

## Administrator's progress report

Name of Company CMO Software Limited	Company number 08723448
In the High Court of Justice, Chancery Division, Companies Court	Court case number 3364 of 2016

C M Williamson  
AlixPartners  
The Zenith Building  
26 Spring Gardens  
Manchester  
M2 1AB

11 January 2017

# Administrators' Progress Report for the period 21 June 2016 to 20 December 2016

CMO Bidco Limited,  
CMO Global Limited and  
CMO Software Limited  
All in Administration

10 January 2017

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## 1. Why this report has been prepared

- 1.1 As you will be aware Peter Saville, Kevin Coates and Catherine Williamson (the **Administrators**) were appointed on 21 June 2016.
- 1.2 In accordance with UK Insolvency legislation, an administrator is required to provide a progress report covering the period of six months commencing on the date on which a company entered into administration and every subsequent period of six months. This progress report covers the period 21 June 2016 to 20 December 2016 (the **Period**) and should be read in conjunction with all previous reports.
- 1.3 This report has been prepared in accordance with rule 2.47 of the Insolvency Rules 1986.
- 1.4 The purpose of this report is to provide statutory and financial information about the Companies and to provide an update on the progress of the Administrations, including details of assets realised during the Period, details regarding the Administrators' fees and the expected outcome for each class of creditor.
- 1.5 As a reminder an administrator of a company must perform their functions with a view to achieving one of the following statutory objectives:  
  
Objective 1: rescuing a company as a going concern;  
  
Objective 2: achieving a better result for a company's creditors as a whole than would be likely if a company were wound up (without first being in administration); or  
  
Objective 3: realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.6 In these cases the Administrators pursued the second statutory objective. Further details on the actions taken to achieve that objective can be found in section 3 of this report.
- 1.7 Details of the Administrators' fees and disbursements incurred are detailed at Appendices C to D.
- 1.8 More information relating to the Administration process, Administrators' fees and creditors' rights can be found on AlixPartners' creditor portal (<http://www.alixpartnersinfoportal.com>). Log-in details to access this information can be found within the covering letter you have received.
- 1.9 If you require a hard copy of this report or have any queries in relation to the contents of this report or the Administration generally, please contact Oliver Gill on 0161 838 4541 by email at [creditorreports@alixpartners.com](mailto:creditorreports@alixpartners.com), or write to AlixPartners' office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB.

## 2. Summary of information for creditors

### Estimated dividend for creditors

Description	Estimated debt £	Likely level of return £ or pence/£
Secured creditor	25 22 million	7 51 million
Unsecured creditors:		
Bidco	30.55 million	Nil
Global	4 65 million	3 pence in the pound
Software	29 50 million	Nil

### Notes:

#### Secured creditor

The estimated sum due to Inflexion Private Equity Partners LLP (**Inflexion**) has been taken from the demand letter served on the Companies dated 16 June 2016. Please note that this letter details a total debt of USD 36.98 million which has been converted at the exchange rate prevailing on the date of the appointment of the Administrators, in accordance with rule 2.86 of the Insolvency Rules 1986.

The secured debt is cross-guaranteed against all three of the Companies and the return noted above is the total estimated return from all three Administrations.

#### Unsecured creditors

The estimated debts have been taken from the directors' Statements of Affairs (**SoA**). It is anticipated that only Global will be in a position to make a distribution to its unsecured creditors and funds available for distribution and the dividend rate are stated before taking into account the estimated costs of making the distribution. Please note that the likely levels of returns are based upon estimates and are subject to change.

All unsecured creditors of Global are therefore invited to submit a claim using the Proof of Debt form available on the creditor portal, if they have not already done so. Claim forms should be returned to AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB. Please ensure sufficient documentary evidence to support the sum claimed is also provided.

In respect of unsecured creditors, UK insolvency legislation stipulates that creditors of the same class should be treated equally. Hence the funds available for distribution are split on a pro-rata basis amongst all creditors of each class, regardless of the size of their claims.

