

The Insolvency Act 1986

Administrator's progress report

Name of Company Chapman Entertainment Limited	Company number 04162019
In the High Court of Justice, Chancery Division <small>[full name of court]</small>	Court case number 8213 of 2012

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

We (a) Antony David Nygate and Sarah Megan Rayment 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 (b) 16 October 2013	to (b) 15 April 2014
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Signed

Joint administrator(s)

Dated

2-5-14

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.

c/o Robert Ferne, BDO LLP, 55 Baker Street, London,	
W1U 7EU	
Our Ref	Tel 020 7893 3562
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



A15

03/05/2014

#367

COMPANIES HOUSE

SATURDAY

2 May 2014

Your Ref <CREF>
Our Ref 7/MT/Chapman/A6Please ask for
Matthew Tang
020 7893 2100**TO ALL KNOWN CREDITORS**

Dear Sirs

Chapman Entertainment Limited ("the Company") - In Administration

It is now over 17 months since our appointment in respect of the Company. In accordance with Rule 2.47 of the Insolvency Rules 1986, we are now reporting on the progress made in implementing the approved proposals and achieving the statutory purpose of the Administration for the period to 15 April 2014.

1 Statutory Information

- 1.1 The Joint Administrators are Antony David Nygate and Sarah Megan Rayment of BDO LLP, 55 Baker Street, London W1U 7EU and they were appointed in respect of the Company on 6 November 2012. Under the provisions of paragraph 100(2) of Schedule B1 of the Insolvency Act 1986, the Joint Administrators carry out their functions jointly and severally and neither Joint Administrator has exclusive power to exercise any function.
- 1.2 The Joint Administrators were appointed by the directors of the Company pursuant to Paragraph 22 of Schedule B1 of the Insolvency Act 1986. The Administration proceedings are dealt with in the High Court of Justice, Chancery Division and the Court case number is 8213 of 2012.
- 1.3 The registered office of the Company is situated at 55 Baker Street, London W1U 7EU and the registered number is 04162019.

2 Receipts

- 2.1 We enclose, for your information, a summary of our trading and general receipts and payments to 15 April 2014 showing a balance in hand of £236,916, together with a copy of our abstract account covering the last six month period from 16 October 2013 to 15 April 2014. We consider that the receipts and payments shown are largely self-explanatory, although should you have any specific queries please contact Matthew Tang.



3 Sale of business

- 3.1 As previously reported, the Company continued to trade in Administration with a view to finding a suitable purchaser for the Company's Intellectual Property Rights ("IPR").
- 3.2 Following an extensive marketing process, the IPR was sold to Classic Media Distribution Limited ("Classic") on 3 July 2013 for an initial consideration of £950,000 and deferred consideration of an amount equal to 35% of the net revenue received by Classic up to a discharge date of 31 December 2016, up to a maximum of £2.55m.
- 3.3 The Joint Administrators made an application to Court to extend the Administration for a period of 42 months in order to collect the deferred consideration due under the sale agreement with Classic. This application was granted by the Court on 31 October 2013, and the Administration has now been extended to 5 May 2017.

4 Trading the business

- 4.1 To date, the Joint Administrators have achieved a trading surplus of £356,964. In the 6 month period to 15 April 2014, as shown in the attached receipts and payments accounts, further receipts totalling £182,395 were received in respect of debts due from licensees which had accrued in the period prior to the effective date of the sale of the Company's IPR.
- 4.2 There remains only a limited sum of outstanding debts that accrued during the course of the Administration under various agreements with licensees which have not yet been realised. Where appropriate, the Joint Administrators are in negotiations with the respective licensees, along with Classic, with a view to realising further funds. Should our recovery attempts be unsuccessful, legal proceedings will be considered in order to maximise realisations.

5. Costs in the Administration

- 5.1 We attach a summary of the professional fees and other expenses which have been paid in the last period of the Administration and the costs which have accrued and not yet been paid.

6. Future of the Administration

- 6.1 The Administration was initially due to expire on 5 November 2013. As stated above, the Joint Administrators made an application to Court to extend the Administration for a period of 42 months in order to collect the deferred consideration due under the sale agreement with Classic. Pursuant to a Court order made on 31 October 2013, the Administration is now due to expire on 5 May 2017.
- 6.2 It is currently anticipated that there may be sufficient realisations in the Administration to enable a distribution to be paid to unsecured creditors under the Prescribed Part referred to in section 7.4.
- 6.3 The Joint Administrators have also obtained consent from the Court to make a distribution to unsecured creditors from the Prescribed Part during the course of the Administration, if funds allow, pursuant to paragraph 65 of Schedule B1 of the Insolvency Act 1986.

7. Prospects for Creditors

7.1 Secured creditor

7.1.1 The principal secured creditor is Coutts & Co ("Coutts") in respect of a debt arising from a fully drawn revolving credit facility of c.£6.5m provided to the Company. This debt, which is subject to accruing charges and interest, is secured by fixed and floating charges over the assets of the Company. Coutts will face a significant shortfall under its security.

