

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company Lost Wax Media Limited (in Administration)	Company number 031 361 32
In the Royal Court of Justice	Court case number 18293 of 2009

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

We (a) Stephen Robert Cork and Joanne Elizabeth Milner of Smith & Williamson Limited, 25 Moorgate, London, EC2R 6AY 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) Insert date

(b) 2 November 2009

* Delete as applicable

Signed

Joint Administrators

Dated

2/11/09

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

Smith & Williamson Limited,

25 Moorgate, London

EC2R 6AY

Tel: 020 7131 4138

DX Number

DX Exchange

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04/11/2009

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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

Smith & Williamson

Lost Wax Media Limited (In Administration)

Report to creditors

2 November 2009

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I. Introduction

I confirm that Stephen Cork and I were appointed Joint Administrators of Lost Wax Media Limited (in Administration) (the "Company") pursuant to an application of the directors on 8 September 2009. I advise that Stephen Cork and I are jointly and severally responsible for the day to day affairs associated with the Administration of the Company.

My proposals are now submitted to creditors, pursuant to Paragraph 49 of Schedule B1 to the Insolvency Act 1986 ("Schedule B1"), outlining how the objectives of the Administration will be achieved.

This report contains the information required by Rule 2.33 of the Insolvency Rules 1986, which includes the following:

- Details of the court at which the proceedings were lodged and the relevant court reference number;
- The full name, registered address, registered number and any other trading names of the Company;
- Details relating to the Administrators' appointment including the date of appointment and the person making the application or appointment and, where there are Joint Administrators, details of matters set out in paragraph 100(2) of Schedule B1;
- The names of the directors and the Company secretary and details of any shareholdings they may have;
- An account of the circumstances giving rise to the appointment of the Joint Administrators;
- A statement of affairs ("SOA") and notes thereto;
- An explanation of the manner in which the affairs and business of the Company have been managed and financed, including, where assets have been disposed of, the reasons for such disposals and the terms upon which such disposals were made;
- The basis upon which it is proposed that the Administrators will be remunerated;
- Details as to how it is envisaged that the purpose of the Administration will be achieved and how it is proposed that the Administration shall end. If a creditors' voluntary liquidation is proposed, details of the proposed liquidator and details of how creditors may nominate an alternative person as the proposed liquidator; and
- Details relating to whether the EC Regulation No. 1346/2000 (the "EC Regulation") applies and whether the proceedings are main proceedings or territorial proceedings.

2. History and Reasons for Financial Difficulty

2.1. History of the Company & Events leading up to insolvency.

Lost Wax was set up in 1996 as a software development company with the objective to exploit internet related opportunities in particular, back office systems.

During the late 1990's the Company grew organically as a small but profitable business doing largely software development projects with customers in the financial services sector. As the internet started to become more and more prevalent, the Company decided to raise capital in order to develop a platform that could be sold to those setting up new on-line market places ("e-Markets"). During this time it also built the product and created a professional hosting environment (it offered the software as both one off licences and as an 'application service provider'). It also built an organisation for the sales and marketing of the product. The Company was in discussions with probably hundreds of Companies looking to do this, almost all being venture capital ("VC") funded.

When the dot com bubble burst the VC funding largely disappeared and the Company's potential customers now had no source of funding. The thousands of e-Markets that it was to be providing software for simply never came into existence.

Between 2002 and 2006, the Company shrunk from 100 staff to just over 20. The electronic market business was shelved and it was once again a bespoke software development company. It had some prestigious customers such as Egg and Lloyd's TSB. The project based bespoke business can be volatile for a small company as it has to keep making new sales every month just to keep going. The Company had some profitable years but these were outweighed by the loss making ones. At the same time, on the back of work it had been doing since 2001 with the Rolls Royce Strategic Research Centre, it was developing a new product. This utilised the same multi-agent technology as the e-markets product but was aimed at the planning of the long term maintenance of high value, complex, assets. It became apparent that the technology was particularly applicable to the aerospace market, especially given the new trend for 'availability contracts'.

In 2006, the Company made its first sale of its new product, Aerogility, to BAE Systems, and coupled with its long standing relationship with Rolls Royce it was confident that it could be successful in the aerospace and defence market. In early 2006 the Company raised circa £400,000 from a rights issue which was intended to be sufficient to take it through to profitability. In the event, the relationship with BAE Systems has been very successful but revenue had been somewhat slower than what the Company anticipated. The key issue for the last two years had been the Rolls-Royce relationship which it was hoped would reap significant business.

