

# AM03

## Notice of administrator's proposals



Companies House

TUESDAY



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30/05/2017

#238

COMPANIES HOUSE

### 1 Company details

Company number 0 7 5 7 3 6 3 8

Company name in full The Imaginarium Studios Limited - In Administration

→ Filling in this form  
Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Stephen John

Surname Absolom

### 3 Administrator's address

Building name/number Arlington Business Park

Street Theale

Post town Reading

County/Region

Postcode R G 7 4 S D

Country

### 4 Administrator's name ①

Full forename(s) William James

Surname Wright

① Other administrator  
Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number 15 Canada Square

Street Canary Wharf

Post town London

County/Region

Postcode E 1 4 5 G L

Country

② Other administrator  
Use this section to tell us about  
another administrator.

## AM03 Notice of Administrator's Proposals



### Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name	Kelly Haines
Company name	KPMG LLP
Address	Arlington Business Park Theale
Post town	Reading
County/Region	
Postcode	R G 7 4 S D
Country	
DX	
Telephone	Tel +44 (0) 118 373 1401



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- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



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AM03  
Notice of Administrator's Proposals

6 Statement of proposals



I attach a copy of the statement of proposals

7 Sign and date

Administrator's  
Signature

Signature

×



×

Signature date

26

05

2017



# Joint Administrators' proposals

The Imaginarium Studios  
Limited - in Administration

30 May 2017

## Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why the Company entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 8).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+IH51040450.html>. We hope this is helpful to you.

**Please also note that an important legal notice about this statement of proposals is attached (Appendix 9).**



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# 1 Executive summary

- The Imaginarium Studios Limited (the 'Company') experienced a decline in EBITDA and cash due to a delay in key projects, with financing deals falling through on both a film and a video game production. This put pressure on the Company's ability to fund its working capital requirements, and the Directors subsequently decided that the Company was unable to continue trading solvently.
- At the request of the Directors, Steve Absolom and Will Wright were appointed as Joint Administrators of the Company on 15 May 2017. (Section 2 - Background and events leading to the administration).
- We successfully completed two pre-packaged transactions shortly after appointment. Both sales were to connected parties of the Company. One sale was for the shares in four of the five subsidiaries of the Company and associated intellectual property, and the other sale was for the equipment in the Company's performance capture studio and associated digital assets. The Company is no longer trading and we are currently seeking to realise value for the remaining assets of the Company (Section 3 - Strategy and progress of the administration to date).
- The Company had no secured creditors at the time of our appointment. The prospect of a dividend to preferential creditors is dependent upon whether further recoveries are received in respect of the Company's investment in the Malaysian subsidiary and/or the back end profit share from production rights sold. The same applies with regards to unsecured creditor dividend prospects, however creditors should note that should an unsecured dividend materialise, this will be paid via the subsequently appointed joint liquidators. (Section 4 - Dividend prospects).
- The Joint Administrators' primary objective is to achieve a better result for the Company's creditors as a whole than would have been likely if the Company were wound up.
- We intend to seek approval for our Proposals through the correspondence decision procedure (Section 6 – Approval of proposals).
- We propose that our remuneration will be drawn on the basis of time properly given by us and our staff. Accordingly, we attach an estimate of our fees and expenses. We will seek approval for our remuneration from the preferential and unsecured creditors of the Company (Section 7 - Joint Administrators' remuneration, disbursements and pre-administration costs).
- At this stage we anticipate that the most likely exit route for the administration will be through either a creditors' voluntary liquidation or a compulsory liquidation, and we propose to seek appointment as liquidators (Section 5 - Ending the administration).
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 8 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.



Steve Absolom  
Joint Administrator

## **2 Background and events leading to the administration**

### **2.1 Background information**

The Company was incorporated on 22 March 2011 by its two founders Jonathan Cavendish and Andy Serkis.

The Company's main business was in performance capture (transforming an actor's performance into a digital character), for film, TV, digital application and video games production.

The Company and its subsidiaries were also developing a film and television production business, with two films entering production in the last 18 months. The Company was also working on the production of a video game to accompany a previously released blockbuster film in which Andy Serkis starred.

The Company worked primarily with studios in the United States of America and United Kingdom. Please refer to the SIP 16 disclosure at Appendix 7 for more information on the Company's group structure.

The Company had 38 employees leading up to appointment and 21 employees at the time of appointment. Immediately prior to our appointment, the Directors of the Company completed a sale of the rights to the aforementioned video game to New Dawns, with 17 employees moving to New Dawns under TUPE regulations.

Jonathan Cavendish is a Director of New Dawns. Prior to our appointment, we were not involved in advising the Directors on this transaction, and did not provide an opinion on the transaction. The transaction will be investigated in accordance with our statutory duties.

### **2.2 Funding and financial position of the Company**

The Company's London studio had a turnover of £3.8 million but made a financial loss before tax of £3.1m for the financial year ended 31 March 2016.

The Group had no external bank finance, and had been funded largely by its shareholders on an unsecured basis. Herald Investment Management Ltd are owed c.£1.4 million in unsecured debt and Jonathan Cavendish and Andy Serkis are owed c.£500,000 in unsecured debt between them.

At the date of our appointment, the Company had no secured creditors. There were previously two charges over the Company relating to the video game assets, however this security was novated at the point of the sale to New Dawns.

### **2.3 Events leading to the administration**

The Company experienced a decline in EBITDA and cash due to a delay in key projects. A financing agreement fell through for a key film project, and there were significant delays in receiving agreed financing for the aforementioned video game. This put considerable pressure on the Company's ability to fund its working capital requirements.



KPMG was initially engaged by the Board on 4 April 2017 to explore the options available for the Company, including further investment and selling the business. As part of the scope of the work, KPMG also provided stakeholder management and cash monitoring assistance to the Management of the Company. This engagement lasted for four weeks, and total fees paid on account of time costs by the Company to KPMG were £45,000 + VAT.

No external funding could be sourced in the limited timeframe available.

The shareholders of the Company also confirmed that they were not willing to invest further capital into the business as they could not find a structure that would be agreeable for all parties.

The Board concluded on 19 April 2017 that without additional financial support and following independent legal advice, the Company was unable to trade solvently; the Company filed a Notice of Intention to Appoint Administrators on 2 May 2017. This was served on Enigma and Creative England, the two companies who had held security over the video game assets of the Company at the time of filing.

At the time of our appointment, we had disclosed to the Court details of the work carried out by KPMG up to that time.

We are satisfied that the work carried out by KPMG before our appointment, including the pre-administration work summarised below, has not resulted in any relationships which create a conflict of interest or which threaten our independence.

Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

## **2.4 Pre-administration work**

The following work was carried out prior to our appointment with a view to placing the Company in administration:

- Negotiating the sales contracts in respect of the two pre-packaged transactions.
- Liaising with key stakeholders throughout the sales negotiations.
- Preparing for the insolvency of the Company by identifying and planning in respect of asset recoveries, books and records for collection and discussions with key creditors.

Gateley assisted in the preparation of the sales contracts as well as the preparation and filing of the appointment documents. Gateley also provided independent legal advice to the Directors of the Company in respect of their individual fiduciary duties in the lead up to insolvency.

