

The Insolvency Act 1986

Administrators' progress report

Name of Company
Brilliant Independent Media Specialists
(Birmingham) Limited

Company number
06351654

In the High Court of Justice
Chancery Division
Companies Court

[full name of court]

Court case number
10516 of 2011

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

We (a) RAH Maxwell of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds LS1 2JZ and Rob Sadler of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ

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

from


to

(b) Insert dates

(b) 1 June 2012

(b) 15 August 2012

Signed


Joint Administrator

Dated

17 August 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 details should be given in the box opposite.

Begbies Traynor (Central) LLP

9th Floor, Bond Court, Leeds, LS1 2JZ

Tel Number 0113 244 0044

Fax Number 0113 244 5820

DX Number



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COMPANIES HOUSE

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



Begbies Traynor

The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability

Brilliant Independent Media Specialists (Birmingham) Limited (In Administration)

Final Progress Report of the joint administrators
pursuant to Rules 2.47 and 2.110 of The Insolvency
Rules 1986

Period: 1 December 2011 to 15 August 2012

Important Notice

This final progress report has been produced by the administrators solely to comply with their statutory duty to report to creditors on the progress of the administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Brilliant Independent Media Specialists (Birmingham) Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 to the Insolvency Act 1986 on 1 December 2011
"the administrators", "we", "our", "us"	Bob Maxwell of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ and Rob Sadler of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. STATUTORY INFORMATION

Name of Company	Brilliant Independent Media Specialists (Birmingham) Limited
Trading name(s)	Brilliant Media Group Brilliant Independent Media Specialists
Date of Incorporation	23 August 2007
Company registered number	06351654
Company registered office	9 th Floor, Bond Court, Leeds, LS1 2JZ

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of administrators	Bob Maxwell, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ and Rob Sadler, a Licensed Insolvency Practitioner of Begbies Traynor (Central) LLP, 9th Floor, Bond Court, Leeds, LS1 2JZ
Date of administrators' appointment	1 December 2011
Court	High Court of Justice, Chancery Division, Companies Court
Court Case Number	10516 of 2011
Entity making appointment / application	WH 424 Limited (qualified floating charge holder)
Acts of the administrators	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EC Regulation on Insolvency Proceedings	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation.
Extensions of the administration period	There have been no extensions to the administration period.

4. PROGRESS DURING THE PERIOD

Attached at Appendix 1 is our abstract of receipts and payments for the period from 1 December 2011 to 15 August 2012

RECEIPTS

Pre-packaged sale of the business and assets

As detailed in the administrators' statement of proposals dated 20 January 2012, a sale of the Company's business and assets to Mediacom North Limited ("Mediacom") took place on 1 December 2011, the date of our appointment. All details in relation to this sale have previously been disclosed to creditors.

Cash at Bank – Lloyds TSB Bank Plc

The Company held a small number of current accounts with Lloyds TSB Bank Plc. These accounts had credit balances totalling £12,070 and these funds were paid into our administration account in January 2012.

Book Debts

My last report, dated 15 June 2012, noted that considerable effort has been expended by our staff in dealing with the collection of the Company's book debts. In addition we engaged the services of a debt collection agency, Sovereign Credit Management Limited ("SCM"), to assist us with collecting these debts.

To date we have been successful in collecting the sum of £1,912,029 in relation to this class of assets.

There remains only one major outstanding trade debtor (Onon Media) in relation to the Company and I am confident that this will result in a positive outcome. As previously reported, I have commenced legal proceedings in respect of the collection of the same and these proceedings shall continue during the liquidation of the Company.

This is an excellent result and is attributable to a combination of the going concern sale to Mediacom North Limited (thus preventing debtors from making claims about failure to supply) and our collection efforts.

Rates Refunds

Sums totalling £1,362 have been recovered in relation to rates refunds.

We engaged the services of CAPA UK to perform both a rates audit and an accounts payable audit on the Company's creditors' ledger.

CAPA UK was engaged on a commission basis in respect of any monies that they managed to obtain for the benefit of the administration estate.

Unfortunately in this case they were unable to identify any additional rates refunds for the benefit of the estate, other than those that were already received by the joint administrators.

In addition there were no recoverable amounts following the conclusion of their accounts payable audit.

Petty Cash

Petty cash in the sum of £48 has been received into the Company's administration account.

