

The Insolvency Act 1986

**2.24B****Administrator's progress report**

Name of Company  XSMG Ltd	Company number  5314967
In the High Court of Justice	Court case number 10812 of 2009

We  
David John Standish  
KPMG LLP  
8 Salisbury Square  
London  
EC4Y 8BB

Myles Antony Halley  
KPMG LLP  
8 Salisbury Square  
London  
EC4Y 8BB

Administrators of the above company attach a progress report for the period

from	to
9 February 2009	8 August 2009

Signed



Myles Halley

Joint Administrator

Dated

7 September 2009

**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

Deborah Lott  
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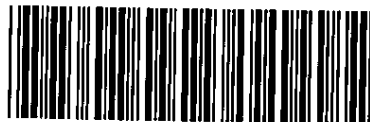
DX Number DX 38050 Blackfriars

When you have completed and signed this form, please send it to the Registrar of Companies at:-

Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff

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COMPANIES HOUSE



**XSMG Limited  
(in Administration)**

**Report to Creditors pursuant to Rule  
2.47 of the Insolvency Rules 1986**

**7 September 2009**

**KPMG LLP  
7 September 2009**

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## **Disclaimer Notice**

This Report has been prepared by Myles Halley and David Standish, the Joint Administrators of XSMG Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 on the progress of the administration, and for no other purpose.

It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context. This Report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in XSMG Limited.

Any estimated outcomes for creditors included in this Report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors. Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report to any such person.

Myles Halley is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

David Standish is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association.

The Joint Administrators act as agents for XSMG Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the administration.



## 1 Glossary

Administrators	Myles Halley and David Standish
Administration Order	The Administration Order granted in the Companies Court (number 10812 of 2009)
XSMG Limited Directors	Dr.Clive Taunton Rankin Ian David Sanderson Robert John Smettem Oliver Richard Willett
The Act	The Insolvency Act 1986
The Company or XSMG	XSMG Limited (Company Registered Number 05314967)
The Rules	The Insolvency Rules 1986

The references in this report to sections, paragraphs or rules are to the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules 1986 respectively.

## **2 Introduction**

Creditors have previously been informed that we, Myles Halley and David Standish were appointed as Joint Administrators of XSMG on 9 February 2009 by the Court following an application by the Directors.

In accordance with Paragraph 100(2) of Schedule B1 of the Insolvency Act the functions of the Administrators are to be exercised by either or both of them.

In accordance with Rule 2.47 of the Rules, we set out our progress report for the six months from 9 February 2009 to 8 August 2009. We also enclose Form 2.24B providing formal notice to that effect. This follows our previous report dated 2 April 2009.

A copy of this report has been forwarded to Companies House.

An abstract receipts and payments account covering the period 9 February 2009 to 8 August 2009 is attached as Appendix 2. The figures are shown net of VAT. Other statutory information requested to be provided by Rule 2.47 of the Rules is attached as Appendix 1.

### **2.1 Joint Administrators' Proposals**

A copy of the Administrators' proposals was sent to all creditors on 2 April 2009. In accordance with Paragraph 52(1)(b) of Schedule B1 of the Act, a meeting of creditors was not convened as it was not anticipated that there would be any distribution to unsecured creditors.

As mentioned in the proposals, creditors were entitled to requisition a meeting provided that they had the support of at least 10% in value of the overall creditors and their request was made within 12 days of the date of the report. No request for a meeting of creditors was received and therefore the Joint Administrators proposals are deemed to have been approved without modification.

### **2.2 Purpose of the administration**

In accordance with paragraph 3(i) Schedule B1 of the Act the Administrators have the following hierarchy of objectives. In order, these are:

- 1) Rescuing the company as a going concern, or;
- 2) Achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or;
- 3) Realising property in order to make a distribution to one or more secured or preferential creditors.

Rescuing the Company was not achievable in this case.

The primary objective of the administration in this case is to realise assets in order to make a distribution to the Secured Creditors.

### **3 Progress of the administration**

#### **3.1 Assets**

As previously stated the business and assets of the Company were sold to XSMG World Limited for £496,000 on 9 February 2009. This is a connected party within the meaning of section 249 of the Insolvency Act 1986 and the disclosures required per Statement of Insolvency Practice 13 were made in our report of 2 April 2009.

No further realisations are anticipated.