In October 2007 the Company was invited by Rolls Royce to propose a solution for a company wide-system to provide a tool to support 'Service Cost and Availability forecasting'. This was to be a replacement for a system that has been used by Rolls-Royce for 20 years and for Lost Wax represented the culmination of 6 years work with Rolls-Royce. The initial bid was for a project which would result in £5,000,000 of revenue over three years and would underpin the revenues for Lost Wax to be profitable for that period of time. The bidding went on for over 18 months with various changes to the selection process.

In September 2008, the Company was told by Rolls Royce that it would be invited into final contract negotiations and that a contract would be signed by the end of the year. Consequently, the Company Chairman, Mr. Rodney Hornstein, agreed to make a loan to the company in order to carry it through to the point where contracts with Rolls Royce were signed.

The selection process continued until, June 2009 where the Company was told by Rolls Royce that they were not going to purchase the Aerogility product.

Prior to this event, between February and August 2009, the Lost Wax board used all means to find alternative funding should the Rolls Royce deal fall through. The chairman and chief executive of Lost Wax lent the club further funds making a total of £200,000. The bank (HSBC) was approached and provided a series of temporary overdrafts, but no permanent facility. A rights issue took place but failed to raise sufficient funds and monies were therefore returned.

The Company then investigated the possibility of getting new money into the Company at a 'rescue' price, and had a potential shareholder who indicated that it wished to invest in the company should the Rolls-Royce contract not be forthcoming. The Company informed its shareholders of this potential approach and received a small number of positive responses of people who wanted to participate in such a round of fund raising. The Company also approached its major customer, BAE Systems, to see whether it could provide funding.

In the final few weeks, the potential investor and BAE Systems, despite the latter being very supportive of the Company's position, declined to financially support Lost Wax. Accordingly, given the Company's inability to secure further capital, the Directors decided that they had no alternative but seek insolvency advice.

3. Background to Administration

The Directors of the Company approached Smith and Williamson seeking appropriate strategies and options should the Directors be unsuccessful in obtaining the required funding.

On 1 September 2009, the Directors received the Company's management accounts, together with weekly and monthly cash flow forecasts completed to July 2010. After a detailed analysis of the aforementioned financial information, it became obvious that the Company's liabilities exceeded its assets and that its debts could not be settled as and when they fell due.

On 7 September 2009, In accordance with section 26(1) of Schedule B1 of the Insolvency Act, the Directors, through Smith and Williamson, contacted Close Invoice Financing Limited ("Close"), who have a registered fixed and floating charge over the Company's assets, to notify them of the Directors intentions to place the Company into administration and to appoint Stephen Cork and I as administrators of the Company. On the same day, Smith and Williamson, on behalf of the directors, received confirmation from Close that they did not object to the proposed appointment of Stephen Cork and I as administrators of the Company.

Accordingly, on 8 September 2009, the directors of the Company appointed Stephen Cork and I as administrators of the Company.

3.1. Summary Statement of Affairs

Attached as Appendix B to this report is a summary of the Statement of Affairs ("SOA") for the Company as prepared by the Company's Directors. This statement reflects the affairs of the Company as at the time of my appointment as Joint Administrator, being 8 September 2009.

The assets and their values as listed in the director's SOA are as follows:

Asset	Book Value	Estimated to Realise (£)
Software Intellectual Property	205,250	205,250
Goodwill	Nil	1,750
Office Furniture & Equipment	12,628	5,000
Shares in Aerogility Inc.	Nil	1
Trade Debtors	238,986	112,386
Total Value	456,864	324,387

The book values of the Company's assets are a depreciated reflection of the initial purchase price of those assets. Accordingly, the market values of those assets are much less than the book value given current market conditions.

The director's SOA estimates that the following amounts were potentially payable by the Company at the date of my appointment:

Creditor	Estimated Liability (£)
Preferential Creditors (Employees)	
- Capped Unpaid Wages and Holiday pay.	27,559
Secured Creditors – Fixed Charge Holders	200,000
Secured Creditors – Fixed & Floating Charge Holder	69,089
Unsecured Creditors	941,282
Total Value	1,237,930

Accordingly after taking into account shareholder balances of £135,129 the total deficiency as regards to members' and creditors amounts to £1,048,672.

As referred to in the SOA, Mr. Rodney Hornstein and Mr. Jim James Stanfield ("the Fixed Charge Holders") have a fixed charge over the Company's intellectual property. The Fixed Charge Holders were settled in full upon the completion of the sale of the business and assets of the Company.

I have provided commentary on the actual realisations of the Company's assets in Section 4 of this report.

