

The Insolvency Act 1986

**Administrator's progress report**

Name of Company

Conexion Media Group Plc

Company number

04125263

In the  
High Court of Justice, Chancery Division,  
Companies Court, Leeds District Registry  
(full name of court)

Court case number  
58 of 2016

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

I/We (a)  
Peter Hart  
Geoffrey Martin & Co  
1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Stephen Goderski  
Geoffrey Martin & Co  
1 Westferry Circus  
London  
E14 4HD

administrator(s) of the above company attach a progress report for the period

From

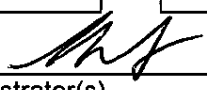
To

(b) Insert date

(b) 1 August 2016

(b) 14 December 2016

Signed

  
 Joint / Administrator(s)

Dated

14/12/2016

**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

Peter Hart  
Geoffrey Martin & Co  
1 Westferry Circus  
Canary Wharf  
London  
E14 4HD

DX Number

020 7495 1100  
DX Exchange



\*A5LZJ503\*

A33

16/12/2016

#355

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

14 December 2016

To all known creditors

Our Ref PH/SG/JM/RB4/PR02

Dear Sirs

**Conexion Media Group Plc – In Administration ("the Company")**  
**In the High Court of Justice, Chancery Division, Leeds District Registry Court No. 58 of 2016**

Following my appointment as Joint Administrator on 1 February 2016, I write to provide creditors with a further report on the progress of the Administration pursuant to Rule 2 47 of the Insolvency Rules 1986 ("the Rules")

This report covers the period 1 August 2016 to 14 December 2016

This report should be read in conjunction with my six month progress report dated 25 August 2016 and my Statement and Proposals dated 24 March 2016 prepared pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986 ("the Act")

The information that is required to be disclosed in accordance with Rule 2 47(a) to (c) of the Rules is attached at Appendix A

#### **1. Executive Summary**

The Estimated Outcome Statement ("EOS") updated to 14 December 2016 is attached as Appendix C

As advised in my Statement and Proposals issued in accordance with Paragraph 49 of Schedule B1 to the Act, certain assets of the Company, were sold to Copyright Administration Services Limited ("CAS") and BMG Rights Management (UK) Limited ("BMG") The cash consideration for these transactions, has been realised in full

I attach at Appendix B an abstract of the Joint Administrators' receipts and payments covering the period from 1 August 2016 to 14 December 2016

The only outstanding matters in the Administration as follows

- Realisation of deferred consideration agreed under the Share Purchase Agreement with Conexion Holdings LLC ("CHLLC")
- Realisation of Intercompany receivable due from Conexion Music Limited – In Administration
- Payment to Secured and Preferential creditors
- Prescribed Part distribution (if any)

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Also at 4 Carlton Court, Brown Lane West, Leeds LS12 6LT

## **2. Joint Administrators' Proposals**

The Joint Administrators' proposals for achieving the purpose of the Administration, as detailed in my report dated 24 March 2016, were deemed to have been approved without modification and in any event were specifically approved by the secured creditor

The objective of the Administration remains that of achieving a better outcome for creditors than would have been possible if the Company had entered into Liquidation, without first having been in Administration

## **3. Asset Realisations**

Attached as Appendix B is the Joint Administrators' receipts and payments account for the period 1 February 2016 to 14 December 2016

Details of asset realisations in the Administration are provided below

### **3.1 Owned Music Rights**

The Conexion Group ("the Group") accounts showed that it retained a number of owned music catalogues. The rights arising from these catalogues generated royalty income for the Group based on usage of the songs and other music titles contained within the portfolios

Following the Administration, a review of the owned music rights was conducted by Charterfields Limited ("Charterfields") to determine whether they held any value that could be realised for the benefit of creditors. This review concluded that the owned rights held value as they had an ongoing commercial benefit to their owner, were not adversely impacted by the Administration and were transferrable

The owned music rights were marketed by the Joint Administrators through a number of channels, including

- 1 An advertisement placed on the [www.charterfields.com](http://www.charterfields.com) website
- 2 A mailshot sent to the Company's shareholders and other stakeholders who may have had an interest in acquiring the assets
- 3 Direct contact with parties who had previously expressed an interest in acquiring certain assets of the Company (the Company had previously attempted to dispose of certain of its own music rights in an effort to raise additional capital)

The owned music rights were marketed for three weeks following the Administration, with a closing date for offers of 12.00pm on 22 February 2016. A total of four parties made offers for either the whole or part of the Group's portfolio of owned music rights. One of these offers was significantly higher than the others received, although this offer was subject to further due diligence. Given the significant uplift in the value of this offer over the other interest received, it was decided that this offer should be accepted.

This party undertook additional due diligence and the offer was subsequently confirmed on 29 February 2016, subject to contract and commercial confidentiality.

The Joint Administrators have now concluded the sale of the owned music rights to BMG and have realised a total of £88,916 into the Administration estate, being the proportion of gross sale proceeds, apportioned to the Company from the total Group portfolio.

### **3.2 Administration Contracts**

In addition to the owned music rights, the Group also held administration contracts to collect royalties on behalf of a number of third parties, where the Company charged a commission for collection.

The Company had ceased trading prior to the Administration and as such a solution was required to deal with the Group's Administration contracts going forward

The Administration contracts contain insolvency clauses enabling the client to potentially terminate them in the event of insolvency, however it was established that there was potential value in these contracts in the event that another collection agency contacted the administration clients to offer them a continuity service

A brief marketing exercise was conducted between the date of appointment and 29 February 2016 to establish whether there were any parties interested in making an offer to acquire such right and title the Group held in its administration contracts. These marketing activities mirrored those conducted for the owned music rights

As detailed in my proposals, a sole interested party, CAS, made an offer to acquire the entire Group's interest in its administered contracts. The terms of this offer are set out below

- An initial payment of £87,500 due on completion
- A deferred payment, due after 3 months, which was calculated at £87,500 less a provision for those administration clients with annual royalty income of over £500 who do not choose to transfer the administration of their music rights to CAS

The above offer was subsequently accepted by the Joint Administration and the sale completed on 16 March 2016. Charterfields confirmed that, given the circumstances and the lack of further interest, the sale represented the best outcome for creditors in respect of the Administration contracts

The balance due under the deferred payment was dependent on the number of Administration clients who elected to transfer their contracts to CAS and subsequently realised a further £24,666 after allowable deductions

The total value of the realisations from this source totalled £112,166 of which £18,189 represents the Company's proportional interest in the Group's assets

### **3.3 Bank interest**

Bank interest of £88 has accrued on the Administration bank account since 1 February 2016

### **3.4 Cash at Bank**

The Company held cash at bank of £8,181 at the date of Administration. This balance has been recovered into the Administration estate account

### **3.5 Society Memberships**

The Group held memberships to a number of societies, who recovered royalty payments from end users and passed them to the Group companies for onward distribution to their respective Administration clients

As detailed in my proposals, the memberships were marketed for sale together with the Administration Contracts. As with the Administration contracts, a sole interested party made an offer for these assets

An offer was subsequently accepted from CAS to acquire the Group's UK based memberships for £25,000. This sale was concluded on 11 March 2016 and the consideration of £25,000 plus VAT has been received. The proportion of this sale relating to the Company's assets has been calculated at £2,273 and has been received into the Administration estate

There are a small number of memberships remaining which relate to Overseas territories. It is uncertain as to whether the Joint Administrators will be able to extract any value from these memberships however, all options are being explored in order to maximise realisations

**3.6 Investments in subsidiaries**

The Company acts as the holding Company for the Conexion Media group of Companies, including 3 trading companies in the UK, 3 trading companies in the US and a dormant company based in Hong Kong. The Company's balance sheet as at 31 December 2014 showed investments totalling £627,028 in these subsidiaries.

