

**2.17B**

The Insolvency Act 1986

**Statement of administrator's proposals**

Name of Company Acrobat Music Group Limited	Company number 5858582
In the High Court of Justice (full name of court)	Court case number 11678/2008

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

We (a)  
S J Parker  
Tenon Recovery  
Sherlock House,  
73 Baker Street,  
London,  
W1U 6RD

C D Wilson  
Tenon Recovery

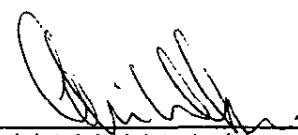
\*Delete as  
applicable

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

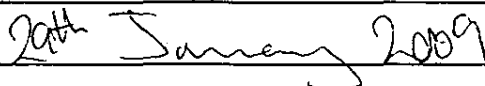
A copy of these proposals was sent to all known creditors on

(b) 29 January 2009

Signed

  
Joint Administrator(s)

Dated

  
29th January 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 researchers of the public record

Michelle Newell  
Sherlock House,  
73 Baker Street,  
London,  
W1U 6RD

DX Number

+44 (0) 207 935 5566

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

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SATURDAY



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COMPANIES HOUSE

## **Acrobat Music Group Limited – In Administration**

### **Statement of Joint Administrators' proposals Pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986**

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Act") and The Insolvency Rules 1986 ("the Rules"), S J Parker and C D Wilson the Joint Administrators ("Administrators") of Acrobat Music Group Limited ("the Company"), make the following proposals for achieving the purpose of the Administration.

These proposals and the attached report to creditors together set out the information required by and discharge the Administrators' duty pursuant to Paragraph 49 of Schedule B1 of the Act and Rule 2.33 of the Rules.

An initial meeting of creditors has not been summoned pursuant to Paragraph 52(1)(b) since the Administrators consider that the company has insufficient property to enable a distribution to be made to unsecured creditors.

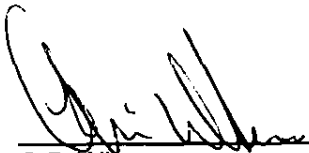
### **Proposals**

The Administrators propose that:

- (a) They continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration such that:
  - (i) they dispose of the Company's ownership of such assets at such time(s) on such terms as they consider expedient;
  - (ii) they investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company which supplies or has supplied goods or services to the Company.
  - (iii) in addition, they do all such things and generally exercise all their powers as Administrators as they in their discretion consider desirable or expedient in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals; and
- (b) The Administration shall continue (subject to the statutory provisions relating to automatic termination) until the realisable assets of the Company have been realised and all liabilities incurred during the Administration have been discharged or until such a time as deemed appropriate by the Administrators. At this stage the Company shall be dissolved or placed into liquidation as outlined below. If necessary, the Administrators propose to seek an extension of their appointment as Administrators from the creditors and/or the Court pursuant to paragraph 76 of Schedule B1 to the Act.
- (c) If the Administrators consider that there will be no distribution to creditors who are neither secured nor preferential, and if they also consider that an exit from the Administration into compulsory liquidation is not appropriate, then the Administrators be authorised to take the necessary procedural steps to bring about the end of the Administration and move the Company into dissolution pursuant to paragraph 84 of Schedule B1 to the Act.
- (d) In the event that the Administrators are of the view that it is appropriate for the Company to move from Administration into Liquidation, whether compulsory or voluntary, the Administrators be authorised to take steps to place the Company into whichever

liquidation process they, at their discretion, deem appropriate. In either circumstance, it is proposed that the Joint Administrators would take the appointment as joint liquidators of the Company and that they will act jointly and severally in their duties. In relation to moving into creditors' voluntary liquidation, and in accordance with paragraph 83(7) and Rule 2.117 (3), creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before those proposals are approved.