3.2. Prescribed Part

The Prescribed Part is a sum of money after the payment of preferential creditors, set aside for the benefit of the unsecured creditors and which would otherwise have been paid to the floating charge holder with regard to the Company. After the payment of amounts due to preferential creditors and the costs of the Administration there is not expected to be a Prescribed Part available for the unsecured creditors. Consequently, an application to the Court under section 176A(5) of the Insolvency Act 1986 is not required in this instance.

4. Conduct of the Administration

4.1. Overall strategy

Creditors may be aware that the purposes for which an Administration may be sought are:

- 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;
- Realising property in order to make a distribution to one or more secured or preferential creditors.

In this case it was immediately evident that a rescue of the Company as a going concern was unattainable, due to the level of the Company's liabilities.

Accordingly, the purpose for which the Administration has operated is to achieve a better result for the Company's creditors as a whole than would have been likely if the Company had been wound up (without first being in Administration).

4.2. Trading

The administrators have not traded the business of the Company during the administration period.

4.3. Sale of the business

An advertisement was placed in the Financial Times' Business section on 11 September 2009. Furthermore, direct approaches were made to parties identified by the Directors as being potentially interested in buying the business and assets of the Company. This led to enquiries from nineteen parties with three formal offers being received.

I accepted an offer from Bledwell Software Limited ("Bledwell") in the sum of £12,001 inclusive of VAT ("the Consideration") and concluded the sale of the business and assets (excluding debtors) of the Company on 15 October 2009. I advise that the Consideration was not deferred and that it was paid on this date. The structure of the sale also resulted in the Fixed Charge

Holders being repaid their £200,000. Overall, therefore, creditors benefited to the amount of £212,001.

Bledwell Limited is a newly incorporated company operated by the existing management of the Company and has common directors in Rodney Hornstein and John James Stanfield.

The consideration was paid in full on completion and there is no deferred element.

4.4. Joint Administrators' Receipts and Payments

An account of my receipts and payments to 2 November 2009 is attached at Appendix A, which demonstrates that I have made realisations to date totalling £45,246.19. In addition to the consideration for the sale of the business, I have realised the following amounts:

4.4.1.1 Book debts

On appointment, according to the debtors ledger prepared by the Company's bookkeeper, debtors stood at £238,985.79. However, after accounting for bad and doubtful debts and write-offs including a debt of circa £120,000 owed by the Company's 100% owned U.S. subsidiary, Aerogility Inc (which was solely involved with marketing the Aerogility product in the U.S.), the directors estimated that recoveries would be approximately £112,000.

I advise that prior to my appointment, the Company entered into a debtor factoring agreement with Close Invoice Financing Limited ("Close"). Close hold a fixed and floating charge of the Company to secure those monies outstanding under the factoring agreement.

The indebtedness to Close was £47,235.17 (including termination and administration fees). Since the date of our appointment, Close have collected debtors sufficient to reduce their claim against the Company to circa £5,000 (after applying the aforementioned fees in accordance with their contract with the Company).

The Administrators have received directly debtor receipts of £33,034. From these receipts we will be making a payment sufficient to satisfy the remaining debt owed to Close under their factoring agreement.

The Administrators are in discussions with Close with regards to the most appropriate way to collect the remaining debtors.

4.5. Joint Administrators' Investigations

As Joint Administrator I am required to conduct investigations into the affairs of the Company and the conduct of the director and to report my findings to the Secretary of State for Trade and Industry. In order to file this report I will be making enquiries into the formation, trading and demise of the Company. Should creditors have any information which may assist this process I would request that written details be submitted to this office.

5. Statutory Information

Company number	031 361 32
Court Details	Royal Courts of Justice
Court Number	14600 of 2009
EC Regulation No 1346/2000	The EC Regulation applies and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation as the Company was incorporated in England and conducted the administration of its interests on a regular basis in the United Kingdom.
Company name (including trading names and any former names)	Lost Wax Media Limited (Also known as Lost Wax)
Registered office address	Formerly: Thames House Portsmouth Road Esher Surrey KT10 9AD Note: the registered office has been changed to the offices of Smith & Williamson Limited, 25 Moorgate, London, EC2R 6AY.
Trading addresses	Avalon House 72 Lower Mortlake Road Richmond Surrey TW9 2JY
Date of incorporation	8 December 1995
Directors	Mr. Stephen Hugh Henwood Mr. Rodney Hornstein Mr. John James Stanfield Mr. Gary Peter Vickers
Secretary	Mrs. Martha Blanche Bruce
Authorised & issued share capital	Authorised share capital of ; 47,169,811 of B Ordinary Shares with an aggregate nominal value of £23,584.906, all of which are issued and fully paid. 223,087,466 of Ordinary shares with an aggregate nominal value of 111,543.733 all of which are issued and fully paid.
Charge Holders	Close Invoice Financing Limited Fixed and Floating Charge created 17/06/2005 Registered at Companies House 23/06/2005