Licence Fee

The Company's premises were subject to a lease. A licence to occupy the premises was granted to Mediacom for the period from 1 December 2011 to 31 May 2012. We received notification from Mediacom in

late May 2012 that they did not wish to extend the licence period as they had negotiated a new lease with the landlord commencing on 1 June 2012

The total sum of £36,727 has been received in respect of the licence, business rates and service charges incurred for the period from 1 December 2011 to 31 May 2012. No further amounts are due from Mediacom in this regard

PAYMENTS

WH 424 Limited

As detailed in Section 5 below, I have completed a settlement agreement with WH 424 Limited in respect of its security over the Company's property and assets. The sum of £176,550 has been paid to WH 424 Limited by the Company

The total sum paid to WH 424 Limited across all the Brilliant Media Group of Companies is detailed further in Section 5

In addition to the above sum, I have repaid £58,750 to Brilliant Media Holdings Limited – In Administration, in respect of a subrogated secured claim that this Company had against Brilliant Independent Media Specialists (Birmingham) Limited – In Administration (see Section 5 below)

Please note that the sums of £58,750 have also been repaid to Brilliant Media Holdings Limited – In Administration by Brilliant Independent Media Specialists Limited – In Administration and Brilliant Independent Media Specialists (Manchester) Limited – In Administration

PNC Financial Services Limited t/a PNC Business Credit

The Company's invoice discounting finance facility was provided by PNC Financial Services Limited t/a PNC Business Credit ("PNC"). At the date of our appointment the Company's current account with PNC was overdrawn by £236,714

On 19 March 2012 we received details of PNC's secured claims against the Companies within the Brilliant Media Group. These claims were submitted in accordance with PNC's Master Facilities Agreement ("MFA") with the Group dated 25 August 2011 and related to the early termination in relation to the same, as a result of the Group's insolvency. The claim submitted by PNC in relation to the Group amounted to £300,000 in total, £62,070 of which was in relation to Brilliant Independent Media Specialists (Birmingham) Limited

PNC's secured status was independently verified and my legal representatives in this matter, Walker Morris, confirmed that the claim made by PNC was in accordance with the MFA. I therefore subsequently discharged the sum of £62,070 to PNC on 18 April 2012

In the Directors' Statement of Affairs, contained within my proposals dated 20 January 2012, they estimated that the liability to PNC was £1,116,689 (which included the overdrawn current account with PNC). The final amount claimed by PNC was significantly less which will benefit unsecured creditors by way of an increased dividend

Accountancy Fees (Statement of Affairs)

The Directors instructed Phil Nield of As Required Limited to prepare the Statement of Affairs for the Company as at 1 December 2011. This statement was included within our proposals of 20 January 2012

I agreed that the cost of preparing the statement of affairs should be defrayed from the realisations made in relation to the administration of the Company and the sum of £3,750 was subsequently discharged to As Required Limited on 1 February 2012

Accountant's Fees (VAT Return)

Phil Nield of As Required Limited was instructed to prepare the Company's pre-appointment VAT return for the period immediately prior to my appointment and has been paid £667 plus VAT for completing this work

Debt Collection Fees

We engaged the services of SCM to assist us in the collection of the Company's book debts. A total sum of £103,090 has been paid to SCM in this regard.

Legal Fees and Disbursements

During the period of this report we have discharged legal fees of £48,941 and legal disbursements of £8,095, primarily counsel's fees.

We engaged the services of Mills & Reeve LLP for their legal advice in relation to the sale of Company's business and assets, book debt collection matters, matters pertaining to the licence to occupy the Company's leased premises and in relation to the Company's secured lenders.

We instructed Walker Morris for their legal advice in relation to the validity of our appointment and matters pertaining to the validity of the Company's secured lenders' security (detailed further in Section 5 below).

We engaged Claron Solicitors LLP to provide independent legal advice regarding the investigation into both PKF's and BDO's working papers and files, and the advice that the Company received from these organisations (detailed further in Section 13 below).

BTG Global Risk Partners

As advised in my previous report, I engaged the services of BTG Global Risk Partners to carry out a thorough forensic investigation into the affairs of the Company and in particular the actions of the Company's pre-appointment advisors PKF (UK) LLP (auditors) and BDO LLP (tax consultancy providers). The result of their work is discussed below in Section 13.

BTG Global Risk Partners have been paid the sum of £4,344 in respect of their reported findings on this matter.

Rent, Business Rates and Service Charges

As stated above, the Company's premises were subject to a lease and a licence to occupy the premises was granted to Mediacom until 31 May 2012.

The sum of £36,727 has been received in respect of the rent, business rates and service charges incurred for the period from 1 December 2011 to 31 May 2012.

