

## The Insolvency Act 1986


**Administrator's progress report**

Name of Company <b>Sonex Communications Plc</b>	Company number <b>03156247</b>
In the <b>Birmingham District Registry</b> [full name of court]	Court case number <b>8458 of 2011</b>

(a) Insert full name(s) and address(es) of administrator(s) I/We (a) David Harry Gilbert and Andrew Howard Beckingham of BDO LLP, 55 Baker Street, London, W1U 7EU

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

(b) Insert date	From	to
	(b) 13 September 2011	(b) 12 March 2012

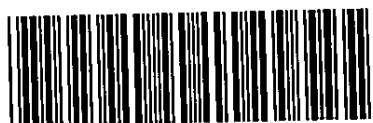
Signed   
Joint administrator(s)  
Dated 10 APRIL 2012

**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.

BDO LLP, 55 Baker Street, London	
W1U 7EU	
Our Ref 2/JBS/ADM934 Form 2/A6	Tel
DX Number	DX Exchange

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



A16 11/04/2012 #124  
COMPANIES HOUSE



Tel +44 (0)20 7486 5888  
Fax +44 (0)20 7935 3944  
DX 9025 West End W1  
www.bdo.co.uk

55 Baker Street  
London W1U 7EU

10 April 2012

Our Ref 2/JBS/ADM932  
Report/A6

Please ask for John Strowger  
Direct Line 020 7893 2945

Email [john.strowger@bdo.co.uk](mailto:john.strowger@bdo.co.uk)

## TO ALL KNOWN CREDITORS

Dear Sirs

### Sonex Communications Plc (the "Company") - In Administration

It is now six months since my appointment in respect of the Company. In accordance with Rule 2.47 of the Insolvency Rules 1986 I am writing to you with a report on the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration.

#### 1 Statutory Information

The Joint Administrators are David Harry Gilbert and Andrew Howard Beckingham of BDO LLP, 55 Baker Street, London, W1U 7EU and they were appointed in respect of the above company on 13 September 2011. Under the provisions of paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 the Administrators carry out their functions jointly and severally and neither Administrator has exclusive power to exercise any function.

The Joint Administrators were appointed by Sony Europe Limited ("Sony") being a Qualifying Floating Charge Holder, pursuant to Paragraph 14 of Schedule B1 of the Insolvency Act 1986. The Administration proceedings are dealt with in the Birmingham District Registry and the court case number is 8458 of 2011.

The Company's registered office is situated at 55 Baker Street, London, W1U 7EU and the registered number is 03156247.

#### 2 Receipts & Payments

I enclose a summary of my receipts and payments to date, showing a balance in hand of £411,310, together with a copy of my abstract account covering the last six month period.

I would comment specifically on the following matters:

##### 2.1 Administration Trading

###### 2.1.1 Initial Actions

Creditors will recall from my initial report that upon my appointment I undertook an immediate review of the Company's ongoing cash flow and resource requirements. This

2/JBS/ADM932 Report  
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review was conducted with the assistance of the Company's existing finance and operational management team.

Based upon my review and subsequent rent restructurings, Sony agreed to provide some support to enable the Company to trade in Administration, and allow me time to try to find buyers for the units

Accordingly, I was able to keep open the Company's fifteen *Sony Centre* stores, which were located in Brent Cross, Mayfair, Cribbs Causeway, Bluewater, High Wycombe, Milton Keynes, Oxford, Cabot Circus in Bristol, Solihull, Manchester's Arndale Centre, Warrington, Sheffield, Manchester's Trafford Centre and the Cheshire Oaks Designer Outlet

## **2.1.2 Trading during the Administration**

The Company traded in Administration until 8 January 2012. During this period, the Company's stores generated net revenues of £5,180,411.56. As at the time of writing, I have settled net trading costs of £4,658,143.42

Creditors should be aware that final invoices from Sony and certain utilities providers remain outstanding. However, Sony has agreed to cap the amount payable to it for stock supplied to the Company in Administration to an amount equal to the value of the surplus generated from trading in Administration, after all other costs have been paid

## **2.1.3 Leasehold assets**

I engaged the property agent, Braiser Freeth LLP ("BFL") to undertake a review and valuation of the Company's leasehold interests. This review confirmed that either, due to clauses limiting the ability of the Company to assign the stores, or the short periods remaining until the leases expire, the assets were of negligible value

Creditors may be aware that the directors placed a value of £100,000 on the lease of the Company's store in Mayfair. I am informed by BFL that the lease contained covenants that enabled the landlord to purchase the lease for £1 upon any assignment. As such, the lease holds no value

## **2.1.4 Transferred stores**

Following a marketing campaign, I am pleased to report that the Company's stores in Milton Keynes, Solihull and Cabot Circus have transferred to new operators.