- (e) Upon the Company either proceeding into Creditors Voluntary Liquidation or dissolution as set out above, the Joint Administrators discharge from liability, pursuant to paragraph 98 of Schedule B1 shall take effect 14 days following either the Company entering into liquidation or filing the notice of moving from Administration to dissolution.
- (f) They be at liberty to incur and pay such costs and expenses, including professional fees, as considered to be incidental to the achievement of the purpose of the Administration or for the purposes set out herein or to the Administrators' statutory duties.
- (g) The Administrators shall be remunerated by reference to time properly spent both for their services as Administrators and also for their staff in attending to the matters arising in the Administration of the Company, charged at the charge out rates prevailing at the time the work is undertaken. The Administrators' remuneration will be agreed by the Creditors' Committee or in the event that no Committee is formed by creditors the Administrators' remuneration will be agreed with the secured creditors and, if appropriate, the preferential creditors.
- (h) They consult with the Creditors' Committee, if formed, at appropriate intervals concerning the conduct of the Administration and the implementation and development of these proposals and where they consider it expedient obtain the sanction of that Committee on behalf of the creditors of the Company (and without further reference to them) to any proposed action on the part of the Administrators.



C D Wilson  
Joint Administrator

29 January 2009

# Tenon recovery

To All Known Creditors

Our ref: MAN/CDW/5000680/106  
Your ref: 11678/2008  
Date: 29 January 2009  
Email: michelle.newell@tenongroup.com  
Tel: +44 (0) 207 935 5566

Dear Sirs

## Acrobat Music Group Limited – In Administration (“the Company”)

This report to creditors and the proposals enclosed, together set out the information required by and to discharge the Joint Administrators' duty pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986 (“the Act”) and Rule 2.33(1) and (2) of the Insolvency Rules 1986 (“the Rules”).

### 1. Statutory Details

Attached as **Appendix 1** are the statutory details of the Company and information regarding the appointment of Administrators.

### 2. Circumstances leading to the appointment of Joint Administrators

The Company was incorporated on 27 June 2006 and commenced trading on 16 September 2007 with 5 employees, following the purchase of TKO Limited's catalogue of music recordings. A license was also granted to the Company from a related company, Acrobat Music Limited (“AML”), in respect of the usage of their music catalogue.

The music catalogue consisted of over 22,000 original artist titles including Glen Campbell, Frank Sinatra and Duke Ellington, spanning genres from jazz to blues to country to rock n roll.

The Company had three main areas of business, which included CD sales, digital distribution and licensing and traded from two properties, an office in Pinner, Middlesex and a warehouse in Lewes, East Sussex.

It became apparent following 14 months of trading that measures had to be introduced to reduce costs, as consistent losses were being suffered by the Company relating to increased overheads coupled with a reduction in sales.

The Company's reduced sales resulted from a longer than anticipated launch of the digital products. In addition, the forecasted release schedule for CD's was slower than originally estimated, and no system was in place to monitor the spending on overheads.

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Tel: +44 (0) 20 7935 5566 Fax: +44 (0) 20 7935 3512  
Email: bakerstreet@tenongroup.com  
[www.tenongroup.com](http://www.tenongroup.com)

Tenon Recovery is a trading name of Tenon Limited. A member of Tenon Group PLC. Registered Office 88 Chiltern Street, London W1U 4GB No 4066924 England

Directors and staff acting as Administrative Receivers and Administrators act as agents of the company over which they are appointed and contract without personal liability



Morison International

The directors introduced a redundancy program in November 2008 in an attempt to reduce costs, with 9 of the 21 employees made redundant. However, even with the reduction in costs, the Company continued to suffer unexpected losses.

It soon became evident that the catalogue purchased from TKO would not generate the income stream previously anticipated.

Other avenues were investigated to establish whether any further funding was available to allow the continued trading of the Company. This however was not possible. In December 2008 it was decided that trading could no longer continue and steps needed to be taken to place the Company into Administration.

On 24 December 2008, S J Parker and C D Wilson of Tenon Recovery were appointed as Joint Administrators pursuant to Paragraph 14(1) of Schedule B1 of the Act. The appointment provided that any act required or authorised under any enactment to be done by an Administrators may be done by either or both of the Administrators acting jointly or alone.

## 2.1. Summary of recent performance

A summary of the recent trading position is shown below.