During the period of this report, the sums of £21,585 and £8,920 have been paid to the Company's landlord in relation to the rent and service charges respectively. In addition the sum of £6,222 has been paid to Birmingham City Council in relation to Business Rates for the period 1 December 2011 to 31 May 2012.

Statutory Advertising

Statutory advertising costs of £2,618 in relation to our appointment as joint administrators, and in relation to the creditors' meeting held on 8 February 2012 have been discharged.

Other Payments

Sundry payments totalling £763 have been paid in relation to bank charges and creditors' committee expenses.

5. OUTCOME FOR CREDITORS

The sums owed to creditors at the date of appointment (as detailed in the Directors' Statement of Affairs contained within our proposals dated 20 January 2012) are as follows:

Secured Creditors

PNC Financial Services Limited t/a PNC Business Credit

On 25 August 2011 PNC Financial Services Limited t/a PNC Business Credit ("PNC") created a fixed and floating charge over all property and assets, present and future, of the Company. This was registered on 7 September 2011.

In the Directors' Statement of Affairs they estimated that a total sum of £1,116,689 was due to PNC (which included the overdrawn current account with PNC).

As detailed in my previous report, the total amount paid to PNC by the Company in relation to their security amounted to £298,784 (£236,714 plus £62,070). PNC's secured status was independently verified by my legal representatives in this matter, Walker Morris.

Therefore, as a result of a significant reduction in the estimated payment to PNC, unsecured creditors should receive an improved dividend.

WH 424 Limited

On 23 March 2011 WH 424 Limited created a fixed and floating charge over all property and assets, present and future, of the Company. This was registered on 29 March 2011.

In the Directors' Statement of Affairs they estimated that a total sum of £1,054,496 was due to WH 424 Limited.

I engaged the services of Walker Morris to advise me on the validity of this security. They confirmed that certain elements of their security were valid and a payment of £400,000 was made to WH 424 Limited on 30 December 2011 from an associated Company within the Brilliant Media Group, i.e. Brilliant Media Holdings Limited – In Administration, as I was satisfied that this was validly due to WH 424 Limited.

Consequently, Brilliant Media Holdings Limited has a subrogated secured claim against all other Companies within the Brilliant Media Group of Companies, including Brilliant Independent Media Specialists (Birmingham) Limited – In Administration (see Section 4 above).

However, an issue was identified with a certain element of WH 424 Limited's security which may have called into question the extent of its validity.

Walker Morris entered into communication with WH 424 Limited's solicitors, Shoosmiths, over the extent of the sums covered by WH 424 Limited's security. The point that arose was of a technical nature and the initial advice received from Walker Morris and counsel was that the joint administrators should apply to court for directions to settle the points in issue.

WH 424 Limited also instructed counsel to advise them on the issues arising. Subsequently the joint administrators consulted with Simon Mortimore QC who confirmed the need for directions from the court.

The application was therefore issued and the first hearing took place on 29 May 2012.

Since 29 May 2012 the joint administrators and Walker Morris concentrated on settling this issue without the need to go to court, in conjunction with WH 424 Limited and their solicitors.

WH 424 Limited's potential claim against the Company, including principal, interest, fees and expenses amounted to £1,296,000 (inclusive of the £400,000 payment already made to them).

On 17 July 2012 all parties (the joint administrators, the Brilliant Media Group of Companies and WH 424 Limited) signed a settlement agreement for £550,000, which was in addition to the £400,000 payment detailed above, meaning that a total sum of £950,000 has been distributed to WH 424 Limited from the Brilliant Media Group of Companies, a reduction of c£350,000 in WH 424 Limited's potential claim. The issued court application has therefore now been withdrawn.

The Company's share of the settlement figure of £550,000 amounted to £176,550 and this sum was paid to WH 424 Limited's solicitors on 17 July 2012. The Company's share of the £400,000 payment made by Brilliant Media Holdings Limited is £58,750 by way of a subrogated secured claim.

I believe that this is an excellent result for the general body of creditors of the Brilliant Media Group of Companies, one which should see unsecured creditors receive an improved dividend.

Preferential Creditors

The Directors estimated that the Company had preferential liabilities totalling £514 in relation to outstanding employee pension claims. We do not believe that these claims are preferential as a result of Transfer of Undertakings for the Protection of Employment ("TUPE").

Unsecured Creditors

Unsecured creditors were estimated at £3,411,421 in the Directors' Statement of Affairs.