I received a total of £16,320 in respect of premiums for the transferred leases. The lease premiums paid by the purchasers were either in line with or in excess of the valuations provided by BFL.

As explained in my last report, all Sony stock is subject to retention of title. Therefore, this stock could not be sold by the Company to the new operators. Instead, I received credit notes from Sony to the value of the stock transferred. Third party stock at the store in Solihull was sold to the new operator for £11,717.19

No purchasers for the remaining twelve stores were identified and these stores closed on or before 8 January 2012 and the leases offered to their respective landlords

### 2.1.5 Directors' Statement of Affairs

Creditors will note that the directors estimated the realisable value of the Company's fixed assets and leasehold property to be £3,975,000. In arriving at this valuation, the directors assumed a significant goodwill premium would be paid by a purchaser for the whole business. The Company was loss making overall, so this basis of valuation was not appropriate.

The directors also noted a tax refund due to the business. This asset was not recoverable because HM Revenue & Customs is entitled to offset any monies due to the Company against amounts that the Company owes to all Government departments at the time it entered Administration.

## 3 Costs in the Administration

In addition to the trading costs, discussed above, I provide a summary of the professional fees and other expenses which have been paid in the last period of this Administration, together with the costs that have accrued and not yet been paid.

### 3.1 Legal Costs

To date I have paid my retained legal adviser, Matthew, Arnold & Baldwin LLP ("MAB") £40,276. A further £14,000 has been accrued but not yet paid.

The costs incurred by MAB include drafting legal documents to facilitate the transfer of stores to new owners, together with attending to statutory matters arising after the Company entered Administration.

### 3.2 Agents' Fees

Upon my appointment, I engaged BFL to value the Company's store stores. BFL also provided ad hoc advice to support my negotiations with Landlords in respect of rent restructurings and transfers to new operators. I have paid BFL £12,000 under this engagement.

I paid a further £3,740.00 to Clear It Solutions Limited to empty the Company's stores upon vacation and prior to being surrendered to their respective landlords.

### 3.3 Storage Costs

I am required to retain and store the Company's records until 12 months after the dissolution of the Company. As at the time of this report, I have paid Total Data Management £2,278.04 in this regard.

## 4 Pre Appointment Costs

I can report that my pre appointment fees and costs of £23,528.15 were approved and have been drawn in full.

## **5 Future of the Administration**

Upon settlement of the remaining invoices from the Administration trading period, and subsequent finalisation of the trading accounts, the Company will move to Creditors' Voluntary Liquidation in order to distribute the Prescribed Part.

This is in line with my proposals, which were deemed accepted by creditors on 16 November 2011.

## **6 Prescribed Part**

Under Section 176A of the Insolvency Act 1986, where after 15 September 2003 a company has granted to a creditor a floating charge, a proportion of the net property of the company must be made available purely for the unsecured creditors. The provision will apply in this instance.

Based on present information the Joint Administrators estimate that after allowing for costs the value of the Company's net property, after payment of preferential claims, will be £456,205.60 and this means that the Prescribed Part should be £117,801.

## **7 Prospects for Creditors**

### **7.1 Secured Creditor**

At the date of the Administration, a debt of £1,781,842 was outstanding to Sony. This debt comprised a term loan to the Company of £1,500,000 with the remainder of the debt being made up of unpaid invoices for stock that was subject to Retention of Title, but had been sold prior to my appointment. This debt is secured by an all monies debenture, created on 23 December 2010.

To date, I have made distributions to Sony of £450,000 under its floating charge. I anticipate a further distribution of c£6,000 will be made under the debenture, leaving a shortfall to Sony under its security of c£1,325,842.

### **7.2 Preferential Creditors**

I have received and paid preferential claims against the Company of £44,059. These claims comprised arrears of wages and holiday pay.

### **7.3 Unsecured Creditors**

The directors' Statement of Affairs estimated the value of the Company's unsecured creditors to be £2,044,316. To date, I have received, but not yet adjudicated upon, unsecured claims against the Company of £1,646,528. Creditors should be advised that I am expecting, but have still to receive, claims from a majority of the Company's landlords.

As noted in paragraph 6, above, unsecured creditors will receive a dividend from the Prescribed Part, which I anticipate will be £117,801 before costs and relevant expenses. The Prescribed Part will be distributed after the Company has moved to Creditors' Voluntary Liquidation.

## **8 Joint Administrators' Remuneration**

The secured creditor has already approved the Joint Administrators' remuneration on a time costs basis and I have drawn £201,471.85 in this regard. The balance of my time costs will be written off.