7.1.2 In addition, further funds had been invested in the Company by 3 other parties by way of secured loans totalling approximately £1.42m. Security over certain assets had been granted to these lenders by the Company and partial releases were obtained to complete the sale of the IPR assets. As Coutts holds a charge which ranks in priority to these creditors, the other secured creditors will not receive any distribution under their security.

7.1.3 As a result of the above, 2 out of the 3 parties have released their security in order to rank as unsecured creditors and participate in any distribution made under the Prescribed Part.

7.1.3 To date, distributions totalling £718,330 have been made to Coutts under its fixed charge security.

7.2 Preferential creditors

7.2.1 Preferential creditors are employee claims in respect of unpaid wages (capped at £800) and holiday pay.

7.2.2 As previously advised, all employees had been paid their wages in full up to the date of the Administration and no accrued holiday pay was owed. As such, there should be no preferential claims in the Administration.

7.3 Unsecured creditors

7.3.1 The level of unsecured trade creditors as per the directors' estimated statement of affairs totals £755,564. Unsecured creditors' claims notified to us to date total £1,122,365, including claims totalling £300,000 in respect of creditors who have released their security as referred to at 7.1.2 above. Based on current information, there is likely to be sufficient realisations in the Administration to enable a distribution to be made to unsecured creditors under the provisions of the Prescribed Part (see below).

7.4 Prescribed Part

7.4.1 Under the provisions of Section 176A of the Insolvency Act 1986 the Joint Administrators must state the amount of funds available to unsecured creditors in respect of the Prescribed Part. This provision only applies where a company has granted a floating charge to a creditor after 15 September 2003. The Company has granted a floating charge after 15 September 2003.

7.4.2 Based on present information, there may be sufficient realisations in the Administration to enable a distribution to be made to unsecured creditors under the provisions of the

Proscribed Part. At this stage the quantum of the distribution is uncertain as this is subject to recovery of royalties, advances due under license agreements and the remaining book debts, as referred to at 4.2 above.

8. Joint Administrators' Remuneration

- 8.1 Under the terms of the Insolvency Rules 1986 the Joint Administrators are obliged to fix their remuneration in accordance with Rule 2.106(2) of the Insolvency Rules 1986. This permits remuneration to be fixed either as a percentage of the value of the property with which the Joint Administrators have to deal or alternatively by reference to the time the Joint Administrators and their staff have spent in attending to matters in this Administration or a fixed amount
- 8.2 As no meeting of creditors was convened because there will be insufficient property to enable a distribution to be made to unsecured creditors, other than potentially by reason of the Prescribed Part, which is mentioned above (Paragraph 52(1) of Schedule B1 of the Insolvency Act 1986), the Joint Administrators' remuneration will be subject to the approval of the secured and, if any, preferential creditors as set out in Rule 2.106(5A)(a)/(b) of the Insolvency Rules 1986.
- 8.3 To date, total costs of £408,303 have accrued of which, with the consent of the remaining secured creditors, £250,000 has been drawn to date. We attach a schedule which summarises the time costs accrued to date and indicates the work undertaken in that respect.

9. Joint Administrators' Disbursements

- 9.1 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. We therefore report that since our last report the sum of £226 has been accrued and a total of £1,780 has now been drawn in respect of category 1 disbursements.
- 9.2 Some Administrators recharge expenses, for example postage, stationery, photocopying charges, telephone and fax costs, which cannot economically be recorded in respect of 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. At the time of obtaining the creditors' agreement to the basis of the Joint Administrators' remuneration, the policy of BDO LLP was not to charge any category 2 disbursements.


10 Other Matters

- 10.1 The Insolvency Service has established a central gateway for considering complaints in respect of Insolvency practitioners. In the event that you make a complaint to me but are not satisfied with the response from me then you should visit <http://www.bis.gov.uk/insolvency/contact-us/IP-Complaints-Gateway> where you will find further information on how you may pursue the complaint.
- 10.2 We 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.

If you require any further information regarding this matter, please do not hesitate to contact Matthew Tang on the above number.

Please note the Joint Administrators act only as agents of the Company and without personal liability.

Yours faithfully
For and on behalf of
Chapman Entertainment Limited



A.D. Nygate
Joint Administrator

Enc

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

Chapman Entertainment Limited - In Administration

Summary of Joint Administrators' Trading Receipts and Payments from 6 November 2012
(date of appointment) to 15 April 2014

	Movement since 15 October 2013 (date of last report)	Total Realisations
RECEIPTS	£	£
Royalties and Licence Agreement Fees	182,394 53	531,649 71
	<u>182,394 53</u>	<u>531,649.71</u>
 PAYMENTS		
Property Costs	-	52,444.68
License Delivery Costs	-	12,854.45
Wages and Other Payroll Costs	-	21,282.74
Trademark Applications	-	5,488.64
Ransom Payments	-	520.21
Bank Charges & Interest	-	480.76
Consultancy Fees	-	2,230.00
Agents' Commission	-	61,949.95
Storage Costs	-	17,433.82
Sundry Expenses	-	0.02
	<u>-</u>	<u>174,685 27</u>
 Trading Surplus to 15 April 2014		356,964.44
		<u>531,649.71</u>