For further information please refer to section 5 of this report.

### 3. Progress of the Administrations

#### Objective

- 3.1 As detailed in section 1.6, the Administrators have pursued the second statutory objective. This has been achieved following the pre-packaged sale of the Companies' business and assets which completed on 21 June 2016, immediately after the Administrators' appointments. The sale enabled enhanced asset realisations to be achieved compared to an asset only sale and also resulted in all employees of Global transferring to the purchaser via the Transfer of Undertakings (Protection of Employment) Regulations 2006. This reduced the level of claims that would have otherwise been made by employees, had they been made redundant.
- 3.2 Full details of the pre-packaged sale were provided in the Administrators' Disclosure Report pursuant to Statement of Insolvency Practice 16 (the **Disclosure Report**) which is available on AlixPartners' creditor portal. This report will therefore only provide a summary of the sale and an update on other asset realisations achieved during the Period.
- 3.3 In addition to their statutory objective, the Administrators have duties imposed by insolvency and other legislation and their regulating professional bodies. The Administrators have set out information in respect of the progress of these duties in addition to that of the realisation of assets and distribution of available funds. The detail provided is intended to provide users of this report with information to allow them to understand how the Administrators' fees and expenses as set out in Appendices C and D have been incurred, as well as the sensitivities that might be applicable to the Administrators' anticipated fees and expenses over the remainder of the Administrations.

#### Realisation of assets

##### Sale of business and certain assets

- 3.4 A sale of the Companies' business and assets was completed on 21 June 2016 to Mitrates Holdings Inc and two of its 100% owned subsidiaries, Mitrates (UK) Limited and Mitrates Global Limited (together the **Purchaser**).

- 3.5 The Purchaser paid consideration of £7.68 million which has been allocated as follows.

Asset description	Bidco £	Global £	Software £
<b>Fixed charge assets</b>			
Intellectual property	4,716,226	1	2,947,141
Customer list	-	1	-
Goodwill	-	1	-
CMO US shares	-	-	1
Other shares	-	-	1
<b>Floating charge assets</b>			
Office equipment	4,676	10,172	-
Furniture and fittings	3,541		-
Book debts	-	1	-
<b>Total</b>	<b>4,724,443</b>	<b>10,176</b>	<b>2,947,143</b>

#### Retention accounts

- 3.6 As a reminder, in addition to the above consideration, additional funds totalling USD 566,486 were placed in a retention account to be paid subject to the following conditions.
- **Tax retention:** an amount of USD 350,000 is being held in relation to specific tax liabilities that may crystallise in the 12 month period post completion of the pre-packaged sale. If the Purchaser receives a tax assessment in respect of these specific tax liabilities in this period, an amount equal to the amount due under the tax assessment will be paid from the retention account to the Purchaser to settle the tax liability. Any balance held in the tax retention account at the end of the 12 month period post completion will be paid to Global and Software only. As this amount or any part thereof is not yet available to these entities, it is not reflected on the Receipts and Payments Accounts at Appendix B.
  - **Employee bonus retention:** an amount of USD 216,486 was held in relation to accrued but unpaid employee bonuses as at the date of completion. In accordance with the terms agreed between the Administrators and the Purchaser, these monies were released to Global and converted to sterling £147,579. The monies were subsequently paid to the relevant employees and no further action is required.

#### Cash at bank

- 3.7 Funds totalling £859,355 have been transferred from the Companies' pre-appointment bank accounts to the Administration accounts. A breakdown of the sum received by each company is provided below.

	Bidco £	Global £	Software £
Balance received	22,336	813,818	23,201

### Sundry realisations

- 3 8 The sum of £10,073 has been received by Global from A&W Food Services of Canada (**A&W**), however, no remittance advice has been provided to date. If this sum relates to a book debt it will be transferred to the Purchaser, in accordance with the terms of the sales agreement. The Administrators are seeking confirmation from A&W as to what this sum relates to, and a further update will be provided in the next report
- 3 9 Bank interest totalling £27 has also been received by Global.
- 3.10 A final payroll totalling £255,460 was processed through Global's payroll system shortly after the appointment. The purchaser provided funding for this, however, there is a shortfall of £88 due to exchange rate fluctuations.

