss of £403,000 was recorded.

The Company, has throughout its history, continued to develop its product offering although it has yet to successfully launch any product or services on a large scale basis.

The Company had initially focused on developing a mobile unit which provided GPS and SOS messaging services between an employee and employer. Typically, this was used by staff who worked remotely from their employers premises. The product was valued by organisations which needed to establish (and prove) the location of their staff for both financial and health and safety requirements. The units also provided an emergency messaging/location service in the event the employee was in distress.

The market was considered extremely niche and with several alternatives and competitors. The Company both manufactures (using a South Korean based fabricator) and sells/maintains the unit, and provides the monitoring services. The Company is understood to have c60 clients with a total of 1,000 "end users".

Whilst the Company has offered this product and service throughout its history, the board of Directors advise that they had, at an early stage, concluded this business was not sufficiently scalable to create a sustainable business. However, they believed this trading provided them with a commercial platform and credibility for other "spin off" services.

Since incorporation, the board of directors has endeavoured to broaden the offering to encompass the more lucrative and wider market covering elderly and personal care.

The Company sought several joint venture partners to enter the "telecare" sector. A project was proposed and developed with Tunstall to provide Local Authorities with a reliable method of monitoring and offering emergency call services to elderly and vulnerable individuals in their care.

Again, whilst there are known to be several alternative products, the Directors considered the product and service (which used digital technology as opposed to competitors analogue services) to be superior and hence commercially viable. Whilst the facility had an extremely broad range of additional features these were proving costly to develop and implement and were not proving to have any commercial appeal to the prospective purchaser.

The Company has also developed a mobile/tablet application with a major telecommunications provider. Whilst the product has received acclaim from the potential commercial partner, the product has proved costly to develop, launch and operate. It has been estimated that it may take a further £1m of investment to bring the service to a standard capable of commercial launch.

As a consequence a decision was taken to market the business for sale and a sales memorandum was prepared by the Board and circulated to all known competitors and other candidates in the sector. Whilst interest was shown in the business no offers were made. It should be noted that Mr Neil McArthur was prepared to write off his investment to achieve a solvent sale.

The Board of Directors subsequently sought advice from Leonard Curtis in relation to the options available to the Company to best protect the value of the business of the Company.

The advice resulted in the Directors concluding that the Company was insolvent as it is unable to pay its debts as and when they fell due and that immediate steps should be taken to protect the creditors' position

However, it was concluded that a further marketing campaign should be undertaken and an offer was received to purchase the business on a solvent basis although this was subsequently withdrawn

The Company's financial position and options available were discussed further and it was concluded that administration was the most suitable insolvency procedure for the Company as it would allow the business to be preserved whilst the possibility of selling the business as a going concern was explored. It was however recognised that a quick sale, without the need for ongoing trading whilst in administration, would be preferable to allow maximum value to be realised from the Company's debtor ledger, physical assets and intangible assets as well as reducing the professional costs of the Administration. It was the opinion of the proposed administrators that any period of trading whilst in administration would be loss making, as it had been in the recent past and such losses would impact on the extent of any return to creditors.

As a result, Kevin Murphy and Andrew Poxon of Leonard Curtis were instructed to arrange for valuations of the Company's assets to be undertaken and to consider an appropriate realisation strategy. It was acknowledged by the directors that the intention was for the proposed Administrators (K Murphy and A Poxon) to identify a purchaser for the business and then finalise a sale as soon as possible following their Appointment as Joint Administrators.

During the period, a further offer was received for certain assets of the business from two independent parties and following due diligence asset sales contracts were negotiated.

A Notice of Intention to appoint A Poxon and I of this office as Joint Administrators of the Company was subsequently given by the directors and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 22 January 2014. The Notice was subsequently served on the Company, and Mr Neil McArthur, as holder of a qualifying floating charge, pursuant to Rule 2.20 of The Insolvency Rules 1986.

Following the receipt of the consent of Mr Neil McArthur, the qualifying floating charge holder, to the appointment, a Notice appointing A Poxon and I of this office as Joint Administrators of the Company was given by the directors, and filed in the High Court of Justice, Chancery Division, Manchester District Registry on 24 January 2014.