A review of the Group's financial position conducted prior to the Administrations was unable to accurately determine the financial position of all of the Group's trading subsidiaries.

Whilst it was unclear at the outset, as to whether there was any value in the Company's investments in its subsidiaries which could be realised, steps have now been taken to investigate this matter in further detail.

Investigations have been conducted in order to exhaust all options available to the Joint Administrators in terms of increasing the level of realisations within the estate.

Having entered into discussion with two parties regarding the acquisition of the share capital and certain subsidiaries, an offer was received from CHLLC, with a Share Purchase Agreement ("SPA") being agreed and signed on 17 November 2016. CHLLC is controlled by a former director of the Company. I attach at Appendix G a copy of SIP13 relating to connected party transactions.

The SPA outlines the sale of the entire stock and shareholding of the wholly owned subsidiaries which are incorporated in the USA ("the Sale Shares"). The entities encompassed within the sale are as follows:

- Conexion Media Entertainment INC ("CME INC")
- Conexion Media Group INC ("CMG INC")
- Conexion Entertainment Group LLC (Subsidiary of CME INC)
- Conexion Production Music LLC (Subsidiary of CME INC)

With reference to the consideration for the Sales Shares, this is agreed in accordance with the following:

- 1) The cash sum of £8,333.33 payable by CHLLC to the Company at completion ("the Initial Consideration"), plus
- 2) £8,333.33 payable by CHLLC to the Company ("the First Deferred Consideration") by no later than 60 days following completion, and
- 3) £8,333.33 payable by CHLLC to the Company ("the Second Deferred Consideration") by no later than 90 days following completion.

To date, funds totalling £16,666.66 have been received from the Buyer in respect of the Initial Consideration and the First Deferred Consideration. These monies are currently being held in escrow account, until the terms of the SPA allow for them to be drawn down by the Company.

The extension of the Administration will therefore facilitate the realisation of the Second Deferred Consideration which is scheduled for payment on or before 15 February 2017.

Upon receipt, the Joint Administrators will take steps to re-evaluate the asset realisations within the Administration estate, in order to assess the potential return to creditors.

**3.7 Commemorative Discs & Master Tapes**

The Company held a number of Commemorative Discs and Master Tapes, as at the date of Administration.

In accordance with an exercise, conducted by Charterfields, these assets were marketed and subsequently sold as part of the offer from CAS.

The sale was concluded on 15 May 2016, with the sum of £500 being received into the Administration estate in respect of the Commemorative Discs and £5,000 for the Master Tapes

### **3 8 Tangible Assets (Furniture & Equipment)**

At the date of Administration, the Company had a small quantity of tangible assets, consisting of office furniture and equipment

Due to the marketing and sale of the owned music rights and administration contracts, and the fact that certain items of the computer equipment contain information required to conduct these sales, the disposal of the tangible assets was been delayed until after the other asset realisations had been concluded

A small degree of interest was shown in the assets and Charterfields successfully negotiated their sale on 7 June 2016, with the sum of £840 being recovered into the Administration estate

### **3 9 Intercompany Receivables**

The Company's statutory accounts as at 31 December 2014 showed an intercompany receivable balance of £4,553,122, of which £4,043,277 is due from Conexion Music Limited and £468,405 is due from MCS Music (Hong Kong) Limited

As detailed above, previous reviews of the group as a whole have established that the financial position of the subsidiaries cannot currently be confirmed and as such remain uncertain

Whilst it is anticipated that there will be a return on the intercompany receivable due from the administration of Conexion Music Limited, the timing and quantum of such a return remains uncertain at this stage. It is anticipated that there will be no return in respect of the loan due by MCS Music (Hong Kong) Limited

### **3 10 Premises Licence Fee**

The Joint Administrators currently hold £8,700 in respect of a premises licence fee, in relation to the occupation of Cotswold House by the Purchaser

## **4 Corporation Tax Returns**

The Joint Administrators will be required to submit Corporation Tax returns to HM Revenue & Customs in respect of the Post Administration period. It is anticipated that tax advice will not be required in order to complete these returns

## **5. Investigations**

### **5 1 Statutory Investigations**

As part of my duties as Joint Administrator, I am required to conduct investigations to confirm the extent of the Company's assets, including potential claims against third parties (including the directors), and to report my findings to creditors (subject to considerations of privilege and confidentiality and whether those investigations and/or any potential litigation might be compromised by such a disclosure)

### **5 2 Outcome of Investigations**

To date, the Joint Administrators' investigations have not highlighted any potential actions that could be pursued for the benefit of creditors

**5 3    Joint Administrators' confidential report to the Department of Business Innovation & Skills ("DBIS")**

The Joint Administrators have submitted a confidential report to the DBIS on the conduct of the directors in accordance with the Insolvent Companies (Reports on Conduct of Directors) Rules 1996 and the Company Directors Disqualification Act 1986

**6       Estimated Outcome for Creditors**

The EOS updated to 14 December 2016 is attached at Appendix C

The anticipated outcome for creditors may be summarised as follows

**6 1    Secured Creditor**

At the date of the Administration appointment the Company had one secured creditor, being Polymer Holdings Limited ("Polymer")

Polymer holds security in the form of debentures which were created on 22 December 2008 and registered on 7 January 2009, securing all liabilities due or to become due to Polymer by way of fixed and floating charges over the assets of the Company

Additionally, Polymer holds a fixed charge over the owned music right portfolios and industry memberships. The sale of these assets has now been concluded and I am currently in the process of calculating the level of return Polymer under their fixed charge. Regardless, due to the comparative size of the liability due to Polymer it is likely to have a residual claim under its floating charge

Additionally, there are floating charge assets available to Polymer in the Administration, specifically from recoveries under the intercompany loan account with Conexion Music Limited. Again, the position is currently being assessed by the Joint Administrators and a distribution is expected to be declared shortly

The EOS provided at Appendix C provides an overview of the financial position of the Company

**6 2    Preferential creditors**

The Company employed seven full time members of staff, together with its two directors. Whilst there were no arrears of salary due to staff at the date of Administration, a number have claims for accrued holiday pay

Due to the small quantum of preferential claims, totalling £4,678, in the Administration, and the anticipated recoveries from floating charge assets, it is expected that all preferential claims will be discharged in full from Administration funds

The Joint Administrators intend to shortly provide disclosure of further detail relating to the settlement of preferential claims within the Administration

**6 3    Prescribed Part**

The provisions of Section 176A(2) of the Act, concerning the setting aside of a 'Prescribed Part' of funds available to floating charge creditors for the benefit of unsecured creditors, apply in respect of the Company

The EOS currently shows that following the conclusion of the asset realisation process, it is likely that there will be a distribution in respect of the prescribed part

**6 4    Unsecured creditors**

In accordance with the Joint Administrators proposals, the asset realisations and investigation processes have now been completed

In the event that the Joint Administrators believed that there would be funds available for distribution to unsecured creditors, other than by way of the prescribed part, the Joint Administrators proposed that the Company moved from Administration into Creditors' Voluntary Liquidation, in accordance with Paragraph 83 of Schedule B1 of the Act to make this distribution

It was also proposed that if this route was followed, the Joint Administrators, Peter Hart and Stephen Goderski, be appointed as Joint Liquidators in accordance with Paragraph 83 (7) of Schedule B1 to the Act and that they act jointly and severally

Based on current information and potential realisations as a result of the sale of the Company's assets, there is a prospect of a return to unsecured creditors solely from monies set aside under the prescribed part

However, as detailed in my first progress report, the Joint Administrators have now received creditor approval to extend the duration of the Administration by twelve months to allow sufficient time for all potential assets to be realised

## **7 Joint Administrator's Costs**

### **7.1. Pre-Administration costs**

The Joint Administrators have incurred pre-Administration costs totalling £2,953.10 plus VAT. These costs relate to fees charged and expenses incurred by the Joint Administrators, and other professionals instructed, before the Company entered Administration but with a view to the Administration. I obtained approval of the secured creditors to discharge these costs as an expense of the Administration where possible, although none have been drawn to date.