	<b>Mgmt Accts</b> <b>01/01/08 to</b> <b>30/09/08</b> <b>(9 months)</b> <b>£</b>	<b>Audited Accts</b> <b>19/09/07 to</b> <b>31/12/07</b> <b>£</b>
Turnover	389,383	160,672
Cost of Sales	(191,659)	(144,617)
Gross Profit	197,724	16,055
Gross Profit %	51	10
Net Profit/(Loss) after tax	(1,546,831)	(456,266)

It should be noted that the management accounts have not been verified for accuracy and therefore may not reflect the business's true trading position.

## 3. Objectives of administration and strategy for achievement by the Joint Administrators

The objective of the Administration process is to:-

- rescue the company as a going concern; or
- achieve 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
- realise property in order to make a distribution to one or more secured or preferential creditors.

The first objective for the Administration could not be met. Without an immediate injection of replacement funding the Company could not be rescued as a going concern. No such funding was available.

The strategy for the Administration is therefore to achieve a better result for the Company's creditors than would be achieved should the Company be wound up and to make a distribution to the secured creditor.

#### **4. Management of Business by the Joint Administrators following appointment**

Regrettably, it was concluded that circumstances would not enable me to consider further trading and the Company ceased to trade on 24 December 2008. However, I am pleased to report an early sale of the business was completed on 24 December 2008, which was considered to be in the best interest of creditors as a whole. For your information I attach full details of the sale as **Appendix 2**.

The business and assets of the Company were sold as a pre-packaged sale to Future Noise Music Limited ("Future Noise") immediately following my appointment on 24 December 2008. The following assets of the Company were sold to Future Noise as part of the sale agreement subject to such right and title as the Company had in these assets:

- the benefit (but subject to the burden) of the contracts;
- the books and records;
- the goodwill;
- the intellectual property;
- the property licenses;
- the office furniture and equipment;
- the business claims; and
- the stock.

The consideration for the sale of the Company's business and assets was £20,000 exclusive of VAT. The initial consideration, due and paid on completion, was £5,005. The deferred consideration of £14,995 is due on the earlier of Future Noise receiving payment from a third party in respect of the stock, or within three months of completion. There were no options, buy-back arrangements or similar conditions attached to the contract of sale.

Future Noise's directors are Nicholas Robert William Ross and Antony Patrick Joy Fraser. They are also the director's of Future Noise.

It is my understanding that the chargeholder, Acuity Capital Management Limited, has provided a guarantee to Barclays Bank Plc which is limited to £1,000,000.

My firm was introduced to the Company by Rosenblatts, a firm of solicitors. The extent of my involvement prior to the appointment extended to liaising with the directors, chargeholder and solicitors to discuss the insolvency procedures available to the Company and to agree the terms of the sale of the business. In addition I sought a valuation for the Company's assets from Edward Symmons LLP, an independent firm of valuers, who then approached potential interested parties to establish whether there was any interest in acquiring the business and/or assets of the Company.

It soon became apparent there was no interest in the purchase of the business and assets at a price which would have enabled the release of the charge on the assets. A better result for the Company's creditors would result from the Company being placed into administration and the assets being sold to Future Noise. Liquidation however would have resulted in a significant reduction in the realisable value of book debts and also a significant reduction in the value of stock.

Prior to the sale I consulted the landlord of the Company regarding a license to occupy the premises in the short term and to facilitate an orderly removal of stock and other assets. The landlord confirmed his acceptance to the proposals, subject to the purchaser's meeting ongoing rental charges.

## **5. Proposed Exit Route of Administration**

As there is insufficient property of the Company to enable a distribution to unsecured creditors, it is not appropriate for the matter to proceed to liquidation. It is proposed that once all assets have been realised and expenses of the Administration discharged, the Company shall either be dissolved on its anniversary or placed into Compulsory Liquidation.

If the Company exits into compulsory liquidation, the Joint Administrators propose to take the appointment as joint liquidators pursuant to section 140(1) of the Act. Enclosed with this report are the Administrators proposals, which include at proposal (c) that, S J Parker and C D Wilson be the proposed liquidators of the Company.

## **6. Statement of Affairs**

A summary Statement of Affairs for each Company is attached to this report as **Appendix 3**. The directors of the Companies have been requested to submit a statement of affairs, and an extension of the deadline for this has been allowed.