In respect of each of the pre-packaged transactions, Purchaser 1 was independently advised by Cronos Associates and Purchaser 2 was independently advised by CMS. The joint administrators were independently advised by Gateley.

This work needed to be undertaken prior to the Company entering into administration, as the realisable value for the assets of the Company would likely have decreased considerably had a sale of the assets during an administration process been pursued. This was further

supported following receipt of independent valuation advice from Hilco and Metis respectively, in regard to the estimated realisable value of the assets.

## **2.5 Appointment of Joint Administrators**

The Directors resolved on 2 May 2017 to appoint us as Joint Administrators, when a notice of intention to appoint administrators was filed at the Birmingham County Court.

The notice of appointment was lodged at the Birmingham County Court on 15 May 2017 and we were duly appointed.

# **3 Strategy and progress of the administration to date**

## **3.1 Strategy to date**

### **Strategy**

Given the Company's liquidity crisis, a trading administration was not feasible, and indeed the advice of independent specialist agents was that it would be value destructive.

There was significant risk that the rights to any back-end profit share agreements on the productions would fall away under an administration, impeding the Administrators' ability to realise any contingent/future value in these assets.

We considered an immediate liquidation to also be value destructive, and that an administration followed by a pre-packaged sale as outlined below provides the best return for creditors as a whole.

### **Sale of business**

As previously mentioned, the Company engaged KPMG to explore its options, including sourcing external investment. Interested parties were identified through sector knowledge, KPMG LLP contacts and Management's market knowledge. In total, 102 financial investors and four potential trade buyers were contacted, as well as the financiers involved in the films.

No indicative offers were received other than two offers from connected parties for various assets of the Company, as outlined below and in our SIP 16 memorandum at Appendix 7, which was sent to creditors on 18 May 2017.

As part of the sales, ten employees were transferred to Purchaser 2 under TUPE provisions, zero employees were transferred to Purchaser 1, and eleven employees were made redundant. The remaining employees had been transferred across to New Dawns under TUPE regulations prior to our appointment.

There remains an asset of the Company in the form of shares held in a Malaysian based subsidiary. This subsidiary contains a performance capture studio. We are currently negotiating with interested parties regarding this subsidiary, with a view to realising further value for creditors.

No Company staff have been retained by the joint administrators.

## 3.2 Asset realisations

Realisations from the date of our appointment to 24 May 2017 are set out in the attached receipts and payments account (Appendix 2).

*Summaries of the most significant realisations to date are provided below.*

### Sale of business

The following Company assets were included in the pre-packaged sale:

Equipment in performance capture studio	£85,000 + VAT (£20,000 + VAT received on completion, remaining consideration to be paid by Purchaser 1 on or before 31 May 2017)
Digital assets relating directly to the performance capture equipment and books and records	£15,000 + VAT (to be paid by Purchaser 1 on or before 31 May 2017)
Shares in four of the Company's five subsidiaries, associated intellectual property and books and records	£82,000 (paid by Purchaser 2 on completion)
Equipment directly associated with intellectual property	£3,000 + VAT (paid by Purchaser 2 on completion)

*The consideration paid by each purchaser was held on account by Gateley and is in the process of being transferred to the administrators' bank account.*

### Cash at bank

The Company had approximately £24,000 cash in its bank accounts with Coutts at the date of our appointment. We have requested that Coutts transfer this into our administration bank account.

### Investigations

We are reviewing the affairs of the Company to find out if there are any actions which can be taken *against third parties to increase recoveries for creditors.*

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Kelly Haines at KPMG LLP, Arlington Business Park, Theale, Reading, RG7 4SD United Kingdom.

## 3.3 Costs

An estimate of all the anticipated costs likely to be incurred throughout the duration of the administration are set out in the attached summary of expenses (Appendix 4).

Payments made from the date of our appointment to 24 May 2017 are set out in the attached receipts and payments account (Appendix 2).

No payments have been made since the date of our appointment.

## **4 Dividend prospects**

### **4.1 Secured creditor**

We are not aware of any secured claims against the Company.

### **4.2 Preferential creditors**

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay, up to 12 months prior to the appointment and (3) certain pension benefits, rank preferentially.

We currently estimate the amount of preferential claims at the date of our appointment to be £37,524.

The prospect of a dividend to preferential creditors is dependent upon whether further recoveries are received in respect of the Company's investment in the Malaysian subsidiary and/or the back end profit share from production rights sold.

### **4.3 Unsecured creditors**

As with preferential creditors, the dividend prospects for unsecured creditors is dependent on further recoveries made in the administration. Based on current estimates, it is uncertain whether there will be a dividend to unsecured creditors.

The potential deferred consideration in relation to the back-end profit share from the further to the sale of production rights may allow for a dividend to unsecured creditors in the future. Given the timeframes under which this contingent consideration could fall due, any dividend to unsecured creditors would most likely occur during a subsequent creditors' voluntary liquidation or compulsory liquidation.

## **5 Ending the administration**

### **5.1 Exit route from administration**

We consider it prudent to retain all of the options available to us, as listed in Section 8 to bring the administration to a conclusion in due course.

However, at this stage we anticipate the most likely exit route will be via either a creditors' voluntary liquidation or a compulsory liquidation and we would propose to seek appointment as liquidators.

Please note that we consider it to be unrealistic to be able to provide an accurate estimate of the remuneration anticipated to be charged and the expenses likely to be incurred for the

duration of the liquidation at this stage. To ensure that the information we provide to you is meaningful, we believe that it would be more appropriate to provide the fees and expenses estimates, and seek approval for fees, in the subsequent liquidation. We will look to seek resolutions for the approval of remuneration within four weeks of our appointment as liquidators.

## **5.2 Discharge from liability**

We propose to seek approval from the preferential and unsecured creditors that we will be discharged from liability in respect of any action as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

See Section 8 for details regarding the decision by correspondence.

# **6 Approval of proposals**

## **6.1 Decision procedure**

Notice of seeking a decision by correspondence is attached to the covering letter. This decision by correspondence procedure is being used to seek approval of our statement of proposals.

### **Creditors' Committee**

A Creditors' Committee will be formed if the creditors decide that one should be formed and sufficient creditors are willing to act. The minimum number of Committee members is three and the maximum is five.

### **Function of the Creditors' Committee**

The Creditors' Committee represents the interests of the creditors as a whole, rather than the interests of certain parties or individuals.

Its statutory function is to help us to discharge our responsibilities as Joint Administrators.

If a Creditors' Committee is formed it is for that body to approve, for instance:

- the basis of our remuneration
- the drawing of Category 2 disbursements
- the payment of unpaid pre-administration costs

Members of the Creditors' Committee are not remunerated for their time. Other than receiving travel expenses, they receive no payment from the Company.

## 6.2 Decisions

The proposed decisions to be considered as part of the decision by correspondence are as follows:

- approval of our proposals;
- the formation of a Creditors' Committee.

In addition, creditors are also required to vote on the proposed decisions in Section 8. However, the votes cast in relation to these additional decisions will only be used if a Creditors' Committee is not formed.