### VAT refund

- 3.11 The final pre-appointment VAT return of Global detailed a repayment due from HM Revenue & Customs (**HMRC**) totalling £134,053. This was repaid in full on 22 December 2016; however, as this was after the end of the Period it is not reflected on the Receipts and Payments Account at Appendix B.

### Administration (including statutory reporting)

- 3.12 In addition to their duties relating to realising and distributing the assets of the Company, the Administrators must comply with certain statutory compliance matters in accordance with the Insolvency Act 1986. These include, notifying the stakeholders of the appointments, preparing bi-annual reports to creditors advising of the progress of the Administrations and liaising with employees. The Administrators are responsible for liaising with HMRC to determine the final position in respect of corporation tax, PAYE, VAT and other taxes that may be owed by or to the Companies, and for filing tax returns for the duration of the Administrations.
- 3.13 In order to ensure the matters of the Administrations are being progressed sufficiently, the Administrators have a duty to conduct periodic case reviews and complete case checklists. In addition, the Administrators' treasury function will also comply with cash accounting requirements including raising payments, processing journal vouchers and posting receipts, preparing bank reconciliations and statutory returns.
- 3 14 The time taken for statutory tasks is largely fixed, insofar as the cost of preparing a report to creditors or filing an annual return is similar for most cases, except where cases are very large or complex. Where the costs of statutory compliance and reporting to creditors exceeds the initial estimate, it will generally be because the duration of the cases has been longer than expected, due to for example protracted realisation of assets, and therefore additional periodic reports have had to be prepared and distributed to stakeholders.



CMO Bidco Limited (**Bidco**), CMO Global Limited (**Global**) and CMO Software Limited (**Software**)  
All in Administration (the **Companies**)

### **Creditors (claims and distribution)**

- 3.15 During the Period, time has been spent dealing with creditor correspondence and claims as well as reporting to the secured creditor.
- 3.16 There will be no funds available to the unsecured creditors of Bidco or Software.
- 3.17 There are sufficient funds to enable a dividend distribution to the creditors of Global and these creditors are therefore invited to submit their claims to the Administrators. Details of the procedure for doing this can be found in section 2, together with the estimated dividend rate.

CMO Bidco Limited (**Bidco**), CMO Global Limited (**Global**) and CMO Software Limited (**Software**)  
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## **4. Investigations**

- 4.1 The Administrators conducted investigations into the conduct of the directors and transactions entered into prior to the Companies' insolvency, as required by the Company Directors Disqualification Act 1986, and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administrations and Insolvent Liquidations. Based upon the outcome of the investigations, there were no matters identified that required further action.

## **5. Estimated outcome for creditors**

### **Secured creditor – Inflexion Private Equity Partners LLP**

- 5 1 The Companies granted fixed and floating charges to Inflexion on 23 October 2013. At the date of appointment Inflexion was owed £25.22 million (excluding interest and charges) under its security. To date, distributions totalling £6.36 million have been paid to Inflexion and it is estimated that the total return will be approximately £7.51 million. Inflexion will therefore suffer a shortfall on its lending.

### **Preferential creditors**

- 5 2 Bidco and Software had no employees therefore no preferential claims will arise. All employees of Global have transferred to the Purchaser and there will be no preferential claims against this company.

### **Unsecured Creditors' Fund**

- 5.3 Where there is a floating charge which was created on or after 15 September 2003, the Administrators are required to create a fund from the company's net property available for the benefit of unsecured creditors (**Unsecured Creditors' Fund**), commonly known as the 'Prescribed Part'.