#### **3.2 Investigations**

The Joint Administrators have a duty to investigate the conduct of the directors and, if appropriate, to submit a report to the Department for Business, Innovation and Skills, (formerly the Department for Business Enterprise and Regulatory Reform) on the conduct of those directors or shadow directors who were in office in the three years prior to the Administration.

The Joint Administrators have complied with their obligations described above.

#### **3.3 Taxation**

The Administrators instructed KPMG Tax specialists to prepare the necessary returns so the tax position could be finalised. These returns have now been completed and submitted to the Inland Revenue for approval.

### **4 Creditors**

#### **4.1 Secured creditors**

The Company granted debentures dated 26 January 2009 and 18 December 2008 to Richard Ritter and John Michael Platt to secure funding totalling £370,276. These have now been extinguished.

#### **4.2 Preferential creditors**

Claims in respect of certain arrears of wages and holiday pay rank preferentially. There are no such claims in the administration as all employees have been transferred to the purchaser of the trade and assets.

#### **4.3 Unsecured creditors**

The Directors estimate that at the date of administration, the Company has unsecured liabilities totalling £1,943,747. Of this amount, £383,769 is due to HM Revenue & Customs in respect of PAYE and NIC.

There will be no distribution to ordinary unsecured creditors in this case.

#### **4.4 Prescribed Part**

The Prescribed Part provisions of S176A of the Act entitle unsecured creditors to a percentage share of realisations from net floating charge assets, after costs of realisation and settlement of preferential claims. The percentage is calculated on a sliding scale up to a maximum amount of £600,000 subject to costs. In this case there will be no funds available to unsecured creditors after costs of realisations.

### **5 Other matters**

EC regulations will apply and these proceedings will be the main proceedings as defined in Article 3 of the EC Regulations. The centre of main interest of the Company is in England within the EC.

### **6 Administrators' remuneration**

The Joint Administrators' remuneration will be fixed in accordance with 2.106(2) of the Rules, by reference to time properly given by the Joint Administrators and their staff in attending to matters arising in the Administration.

In accordance with R2.106(5A) of the Rules, where the Administrators have made a statement that they think there will be insufficient property for there to be a return to unsecured creditors then it is for the secured creditors to agree the remuneration of the Administrators.

A creditors' guide to fees can be found at [http://www.r3.org.uk/uploads/sip/SIP9\\_v5\\_April\\_2007\(1\).pdf](http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf). However, if you are unable to access this guide and would like a copy please contact Deborah Lott on 0207 311 8474.

Attached as Appendix 3 is a detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out for the 6 months to 8 August 2009, as required by the Association of Business Recovery Professionals' *Statement of Insolvency Practice No. 9* ("SIP 9").

In the 6 month period to 8 August 2009, we have incurred time costs of £86,838.35 representing 327.65 hours at an average rate of £265.03. This includes tax, VAT, employee, property and pensions advice from KPMG LLP in-house specialists.

No remuneration has been drawn to date.



## 7 **Future strategy**

It is proposed that the Administrators will continue to manage the affairs, business and property of the Company in order to achieve the purpose of the Administration. This will include:

- finalising the Administration, including payment of all Administration liabilities;
- dealing with unsecured creditors' queries; and
- dealing with statutory reporting and compliance obligations.

We do not anticipate that the Administration will need to continue beyond its initial period of one year and it is intended that the Company will be dissolved once the Administration has been completed.

## 8 **Future reporting**

In accordance with Rule 2.47 of the Rules, I intend to provide the creditors with my next report within 1 month of the anniversary of the Administration, in February 2010, should the Administration not have been completed prior to that time.



Myles Halley  
*Joint Administrator*

The affairs, business and property of the company are being managed by the joint administrators

David Standish is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association  
Myles Halley is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales

## Appendix 1

### Statutory Information

Company name & Trading style	XSMG Limited
Administration Order	The Administration Order granted in the Companies Court, Court case number 10812 of 2009
Date of appointment	9 February 2009
Administrators details	David John Standish is authorised to act as an insolvency practitioner by the Insolvency Practitioners Association. Myles Antony Halley is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.
Functions	The functions of the Administrators are being exercised by either or both of them in accordance with Paragraph 100(2) of Schedule B1 of the Act.
Application of EC regulations	EC regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC regulations.
Company Directors	Dr Clive Taunton Rankin Ian David Sanderson Robert John Smettem Oliver Richard Willett
Company Secretary	Robert John Smettem
Date of incorporation	16 December 2004
Company registration number	05314967
Previous registered office	Navigation House, Berthon Shipyard, Bath Road, Lymington, Hampshire SO41 3YL
Present registered office	c/o KPMG LLP, Arlington Business Park, Theale, Reading, Berkshire RG7 4SD
Employees	23