My colleague, A Poxon and I are licensed by the Institute of Chartered Accountants in England and Wales. In accordance with paragraph 100(2) of the Insolvency Schedule B1 to the Act, the function of the Joint Administrators may be exercised by either or both, acting jointly or alone.

2.3 Alternative courses of action considered by the Administrator

The following courses of alternative action were considered with management prior to our appointment and the pre-packaged sale.

Distressed sale of the business and assets as a going concern by management

This course of action was originally considered and management approached a number of potentially interested parties with a view to the purchase of the business however the only offer received from a private equity house was subsequently withdrawn.

Company Voluntary Arrangement ('CVA')

The directors could have put a proposal to the Company's creditors for the implementation of a CVA. However, the board of Directors had no desire to remain involved for the period of a CVA and the Company had no further source of funding after January/February 2014.

Liquidation

The directors could have placed the Company into voluntary liquidation which would have resulted in the closure of the business and realisation of the assets on a piecemeal basis. This would have resulted in reduced asset realisations, particularly with regard to the physical assets, debtor ledger and the intangible assets. Placing the Company into liquidation would have resulted in a worse overall position for creditors.

Administration

It was considered that administration would best prevent enforcement action being commenced against the Company. Furthermore, administration would allow a sale or sales of the assets to be negotiated and concluded which would result in improved realisations, particularly in respect of the physical assets, debtor ledger and the intangible assets.

It was not considered appropriate for the Administrators to trade the business whilst marketing the business as this would result in significant costs of trading and any losses incurred would have an adverse impact on the position of creditors.

A pre-packaged sale or sales was considered necessary to allow the following:

- Maximise asset realisations – the pre-packaged sales have allowed for minimal disruption in trading which should result in enhanced debtor collections than if the Company had ceased to trade. This is due to minimising any counter claims as Rocksure is able to continue any customer contracts. In addition, enhanced realisations for the Company's equipment and stock have been achieved, as compared to ex-situ realisations most likely achievable on a cessation of trade, and
- Preservation of intangible assets – the pre-packaged sales have allowed for sales of the intellectual property rights, customer database and contracts, in excess of an independent valuation, which may not have been available if the Company had ceased to trade. It was critical in maximising realisations from the intangible assets, that there was minimal disruption to trading. Trading the business during administration would not have guaranteed an improved offer, and may, conversely, have devalued the goodwill.

2.4 Whether efforts were made to consult with major creditors and the outcome of any consultations

Given the commercially sensitive nature of the business, it was not appropriate that the proposed sale be discussed with general trade creditors. The proposed administrators did discuss the position with the secured creditor (who is also the single largest creditor) and explained the considerations taken into account when considering the insolvency options.

2.5 Why it was not appropriate to trade the business, and offer it for sale as a going concern, during the Administration

Trading whilst in administration was not viable for the following reasons:

- The costs of trading the Company would be high and any losses associated with trading would have had a significant adverse impact on the position of creditors,

- Trading the business would not have guaranteed an improved offer for the purchase of the assets, and may, conversely, have devalued the realisable value of the goodwill and the realisable value of the book debts,
- The Company has no formal order book or visibility of future demand. Whilst the Company has c60 recurring clients on contract, they were served notice on 15 January 2014 that the business would be ceasing to trade on 31 January 2014, and that they should find alternative providers for the devices. Due to the nature of the product/service, it was possible that they had already sourced alternative supply prior to the sale being concluded,
- As the customers had been served notice, there was insufficient time to conduct a marketing process in Administration although the market had been fully explored prior to administration,
- Trading the business would have resulted in increased professional costs in addition to overheads associated with trading. These costs would be paid as an expense of the administration. The proposed administrators did not consider that trading the Company would result in an increase in realisations sufficient to outweigh the costs associated with trading. It was considered that trading the in administration Company would result in less funds being available to creditors, and
- The Company has failed to report a net profit over the past 3 years of trading and management accounts to the year ended 30 September 2013 showed that losses of £403,000 had been incurred therefore it was not considered that there would be any real interest. The Company had accumulated losses since trading commenced of c£1.8m

2.6 Details of requests made to potential funders to fund working capital requirements

The business has historically been loss making and the funder advised that he was not willing to provide further funding from January/February 2014.