On the basis of realisations to date and estimated future realisations during the course of the liquidation, we estimate an outcome for each class of the Company's creditors as follows:

Secured Creditors

WH 424 Limited

As detailed above, a total sum of £950,000 has been paid in full and final settlement to WH 424 Limited by the Brilliant Media Group of Companies as follows:

	£
Brilliant Media Holdings Limited - In Administration	400,000
Brilliant Independent Media Specialists Limited - In Administration	202,400
Brilliant Independent Media Specialists (Manchester) Limited - In Administration	171,050
Brilliant Independent Media Specialists (Birmingham) Limited - In Administration	<u>176,550</u>
	<u>950,000</u>

Brilliant Media Holdings Limited has made subrogated secured claims of £58,750 against each of the other group companies above.

PNC Financial Services Limited t/a PNC Business Credit

This secured lender has been repaid in full.

Preferential Creditors

We do not believe that there are any preferential claims in this case as a result of the pre-packaged sale of the business and assets of the Company to Mediacom on 1 December 2011.

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Details of how the prescribed part for unsecured creditors is calculated have previously been provided in our statement of proposals, and in our previous progress report.

We have estimated, to the best of our knowledge and belief, the Company's net property, as defined in Section 176A(6) of the Act, to be £1,250,000 and the prescribed part of the Company's net property to be £253,000.

The Company has now exited from administration into Creditors' Voluntary Liquidation in accordance with the proposals approved by creditors. My partner Rob Sadler and I will agree the claims of the unsecured creditors of the Company and will make a distribution under the prescribed part if applicable.

Unsecured Creditors

We anticipate that there will be sufficient funds available to enable a distribution of c30p in the £ to the unsecured creditors (including any distribution under the prescribed part), based on the Directors' Statement of Affairs figure for unsecured creditors.

Exit From Administration

The notice of move from administration to Creditors' Voluntary Liquidation (Form 2 34B) was registered by the Registrar of Companies on 15 August 2012 and our appointment as joint administrators has now ceased to have effect.

Consequently the Company is now in Creditors' Voluntary Liquidation in accordance with paragraph 83(6) of Schedule B1 to the Act. My partner Rob Sadler and I shall continue to act in our capacity as joint liquidators of the Company.

6. ADMINISTRATORS' PROPOSALS

Attached at Appendix 2 is a summary of our proposals approved at the meeting of creditors held on 8 February 2012.

7. SUMMARY OF STEPS TAKEN DURING THE ADMINISTRATION

Asset Realisations

As detailed above and in previous reports, a sale of the Company's business and assets to Mediacom took place on 1 December 2011, the date of our appointment.

Since the sale I have concentrated on realising the assets of the Company, with the professional assistance of advisors including Sovereign Credit Management and Mills & Reeve Solicitors.

As detailed above, £1,912,029 has been realised in respect of book debts. Cash at bank of £12,070 has also been received.

Secured Creditors

In the Directors' Statement of Affairs for the Company they estimated that the sums of £1,116,689 and £1,054,496 were due to PNC and WH 424 Limited respectively.

As detailed above, through successful negotiations and a settlement agreement, the sums of £298,784 and £176,550 have actually been paid.

In addition the sum of £58,750 has been paid to Brilliant Media Holdings Limited – In Administration in respect of a subrogated secured claim (see Sections 4 and 5 above).

As a result of significant reductions in the estimated payments to PNC and WH 424 Limited, unsecured creditors should receive an improved dividend.

Regular written and verbal updates have been provided to the Company's secured creditors throughout the administration

Investigations

As detailed in Section 13 below, we have undertaken the following investigation work -

- CDDA/SIP 2 Investigation
- PKF/BDO Review

Statutory Reporting Matters

Together with the above, the administrators have carried out all statutory duties required during the administration, including a report on the directors' conduct, distribution of the administrators' statement of proposals, followed by an interim progress report to creditors and this final report to creditors

Exit From Administration

The Company has now exited from administration to Creditors' Voluntary Liquidation, with my partner Rob Sadler and I acting as joint liquidators, as agreed by the general body of creditors at the meeting of creditors on 8 February 2012

8. PRE-ADMINISTRATION COSTS

On 24 April 2012 the following amounts in respect of pre-administration costs were approved by the creditors' committee appointed under paragraph 57 of Schedule B1 to the Act

Details of recipient	Description of services provided	Amount
Begbies Traynor (Central) LLP	Joint Administrators' pre-appointment time costs	£6,434 45