#### **CMO Bidco Limited and CMO Software Limited**

- 5.4 Based on present information, the Administrators estimate the value of the net floating charge property for each company to be nil, the value of the Unsecured Creditors' Funds will therefore also be nil.

#### **CMO Global Limited**

- 5.5 Based on present information, the Administrators estimate the value of the net floating charge property for Global to be £756,000. Arising from this the value of the Unsecured Creditors' Fund is estimated to be £154,200.
- 5 6 Based on the SoA, unsecured creditors are estimated to be approximately £4 65 million, which would result in a dividend rate of three pence in the pound before costs of the distribution. This dividend rate is subject to change and will be confirmed once all claims have been agreed.

## **6. What happens next**

### **Creditors' rights**

- 6.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the agreement of at least 5% of the value of the unsecured creditors) may request in writing that the Administrators provide further information about their fees or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 6.2 Any secured creditor, or an unsecured creditor (with the agreement of at least 10% of the value of unsecured creditors) may, within eight weeks of receipt of this report, make an application to court on the grounds that the basis fixed for the Administrators' fees is inappropriate, or that the fees charged or the expenses incurred by the Administrators during the period of this report are excessive

### **Extension and next report**

#### **Global and Software**

- 6.3 As the tax retention monies detailed in section 3.6 will not be released before 20 June 2017, being the expiration date of the Administration Orders, the Administrators are required to extend the Administrations of Global and Software.
- 6.4 This report has therefore been prepared for creditors in support of the request to extend these Administrations by 12 months; however, please note that it is anticipated that the Administrations will come to an end earlier than this. In the event that the request to extend the Administrations is approved, a further report will be circulated to all creditors within one month of the next six month period ended 20 June 2017, or sooner if the Administrations have been finalised.

#### **Bidco**

- 6.5 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administration, or earlier if the Administration has been finalised.
- 6.6 There are a small number of administrative matters to complete in the Administration, following which the Administrators will proceed to move the case to closure.
- 6.7 For details of the proposed exit route please see Appendix E

For and on behalf of  
The Companies

  
**Peter Saville**  
Administrator  
Encs

## Appendix A. Statutory information

### Company information

Company name	CMO Bidco Limited	CMO Global Limited	CMO Software Limited
Trading name	CMO Bidco Limited	CMO Global Limited	CMO Software Limited
Registered number	08706299	04335488	08723448
Court details	High Court of Justice, Chancery Division, Companies Court, The Strand, London		
Court reference	3362 of 2016	3361 of 2016	3364 of 2016
Registered office	The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB		
Former registered office	Level 25 Mill Bank Tower, 21-24 Millbank, London, SW1P 4QP		
Trading address	Level 25 Mill Bank Tower, 21-24 Millbank, London, SW1P 4QP		

### Appointor's information

Name	Address	Position
Jon Andrew		
James Darragh	c/o The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	Directors
Remi Jean-Luc Gerard		
Stephen Humphris		

### Administrators' information

Name	Address	IP number	Name of authorising body
Peter Mark Saville	c/o AlixPartners, 6 New Street Square, London, EC4A 3BF	9029	Insolvency Practitioners Association
Kevin James Coates	c/o AlixPartners, 6 New Street Square, London, EC4A 3BF	9261	Insolvency Practitioners Association
Catherine Mary Williamson	c/o AlixPartners, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	15570	Insolvency Practitioners Association

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

### Extension of Administrations

A request to extend the Administrations of Global and Software for a period of 12 months will be made to the secured creditor. If approved, the Administrations will end on or before 20 June 2018.