Charge Holders	Rodney Hornstein and James Stanfield Fixed Charge created 16/06/2009 Registered at Companies House 27/06/2009
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Shareholders	See Appendix C
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6. Meeting of Creditors

In accordance with Paragraph 52 (1) of Schedule B1 to the Insolvency Act 1986, a creditors meeting for the purposes of considering the Joint Administrators' proposals for achieving the purpose of the Administration need not be convened by the Administrators when in their opinion there will be insufficient property to allow a distribution to unsecured creditors (other than by virtue of the Prescribed Part).

As the Joint Administrators consider that this position applies here, I do not propose to convene a meeting of creditors.

The Joint Administrators are obliged to convene an initial meeting of creditors if requested to do so by Creditors of the Company whose debts amount to at least 10% of the total debts of the Company. Any such request must be in the prescribed manner and within the prescribed period (within 12 days of the date of this report).

7. Joint Administrators' Costs

Pursuant to rule 2.106 of the Insolvency Rules 1986, the Joint Administrators are entitled to receive remuneration for their services.

There are no funds available to the unsecured creditors. Pursuant to rule 2.106(5A) of the Insolvency Rules 1986, since I have made a statement under paragraph 52(1)(b) of Schedule B1 of the Insolvency Act 1986, I shall be seeking approval for the fixing of my remuneration from the preferential creditors of the Company.

It is proposed that the Joint Administrators' remuneration will be fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the administration.

You will note from the SIP 9 time summary attached at Appendix D that the total hours expended on this matter total £44,065.50 an average hourly cost of £207.71.

8. Administrators' Proposals

It is proposed that:

- 1) That the Joint Administrators' fees be fixed by reference to the time properly given by the Administrators and their staff in attending to matters arising in the Administration. Remuneration is to be drawn at the discretion of the Joint Administrators after consultation with the secured creditor and preferential creditors, if appropriate.
- 2) The Joint Administrators will convene a meeting of creditors if it becomes apparent that there will be funds available to make a distribution (other than by virtue of the Prescribed Part) to the unsecured creditors.
- 3) If it is considered appropriate the Joint Administrators will make an application to the Court under paragraph 65 of Schedule B1 for permission to make a distribution of the Prescribed Part to unsecured Creditors without placing the Company into liquidation, unless the Joint Administrators conclude that there are claims which should be pursued against other parties and which are best advanced through a liquidation, in which case the Joint Administrators shall seek to place the Company into Creditors' Voluntary Liquidation.
- 4) The Administration be converted into a creditors' voluntary liquidation in accordance with Paragraph 83 of Schedule B1. Creditors are advised that, pursuant to paragraph 83(7) of Schedule B1, in the absence of any alternate nominations, the Joint Administrators shall become the Liquidators for the purpose of winding up the affairs of the Company. Creditors are informed that they may nominate a different person as the proposed Liquidator, provided that the nomination is made after the receipt of these proposals and before these proposals are approved.
- 5) It is proposed that once the Joint Administrators have concluded their investigations into the Company's affairs prior to their appointment and have made a distribution to the creditors under paragraph 65 of Schedule B1 then the Company be struck off from the Company's Register under the dissolution rules provided under paragraph 84 of Schedule B1.
- 6) The Joint Administrators will continue to manage the Company's affairs in order to achieve the statutory purpose of the Administration.

9. Dividend Prospects

Given the level of the secured and preferential creditors, it appears unlikely that unsecured creditors will receive a dividend.

If this position changes creditors will be notified accordingly.

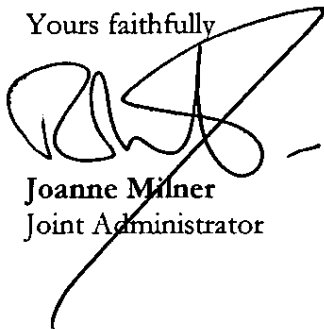
10. Exit Route

Should the Joint Administrators be able to conclude all matters without the need to place the Company into Liquidation, the Company will exit from Administration by striking the Company off the Company Register.

However, should matters arise during the Joint Administrators' statutory investigations that be better dealt with by a Liquidator, then the Administration will be converted into a Liquidation.