## 6.3 Creditors' right to request a physical meeting

We will summon a physical meeting (1) if asked to do so by (a) creditors whose debts amount to at least 10% of the total debts of the Company, or (b) 10% in number of creditors, or (c) 10 creditors, and (2) if the procedures set out below are followed.

Requests for a physical meeting must be made within five business days of the date on which our proposals were delivered. They must include:

- a statement of the requesting creditor claim;
- *a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration;*
- written confirmation of their concurrence from each concurring creditor; and
- a statement of the purpose of the proposed meeting;

In addition, the expenses of summoning and holding a meeting at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us.

If you wish to request a physical creditors' meeting, please complete and return the physical meeting requisition form attached to the cover letter.

# 7 Joint Administrators' remuneration, disbursements and pre-administration costs

## 7.1 Approval of the basis of remuneration and disbursements

Agreement to the basis of our remuneration and the drawing of Category 2 disbursements is subject to specific approval. It is not part of our proposals.

Should a Creditors' Committee be formed, we will seek to obtain approval from the Creditors' Committee that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5.

Attached to the covering letter is formal notice of the decision by correspondence which asks the creditors to vote on the proposed decisions with regard to our remuneration and drawing of Category 2 disbursements. Only if a Creditors' Committee is not formed will the votes cast by the creditors be used.

#### Time costs

From the date of our appointment to 24 May 2017, we have incurred time costs of £66,390. These represent 173 hours at an average rate of £384 per hour.

#### Disbursements

We have incurred disbursements of £9 during the period. None of these have yet been paid.

#### Additional information

We have attached (Appendix 5) an analysis of the time spent, the charge-out rates for each grade of staff and the disbursements paid directly by KPMG for the period from our appointment to 24 May 2017. We have also attached our charging and disbursements recovery policy.

## 7.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 2.4 as set out in Appendix 5:

Pre-administration costs analysis (02/05/2017 to 15/05/2017)			
	Hours	Total Cost (£)	Average Hourly Rate (£)
<b>Pre-administration</b>			
Pre-Administration Sale of business - preparation	<b>75.50</b>	32,627.50	432.15
Appointment documents	<b>31.90</b>	13,637.50	427.51
Pre-administration checks	<b>5.80</b>	2,465.00	425.00
<b>Total in period</b>	<b>113.20</b>	<b>48,730.00</b>	<b>430.48</b>

The payment of unpaid pre-administration costs as an expense of the administration is subject to the same approval as our remuneration, as outlined above. It is not part of our proposals.

## 8 Summary of proposals

Due to the Company's immediate liquidity crisis, and due to no parties, external or otherwise, being willing to provide additional funding, rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable.

Therefore our primary objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, in accordance with Paragraph 3(1)(b).

In addition to the specific itemised proposals below, this document in its entirety constitutes our proposals.

We propose the following:

### General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of the Company in accordance with the objective as set out above;
- to investigate and, if appropriate, to pursue any claims the Company may have;
- to seek an extension to the administration period if we consider it necessary.

### Distributions

- to make distributions to the preferential creditors where funds allow;
- to make distributions to the unsecured creditors if funds become available, and to apply to the Court for authority to do so, where applicable.

### Ending the administration

We might use any or a combination of the following exit route strategies in order to bring the administration to an end:

- apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the Directors;
- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of the Company's creditors, shareholders or the Court for approval as appropriate;
- place the Company into creditors' voluntary liquidation. In these circumstances we propose that we, Steve Absolom and Will Wright, be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing the Company into compulsory liquidation and to consider, if deemed appropriate, appointing us, Steve Absolom and Will Wright, as Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;



- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

#### Joint Administrators' remuneration and pre-administration costs

We propose that:

- *our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5;*
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5;
- unpaid pre-administration costs be an expense of the administration.

#### Discharge from liability

We propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

## Appendix 1 Statutory information

### Company information

Company and Trading name	The Imaginarium Studios Limited
Date of incorporation	22 March 2011
Company registration number	07573638
Trading address	Ealing Studios, Ealing Green, London, W5 5EP
Previous registered office	71 Queen Victoria Street, London, EC4V 4BE
Present registered office	c/o KPMG LLP, Arlington Business Park, Theale, Reading, RG7 RSD
Company Directors	Jonathan Stewart Cavendish (20% shareholder) Andrew Clement Serkis (20.2% shareholder) Mike Lake (representing Khazanah, 25.4% shareholder) Javier Santiso (representing Khazanah, 25.4% shareholder) Paddy Boyle (representing HIML, 25.6% shareholder) Malcolm Wall (independent Chairman)
Company Secretary	No Company Secretary listed at Companies House

### Administration information

Administration appointment	The administration appointment granted in Birmingham County Court, 8129 of 2017
Appointor	Directors
Date of appointment	15 May 2017
Joint Administrators	Steve Absolom and Will Wright
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2).
Current administration expiry date	14 May 2018
Prescribed Part	The Prescribed Part is not applicable on this case as there are no secured creditors
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations.

## Appendix 2 Joint Administrators' receipts and payments account

The Imaginarium Studios Limited - in Administration			
Abstract of receipts & payments			
Statement of affairs (R)		From 15/03/2017 to 24/05/2017 (R)	From 15/06/2017 to 24/05/2017 (R)
ASSET REALISATIONS			
81,999.00	Shares and investments	NIL	NIL
24,343.00	Cash at bank	NIL	NIL
52,487.00	Cash at bank - Malaysia	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
OTHER REALISATIONS			
	Petty cash	423.77	423.77
1.00	Intellectual property	NIL	NIL
99,997.00	Studio equipment	NIL	NIL
3,000.00	Equipment - digital assets	NIL	NIL
		<u>423.77</u>	<u>423.77</u>
PREFERENTIAL CREDITORS			
(37,524.00)	Employees' holiday pay	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
UNSECURED CREDITORS			
(375,723.00)	Trade & expense	NIL	NIL
(170,780.00)	Employees	NIL	NIL
(2,326,966.00)	Directors	NIL	NIL
(77,000.00)	Non-preferential PAYE/NIC	NIL	NIL
(17,179.00)	Non-preferential VAT	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
DISTRIBUTIONS			
(5.00)	Ordinary shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
<b>(2,743,350.00)</b>		<b>423.77</b>	<b>423.77</b>
REPRESENTED BY			
	Floating charge current		<u>423.77</u>
			<b>423.77</b>

## Appendix 3 Joint Administrators' fees estimate

Estimated time costs for the engagement				
	Narrative	Estimated time hours	Estimated fee (GBP)	Estimated fee (USD)
<b>Administration &amp; planning</b>				
<b>Cashiering</b> - processing receipts, payments and bank reconciliations	<b>Note 1</b>	12.00	3,630.00	302.50
<b>General</b> - books & records, fees & work in progress	<b>Note 2</b>	31.00	9,730.00	313.87
<b>Statutory and compliance</b> - appointment & related formalities, bonding, checklist & reviews, reports to secured creditors, advertising, strategy	<b>Note 3</b>	143.00	49,345.00	345.07
<b>Tax</b> - VAT & Corporation tax, initial reviews, pre and post appointment tax	<b>Note 4</b>	4.00	1,785.00	446.25
<b>Creditors</b>				
<b>Creditors and claims</b> - general correspondence, notification of appointment, statutory reports	<b>Note 5</b>	51.00	15,715.00	308.14
<b>Employees</b> - correspondence	<b>Note 6</b>	29.00	11,550.00	398.28
<b>Investigation</b>				
<b>Directors</b> - correspondence, statement of affairs, questionnaires	<b>Note 7</b>	24.00	8,225.00	342.71
<b>Investigations</b> - director conduct and affairs of the Company	<b>Note 8</b>	24.00	9,695.00	403.96
<b>Realisation of assets</b>				
<b>Asset Realisation</b> - including insurance of assets	<b>Note 9</b>	92.00	37,550.00	408.15
<b>Total</b>		<b>410.00</b>	<b>147,225.00</b>	<b>359.09</b>

### Note 1 - Cashiering

The Company operated several bank accounts prior to our appointment. Our anticipated work will involve closing the existing accounts, opening a separate administration account, carrying out monthly bank reconciliations.