BDO LLP
55 Baker Street
London
W1U 7EU

A D Nygate & S M Rayment
Joint Administrators

2 May 2014

Chapman Entertainment Limited - In Administration

Summary of Joint Administrators' Receipts and Payments from 6 November 2012 (date of appointment) to 15 April 2014

	Estimated to realise per Directors' Statement of Affairs	Movement since 15 October 2013 (date of last report)	Total Realisations
	£	£	£
RECEIPTS			
Investment in programmes	4,000,000	-	-
Book Debts	90,287	-	87,861 93
Petty Cash	3,961	-	2,360 71
Furniture & Equipment	5,500	-	11,539 00
Cash at Bank	-	-	948 00
Sale Consideration - Fixed Charge	-	865,557 73	865,557 73
Sale Consideration - Floating Charge	-	-	85,524 81
Insurance Refund	-	-	1,190.24
Interest Gross	-	-	369 24
Output VAT	-	-	34,188 66
License Arrangement Fees	-	-	4,410 42
Trading Surplus to 15 April 2014	-	182,394 53	356,964 44
	<u>4,099,748 00</u>	<u>1,047,952 26</u>	<u>1,450,915 18</u>
PAYMENTS			
Data Room Costs		-	17,759 25
Insurance		-	1,281 16
Legal Fees & Disbursements		-	108,604 05
Chattel Agents' Fees & Disbursements		-	7,937 00
Debt Recovery Agents' Fees & Disbursements		-	9,834 60
Agents' Fees & Disbursements		-	10,000 00
Joint Administrators' Fees		250,000 00	250,000 00
Joint Administrators, Disbursements		1,779 88	1,779 88
Storage Costs		503 90	2,184 88
Bank Charges & Interest		20 00	20.00
Re-direction of Mail		-	60.00
Press Relations		-	229.44
Input VAT		50,566 14	85,978 93
		<u>252,303 78</u>	<u>495,669 19</u>
DISTRIBUTIONS			
Fixed Charge Security - Coutts & Co			718,329 95
BALANCE IN HAND			236,916.04
			<u>1,450,915 18</u>

BDO LLP
55 Baker Street
London
W1U 7EU

A D Nygate & S M Rayment
Joint Administrators

2 May 2014

Chapman Entertainment Limited
In Administration

Statement of fees and expenses paid and accrued in the period 6 November 2012 (date of appointment) to 15 April 2014

	Paid In Period £	Accrued In Period £	Total In Period £
Storage Costs	503 90	-	503.90
Bank Charges & Interest	20 00	-	20.00
Joint Administrators' Fees	250,000 00	36,254.35	286,254.35
Joint Administrators' Disbursements	1,779 88	-	1,779.88
	<u>252,303 78</u>	<u>36,254.35</u>	<u>288,558.13</u>

BDO LLP
55 Baker Street
London
W1U 7EU

A D Nygate & S M Rayment
Joint Administrators

2 May 2014

Chapman Entertainment Limited - In Administration

Summary of Time Charged and Rates Applicable for the Period From 06/11/2012 (date of appointment) to 15/04/2014

Description	PARTNER		MANAGER/ DIRECTOR		ASSISTANT MANAGER		SENIOR ADMINISTRATOR		ADMINISTRATOR		OTHER STAFF		GRAND TOTAL		AVERAGE RATE
	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	Hours	Total £	£
A Pre Appointment Matters															
B Steps on Appointment	6 00	3,948 00			0 80	209 60	1 50	367 50					2 30	577 10	250 91
C. Planning and Strategy					4 50	1,179 00							10 50	5,127 00	488 29
D General Administration	29 00	19,082 00			0 65	295 75	2 00	490 00					2 65	785 75	296 51
E Asset Realisation/Dealing	81 50	52,460 00	25 65	9,529 40	47 10	12,340 20	123 40	30,233 00	94 75	17,163 80	5 60	504 00	325 50	88,852 40	272 97
F Trading Related Matters			197 30	71,249 50	167 95	44,147 65	49 25	12,066 25					496 00	179,923 40	362 75
G Employee Matters			24 50	10,841 50	1,211 10	31,728 20	240 50	58,922 20					1,476 10	101,491 90	68 76
H Creditor Claims/Queries			10 00	3,128 00			10 90	2,670 50	14 25	1,359 75			35 15	7,158 25	203 65
I Reporting			2 00	774 00	4 10	1,074 20	4 25	1,041 25	4 25	386 75			14 60	3,276 20	224 40
J Distribution and Closure			17 00	7,735 00	28 40	7,633 80	16 90	4,140 50	12 25	1,135 75			74 55	20,645 05	276 93
	116 50	75,490 00	276 45	103,257 40	1,464 60	98,608 40	450 60	110,396 70	125 50	20,046 05	5 60	504 00	2,439 25	408,302 55	245 00

Net Total 408,302 55

Other Disbursements 1,779 88

Billed -251,779 88

Grand Total 158,302 55