Should any creditors have queries regarding the above, they are advised to contact Marcus Petrovic of this office on 020 7131 4138 or email marcus.petrovic@smith.williamson.co.uk.

Yours faithfully

A handwritten signature in black ink, appearing to be 'Joanne Milner', written over a horizontal line.

Joanne Milner
Joint Administrator

Appendix A. Receipts & Payments account to 2 November 2009

	£
Receipts	
Sale of business	12,001
Book debts	33,035
Petty Cash Received	210
Total receipts	<u>45,246</u>
Payments	
	Nil
Total payments	Nil
Balances in hand	<u>45,246</u>

Appendix B. Summary of directors' statement of affairs

LOST WAX MEDIA LIMITED**Estimated Statement of Affairs as at 8 September 2009**

	Book Value	Estimated to
	£	Realise
		£
Assets subject to fixed charge:		
Software Intellectual Property	205,250	205,250
(less: Monies owed to fixed charge holder)	Nil	(200,000)
Goodwill	Nil	1,750
Office Furniture & Equipment	12,628	5,000
Assets subject to floating charge		
Share in Aerogility	Nil	1
Uncharged assets		
Trade Debtors	238,986	112,386
(less: Debtors owned by Close Invoice Financing Limited)	Nil	(69,089)
Estimated assets available for preferential creditors	<u>456,864</u>	<u>55,298</u>
Preferential Creditors		
Employee claims		<u>(27,559)</u>
Estimated prescribed part of net property		8,548
Estimated assets available for floating charge holders		<u>19,191</u>
Estimated assets available for unsecured creditors		27,739
Non-Preferential Creditors		
Employee claims	(506,383)	
HM Revenue & Customs		
* PAYE/NIC	(168,000)	
* VAT	(55,735)	
Trade & Expense Creditors	(39,150)	
Rent arrears and other expenses	(172,014)	<u>(941,282)</u>
Deficiency as regards Non-Preferential Creditors		(913,543)
Share Capital		<u>(135,129)</u>
ESTIMATED TOTAL DEFICIENCY		<u><u>(1,048,672)</u></u>

DOES NOT INCLUDE COSTS OF ADMINISTRATION

COMPANY CREDITORS

Name of Creditor or Claimant	Address (with Postcode)	Amount of Debt £	Details of any security held by creditor	Date Security given	Value of Security £
Trade Creditors					
Adfero	Adfero Limited, Sputh Quay Piazza 2 183 Marsh Wall, London, E14 9SH	3,450.00			
Black & White	Black & White Intl (Europe) Ltd 208-212 Amyand Park Road Twickenham Middlesex TW1 3HY	19.84			
British Telecommunications	British Telecommunications BT plc TVTE Newcastle upon Tyne NE82 6AA	932.97			
The Complete Office	The Complete Office 76 Sheen Lane East Sheen London SW14 8LP	570.89			
David Venus & Company	David Venus Company	15,119.92			

	42-46 High Street Esher Surrey KT10 9QY							
Dell Products	Dell Products P.O. Box 147 Milbanke House Western Road Berkshire	16.96						
Eden Springs	Eden Springs 3 Livingstone Blvd Hamilton Int Tech Park Blantyre G72 0BP	76.42						
Farnborough Aerospace Consortium	Farnborough Aerospace Consortium Sir Frank Whittle Building Room 1012, Bldg A57 Cody Technology Park Iveley Rd, Farnborough	575.00						
Francis Townsend and Hayward Ltd	Francis Townsend & Hayward Limited Walton House 63 Southend Croydon Surrey	292.48						
Intercall Europe	Intercall Conferencing Services Ltd Building C Imperial Gate Business Park Barnwood Gloucester	280.79						
London Borough of Richmond Upon Thames		15,132.80						
Moorepay Ltd	Moorepay Limited Credit Control Boundary Way Hemel Hempstead Herts	119.14						

Nuffield Health Wellbeing	Nuffield Health Wellbeing 40-44 Coombe Rd New Malden Surrey KT3 4QF	952.34			
Robert Parkin Milk	Robert Parkin Milk 1 Jones Walk Richmond Surrey TW10 6JY	137.82			
Paula Lawrence	Paula Lawrence Flat 2 1 Pentlow Street London SW15-1LX	1,207.50			
Sage (UK) Ltd	Sage (UK) Ltd North Park Newcastle Upon Tyne NE13 9AA	116.00			
VCC Supplies and Services	VCC Supplies & Services 5 Longleat Way Bedfont Feltham TW14 8JW	1,771.00			
WebEx UK	WebEx UK 20 Garrick Street London WC2E 9BT	377.87			
Employee Claims – preferential		27,559			
Employee claims – unsecured		506,383			
Employees Expenses		581.10			