## Appendix B. Receipts and Payments Accounts for the period 21 June 2016 to 20 December 2016

### CMO Bidco Limited

Statement of Affairs £		£
	<b>Fixed charge assets</b>	
	Receipts	
4,716,226	Intellectual property	4,716,226
		<b>4,716,226</b>
	Payments	
	Pre-appointment fees:	
	Administrators' fees	100,000
	Legal fees	246,168
	Legal disbursements	11,733
	Legal fees and disbursements	26,109
	Bank charges	43
		<b>(384,053)</b>
	Distributions	
	Fixed chargeholder	3,682,247
		<b>(3,682,247)</b>
	<b>Balance of fixed charge assets</b>	<b>649,926</b>
	<b>Floating charge assets</b>	
	Receipts	
30,072	Furniture and fittings	3,541
	Office equipment	4,676
22,248	Cash at bank	22,336
		<b>30,553</b>
	Payments	
	Legal fees and disbursements	2,011
	Bank charges	157
		<b>(2,168)</b>
	<b>Balance of floating charge assets</b>	<b>28,385</b>
	<b>Total balance</b>	<b>678,311</b>
	<b>Represented by</b>	
	Interest bearing accounts	601,914
	VAT receivable	76,397
		<b>678,311</b>

Note The above is subject to small rounding differences

## CMO Global Limited

Statement of Affairs £		£
<b>Fixed charge assets</b>		
Receipts		
1	Customer list	1
1	Intellectual property	1
1	Goodwill	1
		<b>3</b>
Payments		
		-
<b>Balance of fixed charge assets</b>		<b>3</b>
<b>Floating charge assets</b>		
Funding for employee bonus retention		147,579
Office equipment		10,172
1	Book debts	1
749,923	Cash at bank	813,818
Bank interest		27
Sundry realisations		10,073
Funds from the Purchaser for payroll		255,372
		<b>1,237,042</b>
Payments		
Employee bonus retention		147,579
Category 1 disbursements:		
	Statutory advertising	169
	Stationery and postage	272
Legal fees and disbursements		196
Payment on behalf of the Purchaser - payroll		255,460
Consultant fee		621
Bank charges		1,381
		<b>(405,678)</b>
Distributions		
Floating chargeholder		602,245
		<b>(602,245)</b>
<b>Balance of floating charge assets</b>		<b>229,119</b>
<b>Total balance</b>		<b>229,122</b>
<b>Represented by</b>		
Interest bearing accounts		229,122
		<b>229,122</b>

Note: The above is subject to small rounding differences.

CMO Bidco Limited (**Bidco**), CMO Global Limited (**Global**) and CMO Software Limited (**Software**)  
All in Administration (the **Companies**)

## CMO Software Limited

Statement of Affairs £	£
<b>Fixed charge assets</b>	
Receipts	
1 CMO US shares	1
1 Other shares	1
2,947,141 Intellectual property	2,947,141
	<b>2,947,143</b>
Payments	
Pre-appointment fees.	
Administrators' fees	50,000
Legal fees	153,832
Legal disbursements	7,330
Legal fees and disbursements	28,900
Bank charges	16
	<b>(240,078)</b>
Distributions	
Fixed chargeholder	2,076,439
	<b>(2,076,439)</b>
<b>Balance of fixed charge assets</b>	<b>630,626</b>
<b>Floating charge assets</b>	
Receipts	
5,830 Cash at bank	23,201
	<b>23,201</b>
Payments	
Bank charges	138
	<b>(138)</b>
<b>Balance of floating charge assets</b>	<b>23,063</b>
<b>Total balance</b>	<b>653,689</b>
<b>Represented by</b>	
Interest bearing accounts	611,456
VAT receivable	42,233
	<b>653,689</b>

Note The above is subject to small rounding differences



## **Appendix C. Administrators' fees, pre-administration costs, disbursements and expenses**

### **Fees**

A copy of 'A Creditors' Guide to Administrations' can be downloaded from AlixPartners' creditor portal (<http://www.alixpartnersinfoportal.com>). If you would prefer this to be sent to you in hard copy please contact the Administrators and they will forward a copy to you.

Approval of the Administrators' fees has been sought in accordance with rule 2.106 of the Insolvency Rules 1986. On 15 July 2016 the secured creditor approved that the basis of the Administrators' fees be fixed as follows.