### **6.1. Freehold land and buildings**

The leasehold properties are located at Monument House, 215 Mash Road, Pinner, Middlesex and Unit B, The Countryman, Broyle Place Farm, Ringmer, East Sussex, BN8 5SD. The Administrators granted a license to occupy both premises to Future Noise for a period of 6 months, whilst the purchaser seeks an assignment of the leases. Monthly rental payments are collected from Future Noise by the Administrators and forwarded on to the landlord of the respective property. I advise that there is no premium attached to the leasehold properties.

### **6.2. Book Debts**

The Company's sales ledger had a balance of £109,003 on appointment. It is envisaged that the sum of £30,000 should be recoverable, after allowing a provision for bad and doubtful debts. The collection of book debts is being managed by the Joint Administrators and is ongoing.

### **6.3. Sale of Business and Assets**

Please refer to paragraph 4 of this report.

### **6.4. Vehicles**

There is one motor vehicle, an Audi Q7, which is subject to a finance agreement. Based on the estimated balance outstanding under the finance agreement, I do not believe there is any equity available in the Administration.

## **7. Joint Administrators' Receipts and Payments Account**

Pursuant to Paragraph 49 of Schedule B1 of the Act, enclosed with this report are the Joint Administrators' proposals for achieving the purpose of the Administration as set out in Section 3 of this report.

## **8. Joint Administrators' Proposals**

I attach at **Appendix 4** a summary of the Joint Administrators' Receipts and Payments account to the date of this report. There have been realisations totalling £17,342 as specified above. Expenses totalling £12,337 have also been incurred, which I trust you will find self explanatory.

## **9. The Prescribed Part**

It is envisaged that following any repayment of the secured lenders under, their fixed charges, there will be insufficient assets for a prescribed part to apply.

## **10. Joint Administrators' Remuneration**

The Administrators are proposing to be remunerated by reference to time properly spent by them and their staff in attending to the matters arising from the Administration of the Company. The Joint Administrators will be seeking agreement for such remuneration from the secured creditor and 50% of the preferential creditors pursuant to Rule 2.106(5A) of the Rules.

## **11. Meeting of Creditors**

The Joint Administrators propose that there will be no meeting of creditors under Paragraph 51(1) of Schedule B1 of the Act because the Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of Section 176A(2)(a) of the Act.

Creditors may cause the Joint Administrators to summon an initial creditors meeting as follows:-

- i At the least 10% of the creditors, measured against the Company's total debts, must request this meeting; and
- ii The request must be made on Form 2.21B (available upon request) and made within 12 days of the date of this document. It must also include a list of the creditors concurring with the request, showing the amounts of their respective debts, and confirmation of concurrence.

Please note that the expenses of summoning and holding the meeting shall be paid by that person, in advance of the meeting.

## **12. Joint Administrators' Investigations**

Under the insolvency legislation, I have a duty to consider the conduct of those who have been directors of the Company at any time within three years preceding the Administration. I am also required to consider whether any civil proceedings should be taken. Please let me know, using the attached form, if there is any matter of which you believe I should be aware when considering the directors' conduct. I would stress that this request for information forms part of my usual investigation proceedings.

## **13. EC Regulation on Insolvency Proceedings 2000**

For the following reason it is considered that the EC Regulation on Insolvency Proceedings 2000 will apply. If it does apply, these proceedings will be the main proceedings as defined in article 3 of the EC regulation.

The Company's registered office is from where the Company carries on its business. Therefore in the absence of proof to the contrary, the Company's centre of main interests is in the United Kingdom.



#### **14. Further Information**

Should you require any further information, please do not hesitate to contact Kate Breadmore or Michelle Newell on the telephone number shown at the head of this report.