## Statutory information (continued)

### Details of XSMG Limited share capital and holdings

Authorised share capital	£10,000 (Ordinary of 1p each)	
Issued share capital	7,237.33 (723,733 ordinary 1p shares)	
Shareholders	Andrew Graham	8,146 Ordinary shares
	Alan Dingley	2,674 Ordinary shares
	Elisabeth Robinson	3031 Ordinary Shares
	David Morphem	600 Ordinary Shares
	Oliver Willett	3,200 Ordinary shares
	David Larkin	20,402 Ordinary shares
	Lars Sylvest	500 Ordinary shares
	Sandra Brown	4,028 Ordinary shares
	Malcom Crease	5,400 Ordinary shares
	Matthew Forbes	500 Ordinary shares
	Paul Gordon-Brown	13,938 Ordinary shares
	Simon Hayes	5,675 Ordinary shares
	Peter Lawrence Charles Knee	5,300 Ordinary shares
	Mark Sandwith	68,509 Ordinary shares

### Statutory information (continued)

Shareholders (cont.)	David Grocott	600 Ordinary shares
	Paul Stevens	600 Ordinary shares
	Ian David Sanderson	14,300 Ordinary shares
	Nick Hamson	40 Ordinary shares
	Peter Dredge	7,600 Ordinary shares
	Credit Suisse Client Nominees	359,827 Ordinary shares
	John Michael Platt	146,201 Ordinary shares
	SG Hambros Trust Company	8,658 Ordinary shares
	Denton & Co Trustees Ltd & Nicholas Hamson	460 Ordinary shares
	Alghussein Tahmi	1551 Ordinary shares
	Akin Tuzun	1200 Ordinary shares
	CT Rankin Furbs	1,200 Ordinary shares
	David Keetley	7,943 Ordinary shares
	Grant Turner	4,665 Ordinary shares
	Ian Dennis	1,983 Ordinary shares
	James Philip Moon	2,318 Ordinary shares

### Statutory information (continued)

Shareholders (cont.)	James Scott Cameron	2,359 Ordinary shares
	Kristian Kandik & Krajcsovics Gabor	4,748 Ordinary shares
	Kristian Kandik	1,215 Ordinary share
	Matthew Mc Dermott	599 Ordinary shares
	Michael James Daht Stallibrass	2,840 Ordinary shares
	Peter Forbes	607 Ordinary shares
	Spyros Argyriou	2,399 Ordinary shares
	Sin Zoltan	3,973 Ordinary shares



*XSMG Limited (in Administration)*  
*Report to Creditors pursuant to Rule 2.47 of the Insolvency Rules 1986*  
*KPMG LLP*  
*7 September 2009*

## **Appendix 2**

Abstract of Administrators' receipts and payments from 9 February 2009 to 8 August 2009

Statement  
of Affairs

**TOTAL**  
**From 09/02/2009**  
**to 08/082009**

**REPRESENTED BY**

Floating ch. VAT rec'able	4,047.52
IB charge account	<u>95,009.34</u>
	<u><b>99,056.86</b></u>



*XSMG Limited (in Administration)*  
*Report to Creditors pursuant to Rule 2.47 of the Insolvency Rules 1986*  
*KPMG LLP*  
*7 September 2009*