### Note 2 - General

Our work includes collection of the Company's books and records not included in the sales contracts, arranging mapping of the Company's accounting records and other electronic records and seeking approval for our fees and expenses as detailed in the Proposals.

### Note 3 – Statutory & Compliance

Our work will include notifying the Registrar of Companies and other relevant parties of our appointment, arranging bonding and ensuring compliance with all statutory obligations. Further details are included in the Proposals.

### Note 4 - Tax

We have instructed our internal VAT and Tax specialists to review the Company's tax and VAT affairs. We will submit post-administration tax and VAT returns as required.

### Note 5 – Creditors & Claims

There will be time spent dealing with creditor queries and statutory reporting.

**Note 6 - Employees**

As reported, > employees were transferred to the Purchaser immediately following our appointment. A further > were made redundant shortly after our appointment. Our work includes making announcements to the employees on our appointment, assisting the former employees to complete their claim forms and dealing with any subsequent queries.

**Note 7 - Directors**

Our anticipated work will involve correspondence with the Directors regarding their statutory duties, requesting the completion of the Statement of Affairs and questionnaire.

**Note 8 - Investigations**

This work will involve reviewing the Company's affairs, directorship searches, compliance with our statutory duties and submitting director reports and other relevant reports to the Secretary of State. We will also be investigating any transactions or disposals made in the lead up to and/or immediately prior to our appointment.

**Note 9 – Asset realisation / lease assignments**

Whilst the majority of the Company's assets were sold to Purchaser 1 and Purchaser 2, we anticipate further work will be required in exploring any potential value in the last remaining key asset, the Company's Malaysian based subsidiary. There will also be ongoing work needed in respect of monitoring the progress of the deferred back-end net profit share arrangements per the productions.

## Appendix 4      Joint Administrators' expenses estimate

Summary of Expenses from appointment	
Expenses (£)	Initial Estimate (£)
<b>Cost of realisations</b>	
Legal fees	15,000.00
<b>TOTAL</b>	<b>15,000.00</b>

We estimate that there will be approximately £15,000 (excluding VAT) in costs for legal advice provided by Gateley. This is relating to concluding the pre-packaged transactions to Purchaser 1 and Purchaser 2, as well as any negotiations that may be required regarding the sale of the shares held in Imaginarium Studios Asia Pacific, the Company's Malaysian subsidiary. There are also likely to be additional statutory costs of filing documents at court.

## Appendix 5 Joint Administrators' charging and disbursements policy

### Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

<https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>

If you are unable to access this guide and would like a copy, please contact Kelly Haines on 0118 3731423.

### Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£) for: Restructuring	
Grade	From 01 Nov 2016 (£/hr)
Partner	625
Director	560
Senior Manager	510
Manager	425
Senior Administrator	295
Administrator	215
Support	131

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

## Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

**Category 1 disbursements:** These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

**Category 2 disbursements:** These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following disbursements during the period 15 May 2017 to 24 May 2017.

SIP 9 - Disbursements					
(Disbursement type)	Category 1		Category 2		Totals (£)
	Incurred	Disputed	Incurred	Disputed	
Meals	4.00		NIL		4.00
Travel	5.00		NIL		5.00
<b>Total</b>	<b>9.00</b>		<b>NIL</b>		<b>9.00</b>

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

Category 2 disbursements are to be approved in the same manner as our remuneration.

## Narrative of work carried out for the period 15 May 2017 to 24 May 2017

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"><li>■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences,</li><li>■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment;</li><li>■ issuing regular press releases and posting information on a dedicated web page;</li><li>■ arranging bonding and complying with statutory requirements.</li></ul>
--------------------------	---



Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> <li>■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same;</li> <li>■ briefing of our staff on the administration strategy and matters in relation to various work-streams;</li> </ul>
Cashiering	<ul style="list-style-type: none"> <li>■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts;</li> </ul>
Tax	<ul style="list-style-type: none"> <li>■ gathering initial information from the Company's records in relation to the taxation position of the Company;</li> <li>■ submitting relevant initial notifications to HM Revenue and Customs,</li> </ul>
Shareholders	<ul style="list-style-type: none"> <li>■ providing notification of our appointment,</li> </ul>
General	<ul style="list-style-type: none"> <li>■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.</li> </ul>
Asset realisations	<ul style="list-style-type: none"> <li>■ collating information from the Company's records regarding the assets;</li> <li>■ liaising with agents regarding the sale of assets;</li> </ul>
Sale of business	<ul style="list-style-type: none"> <li>■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers;</li> <li>■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements;</li> <li>■ collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale;</li> <li>■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room;</li> <li>■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties;</li> <li>■ carrying out sale negotiations with interested parties.</li> </ul>
Health and safety	<ul style="list-style-type: none"> <li>■ liaising with health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with.</li> </ul>
Employees	<ul style="list-style-type: none"> <li>■ dealing with queries from employees regarding various matters relating to the administration and their employment.</li> </ul>
Pensions	<ul style="list-style-type: none"> <li>■ collating information and reviewing the Company's pension schemes.</li> </ul>
Creditors and claims	<ul style="list-style-type: none"> <li>■ drafting and circulating our proposals</li> </ul>
Investigations/ directors	<ul style="list-style-type: none"> <li>■ reviewing Company and directorship searches and advising the directors of the effect of the administration,</li> <li>■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies;</li> </ul>

## Time costs

Pre-administration costs analysis (02/05/2017 to 15/05/2017)			
	Hours	Time Cost (£ - hourly Rate of £)	Average (£ - hourly Rate of £)
<b>Pre-administration</b>			
Pre-Administration Sale of business - preparation	<b>75.50</b>	32,627.50	432.15
Appointment documents	<b>31.90</b>	13,637.50	427.51
Pre-administration checks	<b>5.80</b>	2,465.00	425.00
<b>Total in period</b>	<b>113.20</b>	<b>48,730.00</b>	<b>430.48</b>