Yours faithfully

**For and on behalf of**

**Acrobat Music Group Limited**



**C D Wilson**

**Joint Administrator**

*Licensed to act as an Insolvency Practitioner by the Insolvency Practitioners Association*

## Appendix 1

### Company Information

Company Name: Acrobat Music Group Limited  
Previous Name: None  
Company Number: 5858582  
Date of Incorporation: 27 June 2006  
Trading Address: 3rd Floor, Monument House, 215 Marsh Road, Pinner, HA5 5NE  
Registered Office: Sherlock House, 73 Baker Street, London, W1U 6RD,  
Principal Activity: Music Sellers

### Appointment details

Date of Appointment: 24 December, 2008  
Appointment made by: Qualifying Charge Holder  
Court Address: High Court of Justice  
Court Reference: 11678/2008  
Administrators Appointed: S J Parker IP Number: 8989  
C D Wilson IP Number: 9478

### Directors and Shareholders

Company Directors: Nicholas Robert William Ross  
Antony Patrick Joy Fraser

Company Secretary: Shirin Haleh Koohyar

Shareholders:

Acuity Capital Management Limited	499	Ordinary
Howard John Cooper	411	Ordinary
Michael David Miller	40	Ordinary
PJ Investments Limited	50	Ordinary
	<u>1,000</u>	Ordinary

### Share Capital

Authorised	Allotted, called up and fully paid
1,000 ordinary shares £1 each	1,000 ordinary shares of £1 each

### Charges

Debenture dated 31 July 2008 in favour of Acuity Capital Management Limited.

**Sale Details**

**Acrobat Music Group Limited – In Administration (“the Company”)**

- The source of the Administrators’ initial introduction was Rosenblatt Solicitors;
- The Administrators’ involvement prior to appointment extended to liaising with the directors, chargeholder and solicitors to discuss insolvency procedures available to the Company and to agree the terms of the sale of the business. In addition, a valuation was sought for the Company’s assets;
- The independent valuer Edward Symmons LLP approached potential interested parties to establish whether there was any interest in acquiring the business and/or the assets of the Company. It soon became apparent that the only interest in the purchase of the business was that from Future Noise;
- The following valuations were obtained in respect of the business and the underlying assets: Edward Symmons LLP on 27 November 2008;
- No other course of action was considered by the proposed Administrator as the agents advised there would be no benefit in trading the Company in Administration whilst any other offers for the business were sought;
- It was not considered appropriate to trade the business, and offer it for sale as a going concern, during the administration for the following reasons:
  1. Without an immediate injection of replacement funding the Company could not be rescued as a going concern; and
  2. No such funding was available.
- No requests were made to potential funders to fund working capital requirements;
- Efforts were made to consult with major creditors, the Administrators consulted with the landlords of the Company to occupy the premises in the short term and to facilitate an orderly removal of stock and other assets. The landlord confirmed their acceptance to the proposals, subject to the purchaser’s meeting ongoing rental charges.
- The transaction was completed on 24 December 2008.
- The assets included, in the transaction in so far as the Company had such right and title, were as follows:
  - the benefit (but subject to the burden) of the contracts;
  - the books and records;
  - the goodwill;
  - the intellectual property;
  - the property licenses;
  - the office furniture and equipment;
  - the business claims; and
  - the stock.

- The consideration for the sale of the Company's business and assets was £20,000. The initial consideration, due and paid on completion, was £5,005. The deferred consideration of £14,995 is due on the earlier of the purchaser receiving payment from a third party in respect of stock, or within three months of completion.
- The sale was not part of a wider transaction;
- The purchaser was Future Noise Music Limited, registered number 06762014;
- There is a connection between the purchaser and the directors, shareholders or secured creditors of the Company as outlined below;
- The following directors (former directors) of the Company are involved in the management or ownership of the purchaser, or of any other entity into which any of the assets are transferred: Nicholas Robert William Ross and Antony Patrick Joy Fraser;
- There are no options, buy-back arrangement or similar conditions attached to the contract of sale.