2.7 Details of registered charges and dates of creation

According to Companies House, the following charges are registered against the Company

Date of creation	Chargee	Type of charge	Amount secured and charged	assets
17/09/2010	Neil McArthur	Mortgage Debenture	All Monies and All assets	

2.8 Details of any acquisition of business assets from an insolvency practitioner

We can confirm that the business, or business assets, of the Company were not acquired from an insolvency practitioner within the 24 months prior to our appointment.

3 MARKETING OF THE BUSINESS AND ASSETS

The Directors had undertaken a marketing campaign in late 2013 with competitors and interested parties to try to secure an investor, or a buyer of the business and assets, but there was no real interest in the business as a going concern.

In addition, the Proposed Administrators conducted a further marketing exercise, with over 2,000 potential acquirers circulated with the sale particulars in respect of the opportunity on a discrete basis on 3 January 2014. Those contacted were a mixture of accountants, solicitors, banks, private equity houses, trade and individual investors. A deadline for offers of 5pm on 8 January 2014 was given.

Six expressions of interest were received. All interested parties were required to sign a non-disclosure agreement prior to being issued with additional information in respect of the Company. Non-disclosure agreements were received from four parties. One meeting was arranged between the Company and an interested party and an offer was received although subsequently withdrawn following due diligence.

Tunstall informed management that they were interested in acquiring the Intellectual Property only. Tunstall offered a sum of £38,000 plus VAT for the Intellectual Property Rights to management.

At this time, no interest had been received in relation to the customer list. The customers were then given notice on 15 January 2014, that the business would be ceasing to trade on 31 January 2014, and that they should find alternative providers for the devices. As a result, some or all of the customers may have already found alternative providers at the date of administration.

Following the sending of the notice, a further interested party, Rocksure, came to management's attention and expressed an interest in acquiring the customer database, contracts and equipment. Rocksure offered a sum of £20,000 plus VAT plus additional consideration, based on certain scenarios being achieved given the uncertainty with the customers and whether they had sourced alternative suppliers.

A number of benefits of the pre-packaged sales were identified by the proposed Administrators:

- Certainty in terms of outcome, in excess of independent valuations,
- Continuity of trade and existing relationships with the customers would minimise the level of claims against the Company which should result in enhanced realisations in respect of the Company's debtor book and goodwill, and
- there would be no need for ongoing trading in Administration the costs of which could have been prohibitive, given the level of assets available to fund ongoing trading losses, and the professional costs associated with trading.

4 VALUATION OF THE BUSINESS AND ASSETS

4.1 Details of valuers/advisors

Cerberus Asset Management ("Cerberus Asset")

Cerberus Asset, Asset Valuers and Auctioneers, prepared a valuation report and recommendation in respect of the physical assets of the Company. The Company's physical assets included stock and equipment.

Summerlin Corporate Finance ("Summerlin")

Summerlin, Business Valuation Experts, prepared a valuation report and recommendation in respect of the Company's intangible assets.

All valuers have confirmed their independence.

4.2 The valuations obtained of the business or the underlying assets

Category of asset	Note	Book value £	High value £	Low value £	Value achieved £
Fixed charge assets					
Intellectual Property Rights	1	230,000	5,000	Nil	38,000
Floating charge assets					
Customer Database	1	58,000	5,000	Nil	9,999
Contracts	1	-	-	-	1
Equipment	2	2,824	10,000	3,500	10,000
Stock	3	189,161	42,000	20,000	n/k
TOTAL		479,985	62,000	23,500	58,000

4.3 A summary of the basis of valuation adopted and an explanation of the sale of the assets compared to those valuations

1. Intellectual Property Rights, Customer Database and Contracts ("Intangible Assets")

Summerlin provided a valuation report in respect of the intangible assets with the following being considered

- Discussions with management,
- Market information (being market research on competitors and the sector, which is available and in the public domain), and
- Financial information received from management

Summerlin estimated that the value of the intangible assets was between nil and £10,000. An offer of £38,000 plus VAT was received from Tunstall for the Intellectual Property Rights, an offer of £9,999 plus VAT was received from Rocksurre for the Customer Database and £1 plus VAT was received from Rocksurre for the Contracts. Additional Consideration, detailed below, is also due from Rocksurre which has not been quantified at this time. Summerlin recommended that these offers be accepted.