SIP 9 –Time costs analysis (15/05/2017 to 24/05/2017)			
	Hours	Time Cost (£ - hourly Rate of £)	Average (£ - hourly Rate of £)
<b>Administration &amp; planning</b>			
Cashiering			
General (Cashiering)	<b>2.90</b>	623.50	215.00
Reconciliations (& IPS accounting reviews)	<b>0.20</b>	43.00	215.00
General			
Books and records	<b>18.50</b>	5,912.50	319.59
Fees and WIP	<b>1.90</b>	677.50	356.58
Statutory and compliance			
Appointment and related formalities	<b>27.90</b>	10,760.30	385.67
Bonding & Cover Schedule	<b>1.10</b>	389.50	354.09
Checklist & reviews	<b>13.80</b>	4,476.20	324.36
Statutory advertising	<b>0.80</b>	301.00	376.25
Strategy documents	<b>17.80</b>	7,565.00	425.00
Tax			
Initial reviews - CT and VAT	<b>0.90</b>	504.00	560.00
Post appointment corporation tax	<b>2.30</b>	994.00	432.17
Post appointment VAT	<b>2.00</b>	723.00	361.50
<b>Creditors</b>			
Creditors and claims			
General correspondence	<b>0.80</b>	104.80	131.00
Notification of appointment	<b>2.80</b>	1,086.00	387.86
Pre-appointment VAT / PAYE / CT	<b>1.00</b>	425.00	425.00
Statutory reports	<b>11.60</b>	4,488.00	386.90
Employees			
Agreeing employee claims	<b>0.20</b>	85.00	425.00

**Pre-administration costs analysis (02/05/2017 to 15/05/2017)**

	Hours	Time Cost (£)	Average Hourly Rate (£)
Correspondence	<b>8.50</b>	3,612.50	425.00
DTI redundancy payments service	<b>7.30</b>	3,102.50	425.00
Pensions reviews	<b>3.50</b>	968.50	276.71
<b>Investigation</b>			
Directors			
Directors' questionnaire / checklist	<b>5.50</b>	2,012.50	365.91
Statement of affairs	<b>11.90</b>	4,667.50	392.23
<b>Realisation of assets</b>			
Asset Realisation			
Cash and investments	<b>0.60</b>	255.00	425.00
Health & safety	<b>0.70</b>	271.50	387.86
Insurance	<b>0.90</b>	356.50	396.11
Leasehold property	<b>3.80</b>	1,160.00	305.26
Office equipment, fixtures & fittings	<b>0.10</b>	42.50	425.00
Sale of business	<b>23.60</b>	10,782.50	456.89
<b>Total in period</b>	<b>172.90</b>	<b>66,389.80</b>	<b>383.98</b>
Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	172.90	66,389.80	
Carry forward time (appointment date to SIP 9 period end date)	172.90	66,389.80	

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.

All time shown in the above analysis is charged in units of six minutes.

## **Appendix 6      Statement of Affairs, including creditor list**

This is the Statement of Affairs for the Company as at the date of our appointment. This has been provided by Jonathan Cavendish, a Director of the Company. Four of the other five Directors of the Company have signed a Statement of Concurrence. One of these four was signed subject to a clarification. The remaining Director has not signed a Statement of Concurrence, and is currently preparing a further Statement of Affairs.

We have not carried out anything in the nature of an audit on the information provided. The figures do not take into account the costs of the administration.

## Statement of affairs

Name of Company The Imaginarium Studios Limited	Company number 07573638
In the Birmingham County Court <small>[full name of court]</small>	Court case number 8129 of 2017

(a) Insert name and address of registered office of the company

Statement as to the affairs of (a) The Imaginarium Studios Limited (the 'Company'),  
KPMG LLP, Arlington Business Park, Theale, Reading, RG7 4SD

(b) Insert date

On the 15 May 2017, the date that the Company entered administration.

### Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the Company as at 15 May 2017 the date that the Company entered administration.

Full name JONATHAN STEWART CARLSON  
Signed [Signature]  
Dated 25.5.17

**The Insolvency Act 1986**

**Statement of Affairs of The Imaginarium Studios Limited as at 15 May 2017**

**A - Summary of Assets**

	<b>Book Value</b>	<b>Estimated Realisable Value</b>
	<b>£</b>	<b>£</b>
<b>Assets Specifically Pledged:</b>		
None		
	<hr/>	<hr/>
<b>Shortfall to fixed charge creditors c/d</b>	<b>0</b>	<b>0</b>
	<hr/>	<hr/>
<b>Assets Not Specifically Pledged:</b>		
Shares & Investments	5	81,999
Cash at bank	24,343	24,343
Debtors	50,000	0
Intercompany - Debtors	239,824	0
Prepayments	69,820	0
Malaysia Cash at Bank	52,487	52,487
Studio Equipment	233,849	99,997
Intellectual Property - contingent recoveries	0	1
Equipment Digital Assets	0	3,000
	<hr/>	<hr/>
<b>Estimated total assets available for preferential creditors</b>	<b>670,328</b>	<b>261,827</b>
	<hr/>	<hr/>

*J. Chung*  
23.5.17.

The Insolvency Act 1986

Statement of Affairs of The Imaginarium Studios Limited  
as at 15 May 2017

A1 - Summary of Liabilities

	£	£
Estimated total assets available for preferential creditors (carried from page A)		261,827
Preferential Creditors:		
Employees - Arrears of holiday pay	(37,524)	(37,524)
Estimated (deficiency)/surplus as regards preferential creditors		224,303
Estimated prescribed part of net property to carry fwd		0
Surplus available for floating charge creditors		224,303
LESS: Amounts due to floating charge creditor		0
Surplus after paying floating charge creditor		224,303
Estimated prescribed part of net property brought forward		0
Available for unsecured creditors		224,303
Non-preferential creditors:		
HMRC - VAT	(17,179)	
HMRC - PAYE/NIC	(77,000)	
Employees	(170,780)	
Trade Creditors	(375,723)	
Loan from Herald	(1,370,315)	
Loan from J Booth	(124,539)	
Loan from K Potts	(122,406)	
Loan from P Boyle	(124,554)	
Loan from D Boyle	(61,172)	
Loan from J Cavendish	(259,251)	
Loan from A Serkis	(264,729)	
Total non - Preferential creditors		(2,967,646)
Estimated (deficiency)/surplus as regards creditors		(2,743,343)
Issued and called up capital:		
Ordinary £1 shares	5	5
Estimated (deficiency)/surplus as regards members		(2,743,338)

Note The above figures do not include costs associated with the administration.