Insolvency Act 1986  
Acrobat Music Group Limited - In Administration  
Estimated Statement of Affairs as at 29 December 2008

<b>A - SUMMARY OF ASSETS</b>		Cost or Book Value £	Estimated Realisable Values £
<b>Assets Subject to Charge</b>			
Goodwill		Nil	1
Less: Acuity Capital Management Limited		(5,200,000)	(5,200,000)
<b>Deficiency carried down</b>		<u>(5,200,000)</u>	<u>(5,199,999)</u>
<b>Assets Not Subject to Charge</b>			
Debtors		109,003	30,000
Contracts		Nil	1
Books and Records		Nil	1
Intellectual Property and Business Claims		Nil	1
Property Licenses		Nil	1
Office Furniture and Equipment		111,682	5,000
Stock		<u>191,202</u>	<u>14,995</u>
		411,887	49,999
<b>A1 - SUMMARY OF LIABILITIES</b>			
<b>ESTIMATED TOTAL ASSETS AVAILABLE FOR PREFERENTIAL CREDITORS</b>			49,999
<b>PREFERENTIAL CREDITORS:-</b>			(10,000)
			<u>39,999</u>
Estimated prescribed part of net property where applicable (to carry forward)			Nil
			<u>39,999</u>
<b>Debts secured by floating charges</b>			
<b>Deficiency brought down</b>			(5,199,999)
<b>AVAILABLE FOR NON PREFERENTIAL CREDITORS</b>			<u>(5,160,000)</u>
Estimated prescribed part of net property (brought down)			Nil
<b>NON-PREFERENTIAL CREDITORS:-</b>			
Trade & Expense Creditors		(225,534)	
PAYE		(116,927)	
VAT		(11,000)	
			<u>(353,461)</u>
<b>ESTIMATED (DEFICIENCY)/SURPLUS AS REGARDS CREDITORS</b>			<u>(5,513,461)</u>
<b>ISSUED AND CALLED UP CAPITAL:-</b>			
Ordinary Shareholders			<u>(1,000)</u>
<b>ESTIMATED TOTAL (DEFICIENCY)/SURPLUS AS REGARDS MEMBERS</b>			<u><u>(5,514,461)</u></u>

1- Subject to costs of the Administration;

2- Omission from the list of creditors does not preclude creditors from claiming against the company.

**SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS  
FROM 24 DECEMBER 2008 (DATE OF APPOINTMENT) TO 29 JANUARY 2009**

	Note	Estimated to Realise - Director's Statement of Affairs	Total Receipts/ Payments To Date
<b>FLOATING CHARGE RECEIPTS</b>		£	£
Rent Receipt		Nil	12,337
Debtors		30,000	Nil
Contracts		1	1
Books and Records		1	1
Intellectual Property and Business Claims		1	1
Property Licences		1	1
Office Furniture & Equipment		5,000	5,000
Stock		14,995	Nil
Goodwill		1	1
		<b>50,000</b>	<b>17,342</b>
<b>FLOATING CHARGE PAYMENTS</b>			£
Rent Payment			12,337
<b>Balance (Receipts Less Payments)</b>	<b>1</b>		<b>5,005</b>
			<b>17,342</b>

**Notes**

- 1 The balance of funds shown is held on an interest bearing current account held at Bank of Ireland Plc.
- 2 The above statement is shown exclusive of VAT.
- 3 The above does not include valuation or legal costs
- 4 This summary should be read in conjunction with the joint administrators' report dated 29 January 2009.

**S J Parker & C D Wilson**  
**Joint Administrators**  
**29 January 2009**

CREDITORS QUESTIONNAIRE

INVESTIGATION INTO THE AFFAIRS OF

ACROBAT MUSIC GROUP LIMITED

**IN ADMINISTRATION**

Creditor's name and address	
1	Estimated Claim
2	If the estimated claim exceeds the credit limit, on what basis or terms was the additional credit allowed?
3	Please provide details of any comfort, security or assurance given to you to allow continuance of credit.
4	When were you first aware that there were difficulties in getting payment and what was the evidence of this? e.g. extended credit, lump sum payments, dishonoured cheques.

5	Please provide details of any cheques which were dishonoured, including dates and amounts.
6	Please provide details, including dates, of any writs, summons, decrees or other legal action you took to recover your debt.
7	Are there any particular matters you feel should be reviewed? If so, please provide brief details.
Name	
Signature	
Position	
Date	

*Should there be insufficient space on this form, please use a separate piece of paper clearly indicating which question the continuation sheet refers to.*



## **Acrobat Music Group Limited – In Administration**

### **Statement of Joint Administrators' proposals Pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986**

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Act") and The Insolvency Rules 1986 ("the Rules"), S J Parker and C D Wilson the Joint Administrators ("Administrators") of Acrobat Music Group Limited ("the Company"), make the following proposals for achieving the purpose of the Administration.