9. REMUNERATION AND DISBURSEMENTS

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and we are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with our firm's policy, details of which accompanied our Statement of Proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report

We have sought the approval of the creditors' committee on an ongoing basis in relation to drawing remuneration and disbursements in this case

Our time costs for the period from 1 December 2011 to 15 August 2012 amount to £143,327 which represents 464 20 hours at an average rate of £308 76 per hour

The following further information in relation to our time costs and disbursements is set out at Appendix 3

- ☐ Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates
- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period from 1 December 2011 to 15 August 2012

Since our appointment, we have drawn with the agreement of the creditors' committee the total sum of £83,566 plus disbursements of £1,279

Details of the Category 2 disbursements and also disbursements that should be treated as Category 2 disbursements, that have been drawn during the period of this report in accordance with the relevant approval obtained (in the total sum of £5,623) are provided in the narrative summary of time costs incurred which is at Appendix 3

10. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred and discharged by us during the period of this progress report is attached at Appendix 4

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2 48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been detailed in this progress report

Right to make an application to court

Pursuant to Rule 2 109 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor, (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may within 8 weeks of receipt of this progress report make an application to court on the grounds that the remuneration charged or the expenses incurred by us as set out in this progress report are excessive or, in relation to the basis fixed for our remuneration, inappropriate

12. ASSETS THAT REMAIN TO BE REALISED

In accordance with Rule 2 117A of the Rules, it is the position that the following assets have yet to be realised and will be dealt with by the joint liquidators once they are in office

Trade Debtors

As detailed above there remains only one major trade debt of £159,146 to pursue in relation to this Company

This debtor no longer trades with Mediacom and has made an offer to settle but at a lower amount than the joint administrators, our solicitors and the creditors' committee are prepared to accept

I have commenced legal proceedings in relation to the collection of this remaining debtor and we expect to receive a significant amount of this debt

Inter-Company Debtors

As per the Company's books and records the Company has two inter-company debts due as follows

	£
Brilliant Media Holdings Limited	150,000
Brilliant Independent Media Specialists Limited	2,081,781

There may be a distribution in the case of Brilliant Media Holdings Limited

Under current projections, the anticipated dividend to be received from Brilliant Independent Media Specialists Limited is c30p in the £ thereby realising in excess of £620,000 in the administration of Brilliant Independent Media Specialists (Birmingham) Limited – In Administration

13. OTHER RELEVANT INFORMATION

Report on Directors' Conduct - CDDA

As detailed in our statement of proposals, we have a duty to submit a report to the Department for Business, Innovation and Skills ("DBIS") on the conduct of the directors. We have complied with our duties in this respect.

In this instance DBIS have concluded that there are no matters requiring any further action from them.

Some creditors have been very helpful in providing additional information to us which has helped us complete a detailed report.

The work conducted by us has been extensive, wide-ranging and thorough in this regard and the creditors' committee have been fully apprised of the nature of our work.

Investigations completed and action taken

As explained in our Statement of Proposals and our interim progress report, we have been investigating the manner in which the business was conducted prior to the administration of the Company and potential recoveries for the estate in this respect. We have concluded that there are no potential recoveries for the estate in this regard.

At the Creditors' meeting held on 8 February 2012, and in discussions with certain major trade creditors, queries were raised with regards to the advice that the Company received from its primary professional advisors, PKF (UK) LLP (auditors) and BDO LLP (tax consultancy providers).

As you are aware, I engaged the services of BTG Global Risk Partners to carry out a thorough forensic investigation into the advice that the Company received from these organisations. In addition I engaged the services of Claron Solicitors LLP to provide independent legal advice regarding the same.

A summary of this report was provided to the creditors' committee and discussed with them. We will not outline here the results of that report so as not to prejudice any potential action that creditors may wish to take against PKF, BDO or anyone else. However, as previously advised, it is the position of the joint administrators that the recommendation is not to pursue a professional misconduct action against either party.

Correspondence with Google Ireland Limited

As one of the major creditors of the Company, Google Ireland Limited has corresponded with us on numerous occasions, asking for us to put certain investigative questions to the former Directors of the Company, which we have done.

Correspondence with Google has continued throughout the period of administration and I have sought to answer as many queries as possible, with the assistance of the Company's former Directors and by reference to the books and records of the Company.