HMRC PAYE/NIC	Inland Revenue London North West Recovery Lyon House Lyon Road Harrow, Middx	168,000			
	HM Revenue & Customs (VAT) Debt Management Enforcement & Insol Durrington Bridge House Barrington Road Worthing	55,735			
HMRC VAT	Novell Holdings Inc. 1 Arlington Square Downshire Way Bracknell Berkshire	172,014			
Novell Holdings Rent arrears					

Appendix C. Company Shareholders

Prudential Corporation Holdings Limited	47,169,811
Adam & Company (Nominees) Limited	929,231
Amin Ahmed	10,000
Angel Capital Services LLC	151,152,242
Tom Attwood	673,854
Mike Baxter	100,000
Malcolm Edward Bridgeford	5,590,800
Carol Bridgeford	100,000
Mike Clements	500,000
Anne-Laure Copinot	500,000
Sydney Henry Cordier	4,941,012
Michael John Trefor Davies	1,762,133
Simon Dawson	750,000
Anthony Del Tufo	191,186
Susan Elizabeth Drew	528,700
Andrew Eburne	150,000
Brian Etheridge	1,500,000
John Fussell	1,000,000
Padraic Gannon	898,242
Giltspur Nominees Limited	48,500
The Graffham Self- Administered Personal Pension Plan	1,347,709
Michael John Harris	10,673,854
Stephen Hugh Henwood	1,953,125
Michael Hopher	264,300
Matthew Holland	100,000

Rodney Hornstein	3,570,546
IDEO Product Development, INC	3,773,585
Roland R Ilube	400,000
IPGL Limited	2,643,300
Andrew Jackson	673,854
Nick Jennings	266,666
J O Hambro Ltd	4,457,684
Kathryn Jourdan	24,500
Paul Jourdan	24,500
Just Capital Limited	10,733,167
Ralf Laier	528,700
Eric Lanoe	200,000
Ian Lunn	200,000
Stephen McGuinness	7,753,944
Catherine McManus	15,000
Karina Metha (Deceased)	2,695,418
Steve Osborn	750,000
Angela Pate	200,000
Mark Preece	10,000
Prudential Corporation Holdings Limited	15,723,270
Royal Bank of Canada Trust Company (Jersey) Limited	4,461,327
Roy Nominees Limited	32,800
Alastair Eric Hotson Salvesen	1,999,910
James Shennan	10,000
John William Peter Simpson	132,100
Steven Mark Sloggett	11,772

Christopher Robert Smith	5,000
Speirs and Jeffrey Client Nominees Limited	161,666
Stackinvest Limited	528,700
John James Stanfield	66,702,619
Stephen M Oristaglio 1995 Revocable Trust	528,700
Arthur William Talbot	250,000
Simon Thurston	100,000
Tierney Limited	4,833,935
Trustees of Vintage Settlement	352,400
Steven Fuchs Tye	9,126,300
Russell Usherwood	200,000
Gary Peter Vickers	11,789,481
Craig Walsh	5,000
Steven Webb	2,000,000
Weil Partners LLC	4,299,192
Werner Jourdan & Clara Jourdan	49,000
Maureen Patricia Wilson	2,221,242
Kenneth Uyiosa Woghiren	8,750,000
The Right Honourable Lord Young of Graffham	264,300

Appendix D. Administrators' fees (SIP9)

Lost Wax Media Limited (In Administration)
Breakdown of time spent by Smith & Williamson Limited employees for the period
8 September 2009 to 2 November 2009
Hours

Classification of work function	Director	Associate director/ Manager	Senior Administrator/ Other Senior Professionals	Assistants & support staff	Total hours	Time cost	Average hourly rate
Administration & planning	5.00	16.50	0.65	38.50	60.65	£14,126.25	£232.91
Realisation of Assets	0.00	27.60	2.50	57.10	87.20	£18,522.00	£212.41
Creditors	0.00	1.00	0.00	45.55	46.55	£7,100.50	£152.53
Totals	5.00	45.10	3.15	141.15	194.40	£39,748.75	£204.47
Pre-appointment	0.00	7.75	3.20	6.80	17.75	£4,316.75	£243.20

Appendix E. Creditors' guide to Administrators' fees

A Creditors' Guide to Administrators' Fees

Where Petition Presented or Appointment Made On or After 15 September 2003

ENGLAND AND WALES

1 Introduction

- 1.1 When a company goes into administration the costs of the proceedings are paid out of its assets. The creditors, who hope eventually to recover some of their debts out of the assets, therefore have a direct interest in the level of costs, and in particular the remuneration of the insolvency practitioner appointed to act as administrator. The insolvency legislation recognises this interest by providing mechanisms for creditors to determine the basis of the administrator's fees. This guide is intended to help creditors be aware of their rights under the legislation to approve and monitor fees and explains the basis on which fees are fixed.