Attached is a schedule which summarises the time costs drawn to date and indicates the work undertaken in that respect.

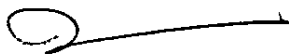
## **9 Disbursements**

Where disbursements are recovered in respect of precise sums expended to third parties there is no necessity for these costs to be authorised. These are known as category 1 disbursements. I therefore report that since my last report the sum of £3,856.46 has been drawn in respect of category 1 disbursements for statutory bonding, advertising and specific case administration.

Some Administrators recharge expenses for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of a each specific case. Such expenses, which are apportioned to cases, require the approval of the creditors, before they can be drawn, and these are known as category 2 disbursements. The policy of BDO LLP is not to charge any category 2 disbursements.

I provide at the end of this report an extract from the Insolvency Rules 1986 setting out the rights of creditors to request further information and/or challenge the remuneration or fees within the Administration.

Yours faithfully  
For and on behalf of  
Sonex Communications Plc



D H Gilbert  
Joint Administrator  
Authorised by the Insolvency Practitioners Association

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## **Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses:-**

### **Rule 2 48A Creditors' request for further information**

(1) If—

(a) within 21 days of receipt of a progress report under Rule 2 47—

(i) a secured creditor, or

(ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or

(b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor, makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)

(2) The administrator complies with this paragraph by either—

(a) providing all of the information asked for, or

(b) so far as the administrator considers that—

(i) the time or cost of preparation of the information would be excessive, or

(ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or

(iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of—

(a) the giving by the administrator of reasons for not providing all of the information asked for, or

(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just

### **Rule 2 109 Creditors' claim that remuneration is or other expenses are excessive**

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) Application may be made on the grounds that—

(a) the remuneration charged by the administrator,

(b) the basis fixed for the administrator's remuneration under Rule 2 106, or

(c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss it without a hearing but it shall not do so without giving the applicant at least 5 business days notice, upon receipt of which the applicant may require the court to list the application for a without notice hearing. If the application is not dismissed, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly

**Statement from the Insolvency Rules 1986 (as amended) regarding the rights of creditors in respect of the Joint Administrators' fees and expenses (continued):-**

**Rule 2.109 (continued)**

- (3) The applicant shall, at least 14 days before the hearing, send to the administrator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders—
- (a) an order reducing the amount of remuneration which the administrator was entitled to charge,
  - (b) an order fixing the basis of remuneration at a reduced rate or amount,
  - (c) an order changing the basis of remuneration,
  - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the administration,
  - (e) an order that the administrator or the administrator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify,
- and may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the administration



**Sonex Communications Plc**  
**In Administration**

**Summary of Joint Administrators' Receipts And Payments from 13 September 2011 (date of appointment) to 12 March 2012**

	Estimated to realise per directors' Statement of Affairs £	To date £
<b>Assets subject to fixed charge</b>		
Fixed assets & leasehold property	3,975,000 00	16,320 00
<i>Less costs to realise</i>		
Joint Administrators' fees		5,000 00
Legal fees & disbursements		8,172.00
Agents' fees & disbursements		3,148 00
	<b>3,975,000 00</b>	<b>-</b>
<b>Assets subject to floating charge</b>		
Administration trading receipts	-	5,180,411 56
Rent under licence	-	36,913 03
Stock	61,700 00	11,717 19
HMRC tax refund	224,000 00	-
Book debts & cash in transit	306,491 00	221,484 64
Book debts - rates refunds	120,001 00	49,297 48
Cash at bank	248,541 00	371,301 25
Interest gross	-	454 76
	<b>960,733.00</b>	<b>5,871,579 91</b>
<i>Less costs to realise</i>		
Administration trading payments		4,658,143 42
Rent payable under licence		36,913 03
Legal fees & disbursements		32,104 00
Agents' fees & disbursements		12,592 00
Joint Administrators' fees		220,000 00
Joint Administrators' disbursements		3,856 46
Storage costs		2,278.04
Re-direction of mail		54 45
		<b>4,965,941 40</b>
<b>Payments to creditors</b>		
Distributions to preferential creditors at 100p in the £		44,059 37
Distributions to Sony Europe Limited under its Floating Charge		450,000.00
		<b>494,059 37</b>
<b>Balance in hand</b>		<b>411,579.14</b>

**BDO LLP**  
**55 Baker Street**  
**London**  
**W1U 7EU**

**D H Gilbert & A H Beckingham**  
**Joint Administrators**  
**10 April 2012**

Summary of Time Charged and Rates Applicable for the Period From 13 September 2011 (date of appointment) to 12 March 2012

Net Total	1,169 35	321 568 20	275 00
Other Disbursements		4,003 36	
Billed		228,856 46	
Grand Total		96 715 10	