Consequently the additional work that we have undertaken in this regard has greatly assisted me and my staff in relation to our overall investigation into the affairs of the Directors and the Company itself

Creditors' Committee

As you are aware at the creditors' meeting held on 8 February 2012, a creditors' committee was formed to represent the general body of creditors and to assist me on certain matters pertaining to the ongoing administration of the Company, including book debt realisations and my investigations into the affairs of the Directors of the Company and the Company itself

The members of the creditors' committee are -

	Representing
Teresa Brookes (NPA)	Google Ireland Limited
Michael Wykes (Smith & Williamson)	Financial Times Limited
Andy Jones	First Radio Sales Limited

I confirm that I have held two formal meetings with the creditors' committee on 22 February 2012 at which they all attended, and 24 April 2012 at which Michael Wykes did not attend

I have reported to them on ongoing matters such as asset realisations and the settlement agreement with WH424 Limited, as detailed in Section 5 above. In addition I have kept them informed with regards to my ongoing investigations, including my views on any potential action against PKF (UK) LLP and BDO LLP, as detailed above

14. CONCLUSION

If you have any queries in relation to any elements of the content of this report, please do not hesitate to contact my office



RAH MAXWELL
Joint Administrator

Date 17 August 2012

JOINT ADMINISTRATORS' ACCOUNT OF RECEIPTS AND PAYMENTS

Period 1 December 2011 to 15 August 2012

	Period 01 12 11 to 31 05 12 £	Period 01 06 12 to 15 08 12 £	Total £
INCOME			
Cash at Bank - Lloyds TSB Bank Plc	12,070	-	12,070
Cash at Bank - PNC Business Credit	(236,714)	-	(236,714)
Book Debts	1,906,784	5,245	1,912,029
Rates Refund	1,362	-	1,362
Licence Fee (including Rent, Business Rates and Service Charge)	37,760	(1,033)	36,727
Petty Cash	48	-	48
	<u>1,721,310</u>	<u>4,212</u>	<u>1,725,522</u>
EXPENDITURE			
PNC Business Credit Early Termination Fee	62,070	-	62,070
WH 424 Limited	-	176,550	176,550
Subrogated Secured Claim - Brilliant Media Holdings Limited	-	58,750	58,750
Administrators' Pre-Administration Fees	6,434	-	6,434
Administrators' Fees	83,566	-	83,566
Administrators' Disbursements	1,279	-	1,279
Statement of Affairs Fees	3,750	-	3,750
Accountant's Fees - VAT Return	-	667	667
Debt Collection Costs	103,090	-	103,090
Legal Fees	22,239	26,702	48,941
Legal Disbursements	204	7,891	8,095
BTG Global Risk Partners	-	4,344	4,344
Rent	21,585	-	21,585
Business Rates	4,070	2,152	6,222
Service Charge	7,611	1,309	8,920
Statutory Advertising	2,618	-	2,618
PNC Business Credit Bank Charges	680	-	680
Bank Charges	62	(12)	50
Miscellaneous	-	33	33
	<u>319,258</u>	<u>278,386</u>	<u>597,644</u>
Balance in Hand	<u>1,402,052</u>	<u>(274,174)</u>	<u>1,127,878</u>
MADE UP AS FOLLOWS			
Bank Account			<u>1,127,878</u>
			<u>1,127,878</u>

SUMMARY OF ADMINISTRATORS' PROPOSALS, INCLUDING MAJOR AMENDMENTS TO, AND DEVIATIONS FROM THEM

Proposals approved at the creditors' meeting held on 8 February 2012

- 1) The joint administrators will seek to agree creditors' claims generally
- 2) The joint administrators will, if they see fit, make an application pursuant to paragraph 65(3) of Schedule B1 of the Insolvency Act 1986, for the permission of the Court to make a payment by way of a distribution to all or any creditors where such distribution is considered to be in the best interests of creditors as a whole
- 3) The Company shall remain in administration for such period as the joint administrators deem necessary and appropriate
- 4) If necessary, the joint administrators shall have the authority to request the creditors consent for an extension of the duration of the administration for a period of up to six months (in accordance with the provisions of Schedule B1 paragraph 76(2)(b) of the Insolvency Act 1986), or apply to Court for an extension of the administration (in accordance with the provisions of Schedule B1 paragraph 76(2)(a) of the Insolvency Act 1986)
- 5) In the event that the joint administrators are of the view that it is appropriate for the Company to move from administration into liquidation, the joint administrators be authorised to take steps to place the Company into creditors' voluntary liquidation as detailed in the 'Exit from Administration' section in the main body of the report
- 6) In the event that the Company moves to liquidation the joint administrators be appointed as joint liquidators
- 7) If the joint administrators consider that there will be no distribution to unsecured creditors, and if they also consider that an exit from administration into liquidation is not appropriate, then the joint 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 54 of Schedule B1 of the Act. For more details of this procedure, please refer to the 'Exit from Administration' section in the main body of the report
- 8) Upon the joint administrators ceasing to act, discharge from liability, pursuant to paragraph 98 of Schedule B1 shall take effect. Ceasing to act will be signified by the Company entering into liquidation or dissolution
- 9) For the purposes of Rule 2.106(2)(b) of the Insolvency Rules 1986, the joint administrators' remuneration be fixed on the basis of their hourly costs at scale rates calculated on the time properly spent in the course of the administration and that, subject to full disclosure to creditors in accordance with *Statement of Insolvency Practice 9* issued by the Joint Insolvency Committee on behalf of the administrators' licensing bodies, they may draw their remuneration on account as and when funds permit