For further details of the Joint Administrators' pre-Administration costs please refer to the Joint Administrators' Statement and Proposals report dated 24 March 2016.

### **7.2. Basis of the Joint Administrators' remuneration and disbursements**

In my report under Paragraph 49 of Schedule B1 of the Act setting out my proposals I sought agreement that the underlying basis of the Joint Administrators' remuneration and disbursements be fixed by reference to time costs properly incurred at my firm's standard charging rates and that my disbursements be drawn in line with my firm's charging and disbursements policy.

My proposals were deemed to be approved as no meeting of creditors was requisitioned to consider them. The bases on which I intend to charge the Joint Administrators' remuneration and disbursements was approved by Polymer on 6 November 2016.

### **7.3. Remuneration charged during the period of this report**

Appendix D contains details of my firm's current charging and disbursements policy.

Details of the time costs charged and disbursements incurred since my appointment are shown on the attached Appendix E. I have provided this information in this format as required by the provisions of the Statement of Insolvency Practice 9.

As at 14 December 2016 the Joint Administrators have incurred time costs of £55,719 in attending to matters arising in the course of the Administration.

In common with other professional firms, our standard charging rates are reviewed periodically to take account of inflation and other matters affecting costs.

### **7.4. Remuneration drawn during the period of this report**

Details of my time costs drawn since my appointments are shown in the receipts and payments account at Appendix B. To date, the Joint Administrators are yet to recover any remuneration in respect of their post Administration time costs.



**7 5    Disbursements incurred during the period of this report**

Category 1 disbursements relate to expenses that are directly attributable to the case and do not require specific creditor approval before they can be recover from Administration funds

As at 14 December 2016 the Joint Administrators have incurred Category 1 disbursements totalling £3,652, a summary of which is provided below

	£
Case Specific Bond	90
Storage Costs	2,084
Statutory Advertising	164
Insurance of Assets	1,314
	<hr/> 3,652

Category 2 disbursements require specific authorisation from creditors as they relate to costs which are not specifically identifiable to the case. These are charged in accordance with the firm's charging and disbursement policy which can be found at Appendix D of this report

The Joint Administrators have not incurred any Category 2 disbursements in the period covered by this report

**7 6    Disbursements recovered during the period of this report**

The Joint Administrators have recovered the Category 1 Disbursements in full, as detailed above during the period covered by this report. The Joint Administrators have not recovered any Category 2 disbursements in the period covered by this report

**7 7    Expenses incurred and paid during the period of this report**

Details of expenses incurred and discharged in the period covered by this report are provided at Appendix E

**7 8    Creditors' guide to fees and statement of creditors' rights**

If you require further information relating to Administrators' remuneration, expenses and disbursements please see Appendix F. This also gives details of your rights as a creditor

**8.    Extension of the Administration**

The timing of the exit from Administration is ultimately dependent upon the final position relating to the following

- Realisation of the final deferred consideration payment in relation to the sale of certain business assets to CHLLC
- Finalisation of the Joint Administrators' investigations
- Completion of closure formalities

It is necessary to extend the conclusion of the Administration beyond 1 February 2017 in order to maximise potential recoveries for creditors

The Joint Administrators' proposals set out the options available to the Joint Administrators to allow the Company to continue in existence subject to the expiry of the deferred consideration clauses and to allow further assets to be realised, namely

- To move the Company from Administration to Creditors Voluntary Liquidation in accordance with Paragraph 83 of Schedule B1 to the Act, or
- To make an application to Court for the duration of the Administration to be extended, in accordance with Paragraph 107 (1) of Schedule B1 to the Act, to enable sufficient time for various matters to be concluded

It is anticipated that there will be sufficient funds in the Administration to pay a distribution to unsecured creditors (a distribution to creditors being a requirement of moving the Company from Administration to Creditors' Voluntary Liquidation), and therefore the main consideration for the Joint Administrators when assessing which of the above options offered down the line will be to ensure that realisations are maximised and ultimately enhance the return creditors

In the first instance however and in accordance with Paragraph 76 (2)(b) of Schedule B1 to the Act the Joint Administrators' term of office is to be extended for a specified period not exceeding twelve months with the consent, of Polymer

If you have any queries about the contents of this report or any other matter relating to this case, please do not hesitate to contact Jack McGinley at this office

Yours faithfully  
For and on behalf of  
Conexion Media Group Plc



**Peter Hart**  
Joint Administrator  
Acting as agent of the Company  
and contracting without personal liability

**CONEXION MEDIA GROUP PLC  
IN ADMINISTRATION**

**APPENDIX A**

**APPOINTMENT & STATUTORY  
INFORMATION**

## Conexion Media Group Plc – In Administration (“the Company”)

### Statutory Information

Details relating to the appointment of Joint Administrators of the Company is provided below

<b>Court Details</b>	In the High Court of Justice, Chancery Division, Leeds District Registry	
<b>Court Number</b>	58 of 2016	
<b>Date of Appointment</b>	1 February 2016	
<b>Administrators' Details</b>	Peter Hart Geoffrey Martin & Co 1 Westferry Circus Canary Wharf London E14 4HD	Stephen Goderski Geoffrey Martin & Co 1 Westferry Circus Canary Wharf London E14 4HD
<b>Appointment By</b>	the directors of the Company in accordance with Paragraph 22 of Schedule B1 to the Insolvency Act 1986	

In accordance with paragraph 100(2) to Schedule B1 of the Insolvency Act 1986 the Joint Administrators confirm that any act required or authorised under any enactment to be done by an Administrator may be done by either of us individually or jointly

No extensions to the Administration period have yet been sought by the Joint Administrators

The statutory information of the Company as extracted from the Company's file at Companies House is as follows

<b>Company Number</b>	04125263	
<b>Registered Office</b>	c/o Geoffrey Martin & Co 1 Westferry Circus Canary Wharf London E14 4HD	
<b>Trading Premises</b>	10 Heathfield Terrace London W4 4JE	
<b>Share Capital</b>	The Company's authorised and issued share capital consists of 76,658,231 ordinary 1 pence shares. All shares are paid up at the date of Administration	
<b>Shareholder</b>		<b>Ordinary 1 Pence Shares</b>
	Active Value Limited	158
	Mrs Moya Josephine Arbib	200,000
	Barclayshare Nominees Limited	1,571,984