*jp* *Conry*  
25.5.17

## COMPANY TRADE CREDITORS

**Note:** You must include all creditors with the EXCEPTION of employee creditors and pre-paid consumer creditors. You must confirm if any of the creditors are under hire-purchase, chattel leasing or conditional sale agreements by stating which of these (if any) are applicable in the column below. You must also identify any creditors claiming retention of title over property in the company's possession by including a tick in the ROT column below.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £	Details of any security held by creditor	Date security given	Value of security £	HP/Chattel/ Conditional Sale	Claiming ROT
Ealing Studios	Ealing Studios, Ealing Green, London, W5 5EP	105,000					
HMRC Vat + NI	HM Revenue and Customs - VAT Written Enquiries Team Alexander House 21 Victoria Avenue SS99 1BD Southend-On-Sea United Kingdom	94,179					
Saffery Champness	71 Queen Victoria Street, London, EC4V 4BE	59,441.74					
JS Cavendish Consultancy	14 Cornwall Crescent London W11 1EP	65,599.96					
Robert Lindsay	112 Morden Road, London, SW19 3BP	24,000					
Handle Recruitment	UK House, 180 Oxford Street, London W1D 1NN	19,950					
Cascade	Devonshire House, 1 Devonshire Street, London, W1W 5DS	13,563.53					
Jonathan Cavendish Exp	14 Cornwall Crescent London	10,200					

*J. Cavendish*  
23.5.19



	W11 1PP								
Berkeley Insurance	112 Houndsditch, London EC3A 7BD	9,860							
Malcolm Wall	2 Longfield Drive, London, SW14 7AU	9,000							
Flight Centre	93/94 Queens Road, Brighton, BN1 3XE	2,424							
Brendan Ferguson	599871 B.C. Ltd. 2555 Oxford Street Vancouver, B.C. V5K 1M9	5,250							
CCS Media	Old Birdholme House, Derby Road, Chesterfield, Derbyshire, S40 2EX	5,224.17							
Talent Arc	The Media Village, 131-151 GT Titchfield Street, London, W1W 5BB	5,200							
MHA McIntyre	Abbey Place, 24-28 Easton Street, High Wycombe, HP11 1NT	5,100							
The Tinker World Ltd	Suite 7, Cotterells, Hemel Hempstead, HP1 1FW	4,285.66							
Same Day Goats	3415 Berry drive, Studio City, CA 91604	4,166							
Hotel Xanadu	26-42 Bond Street, Ealing, London, W5 5EP	3,020							
University of Bath	University of Bath, Claverton Down, Bath, BA2 7AY	2,542.08							
1 <sup>st</sup> option safety	1 <sup>st</sup> floor, 16 Mortimer Street, London, W1T 3JL	2,490							
DCS Solutions	Exeter House, 1 Amor Way, Letchworth Garden City SG6 1UG	2,400							
Imery Watson	44 Seatoun Heights, 6022 New	2,200							

8 23.0.17

	Zealand								
Bluebird Express	704 South Hindry Avenue, Inglewood, CA 90301	2,053.29							
Access Self Storage	Manor Road, West Ealing, London W13 0AS	1,455.62							
The Angel	23A High St, Tring HP23 5AH	1,432.82							
Elite Telecom	Dawson House, Matrix Business Park, Chorley, PR7 7NA	1,299.92							
Pow Wow Now	Vectra House, 36 Paradise Rd, Richmond TW9 1SE	950.69							
Dall Cleaning	1 Devonshire Court, Victoria Road, Feltham, Middlesex, TW13 7LU	938.60							
PACT	3rd Floor Fitzrovia House, 153- 157 Cleveland Street, London, W1T 6QW	896							
HR Solutions	8 Brooklands Court, Kettering Venture Park, Northamptonshire, NN15 6FD	878							
Ben Lumsden Exp		788.93							
Addison Lee	35-37 William Road, London, NW1 3ER	701.69							
Nespresso	1 City Place, Gatwick, RH6 0PA	679							
Thomas Reuters	77 Hatton Garden, London, EC1N 8JS	672							
Secom	Unit 3 Perivale Road, Horsenden Lane South, Middlesex, UB6 7RL	528.62							
Dehns	St Bride's House, 10 Salisbury Square, London, EC4Y 8JD	492							
Cavendish Ware	Becket House, 36 Old Jewry,	330							

*f. Cury*  
23.5.17

Falcon Hotel	London, EC2R 8DD	237							
Escape Technology Milk & More	Chapel Street, Stratford Upon Avon, CV37 6HA	190.80							
Johl Garling Exp	3 <sup>rd</sup> floor, 195 Wardour Street, London, W1F 8ZG	81.92							
TOTALS	152 Hampton Road West, Feltham, TW13 6BE	198.72							
	9 Russell Road, London, N8 8HN	469,901.28							

Signature J. Garling Date 23.5.17

## Appendix 7 SIP 16 memorandum

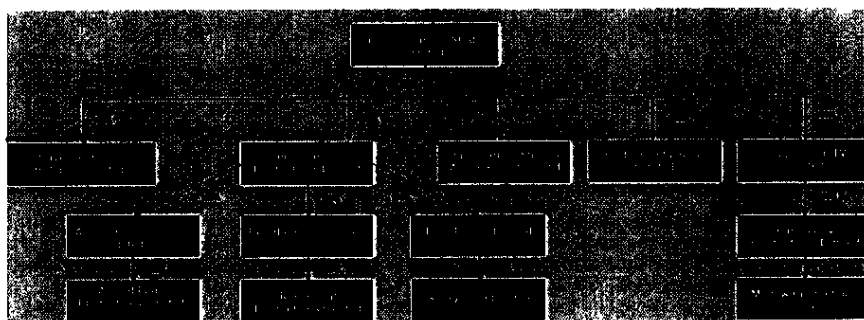
### The Imaginarium Studios Limited – in Administration **SIP 16 memorandum of sale of business**

This statement is made in order to comply with the Joint Administrators' responsibilities under Statement of Insolvency Practice ("SIP") 16, the latest version of which is effective from 1 November 2015. Statements of Insolvency Practice are guidance notes issued by the insolvency regulatory authorities with a view to maintaining standards by setting out required practice and harmonising practitioners' approach to particular aspects of insolvency.

SIP 16 concerns arrangements where the sale of all or part of a company's business and assets is negotiated with a purchaser prior to the appointment of an administrator, who effects the sale immediately on, or shortly after, his appointment. SIP 16 can be located via this link to the ICEAW website:  
<http://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations%20and%20standards/sips/england/sip%2016%20e%20and%20w%20pre%20packaged%20sales%20in%20administrations%202015.ashx>

#### **Background**

The group comprises the following companies (together 'the Group'):



The entity that is subject to this SIP 16 memorandum of sale of business is The Imaginarium Studios Limited (the 'Company').

The Group structure reflects the different parts of the Company's business. Under Imaginarium Productions Limited, each of the films that the Company produces is contained within its own Special Purpose Corporate Vehicle for the purposes of ensuring that each project is a separate legal entity; this is common in the film industry. There are also separate Group entities for the Company's Malaysian studio, its TV development projects, and other business related to its intellectual property.

The Company was founded and run by two individuals in the film industry, Andy Serkis and Jonathan Cavendish.



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The Company's main shareholders are as follows:

- Herald Investment Management Ltd ('HIML') (24.65%)
- Apareiba Capital SDN BHD Shareholding ('Khazanah') (25.72%)
- Andrew Clement Serkis (20.41%)
- Jonathan Stewart Cavendish (20.26%)

The Company's main business was in performance capture (transforming an actor's performance into a digital character), for film, TV, digital application and video games production. The Company had 38 employees and worked primarily with studios in the US and UK.

The Company and its subsidiaries were also developing a film and TV production business, with two films entering production in the last 18 months. These films are in advanced stages of completion and are due for general release later in 2017; the Company stood to benefit from profit shares in these films. We understand no previous films had been produced by the Group.