- 10) The joint administrators be authorised to draw disbursements, including disbursements for services provided by their firm (defined as Category 2 disbursements in Statement of Insolvency Practice 9), in accordance with their firm's policy, details of which are attached
- 11) The joint administrators shall have authority to sanction and agree the fees of any solicitors, quantity surveyors or similar agents by reference to the time given by such agents and their staff, in attending to matters arising in the administration
- 12) The joint administrators be at liberty to recharge disbursements as detailed in the Guide to Administrators' Fees
- 13) Without prejudice to the provisions of Section 14 of the Insolvency Act 1986, the administrators may carry out all other acts that they may consider to be incidental to the proposals above in order to assist in their achievement of the stated purposes of the administration order or any variation thereto

TIME COSTS AND DISBURSEMENTS

- a Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements,
- b Begbies Traynor (Central) LLP's charge-out rates,
- c Narrative summary of time costs incurred, and
- d Table of time spent and charge-out value for the period from 1 December 2011 to 15 August 2012

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm and also where payments are to be made to outside parties in which the office holder or his firm or any associate has an interest. Best practice guidance² requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories.

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

(A) The following items of expenditure are charged to the case (subject to approval)

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £100 (London £150) per meeting,
- Car mileage is charged at the rate of 45 pence per mile,
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² Ibid 1

(B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*

- Telephone and facsimile
- Printing and photocopying
- Stationery

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the Leeds office as at the date of this report are as follows

	Charge-out Rate (£ per hour)
Partner	495
Director	395
Senior Manager	365
Manager	315
Assistant Manager	270
Senior Administrator	235
Administrator	185
Trainee Administrator	160
Support	160

Time spent by support staff for carrying out shorter tasks, such as typing or dealing with post, is not charged to cases but is carried as an overhead. Only where a significant amount of time is spent at one time on a case is a charge made for support staff.

Time is recorded in 6 minute units

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME	Brilliant Independent Media Specialists (Birmingham) Limited
CASE TYPE	Administration
OFFICE HOLDERS	Bob Maxwell and Rob Sadler
DATE OF APPOINTMENT	1 December 2011

1 CASE OVERVIEW

- 1.1 This overview and the time costs analysis attached is intended to provide sufficient information to enable the body responsible for the approval of the office holders' fees to consider the level of those fees in the context of the case

1.2 Complexity of the case

The main complexities surrounding this case are as follows

- Debtor collection,
- Inter-Company creditor position,
- Potential litigation against the Directors and their accounting/tax advisors,
- Investigation and recovery of outstanding Directors' loans,
- Marshalling creditor claims,
- Agreement of secured lender claims

1.3 The office holders' effectiveness

The joint administrators secured a sale of the Group's business and certain assets on the date of appointment in a pre-packaged sale. This sale included the transfer of all of the Group's employees to Mediacom North Limited. Should this sale have not been achieved, the Group's employees' preferential claims were estimated at £890,000, which would have diluted funds available for unsecured creditors. Currently we estimate that preferential claims will either be nil or minimal.

1.4 Nature and value of property dealt with by the office holders

The main assets to be realised in the administration were the Company's debtors. We have realised £1,912,029 in the administration.

1.5 Anticipated return to creditors

It is anticipated that there shall be a distribution of circa 30 pence in the pound to the Company's unsecured creditors.

1.6 Time costs analysis

An analysis of time costs incurred between 1 December 2011 and 15 August 2012 prepared in accordance with Statement of Insolvency Practice 9 is attached showing the number of hours spent by each grade of staff on the different types of work involved in the case, and giving the average hourly rate charged for each work type.