These proposals and the attached report to creditors together set out the information required by and discharge the Administrators' duty pursuant to Paragraph 49 of Schedule B1 of the Act and Rule 2.33 of the Rules.

An initial meeting of creditors has not been summoned pursuant to Paragraph 52(1)(b) since the Administrators consider that the company has insufficient property to enable a distribution to be made to unsecured creditors.

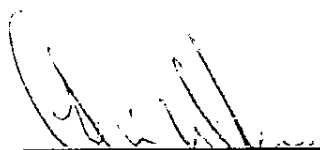
### **Proposals**

The Administrators propose that:

- (a) They continue to manage the business, affairs and property of the Company in order to achieve the purpose of the Administration such that:
  - (i) they dispose of the Company's ownership of such assets at such time(s) on such terms as they consider expedient;
  - (ii) they investigate and, if appropriate, pursue any claims that the Company may have against any person, firm or company whether in contract or otherwise, including any officer or former officer of the Company or any person, firm or company which supplies or has supplied goods or services to the Company.
  - (iii) in addition, they do all such things and generally exercise all their powers as Administrators as they in their discretion consider desirable or expedient in order to achieve the purpose of the Administration or protect and preserve the assets of the Company or maximise the realisations of those assets, or of any purpose incidental to these proposals; and
- (b) The Administration shall continue (subject to the statutory provisions relating to automatic termination) until the realisable assets of the Company have been realised and all liabilities incurred during the Administration have been discharged or until such a time as deemed appropriate by the Administrators. At this stage the Company shall be dissolved or placed into liquidation as outlined below. If necessary, the Administrators propose to seek an extension of their appointment as Administrators from the creditors and/or the Court pursuant to paragraph 76 of Schedule B1 to the Act.
- (c) If the Administrators consider that there will be no distribution to creditors who are neither secured nor preferential, and if they also consider that an exit from the Administration into compulsory liquidation is not appropriate, then the Administrators be authorised to take the necessary procedural steps to bring about the end of the Administration and move the Company into dissolution pursuant to paragraph 84 of Schedule B1 to the Act.
- (d) In the event that the Administrators are of the view that it is appropriate for the Company to move from Administration into Liquidation, whether compulsory or voluntary, the Administrators be authorised to take steps to place the Company into whichever

liquidation process they, at their discretion, deem appropriate. In either circumstance, it is proposed that the Joint Administrators would take the appointment as joint liquidators of the Company and that they will act jointly and severally in their duties. In relation to moving into creditors' voluntary liquidation, and in accordance with paragraph 83(7) and Rule 2.117 (3), creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of the proposals and before those proposals are approved.

- (e) Upon the Company either proceeding into Creditors Voluntary Liquidation or dissolution as set out above, the Joint Administrators discharge from liability, pursuant to paragraph 98 of Schedule B1 shall take effect 14 days following either the Company entering into liquidation or filing the notice of moving from Administration to dissolution.
- (f) They be at liberty to incur and pay such costs and expenses, including professional fees, as considered to be incidental to the achievement of the purpose of the Administration or for the purposes set out herein or to the Administrators' statutory duties.
- (g) The Administrators shall be remunerated by reference to time properly spent both for their services as Administrators and also for their staff in attending to the matters arising in the Administration of the Company, charged at the charge out rates prevailing at the time the work is undertaken. The Administrators' remuneration will be agreed by the Creditors' Committee or in the event that no Committee is formed by creditors the Administrators' remuneration will be agreed with the secured creditors and, if appropriate, the preferential creditors.
- (h) They consult with the Creditors' Committee, if formed, at appropriate intervals concerning the conduct of the Administration and the implementation and development of these proposals and where they consider it expedient obtain the sanction of that Committee on behalf of the creditors of the Company (and without further reference to them) to any proposed action on the part of the Administrators.



C D Wilson  
Joint Administrator

29 January 2009