Mr Fred Barker	11,000
Mrs Annette Barratt	6,818
Beufort Nominees Limited	9,525,802
Mr Peter Berg	2,500
Brewin 1762 Nominees Limited	81,068
Mr Eric Broadley	529,411
Mr Christopher Burton	11,000
Mr Rodger Clayson	40,000
Dr Hermione Cockburn	10,000
Ms Martina Curry	238,500
Mr Martin Davis	14,085
Davycrest Nominees	250,000
Mr Derek Deeman	2,000
EAM Investments Limited	9,090
Mr Phillip Earthey	28,638
Mr Nicholas Edmonstone	100,000
Raymond Ellis	84,089
Euroclear Nominees Limited	25,000
Mr Steven Fawkes	453
Miss Amity Fletcher	1,500
Mr James Fletcher	2,826
Miss Juliette Fletcher	1,500
Mr Justin Fletcher	1,500
Miss Liberty Fletcher	1,500
Mervyn Fletcher	1,104,500
Miss Evelyn Frank	4,878
Neil Gladstone Esq	100,000
Julian Gore	18,181
Mrs Alice Grainger	10,000
Mr Simon Greenwood	13,472
Mr Vijay Gupta	10,000
Mr David Gye	22,078
Hanover Nominees Limited	50
Mr John Hardy	28,253
Hargreaves Lansdown (Nominees) Limited	298,249
Mr and Mrs Hazell	1,000
Mrs Gayle Hibbert	27,642
Mr Richard Hine	1,449
Mr Gordon Hollier	9,090
Mr Andrew Hore	20,000
HSDL Nominees Limited	1,126,530
Investor Nominees Limited	12,500
ISS Europe Limited	4
Mr John Iveson	1,500
JFWS Limited	56,818
Jim Nominees Limited	1,687,768
JM Finn Nominees Limited	348,000
Mr Hans Kaminsky & Ms Pia Kaminsky	8,950

Mr Idris Khan	321,000
Ms Carolyn King	2,000
Mr Robert Leach	2,000
Mr Edward Leetham	1,000
Sindee Levin	9,386
Cherry Lill	32,000
Mr John Margison	90,000
Mr John Mason	63,637
Mr Ian Maxwell	14,285
Mr and Mrs McGrath	120,006
Mr John McMillan	2,536
Mr Stephen Mischler	2,173
Mr Ian Norris	4,500
Mr Gary Osborne	2,273
Mr Warren Paterson	1,800
Mr Patrick Patterson	11,364
Peel Hunt Holdings Limited	184,101
Pershing Nominees Limited	1,830,000
Platform Securities Nominees Limited	3,459
Polymre Holdings Limited	22,566,078
Puma Nominees Limited	1,437,428
Rathbone Nominees Limited	2,825
RC Greig Nominees Limited	27,026
Redmayne (Nominees) Limited	7,571,100
Mr Simon Laird McNeill-Ritchie	5,000
Mr Phillip Roberts	4,500
Rock (Nominees) Limited	100,000
Daisy Rogers	15,600
Mr Mark Rowland	158,700
Mr Brian Scholfield	5,166,333
Mrs Celia Scholfield	90,909
Mr Christopher Scholfield	22,727
Mr Steve Scipio	11,364
Mr Hasmukh Shah	4,500
Share Nominees Ltd	205,769
Mrs Ann Sherry	40,319
Mr Justin Sherry	140,000
Dr Sivayoham	2,000
Songseekers International Limited	2,500
Ms Ethel Speirs	32,512
Ian Speirs	1,764,530
Dr Lucinda Speirs	100,000
Mrs Danuta Stack	500
Mrs Kathleen Starkey	3,030
TD Direct Investing Nominees (Europe) Limited	944,397
Mr Keith Thomas	2,500
Mr Paul Tracey	10,000
Transact Nominees Limited	21,090
Roy Veale Esq	20,000

Mr Ken Nicoll	2,717
Vidacos Nominees Limited	25,000
Way Back When Limited	1,805,882
W B Nominees Limited	6,726,873
Maureen Wellstead	10,000
Mr John Wheeler	5,000
Mr David Wilkinson	2,300
Mr David Williams	2,200
Mr Michael Williams	529,411
David Wiltshire Esq	113,885
Winterflood Securities Limited	3,845,028
Kin Chung Wong Esq	178
Mr Stephen Woodhouse	28,901
Mr Matthew Ott	50
Pieter Vorster	65,000
The Orr Macintosh Foundation Limited	1,000
Tim Morris	500
David Hawkins	100,000
Lynchwood Nominees Limited	32,000
Christopher Meally	74
Richard Lewney	327
Vanessa Newton	1,000
Glen Conboy	4,377
Mark Mason	5,000
Jenny McDonald	5,041
Patrick Maingi Mumo	7,777
Peter Koenig	7,840
Francis McAweaney	10,000
Damon and Fiona Kendrick	10,000
Jonathan Trott	25,000
John Price	30,000
Paul Gallop	30,000
Hoi Yee Chloe Ling	35,000
Munawar Shaffi	55,750
William and Winifred Main	100,000
David Jones	8,133
Mrs Sylvia Ashe	9,660
Amati VCT2 Plc	1,080,883
Mr Abhjeet Mukherjee	110,027
Matthew Scott	10,000
Morgan Stanley & Co International Plc	680,567
Forest Nominees Ltd	100,000
Jeremy Etheridge	12,500
Mr Antony Page	12,000
Mr Ian McMillan	25,000
Mr Shahed Mahmoode	38,724
Mr Roger Bayliss	55,535
Sago PTY Ltd	60,000
	<u>76,658,231</u>

<b>Directors</b>		<b>Appointed</b>	<b>Resigned</b>
	Brian Schofield	13/03/2014	N/a
	Justin Sherry	02/01/2007	N/a
	VTR Media Investment Limited	10/12/2000	22/06/2001
	John Banks	11/12/2000	22/06/2001
	Thomas Bradley	09/02/2007	30/11/2009
	Michael Bungey	21/06/2002	21/09/2005
	Mervyn Fletcher	11/12/2000	13/03/2014
	Timothy Hollier	09/02/2004	15/09/2004
	Peter Koenig	19/10/2006	08/08/2008
	John Sanderson	22/06/2001	09/02/2007
	Brian Scholfield	11/12/2000	25/02/2011
	Paul Tracey	11/12/2000	01/12/2005

<b>Company Secretary</b>		<b>Appointed</b>	<b>Resigned</b>
	Frank McAweeney	02/07/2002	N/a

**Previous Names.** None

**Registered Charges.** A debenture in favour of Polymer Holdings Limited, created on 22 December 2008 and registered on 7 January 2009, securing all liabilities due or to become due to Polymer Holdings Limited by way of fixed and floating charges over the assets of the Company



**CONEXION MEDIA GROUP PLC  
IN ADMINISTRATION**

**APPENDIX B**

**JOINT ADMINISTRATORS' ABSTRACT  
OF RECEIPTS AND PAYMENTS**

**Conexion Media Group Plc  
(In Administration)**

**Joint Administrators' Abstract Of Receipts And Payments  
To 14 December 2016**

	Fixed Charge £	Floating Charge £	Total £
<b>RECEIPTS</b>			
Owned Music Rights	88,916 00		88,916 00
Administered Contracts	18,188 98		18,188 98
Society Memberships	2,273 00		2,273 00
Commemorative Discs		500 00	500 00
Master Tapes		5,000 00	5,000 00
Furniture & Equipment		840 00	840 00
Book Debts		152 00	152 00
Cash at Bank		8,180 55	8,180 55
Bank Interest Gross		88 23	88 23
Suspense Account		17 66	17 66
	<u>109,377 98</u>	<u>14,778 44</u>	<u>124,156 42</u>
<b>PAYMENTS</b>			
Contractors	26,049 24		26,049 24
Rents	3,624 52		3,624 52
Rates	2,245 89		2,245 89
Cleaning Services	575 00		575 00
Telephone	169 90		169 90
IT Support	3,256 55		3,256 55
Repairs & Maintenance	110 35		110 35
Specific Bond	90 00		90 00
Agents/Valuers Fees	10,000 00		10,000 00
Legal Fees	19,088 52		19,088 52
Legal Disbursements	238 33		238 33
Statutory Declaration Swearing Fee		60 00	60 00
Storage Costs		2,083 88	2,083 88
Statutory Advertising		163 53	163 53
Insurance of Assets	1,314 00		1,314 00
	<u>66,762 30</u>	<u>2,307 41</u>	<u>69,069 71</u>
<b>Balance</b>	<u>42,615 68</u>	<u>12,471 03</u>	<u>55,086 71</u>