The time costs analysis provides details of work undertaken by the office holders and their staff following their appointment only.

In addition to the post appointment time costs detailed in the time costs analysis, pursuant to rule 2.67(1)(c) of the Insolvency Rules 1986, the office holders' consider that the sum of £6,434.45 plus VAT is also properly recoverable in relation to work undertaken prior to their appointment consisting of determining whether it was reasonably likely that the purpose of administration would be achieved and completing the required statements of the proposed administrators. The sum is calculated as follows and was discharged following the approval of the creditors' committee on 24 April 2012.

	Partner(s)	Senior Manager(s)	Other(s)	Total Hours	Time Cost	Average Hourly Rate
Hourly Rate	£495	£367	£183			
Pre-appointment Time	£3,022.47	£3,265.29	£146.68	15.9	£6,434.45	£404.68

1.7 The views of the creditors

The creditors were given initial notification on 9 December 2011 giving details of the pre-packaged sale in accordance with SIP16. The creditors were also invited to a meeting of creditors on 8 February 2012.

1.8 Approval of fees and disbursements

At the meeting of creditors held on 8 February 2012 a creditors' committee was appointed in relation to this case and it was agreed that the basis of the joint administrators' remuneration would be fixed by reference to the time properly spent on the matter and that such fees would be approved on an ongoing basis. At the meeting of creditors it was also resolved that the joint administrators be authorised to draw remuneration on account as and when funds permit.

The joint administrators are authorised to draw disbursements as and when they are incurred on the case.

Category 2 disbursements and also disbursements that should be treated as Category 2 disbursements, that have been drawn during the period of this report in accordance with the relevant approval obtained amount to £5,623 and are as follows:

	£
BTG Global Risk Partners	4,344
Joint Administrators' Statutory Bond	555
Miscellaneous	411
Room Hire	313
Total	5,623

1.9 Other professionals employed & their costs

The joint administrators have engaged the services of Mils & Reeve LLP, Solicitors, to assist with general legal matters in relation to the Group and to assist with the sale of the Group's business and assets to Mediacom North Limited.

The joint administrators have engaged Walker Morris, Solicitors, to review the validity of their appointment and to advise on matters pertaining to the validity of the secured creditors' security.

The joint administrators have engaged the services of both BTG Global Risk Partners and Clanon Solicitors Limited to advise on any potential misconduct action against PKF (UK) LLP and BDO LLP.

The joint administrators engaged Phil Nield of As Required Limited to prepare the Company's pre-appointment VAT return

These professional advisors have been remunerated on a time cost basis

2 EXPLANATION OF OFFICE HOLDERS' CHARGING AND DISBURSEMENT RECOVERY POLICIES

2.1 Begbies Traynor (Central) LLP's policy for charging fees and expenses incurred by office holders is attached

2.2 The rates charged by the various grades of staff who may work on a case are also attached

STATEMENT OF JOINT ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Accountancy Fees (Statement of Affairs)	As Required Limited	3,750 00	3,750 00	0 00
Accountancy Fees (Pre-appointment VAT return)	As Required Limited	666 67	666 67	0 00
Forensic Investigation	BTG Global Risk Partners	4,344 37	4,344 37	0 00
Debt Collection Fees	Sovereign Credit Management Limited	103,089 68	103,089 68	0 00
Legal Fees	Mills & Reeve LLP	19,699 50	19,699 50	0 00
Legal Fees	Walker Morris	27,526 62	27,526 62	0 00
Legal Fees	Gateley LLP	875 00	875 00	0 00
Legal Fees	Clarion Solicitors Limited	840 00	840 00	0 00
Legal Disbursements	Mills & Reeve LLP	1,279 98	1,279 98	0 00
Legal Disbursements (Including Counsels' Fees)	Walker Morris	6,804 58	6,804 58	0 00
Legal Disbursements	Gateley LLP	10 00	10 00	0 00
Rent	St Modwen Corporate Services Limited (agents for landlord)	21,585 24	21,585 24	0 00

Business Rates	Birmingham City Council	6,221 74	6,221 74	0 00
Service Charges	St Modwen Corporate Services Limited (agents for landlord)	8,919 70	8,919 70	0 00
Statutory Advertising	Courts Advertising	2,617 78	2,617 78	0 00
Creditors' Committee Expenses	Various	33 42	33 42	0 00
Joint Administrators' Statutory Bond	Marsh Limited	1,110 00	555 00	555 00