Company	Fixed fee £
Bidco	40,000
Global	70,000
Software	40,000

To date, no post appointment fees have been drawn on account.

### **Pre-administration costs**

The pre-administration costs were disclosed in the Administrators' statement of proposals dated 28 June 2016.

Pre-administration fees charged and expenses incurred by the Administrators are set out below and a breakdown of the payments is provided in the Receipts and Payments Accounts at Appendix B. Approval for the costs was received from the secured creditor on 15 July 2016 and no further amounts will be drawn.

Name of recipient	Brief description of services provided	Total amount approved £
The Administrators	Marketing of the company and sale negotiations with the Purchaser	150,000
Latham & Watkins LLP	Drafting the Sales and Purchase Agreement and providing legal advice to the Administrators	419,063

### **Administrators' disbursements**

Category 1 disbursements of £441 have been drawn on account from Global. Approval to draw category 2 disbursements has been given by the secured creditor, although none have been drawn to date.

### **Expenses**

All costs incurred in the Period have been paid.

## **Appendix D. Additional information in relation to the Administrators' fees**

### **Policy**

Detailed below is AlixPartners' policy in relation to:

- staff allocation and the use of sub-contractors;
- professional advisors; and
- disbursements.

### **Staff allocation and the use of sub-contractors**

The Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.

The case team will usually consist of a managing director, a vice president, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case.

With regard to support staff, time spent by treasury staff in relation to tasks such as recording transactions and dealing with bank accounts is charged but secretarial time is only recovered if a large block of time is incurred, eg report compilation and distribution.

The following services have been provided to Global by an external sub-contractor.

Service type	Service provider	Basis of fee arrangement	Cost to date £
Payroll processing and tax advice	Consultant – Ms Morina	Fixed fee	621

### **Professional advisors**

On these assignments the Administrators have used the professional advisor listed below. The Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis.

Name of professional advisor	Basis of fee arrangement
Latham & Watkins LLP (legal advice)	Hourly rate and disbursements

The Administrators' choice was based on their perception of the professional advisor's experience and ability to perform this type of work, the complexity and nature of the assignments and the basis of their fee arrangement with them.

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## Disbursements

Category 1 disbursements do not require approval by creditors. Category 1 disbursements may include external supplies of incidental services specifically identifiable to the case eg postage, case advertising, invoiced travel and external printing, room hire and document storage. Any properly reimbursed expenses incurred by the Administrators and their staff will also be chargeable.

Category 2 disbursements do require approval prior to being paid and will be drawn in accordance with the approval given, they may include.

- photocopying – charged at the rate of 10 pence per sheet for notifications and reports to creditors and other copying;
- printing – charged at the rate of 10 pence per sheet for black and white printing and 15 pence per sheet for colour; and
- business mileage for staff travel - charged at the rate of 45 pence per mile.

## **Appendix E. Extensions, exit route and discharge from liability**

### **Extensions (Global and Software only)**

The Administrations are due to end automatically on 20 June 2017, however, it will not be possible to conclude all outstanding matters in the Administrations prior to this date. The Administrators are therefore seeking the approval of the secured creditor for an extension to the Administration period of 12 months for each case in accordance with paragraph 76 of schedule B1 of the Insolvency Act 1986.

### **Dissolution of the Companies**

The Companies have no property to permit a distribution to their unsecured creditors, other than by way of the Unsecured Creditors' Fund in the case of Global only. The Administrators will therefore file a notice, together with their final progress report, at court and with the Registrar of Companies for dissolution of the Companies. The Administrators will send copies of these documents to the Companies and their creditors. The appointments will end following the registration of the notices by the Registrar of Companies.

### **Discharge from liability**

The secured creditor approved on 15 July 2016 that the Administrators will be discharged from liability under paragraph 98 of schedule B1 of the Insolvency Act 1986 directly after their appointments as Administrators cease to have effect.