The Company was also working, in partnership with other companies, on the production of a video game to accompany a previously released blockbuster film in which Andy Serkis starred. If the video game can be completed, the Company may benefit from a profit share in the video game. We understand that the video game rights were sold prior to the appointment of Administrators with the Company's profit share being preserved through the sale. This transaction is not part of this SIP16 disclosure and will be reviewed in due course by the Administrators who will in turn advise creditors of their findings.

The Company's London studio had a turnover of £3.8 million but made a financial loss before tax of £3.1m for the financial year ended 31 March 2016.

The Company experienced a decline in EBITDA and cash due to a delay in key projects, with financing deals falling through on both a film production and on the aforementioned video game, putting pressure on the Company's ability to fund its working capital requirements.

There are two charges over the Company registered at Companies House. Both are in relation to the production of the video game only and were both created on 24 November 2016. The first is held by Creative England Limited ('Creative England') and the second is held by Enigma Video Games Limited ('Enigma'). Both charge documents contain a fixed and floating charge over the rights, title and interest in all assets relating to the video game only. Creative England are owed £200,000 in relation to funding that it provided for the video game development, and Enigma are not owed anything at this stage. We understand that following the sale of the game rights by the directors prior to the Administration, it is anticipated that these charges will be novated across to the buyer of the video game and therefore reduce the creditor balances in the Company.

The Group had no external bank finance, and had been funded largely by its shareholders on an unsecured basis.

Khazanah, through their subsidiary Apareiba Capital, and the other shareholders of the Company have previously provided funding to the Company, in exchange for equity, to fund the Company's productions and operations. All parties confirmed that they were not willing to invest further capital into the business under a structure that would be agreeable for all



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parties. Those companies directly involved in the financing of the films were also contacted by management, but they were not willing to provide further funding.

KPMG also ran an external Early Options process (see marketing section below) to establish whether new investment in the Company could be found in a limited timeframe, but this was also unsuccessful.

The board of directors concluded on 19 April 2017 following independent legal advice that without additional financial support, the Company was unable to trade solvently; the Company filed a Notice of Intention to Appoint Administrators ('NOI') on 2 May 2017. The timing delay was caused by waiting for independent valuation documentation relating to the Company's assets that were under offer from connected parties, as well as the process of getting the board of directors' approval to pursue these offers on a pre-packaged transaction basis to maximise value for creditors.

As mentioned above, during the Early Options process, offers had been received for assets of the Company from connected parties (see below for further information). The board of directors authorised KPMG, further to the NOI being filed and all other options being considered to maximise value for creditors, to negotiate two of the asset offers as pre-packaged transactions. One offer is for the Company's intellectual property and shares in its subsidiary companies, and the other offer is for the equipment and other assets relating to the Company's performance capture business.

## Initial introduction

KPMG LLP was initially introduced to the Company's management team through John Cresswell at the beginning of February 2017 regarding potential funding discussions.

John Cresswell was brought in by the Chairman of the board of directors, Malcolm Wall, as interim CEO of the Company in January 2017 following the resignation of the previous CEO in December 2016. John Cresswell is not a statutory Director of the Company but has been involved heavily in the management of the Company since January 2017.

Further to a meeting with Malcolm Wall, the board of directors appointed KPMG to run an Early Options engagement, which commenced on 4 April 2017. This engagement lasted for four weeks, and total fees paid on account of time costs by the Company to KPMG were £45,000 plus VAT.

## Pre-appointment considerations

### *Early Options engagement*

KPMG was initially engaged to run an Early Options process on 4 April 2017 to undertake an exploratory investigation of the market appetite to support the business and potential funding options through the existing shareholder structure.

Having carefully considered the position, the officeholders concluded that their services and associated fees did not create an ethical barrier to their appointments.



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#### *Insolvency fees*

The pre-administration costs and Administrators' fees for the Company's estate will be approved by the creditors in accordance with the relevant regulation for Insolvency Practitioners.

#### *Independent legal advice*

The directors of the Company were advised to take independent legal advice on their personal positions in the event of an insolvency. This advice was provided by Gateley Plc

#### *Position of shareholders and creditors*

Three of the major creditors are also shareholders, representing over 50% of the total creditors of the Company, and they have consented to the appointment of administrators, as well as being supportive of both proposed pre-packaged sales; this has been noted in the minutes on the meetings of the Company's board of directors.

#### *Conflicts of interest confirmation*

KPMG does not have a long standing relationship with the Company (the first engagement started 4 April 2017) therefore we do not believe there to be an independence threat due to familiarity.

KPMG have never acted as auditor of the Company. KPMG are the auditors of HIML, one of the shareholders of the Company. We understand that HIML have never received a dividend in respect of their shareholding in the Company. We therefore concluded that this did not create a conflict of interest.

During the ordinary course of our work we became aware that one of the Company's Non-Executive Directors, Paddy Boyle, is the brother of a KPMG London Restructuring Partner Edward Boyle. One of the statutory requirements of the Administrators is to investigate the conduct of all directors of the Company in the three years preceding the date of Insolvency.

As a result of the above relationship, the Administrators have considered whether a conflict arises which may prevent them from being objective when investigating the conduct of Paddy Boyle. We understand from the Board of Directors of the Company that Paddy Boyle had no executive powers and was not involved in the day to day running of the Company. Edward Boyle works in a different department to the Administrators and is not in either of the Administrators chain of command. Having fully considered the position, the Administrators are satisfied that no conflict arises which would prejudice their objectivity in this matter.

However, the Administrators must also consider whether others may perceive that the family connection between the Non-Executive Director Paddy Boyle and KPMG (via Edward Boyle) as a conflict that would prejudice the perceived objectivity of the Administrators. As a result, the Administrators have considered what appropriate safeguards could be introduced to ensure that any third parties who perceive that a conflict exists in this matter can have confidence that a robust process has been followed. As a result, the following safeguards will be put in place.

- The Administration of the Company will be conducted from a separate office to Edward Boyle.
- If as part of their statutory duties investigating the conduct of Paddy Boyle as a director of the Company, any evidence is found to suggest wrongdoing on the part of



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Paddy Boyle, the Administrators will seek the appointment of a conflict Administrator from outside of KPMG to take over the investigation work.

The independent Chairman of the board, Malcolm Wall, also confirmed with the Joint Administrators that Paddy Boyle's relationship with Edward Boyle had no bearing on KPMG's initial introduction to the Company.

It was also confirmed by Malcolm Wall and Paddy Boyle that Paddy Boyle has no interest in either of the pre-packaged transactions that are set out in this document.

### **Other courses of action considered**

A review of possible courses of action was undertaken by the Joint Administrators immediately prior to their appointment, comparing the likely outcomes from various options including, but not limited to:

#### **1) The Company staying out of an insolvency process, receiving further funding from the shareholders, Directors or a third party source**

The Group was loss making, had an immediate liquidity crisis, and was forecasting a significant cash requirement over the coming months and beyond. The shareholders were approached by the Company to provide additional funding, but were unable to come to an agreement to provide the required funding. No parties willing to provide additional financing were identified during the Early Options process.