**MADE UP AS FOLLOWS**

VAT Receivable	4,074 47
Current A/c	56,177 45
Floating Deposit A/c	27 13
VAT Payable	(5,192 34)
	<u>55,086 71</u>

**CONEXION MEDIA GROUP PLC  
IN ADMINISTRATION**

**APPENDIX C**

**ESTIMATED OUTCOME STATEMENT**

**Conexion Media Group Plc**  
**Estimated Outcome Statement as at 14 December 2016**

<b>Receipts &amp; Payments</b>			
	<b>To Date</b>	<b>Future</b>	<b>Total</b>
<b>Assets Specifically Pledged</b>			
Investment in Music Rights	88,916	Nil	88,916
Administration Contracts	18,189	Nil	18,189
Society Memberships - UK	2,273	Nil	2,273
Society Memberships - Foreign Territories	Nil	Nil	Nil
US Subsidiaries - Shares	Nil	25,000	25,000
Other Investments	Nil	Nil	Nil
Less Polymer Holdings Limited	n/a	n/a	(1,678,031)
<b>Shortfall to Polymer Holdings Limited c/d</b>	<b>109,378</b>	<b>25,000</b>	<b>(1,543,653)</b>
<b>Assets Not Specifically Pledged</b>			
Tangible Assets	6,340	Nil	6,340
Book Debts	152	Nil	152
Bank Interest	88	25	113
Intercompany Receivable Balances	Nil	Nil	Nil
Cash at Bank and In Hand	8,181	Nil	8,181
	<b>14,761</b>	<b>25</b>	<b>14,786</b>
<b>Less Pre Administration Costs</b>			
Geoffrey Martin & Co Fees (Pre Appointment)	Nil	(1,335)	(1,335)
Legal Fees (Pre Appointment)	Nil	(1,066)	(1,066)
Legal Disbursements (Pre Appointment)	Nil	(200)	(200)
Agent's Fees (Pre Appointment)	Nil	(350)	(350)
Agent's Disbursements (Pre Appointment)	Nil	(2)	(2)
	<b>Nil</b>	<b>(2,953)</b>	<b>(2,953)</b>
<b>Less Administration Costs</b>			
Joint Administrators' Time Costs	Nil	(35,000)	(35,000)
Category 1 Disbursements	(2,070)	(1,750)	(3,820)
Category 2 Disbursements	Nil	(1,000)	(1,000)
Legal Fees & Disbursements	(19,327)	(2,500)	(21,827)
Agents' Fees	(10,000)	Nil	(10,000)
Agents' Disbursements	Nil	(1,500)	(1,500)
Premises/Holding Costs	(36,031)	(5,000)	(41,031)
Insurance of Assets	(1,314)	Nil	(1,314)
Tax Advice	Nil	(1,000)	(1,000)
	<b>(68,743)</b>	<b>(47,750)</b>	<b>(116,493)</b>
<b>Surplus Available to Preferential Creditors</b>			<b>Nil</b>
Preferential Creditors			(4,678)
<b>Assets Available to the Prescribed Part</b>			<b>Nil</b>
Prescribed Part c/d			Nil
<b>Assets Available to Floating Charge Creditors</b>			<b>Nil</b>
Less Polymer Holdings Limited b/d			(1,543,653)
<b>Shortfall to Polymer Holdings Limited c/d</b>			<b>(1,543,653)</b>
Floating Charge Surplus Available to Unsecured Creditors			Uncertain
Prescribed Part b/d			Uncertain
<b>Assets Available to Unsecured Creditors</b>			<b>Uncertain</b>
<b>Unsecured Creditors</b>			
Trade Creditors			(145,510)
HM Revenue & Customs			(220,809)
Intercompany Payables			(850,090)
Landlords Claims			Uncertain
Employee Claims			(223,795)
			<b>(1,440,204)</b>
<b>Estimated Shortfall to Unsecured Creditors</b>			<b>(1,440,204)</b>

**CONEXION MEDIA GROUP PLC  
IN ADMINISTRATION**

**APPENDIX D**

**CHARGING AND DISBURSEMENT POLICY**

<b>Case Name</b>	Conexion Media Group Plc
<b>Court and Number</b>	No 58 of 2016
<b>Office Holder</b>	Peter Hart and Stephen Goderski
<b>Firm</b>	Geoffrey Martin & Co
<b>Address</b>	1 Westferry Circus, Canary Wharf, London, E14 4HD
<b>Telephone</b>	020 7495 1100
<b>Reference</b>	CONE402/PH/SG/JM
<b>Type of Appointment</b>	Administration
<b>Date of Appointment</b>	1 February 2016

#### **CHARGING AND DISBURSEMENTS POLICY (Combined London & Leeds Offices)**

##### **Time Costs**

The firm's hourly charge out rates are revised annually from 1 July. The rates currently in use are within the following bands

	£
Appointment Taker	325 – 450
Associate	285
Manager	265 – 295
Senior Administrator	160 – 225
Junior Administrator and Support Staff	100 – 175

Secretarial and cashiers time is charged to the case and their rates are included within the above hourly rates identified above as appropriate. Time is charged in units of 6 minutes.

##### **Disbursements**

A disbursement charge relating to the recovery of overhead costs is levied at the rate of £6.75 per creditor. This sum is drawn at the outset of the case and on each anniversary thereafter and covers printing, postage, stationery, photocopying, telephone and fax usage.

Company Searches and Identity Verifications are charged at cost.

Outsourced printing and/or photocopying will be charged at cost in addition to the above.

Travelling expenses are charged at the rate of 45p per mile.

**CONEXION MEDIA GROUP PLC  
IN ADMINISTRATION**

**APPENDIX E**

**JOINT ADMINISTRATORS' POST APPOINTMENT  
TIME COSTS ANALYSIS**

## **Conexion Media Group Plc – In Administration (“the Company”)**

### **Overview of Joint Administrators’ Time Spent**

I detail below the key areas of work undertaken by the Joint Administrators and their staff in respect of the Administration from the onset of the Administration to the date of this report, being 14 December 2016

#### Administration and planning

- Liaising with the directors
- Statutory requirements imposed by the Insolvency Act and Rules 1986 and Insolvency bodies
- Administrative setup and filing of all statutory paperwork
- Accounting for receipts and payments in the Administration
- Monitoring the progress of the Administration
- Obtaining open cover insurance
- Collection of Company records