2. Equipment

Cerberus Asset provided a valuation of the equipment held by the Company in a range of £3,500 to £10,000. An offer of £10,000 was received from Rocksurre for the equipment and Cerberus Asset recommended that this offer be accepted.

3. Stock

Cerberus Asset provided a valuation of the stock held by the Company in a range of £20,000 to £42,000. Rocksurre requested a 12 month option to have the ability to purchase the stock if there is customer demand and offered £40 plus VAT per unit of stock for the sale of the first 1000 units and £30 plus VAT for any further unit of stock to be purchased. It is understood that there are c 4,200 units in stock. Cerberus Asset recommended that this option is granted. Creditors will be notified of realisations in future reports. Any stock not purchased under the option is expected to be auctioned at the appropriate time.

4.4 If no valuation has been obtained, the reason for not having done so and how the administrator was satisfied as to the value of the assets.

Valuations were obtained for all assets included in the sale.

5 THE TRANSACTIONS

Rocksure

A sale of certain assets of the Company was completed on 24 January 2014, immediately following the appointment of the Joint Administrators to Rocksure Systems Ltd (CRN 05292192)

The assets sold to Rocksure are summarised below

Category of asset	Value achieved £
Customer Database	9,999 plus VAT
Contracts	1 plus VAT
Equipment	10,000 plus VAT
Total	<u>20,000 plus VAT</u>

These funds ("Cash Consideration") were paid on completion and are currently being held by our Solicitor. The Administrators have also granted Rocksure a Software and IP Licence for the sum of £1

Further consideration is due to be paid which has not been quantified at this time. The purchaser is further required to pay the following sums:

- 25% of all cash receipts due in respect of the Customer Contracts from the date of the Agreement until 31 January 2015, plus VAT,
- 10% of all Contracted Revenue generated in relation to Re-Signed Contracts until 31 January 2015, plus VAT, and
- £40 plus VAT per unit of stock for the sale of the first 1000 units and £30 plus VAT for any further unit of stock to be purchased

The additional consideration is calculated on a monthly basis and is payable by 30th day of each calendar month. Rocksure shall lodge the sum of £40,000 in a Joint Bank Account by two instalments of £20,000 to be paid on or before 1 March 2014 and 1 May 2014.

Tunstall

An assignment of certain assets of the Company was completed on 29 January 2014, following the appointment of the Joint Administrators on 24 January 2014 to Tunstall Healthcare (UK) Limited (CRN 01332249).

The assets assigned to Tunstall are summarised below

Category of asset	Value achieved £
Intellectual Property Rights	38,000 plus VAT
Total	<u>38,000 plus VAT</u>

These funds were paid on completion and are currently being held by our Solicitor.

Please note that the debtors and cash at bank are excluded from both the sales and will be collected by the Administrators.

There is no connection between the directors and the purchasers of the assets.

The Sales are not part of a wider transaction and no further clauses are included as part of the agreements.

6 STATUTORY PURPOSE OF ADMINISTRATION

6.1 The Joint Administrators must perform their functions with the objective of

- (a) Rescuing the Company as a going concern, or (if this cannot be achieved)
- (b) 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 (if (a) and (b) cannot be achieved)
- (c) Realising property in order to make a distribution to one or more secured or preferential creditors

6.2 As mentioned previously, we are obliged to perform our functions in the interests of the Company's creditors as a whole and, where the objective of the Administration is to realise property in order to make a distribution to secured or preferential creditors, we have a duty not to unnecessarily harm the interests of the creditors as a whole

6.3 In the opinion of the Joint Administrators, objective (c) will be achieved as the secured creditor will receive part payment under his fixed charge. It is also anticipated that any preferential creditors may be repaid in full. It is not considered that objective (a) will be achieved given the level of historic debts. It is not yet certain whether objective (b) can be achieved, as it is dependent on the level of additional consideration and stock realisations in due course, and the costs of the administration.

6.4 We confirm that, in our opinion, the transaction will enable the statutory purpose to be achieved and that the sale price achieved was the best reasonably obtainable in all the circumstances.