### **Appendix 3**

SIP 9 summary of Administrators time costs for the 6 months to 8 August 2009



**XSMG Limited (in Administration)**

**Time cost analysis for the period 9 February to 8 August 2009**

Consolidated time spent by grade	Partner/Director	Management	Administrators	Total Hours	Total Cost £	Average Rate £
Charge out rates (£ per hour)	465-400	400-290	205-105			
<b>Administration &amp; planning</b>						
Cashiering						
General (Cashiering)			1.60	1.60	271.00	169.38
Reconciliations (& IPS accounting reviews)			0.60	0.60	133.00	221.67
				2.20	404.00	183.64
<b>General</b>						
Books and records			10.15	10.15	1,066.50	105.07
Fees and WIP			0.20	0.20	19.00	95.00
				10.35	1,085.50	104.88
<b>Shareholders</b>						
Dissenting shareholders		7.50		7.50	3,037.50	405.00
				7.50	3,037.50	405.00
<b>Statutory and compliance</b>						
Appointment and related formalities		13.00	35.70	48.70	9,974.10	204.81
Bonding and bordereau			3.20	3.20	557.00	174.06
Checklist & reviews		6.50	8.65	15.15	4,498.75	296.95
Reports to debenture holders			0.40	0.40	42.00	105.00
Statutory advertising			3.00	3.00	505.00	168.33
Strategy documents	19.00	5.10	6.80	30.90	11,721.00	379.32
				101.35	27,297.85	269.34
<b>Tax</b>						
Initial reviews - CT and VAT		4.30	8.35	12.65	3,006.50	237.67
Post appointment VAT		1.00	0.60	1.60	410.00	256.25
				14.25	3,416.50	239.75
<b>Creditors</b>						
<b>Creditors and claims</b>						
General correspondence		3.80	18.40	22.20	4,684.00	210.99
Notification of appointment		5.30	6.00	11.30	2,467.00	218.32
Pre-appointment VAT / PAYE / CT			3.70	3.70	610.50	165.00
Statutory reports		11.70	19.90	31.60	8,113.50	256.76
				68.80	15,875.00	230.74
<b>Employees</b>						
Correspondence			1.90	1.90	369.50	194.47
Pensions reviews		0.60	0.50	1.10	276.50	251.36
				3.00	646.00	215.33
<b>Investigation</b>						
<b>Directors</b>						
Correspondence with directors		12.00	4.00	16.00	4,880.00	305.00
D form drafting and submission		6.10	6.15	12.25	3,828.75	312.55
Directors' questionnaire / checklist		1.60	2.00	3.60	774.00	215.00
Statement of affairs		1.20	5.25	6.45	1,319.25	204.53
				38.30	10,802.00	282.04
<b>Investigations</b>						
Correspondence re investigations		0.50	0.70	1.20	318.00	265.00
Mail redirection			2.00	2.00	330.00	165.00
Review of pre-appt transactions		4.20		4.20	1,701.00	405.00
				7.40	2,349.00	317.43
<b>Realisation of assets</b>						
<b>Asset Realisation</b>						
Cash and investments			1.20	1.20	270.00	225.00
Debtors			0.30	0.30	61.50	205.00
Health & safety			0.50	0.50	75.00	150.00
Open cover insurance			2.80	2.80	354.00	126.43
Plant and machinery		3.00		3.00	1,095.00	365.00
Sale of business		40.00	26.70	66.70	20,069.50	300.89
				74.50	21,925.00	294.30
<b>Total in period</b>				<b>327.65</b>	<b>86,838.35</b>	<b>265.03</b>
<b>Disbursements</b>						
Travel					508.10	
Meal/Lunch					32.00	
					<u>540.10</u>	

All staff who have worked on this assignment including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent.



## **Appendix 4**

Summary of charge out rates in operation during the course of the administration

	09/02/09 to 31/03/09	01/04/09 to 31/09/09
	£	£
<b>RESTRUCTURING</b>		
Partner	465	515
Director	400	440
Senior Manager	365	405
Manager	290	320
Senior Administrator/ Assistant Manager	205	225
Administrator	150	165
Support staff	95	105
<b>TAX</b>		
Partner	465	515
Senior Manager	365	405
Administrator	150	165
<b>PENSIONS</b>		
Senior Manager	705	705
Manager	455	455
Consultant	330	330
Assistant	245	245

RECEIPTS		£
Brought forward from previous Abstract (if Any)		0.00
Intellectual Property		425,995.00
Goodwill		1.00
Other		4.00
Plant & machinery		35,000.00
Stock - work in progress		35,000.00
Book debts		354.41
Bank interest, gross		65.27
Sundry refunds		20.15
Carried forward to		496,439.83
* continuation sheet / next abstract		
PAYMENTS		£
Brought forward from previous Abstract (if Any)		0.00
Legal fees		23,640.00
Legal disbursements		170.66
Agents'/Valuers' fees		3,202.74
Fixed charge creditor		117,447.00
Fixed charge creditor (2)		252,829.00
Insurance of assets		52.50
Bank charges		41.07
Floating ch. VAT rec'able		4,047.52
Carried forward to		401,430.49
* continuation sheet / next abstract		

\* Delete as appropriate

\* Delete as appropriate

Note - The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amounts received and paid by the administrator since he was appointed.