2 The nature of administration

- 2.1 Administration is a procedure which places a company under the control of an insolvency practitioner and the protection of the court with the following objective:
- rescuing the company as a going concern, or
 - achieving a better result for the creditors as a whole than would be likely if the company were wound up without first being in administration, or,
 - if the administrator thinks neither of these objectives is reasonably practicable
 - realising property in order to make a distribution to secured or preferential creditors.

3 The creditors' committee

- 3.1 The creditors have the right to appoint a committee with a minimum of 3 and a maximum of 5 members. One of the functions of the committee is to determine the basis of the administrator's remuneration. The committee is normally established at the meeting of creditors which the administrator is required to hold within a maximum of 10 weeks from the beginning of the administration to consider his proposals. The administrator must call the first meeting of the committee within 6 weeks of its establishment, and subsequent meetings must be held either at specified dates agreed by the committee, or when a member of the committee asks for one, or when the administrator decides he needs to hold one. The committee has power to summon the administrator to attend before it and provide information about the exercise of his functions.

4 Fixing the administrator's fees

- 4.1 The basis for fixing the administrator's remuneration is set out in Rule 2.106 of the Insolvency Rules 1986, which states that it shall be fixed either:
- as a percentage of the value of the property which the administrator has to deal with, or
 - by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration.

It is for the creditors' committee (if there is one) to determine on which of these bases the remuneration is to be fixed and, if it is fixed as a percentage fix the percentage to be applied. Rule 2.106 says that in arriving at its decision the committee shall have regard to the following matters:

- the complexity (or otherwise) of the case;
- any responsibility of an exceptional kind or degree which falls on the administrator;
- the effectiveness with which the administrator appears to be carrying out, or to have carried out, his duties;
- the value and nature of the property which the administrator has to deal with.

4.2 If there is no creditors' committee, or the committee does not make the requisite determination, the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as the committee would. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator.

4.3 There are special rules about creditors' resolutions in cases where the administrator has stated in his proposals that the company has insufficient property to enable a distribution to be made to unsecured creditors except out of the reserved fund which may have to be set aside out of floating charge assets.

In this case, if there is no creditors' committee, or the committee does not make the requisite determination, the remuneration may be fixed by the approval of:

- each secured creditor of the company; or
- if the administrator has made or intends to make a distribution to preferential creditors –
 - each secured creditor of the company; and
 - preferential creditors whose debts amount to more than 50% of the preferential debts of the company, disregarding debts of any creditor who does not respond to an invitation to give or withhold approval,
 - having regard to the same matters as the committee would.

Note that there is no requirement to hold a creditors' meeting in such cases unless a meeting is requisitioned by creditors whose debts amount to at least 10 per cent of the total debts of the company.

4.4 A resolution of creditors may be obtained by correspondence.

5 What information should be provided by the administrator?

5.1 When seeking fee approval

5.1.1 When seeking agreement to his fees the administrator should provide sufficient supporting information to enable the committee or the creditors to form a judgement as to whether the proposed fee is reasonable having regard to all the circumstances of the case. The nature and extent of the supporting information which should be provided will depend on:

- the nature of the approval being sought;
- the stage during the administration of the case at which it is being sought;
- and the size and complexity of the case.

5.1.2 Where, at any creditors' or committee meeting, the administrator seeks agreement to the terms on which he is to be remunerated, he should provide the meeting with details of the charge-out rates of all grades of staff, including principals, which are likely to be involved on the case.

5.1.3 Where the administrator seeks agreement to his fees during the course of the administration, he should always provide an up to date receipts and payments account. Where the proposed fee is based on time costs the administrator should disclose to the committee or the creditors the time spent and the charge-out value in the particular case, together with, where appropriate, such additional information as may reasonably be required having regard to the size and complexity of the case. The additional information should comprise a sufficient explanation of what the administrator has achieved and how it was achieved to enable the value of

the exercise to be assessed (whilst recognising that the administrator must fulfil certain statutory obligations that might be seen to bring no added value for creditors) and to establish that the time has been properly spent on the case. That assessment will need to be made having regard to the time spent and the rates at which that time was charged, bearing in mind the factors set out in paragraph 4.1 above. To enable this assessment to be carried out it may be necessary for the administrator to provide an analysis of the time spent on the case by type of activity and grade of staff. The degree of detail will depend on the circumstances of the case, but it will be helpful to be aware of the professional guidance which has been given to insolvency practitioners on this subject. The guidance suggests the following areas of activity as a basis for the analysis of time spent:

- Administration and planning
- Investigations
- Realisation of assets
- Trading
- Creditors
- Any other case-specific matters

The following categories are suggested as a basis for analysis by grade of staff:

Director:	£495
Associate Director:	£335
Other senior professionals:	£200
Assistants and support staff:	£160

The explanation of what has been done can be expected to include an outline of the nature of the assignment and the administrator's own initial assessment, including the anticipated return to creditors. To the extent applicable it should also explain:

Any significant aspects of the case, particularly those that affect the amount of time spent.

The reasons for subsequent changes in strategy.

Any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.

The steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, time recording, fee drawing or fee agreement.

Any existing agreement about fees.

Details of how other professionals, including sub-contractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees.

It should be borne in mind that the degree of analysis and form of presentation should be proportionate to the size and complexity of the case. In smaller cases not all categories of activity will always be relevant, whilst further analysis may be necessary in larger cases.

- 5.1.4 Where the fee is charged on a percentage basis the administrator should provide details of any work which has been or is intended to be sub-contracted out which would normally be undertaken directly by an administrator or his staff.

5.2 After fee approval

Where a resolution fixing the basis of fees is passed at any creditors' meeting held before he has substantially completed his functions, the administrator should notify the creditors of the details of the resolution in his next report or circular to them. In all subsequent reports to creditors the administrator should specify the amount of remuneration he has drawn in accordance with the resolution. Where the fee is based on time costs he should also provide details of the time spent and charge-out value to date and any material changes in the rates charged for the various grades since the resolution was first passed. He should also provide such

additional information as may be required in accordance with the principles set out in paragraph 5.1.3. Where the fee is charged on a percentage basis the administrator should provide the details set out in paragraph 5.1.4 above regarding work which has been sub-contracted out.

5.3 Expenses and disbursements

There is no statutory requirement for the committee or the creditors to approve the drawing of expenses or disbursements. However, professional guidance issued to insolvency practitioners requires that, where the administrator proposes to recover costs which, whilst being in the nature of expenses or disbursements, may include an element of shared or allocated costs (such as room hire, document storage or communication facilities provided by the administrator's own firm), they must be disclosed and be authorised by those responsible for approving his remuneration. Such expenses must be directly incurred on the case and subject to a reasonable method of calculation and allocation.

6 What if a creditor is dissatisfied?

If a creditor believes that the administrator's remuneration is too high he may, if at least 25 per cent in value of the creditors (including himself) agree, apply to the court for an order that it be reduced. If the court does not dismiss the application (which it may if it considers that insufficient cause is shown) the applicant must give the administrator a copy of the application and supporting evidence at least 14 days before the hearing. Unless the court orders otherwise, the costs must be paid by the applicant and not as an expense of the administration.

7 What if the administrator is dissatisfied?

- 7.1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient he may request that it be increased by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient, he may apply to the court for it to be increased. If he decides to apply to the court he must give at least 14 days' notice to the members of the creditors' committee and the committee may nominate one or more of its members to appear or be represented on the application. If there is no committee, the administrator's notice of his application must be sent to such of the company's creditors as the court may direct, and they may nominate one or more of their number to appear or be represented. The court may order the costs to be paid as an expense of the administration.

8 Other matters relating to fees

- 8.1 Where there are joint administrators it is for them to agree between themselves how the remuneration payable should be apportioned. Any dispute arising between them may be referred to the court, the creditors' committee or a meeting of creditors.
- 8.2 If the administrator is a solicitor and employs his own firm to act on behalf of the company, profit costs may not be paid unless authorised by the creditors' committee, the creditors or the court.

9 Provision of information – additional requirements

In any case where the administrator is appointed on or after 1 April 2005 he must provide certain information about time spent on a case, free of charge, upon request by any creditor, director or shareholder of the company.

The information which must be provided is:

- The total number of hours spent on the case by the administrator or staff assigned to the case;
- For each grade of staff, the average hourly rate at which they are charged out;
- The number of hours spent by each grade of staff in the relevant period

The period for which the information must be provided is the period from appointment to the end of the most recent period of six months reckoned from the date of the administrator's appointment, or where he has vacated office, the date that he vacated office.

The information must be provided within 28 days of receipt of the request by the administrator, and requests must be made within two years from vacation of office.