#### Realisation of assets

- Recovering the Company's cash at bank balance
- Securing the assets of the Company at the Company's premises and external storage facilities
- Arranging insurance cover over the assets of the Company
- Dealing with undertakings to maintain the Company's premises pending realisation of the Company's assets
- Liaising with agents regarding the realisation of the Company's assets portfolio of owned music rights
- Liaising with agents regarding the realisation of the Company's tangible assets
- Liaising with agents regarding the realisation of value held in the company's portfolio of administered music rights
- Liaising with solicitors regarding the realisation of the Company's assets
- Liaising with solicitors regarding the realisation of the Company's tangible assets
- Liaising with solicitors regarding the realisation of value held in the company's portfolio of administered music rights
- Liaising with interested parties regarding the realisation of the Company's assets
- Liaising with interested parties regarding the realisation of the Company's tangible assets
- Liaising with interested parties regarding the realisation of value held in the company's portfolio of administered music rights
- Liaising with interested parties in relation to share sale

#### Creditors

- Dealing with creditor queries and claims, both verbal and written
- Statutory reporting to creditors
- Liaising with former employees and dealing with employee claims in the Administration
- Pension issues
- Liaising with the secured creditors

### **Other professional costs of the Administration**

Details of professional advisers who have been engaged by the Joint Administrators, and their respective charges, are detailed below

- 1 Schofield Sweeney were instructed to advise on all legal aspects arising during the Administration. Schofield Sweeney were chosen due to their experienced knowledge of insolvency matters and company legislation. Their charges are incurred on the basis of time properly spent advising on the various issues in this case.
- 2 Charterfields Limited were instructed to advise the Joint Administrators in connection with the sale of the Company's assets. Charterfields Limited were chosen due to their experience in dealing with asset realisations for insolvent companies. Their charges are based on time costs properly incurred in dealing with the disposal of the Company's assets.



The level of costs and disbursements incurred by my professional advisors between the onset of the Administration and the date of this report, together with details of any payments made to them in respect of these costs, is given below

#### Professional Costs

Name	Description	Costs Incurred 01/02/2016 – 14/12/2016 £	Costs Paid 01/02/2016 – 14/12/2016 £	Costs Written Off 01/02/2016 – 14/12/2016 £	Costs outstanding as at 14/12/2016 £
Schofield Sweeney	Solicitors	19,089	19,089	Nil	Nil
Charterfields Limited	Agents	10,000	10,000	Nil	Nil
		29,089	29,089	Nil	Nil

#### Disbursements

During the Administration period, disbursements totalling £238 have been incurred, which relate to amounts incurred by Schofield Sweeney

All disbursements have been discharged in full, during the period

There are no other professional advisors who have been engaged to assist the Joint Administrators in respect of the Administration of the Company to date

**SIP 9 - Time & Cost Summary**

Period 01/02/16 14/12/16

## Time Summary

Hours						Time Cost (£)	Average hourly rate (£)
Classification of work function	Appointment Taker	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & planning	3 30	0 00	24 60	27 60	55 50	9 503 00	171 23
Investigations	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Realisations of assets	48 40	0 00	54 00	0 50	102 90	29 952 50	291 08
Trading	0 00	0 00	0 00	0 60	0 60	75 00	125 00
Creditors	10 50	0 00	52 70	19 90	83 10	16,188 00	194 80
Case specific matters	0 00	0 00	0 00	0 00	0 00	0 00	0 00
<b>Total Hours</b>	<b>62 20</b>	<b>0 00</b>	<b>131 30</b>	<b>48 60</b>	<b>242 10</b>	<b>55,718 50</b>	<b>230 15</b>

**CONEXION MEDIA GROUP PLC  
IN ADMINISTRATION**

**APPENDIX F**

**‘A CREDITORS GUIDE TO ADMINISTRATORS’ FEES’**

## **A CREDITORS' GUIDE TO ADMINISTRATORS' FEES**

### **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, explains the basis on which fees are fixed and how creditors can seek information about expenses incurred by the administrator and challenge those they consider to be excessive.

#### **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 remuneration**

##### **4 1 Basis**

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

- as a percentage of the value of the property which the administrator has to deal with,
- by reference to the time properly given by the administrator and his staff in attending to matters arising in the administration, or
- as a set amount

Any combination of these bases may be used to fix the remuneration, and different bases may be used for different things done by the administrator. Where the remuneration is fixed as a percentage, different percentages may be used for different things done by the administrator.

#### **4.2 Advance information where remuneration not based on time costs**

Prior to the determination of the basis of remuneration, the administrator must give the creditors details of the work the administrator proposes to undertake, and the expenses he considers will be, or are likely to be, incurred. However, where the administrator proposes to take any part or all of his remuneration on a time cost basis, he must provide more detailed information in the form of a 'fees estimate', as explained below.

#### **4.3 Fees estimates where remuneration to be based on time costs**

Where the administrator proposes to take remuneration based on time costs, he must first provide the creditors with detailed information in the form of a 'fees estimate'. A fees estimate is a written estimate that specifies –

- details of the work the administrator and his staff propose to undertake,
- the hourly rate or rates the administrator and his staff propose to charge for each part of that work,
- the time the administrator anticipates each part of that work will take,
- whether the administrator anticipates it will be necessary to seek approval or further approval under the Rules, and
- the reasons it will be necessary to seek such approval.

In addition, the administrator must give the creditors details of the expenses he considers will be, or are likely to be, incurred.

The fees estimate and details of expenses may include remuneration anticipated to be charged and expenses anticipated to be incurred if the administrator becomes the liquidator where the administration moves into winding up.

#### **4.4 Who fixes the remuneration**

It is for the creditors' committee (if there is one) to determine on which bases, or combination of bases, the remuneration is to be fixed. Where it is fixed as a percentage, it is for the committee to determine the percentage or percentages to be applied, and where it is a set amount, to determine that amount. 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.

#### **4.5** If there is no creditors' committee, or the committee does not make the requisite determination (and provided the circumstances described in paragraph 4.3 do not apply), the administrator's remuneration may be fixed by a resolution of a meeting of creditors having regard to the same matters as apply in the case of the committee. If the remuneration is not fixed in any of these ways, it will be fixed by the court on application by the administrator, but the administrator may not make such an application unless he has first tried to get his remuneration fixed by the committee or

creditors as described above, and in any case not later than 18 months after his appointment

- 4 6 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 7 A resolution of creditors may be obtained by correspondence

## **5 Review of remuneration**

- 5 1 Where there has been a material and substantial change in circumstances since the basis of the administrator's remuneration was fixed, the administrator may request that it be changed. The request must be made to the same body as initially approved the remuneration, and the same rules apply as to the original approval

## **6. Approval of pre-administration costs**

- 6 1 Sometimes the administrator may need to seek approval for the payment of costs in connection with preparatory work incurred before the company went into administration but which remain unpaid. Such costs may relate to work done either by the administrator or by another insolvency practitioner. Disclosure of such costs must be included in the administrator's proposals and should follow the principles and standards set out in section 7

- 6 2 Where there is a creditors' committee, it is for the committee to determine whether, and to what extent, such costs should be approved for payment. If there is no committee or the committee does not make the necessary determination, or if it does but the administrator, or other insolvency practitioner who has incurred pre-administration costs, considers the amount agreed to be insufficient, approval may be given by a meeting of creditors. Where the circumstances described in paragraph 4 3 apply, the determination may be made by the same creditors as approve the administrator's remuneration

- 6 3 The administrator must convene a meeting of the committee or the creditors for the purposes of approving the payment of pre-administration costs if requested to do so by another insolvency practitioner who has incurred such costs. If there is no determination under these provisions, or if there is but the administrator or other insolvency practitioner considers the amount agreed to be insufficient, the administrator may apply to the court for a determination

## **7 What information should be provided by the administrator?**

### **7.1 General principles**

7.1.1 The administrator should provide those responsible for approving his remuneration with sufficient information to enable them to make an informed judgement about the reasonableness of the administrator's request. The information should be presented in a manner which is transparent, consistent throughout the life of the case and useful to creditors, while being proportionate to the circumstances of the case.