APPENDIX E

ANALYSIS OF JOINT ADMINISTRATORS' PRE-APPOINTMENT COSTS

	Director		Manager 2		Administrator 1		Total		Average Hourly Rate
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Financial assessment	14	630.00	-	-	-	-	14	630.00	450.00
Strategy & purpose evaluation	107	4,815.00	10	320.00	-	-	117	5,135.00	438.89
Preparation of documents	8	360.00	-	-	50	1,300.00	58	1,660.00	286.21
Total	129	5,805.00	10	320.00	50	1,300.00	189	7,425.00	
Average Hourly Rate (£)		450.00		320.00		260.00		392.86	
All Units are 6 minutes									

APPENDIX E (CONTINUED)

DETAILED ANALYSIS OF PRE-APPOINTMENT COSTS

1. Financial Assessment

Time was spent reviewing the Company's assets and liabilities and ensuring an administration purpose could be achieved

2. Strategy & Purpose Evaluation

This involved discussions and meetings with the directors, secured creditor and our agents to ensure that at least one of the three statutory purposes could be achieved. Time was also spent negotiating sales of the assets

3 Preparation of Documents

This involved reviewing the sale agreements provided by our solicitor, reviewing and signing of specific court documents in order to appoint Administrators and any other relevant documentation. This also included setting up the case file and ensuring statutory requirements were met

APPENDIX F

SUMMARY OF JOINT ADMINISTRATORS TIME COSTS FROM 24 JANUARY 2014 TO 31 JANUARY 2014

	Director		Administrator 1		Total		Average Hourly Rate
	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	5	225.00	-	-	5	225.00	450.00
Receipts & Payments	-	-	13	338.00	13	338.00	260.00
Insurance	-	-	4	104.00	4	104.00	260.00
Assets	174	7,830.00	62	1,612.00	236	9,442.00	400.08
Liabilities	-	-	75	1,950.00	75	1,950.00	260.00
General Administration	-	-	45	1,170.00	45	1,170.00	260.00
Appointment	10	450.00	45	1,170.00	55	1,620.00	294.55
Total	189	8,505.00	244	6,344.00	433	14,849.00	
Average Hourly Rate (£)		450.00		260.00		342.93	
All Units are 6 minutes							

DETAILED ANALYSIS OF TIME SPENT

1. Statutory & Review

This involved a review of the case file to ensure all matters were being progressed and statutory requirements were met

2. Receipts and Payments

This involved dealing with all transactions during the administration. Regular outcome statements were also prepared

3 Insurance

This involved arranging the relevant insurances required for the physical assets

4. Assets

This involved spending time completing sales of the assets and liaising with the purchaser with regards to the deferred consideration. This also involved discussions with the secured creditor and the purchaser in relation to the book debt collection exercise

5. Liabilities

A portion of time was spent dealing with general queries from trade creditors and employees by post, telephone and email. Time was also spent preparing and reviewing the initial letter to creditors pursuant to Statement of Insolvency Practice 16, which was sent to all creditors

6. General Administration

This includes setting up the case file and engaging in general correspondence

7. Appointment

This involved notifying creditors and all relevant parties of our appointment as administrators including complying with statutory requirements

LEONARD CURTIS CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant to creditors

Staff Allocation and Support Staff

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution of the secured creditors, a creditors' committee or creditors generally, that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below.

With effect from 6 January 2014 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

	Standard £
Director	450
Senior Manager	410
Manager 1	365
Manager 2	320
Administrator 1	260
Administrator 2	230
Administrator 3	210
Administrator 4	150
Support	0

Subcontractors

Details and the cost of any work which has been or is intended to be sub-contracted out that could otherwise be carried out by the office holders or their staff will be provided in any report which incorporates a request for approval of the basis upon which remuneration may be charged.

Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements. The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

- a) Category 1 disbursements. These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) Category 2 disbursements. These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£66.09 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.

STATEMENT OF CLAIM FORM

Date of administration order: 24 January 2014

Name of creditor. _____

Address of creditor: _____

Gross amount of claim:
(ie including VAT) _____

Amount of VAT _____

Details of any document by
reference to which the debt can be
substantiated.
(eg invoices) _____

Particulars of how and when debt
incurred: _____

Particulars of any security held, the
value of the security and the date it
was given: _____

Signature of creditor or person
authorised to act on his behalf _____

Name in BLOCK CAPITALS: _____

Position with or relation to creditor. _____