7.1.2 The administrator should disclose

- payments, remuneration and expenses arising from the administration paid to the administrator or his or her associates,
- any business or personal relationships with parties responsible for approving the administrator's remuneration or who provide services to the administrator in respect of the insolvency appointment where the relationship could give rise to a conflict of interest.

The administrator should inform creditors of their rights under insolvency legislation, and should advise them how they may access suitable information setting out their rights within the first communication with them and in each subsequent report.

7.1.3 Where the administrator sub-contracts out work that could otherwise be carried out by the administrator or his or her staff, this should be drawn to the attention of creditors with an explanation of why it is being done.

### **7.2 Key issues**

7.2.1 The key issues of concern to those with a financial interest in the level of payments from the insolvency estate will commonly be

- the work the administrator anticipates will be done, and why that work is necessary,
- the anticipated cost of that work, including any expenses expected to be incurred in connection with it,
- whether it is anticipated that the work will provide a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute),
- the work actually done and why that work was necessary,
- the actual costs of the work, including any expenses incurred in connection with it, as against any estimate provided,
- whether the work has provided a financial benefit to creditors, and if so what benefit (or if the work provided no direct financial benefit, but was required by statute).

When providing information about payments, fees and expenses, the administrator should do so in a way which facilitates clarity of understanding of these key issues. Narrative explanations should be provided to support any numerical information supplied. Where it is practical to do so, the administrator should provide an indication of the likely return to creditors when seeking approval for the basis of his remuneration.

7.2.2 When approval for a fixed amount or a percentage basis is sought, the administrator should explain why the basis requested is expected to produce a fair and reasonable reflection of the work that the administrator anticipates will be undertaken.

### **7 3 Fee estimates and subsequent reports**

- 7 3 1 When providing a fee estimate, the administrator should supply that information in sufficient time to facilitate that body making an informed judgement about the reasonableness of the administrator's requests. The estimate should clearly describe what activities are anticipated to be conducted in respect of the estimated fee. When subsequently reporting to creditors, the actual hours and average rate (or rates) of the costs charged for each activity should be provided for comparison.

### **7 4 Disbursements**

- 7 4 1 Costs met by and reimbursed to the administrator in connection with the administration will fall into two categories

- Category 1 disbursements. These are payments to independent third parties where there is specific expenditure directly referable to the administration. Category 1 disbursements can be drawn without prior approval, although the administrator should be prepared to disclose information about them in the same way as any other expenses.
- Category 2 disbursements. These are costs that are directly referable to the administration but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the administrator or their firm, and that can be allocated to the administration on a proper and reasonable basis.

When seeking approval, the administrator should explain, for each category of cost, the basis on which the charge is being made. If the administrator has obtained approval for the basis of Category 2 disbursements, that basis may continue to be used in a sequential appointment where further approval of the basis of remuneration is not required, or where the administrator is replaced.

- 7 4 2 The following are not permissible as disbursements

- a charge calculated as a percentage of remuneration,
- an administration fee or charge additional to the administrator's remuneration,
- recovery of basic overhead costs such as office and equipment rental, depreciation and finance charges.

## **8 Exceeding the amount set out in the fees estimate**

Remuneration must not exceed the fees estimate without approval by the body which fixed the original basis of the remuneration. The request for approval must specify –

- the reason why the administrator has exceeded, or is likely to exceed, the fees estimate,
- the additional work the administrator has undertaken or proposes to undertake,
- the hourly rate or rates the administrator proposes to charge for each part of that additional work,
- the time that additional work has taken or the administrator anticipates that work will take,
- whether the administrator anticipates that it will be necessary to seek further approval, and
- the reasons it will be necessary to seek further approval.

## **9 Progress reports and requests for further information**

- 9 1 The administrator is required to send a progress report to creditors at 6-monthly intervals. The report must include



- details of the basis fixed for the remuneration of the administrator (or if not fixed at the date of the report, the steps taken during the period of the report to fix it),
- if the basis has been fixed, the remuneration charged during the period of the report, irrespective of whether it was actually paid during that period (except where it is fixed as a set amount, in which case it may be shown as that amount without any apportionment for the period of the report),
- if the report is the first to be made after the basis has been fixed, the remuneration charged during the periods covered by the previous reports, together with a description of the work done during those periods, irrespective of whether payment was actually made during the period of the report,
- a statement of the expenses incurred by the administrator during the period of the report, irrespective of whether payment was actually made during that period,
- where appropriate, a statement –
  - that the remuneration anticipated to be charged is likely to exceed the fees estimate or any approval given for remuneration exceeding the estimate,
  - that expenses incurred or anticipated to be incurred are likely to exceed, or have exceeded, the details given to the creditors prior to the determination of the basis of remuneration, and
  - the reason for that excess
- the remuneration anticipated to be charged is likely to exceed the fees estimate or any approval given for remuneration exceeding the estimate,
- the expenses incurred or anticipated to be incurred are likely to exceed, or have exceeded, the details given to the creditors prior to the determination of the basis of remuneration, and
- the reasons for that excess,
- the date of approval of any pre-administration costs and the amount approved,
- a statement of the creditors' rights to request further information, as explained in paragraph 8 2, and their right to challenge the administrator's remuneration and expenses

9 2 Within 21 days of receipt of a progress report a creditor may request the administrator to provide further information about the remuneration and expenses (other than pre-administration costs) set out in the report. A request must be in writing, and may be made either by a secured creditor, or by an unsecured creditor with the concurrence of at least 5% in value of unsecured creditors (including himself) or the permission of the court

9 3 The administrator must provide the requested information within 14 days, unless he considers that

- the time and cost involved in preparing the information would be excessive, or
- disclosure would be prejudicial to the conduct of the administration or might be expected to lead to violence against any person, or
- the administrator is subject to an obligation of confidentiality in relation to the information requested,

in which case he must give the reasons for not providing the information

Any creditor may apply to the court within 21 days of the administrator's refusal to provide the requested information, or the expiry of the 14 days time limit for the provision of the information

## 10 Provision of information – additional requirements

The administrator 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

**11 What if a creditor is dissatisfied?**

- 11 1 If a creditor believes that the administrator's remuneration is too high, the basis is inappropriate, or the expenses incurred by the administrator are in all the circumstances excessive he may, provided certain conditions are met, apply to the court
- 11 2 Application may be made to the court by any secured creditor, or by any unsecured creditor provided at least 10 per cent in value of unsecured creditors (including himself) agree, or he has the permission of the court. Any such application must be made within 8 weeks of the applicant receiving the administrator's progress report in which the charging of the remuneration or incurring of the expenses in question is first reported (see paragraph 8 1 above). 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
- 11 3 If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not as an expense of the administration

**12 What if the administrator is dissatisfied?**

- 12 1 If the administrator considers that the remuneration fixed by the creditors' committee is insufficient or that the basis used to fix it is inappropriate he may request that the amount or rate be increased, or the basis changed, by resolution of the creditors. If he considers that the remuneration fixed by the committee or the creditors is insufficient or that the basis used to fix it is inappropriate, he may apply to the court for the amount or rate to be increased or the basis changed. 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

**13 Other matters relating to remuneration**

- 13 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

- 13 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
- 13 3 If a new administrator is appointed in place of another, any determination, resolution or court order which was in effect immediately before the replacement continues to have effect in relation to the remuneration of the new administrator until a further determination, resolution or court order is made
- 13 4 Where the basis of the remuneration is a set amount, and the administrator ceases to act before the time has elapsed or the work has been completed for which the amount was set, application may be made for a determination of the amount that should be paid to the outgoing administrator. The application must be made to the same body as approved the remuneration. Where the outgoing administrator and the incoming administrator are from the same firm, they will usually agree the apportionment between them

**14 Effective date**

This guide applies where a company enters administration on or after 1 October 2015

## **Appendix**

### **Suggested format for the provision of information**

Professional guidance issued to insolvency practitioners sets out the following suggested format for the provision of information when seeking approval of remuneration. However, the level of disclosure suggested below may not be appropriate in all cases, and will be subject to considerations of proportionality. In larger or more complex cases the circumstances of each case may dictate the information provided and its format.

#### **Narrative overview of the case**

In all cases, reports on remuneration should provide a narrative overview of the case. Matters relevant to an overview are:

- the complexity of the case,
- any exceptional responsibility falling on the administrator,
- the administrator's effectiveness,
- the value and nature of the property in question.

The information provided will depend upon the basis or bases being sought or reported upon, and the stage at which it is being provided. An overview might include:

- an explanation of the nature, and the administrator's own initial assessment, of the assignment (including the anticipated return to creditors) and the outcome (if known),
- initial views on how the assignment was to be handled, including decisions on staffing or subcontracting and the appointment of advisers,
- any significant aspects of the case, particularly those that affect the remuneration and cost expended,
- the reasons for subsequent changes in strategy,
- the steps taken to establish the views of creditors, particularly in relation to agreeing the strategy for the assignment, budgeting, and fee drawing,
- any existing agreement about remuneration,
- details of how other professionals, including subcontractors, were chosen, how they were contracted to be paid, and what steps have been taken to review their fees,
- in a larger case, particularly if it involved trading, considerations about staffing and managing the assignment and how strategy was set and reviewed,
- details of work undertaken during the period,
- any additional value brought to the estate during the period, for which the administrator wishes to claim increased remuneration.

#### **Time cost basis**

Where any part of the remuneration is or is proposed to be calculated on a time costs basis, requests for and reports on remuneration should provide:

- An explanation of the administrator's time charging policy, clearly stating the units of time that have been used, the grades of staff and rates that have been charged to the assignment, and the policy for recovering the cost of support staff. There is an expectation that time will be recorded in units of not greater than 6 minutes.
- A description of work carried out, which might include:
  - details of work undertaken during the period, related to the table of time spent for the period,
  - an explanation of the grades of staff used to undertake the different tasks carried out and the reasons why it was appropriate for those grades to be used,
  - any comments on any figures in the summary of time spent accompanying the request the administrator wishes to make.
- Time spent and charge-out summaries, in an appropriate format.

It is useful to provide time spent and charge-out value information in a tabular form for each of the time periods reported upon, with work classified (and sub-divided) in a way relevant to the circumstances of the case

The following areas of activity are suggested 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

- Partner
- Manager
- Other senior professionals
- Assistants and support staff

The level of disclosure suggested above will not be appropriate in all cases, and considerations of proportionality will apply

- where cumulative time costs are, and are expected to be, less than £10,000 the administrator should, as a minimum, state the number of hours and average rate per hour and explain any unusual features of the case,
- where cumulative time costs are, or are expected to be, between £10,000 and £50,000, a time and charge-out summary similar to that shown above will usually provide the appropriate level of detail (subject to the explanation of any unusual features),
- where cumulative time costs exceed, or are expected to exceed, £50,000, further and more detailed analysis or explanation will be warranted

**CONEXION MEDIA GROUP PLC  
IN ADMINISTRATION**

**APPENDIX G**

**'STATEMENT OF INSOLVENCY PRACTICE 13 – SIP13**

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## STATEMENT OF INSOLVENCY PRACTICE 13

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### DISPOSAL OF ASSETS TO CONNECTED PARTIES IN AN INSOLVENCY PROCESS

#### Introduction

- 1 The disposal of assets in an insolvency process to connected parties may give rise to concerns that assets or groups of assets may have been disposed of at less than market value and/or on more favorable terms than would have been available to a third party
- 2 It is recognised that connected party transactions may be in the best interests of creditors but require adequate disclosure to creditors and other interested parties<sup>1</sup> as soon as reasonably practicable. Transparency in all dealings is of primary importance
- 3 It is equally important that the insolvency practitioner acts and is seen to be acting in the interests of the creditors as a whole and is able to demonstrate this
- 4 This statement of insolvency practice applies to both personal and corporate insolvency appointments, with the exception of members' voluntary liquidations

#### Principles

- 5 An insolvency practitioner should be clear about the nature and extent of the role of advisor in the pre-appointment period. The roles are to be explained to the debtor, the company directors and the creditors. For the purposes of this Statement of Insolvency Practice only, the role of "insolvency practitioner" is to be read as relating to the advisory engagement that an insolvency practitioner or their firm and/or any associates may have in the period prior to commencement of the insolvency process. The role of "office holder" is to be read as the formal appointment as an office holder. An insolvency practitioner should recognise that a different insolvency practitioner may be the eventual office holder. When instructed to advise a debtor, a company or companies in a group, the insolvency practitioner should make it clear that the role is not to advise any parties connected with the purchaser, who should be encouraged to take independent advice. This is particularly important when there is a possibility that a connected party may acquire an interest in the business or assets
- 6 The office holder should provide creditors and other interested parties with sufficient information such that a reasonable and informed third party would conclude that the transaction was appropriate and that the office holder has acted with due regard for the creditors' interests. As this is a connected party transaction the level of detail needs to be greater than in the reporting of a third party transaction

#### Key compliance standards

- 7 An insolvency practitioner should exercise professional judgement in advising the client whether a formal valuation of any or all of the assets is necessary. Where a valuation is relied on, other than one undertaken by an appropriate independent valuer and/or advisor with adequate professional indemnity, this should be disclosed. The rationale for doing so and an explanation of why the officer holder was satisfied with the valuation should also be disclosed

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<sup>1</sup> "other interested parties" means those parties with rights pursuant to the prevailing insolvency legislation to information about insolvency proceedings. This may include a creditors' committee, the members (shareholders) of a company, or in personal insolvency, the debtor

- 8 An office holder should keep a detailed record of the reasoning behind both the decision to make a sale to a connected party and all alternatives considered. When considering the manner of disposal of the business or assets the office holder should be able to demonstrate that their duties under the legislation have been met.

### **Disclosure**

- 9 The office holder should demonstrate that they have acted with due regard to creditors' interests by providing creditors with a proportionate and sufficiently detailed justification of why a sale to a connected party was undertaken, including the alternatives considered. Such disclosure should be made in the next report to creditors after the transaction has been concluded.
- 10 Where legislation permits an office holder not to disclose information in certain limited circumstances, this Statement of Insolvency Practice will not restrict the effect of those statutory provisions.

### **Connected parties**

- 11 In this context, a connected party includes the debtor or a party connected to the debtor or company as defined in section 249 and 435 (as an associate) of the Insolvency Act 1986, Article 7 and Article 4 of the Insolvency (NI) Order 1989, or section 229 of the Bankruptcy (Scotland) Act 2016 (as appropriate) provided that in determining whether any person or company has control under section 435(10) and Article 4(10), sales to secured lenders who hold security for the granting of the loan (with related voting rights) as part of the secured lender's normal business activities, over one third or more of the shares in the insolvent company, are not included.

**Effective date 1 December 2016**