#### **2) Liquidation or Administration – shut down**

A liquidation (or shut down in Administration), would result in an immediate cessation of trade. The main assets of the Company are the equipment and other assets relating to the Company's performance capture studios, as well as the Company's shares in its subsidiaries and associated intellectual property.

We were provided with an independent valuation of the equipment by Hilco Global ('Hilco') on an 'in-situ' going concern basis and on an 'ex-situ' liquidation/break up basis. The consideration received as part of the pre-pack offer for the equipment was higher than the independent liquidation valuation obtained.

Hilco advised that the pre-packaged offer received should be accepted as they would be unlikely to realise any greater value were the equipment to be marketed and disposed of outside of a pre-packaged sale.

The intellectual property sale, for which an independent valuation was carried out by Metis Partners ('Metis'), would have been harder to conclude in a liquidation or a trading administration, as there would have been a considerably greater risk of intellectual property rights being withdrawn by the ultimate owners of the rights, with them not wanting to be associated with the Company trading in an insolvency process. This view was provided by Management and was supported by Metis.

#### **3) Administration – trading on**

Given the Company's liquidity crisis, inability to fund the payment of the April payroll and other critical expenses such as rent, a trading administration was not feasible, and indeed the advice of the above independent specialist agents was that it would be value destructive.



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There was significant risk that the rights to any back end profit share agreements on the films would fall away under an administration, impeding the Administrators' ability to realise any contingent/future value in these assets.

#### **4) Sale of assets pre-administration followed by liquidation**

An option where a sale of assets prior to the Company entering administration was explored; this was due to the risk of rights issues in the intellectual property of the Company falling away upon an insolvency event, thereby reducing value to creditors.

However, after receiving independent legal advice, the Directors decided they were not prepared to consider selling the assets relating to the performance capture studio or the shares in the Company's subsidiaries and associated intellectual property prior to any insolvency process.

#### **5) Administration pre-pack**

A pre-packaged sale of the equipment in the performance capture studio and the shares in the subsidiary companies and associated intellectual property to separate buyers in all of the circumstances is considered to be the best course to maximise the return for creditors. This conclusion was reached following consideration of the options available detailed above and for the following reasons:

##### *Shares in subsidiaries and associated intellectual property:*

The sale of the shares in the Company's subsidiaries and associated intellectual property contains profit share agreements for films and TV shows currently in varying stages of production. There was considered to be an extremely high risk that the Company's ability to recover any contingent value may fall away post-appointment if a sale was not immediately concluded. The directors advice regarding this was that the pre-packaged sale of the intellectual property reduced the risk of these rights being withdrawn, preserving as much value in the assets as possible.

The Joint Administrators sought independent legal advice from Gateley Plc ('Gateley'). Gateley confirmed that the legal professionals acting in respect of the pre-packaged transactions are registered with the Solicitors Regulation Authority. Gateley have also confirmed to us that they do not have any independence conflicts in acting, and carry adequate professional indemnity insurance.

Metis' independent valuation of the intellectual property confirmed that the likely realisations of these assets in an insolvency would be nil. Therefore, carrying out a pre-packaged transaction for the intellectual property and subsidiaries of the Company maximises current and potentially future value for creditors.

This pre-packaged sale also assumes the transfer of a number of employees, which will reduce the preferential claims in the Administration.

The sale of each of the Group's subsidiaries will also ensure that only the Company is entered into an insolvency process at this stage, maintaining the structure and business of the wider Group.



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*Assets relating to the Company's performance capture business:*

An offer has also been made for the equipment in the Company's performance capture studio, which is likely to be in excess of any offers received post-appointment.

A pre-packaged sale of these assets alongside the pre-packaged sale of the Company's subsidiaries and associated intellectual property would also minimise costs of the administration and therefore increase value to creditors.

## **Marketing of the business and assets**

KPMG were appointed by the Company on 4 April 2017 to run an Early Options process, further to a decline in EBITDA and cash due to key projects not being financed by third parties. The directors had indicated that there would be a cash requirement at the end of April 2017 to fund payroll, and were therefore seeking to evaluate options for the business.

Discussions were held with the board of directors, including key creditors represented on the board, regarding the length of time that the business and assets of the Company should be marketed. Based on the liquidity crisis the Company was facing, it was agreed that the Early Options process would be run over a four-week period but closely monitored given the *perilous cash position*.

The appropriate marketing strategy to expose the business and assets of the Company to the widest range of possible likely buyers in the time available was considered. The niche nature of the motion capture business, as well as the fact that many production studios have their own in-house performance capture capabilities along with the dependence of the Company's success on the two founders and "brand-ambassadors", Andy Serkis and Jonathan Cavendish, meant that it was unlikely that a broad advertising campaign would attract a wide range of potential investors.

Additionally, it was considered that a broad advertising campaign would most likely cause significant damage to the Company's brand and potentially to its key assets, including the films that were currently in production.

For the same reasons, it was decided that the shares or whole or part of the business and assets of the Company should not be marketed on the internet. In addition, an internet advertising campaign would likely have caused significant value destruction for the Company's creditors due to the risk of losing key employees, key assets not being completed or from the Company's critical suppliers taking enforcement action thus accelerating the limited time available to find a rescue of the underlying business and assets for the benefit of creditors.

It was therefore decided that the Early Options process would largely involve contacting a range of financial investors, as well as current investors in the Company and other connected parties; the Board also approved a number of trade investors to be contacted.

Because of their connections in industry, details of some potential interested parties were sought from the board of directors. However, the marketing in relation to the financial investors was conducted entirely independently of the board of directors.

As part of the Early Options process, Management approved a teaser to be sent to a KPMG distribution list of 102 financial investors. KPMG and Management also contacted four trade buyers, and the film financiers involved in the films.



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Limited interest was demonstrated in the business through this process, and although two parties signed Non-Disclosure Agreements, no external offers were made before the indicative offer deadline of Tuesday 18 April 2017. This deadline had been agreed by management of the Company.

The shareholders had previously provided additional funding to support the business and were considering further investment, however they subsequently confirmed that they would not be providing any further funding.

## Valuation of the business and assets

### *Shares in subsidiaries and associated intellectual property:*

Metis were engaged by the Board to carry out an independent valuation of the Company's intellectual property rights with regards to both film and TV. The value attributed to this portfolio of assets, including the Imaginarium brand name, was between £165,000 and £300,000 based on a solvent 'in-situ' sale being completed. A combination of income-based, cost-based and market-based valuation methodologies were used.

The valuation by Metis was undertaken by individuals who have extensive experience of conducting intellectual property valuations. Metis have confirmed to us that they do not have any independence conflicts in acting, and carry adequate professional indemnity insurance.

While an 'ex-situ' break-up valuation was not provided, Metis have confirmed that in the absence of a higher offer, and given the extremely tight timeframes and the risk of diminishing value in the film portfolios following a formal appointment of the proposed Administrators, they recommend acceptance of the initial consideration of £85,000 being offered for the intellectual property of the Company.

We are of the opinion that, further to the Early Options process and lack of interest in what would have been the Company's main business going forward, that this was the best price that could be achieved for the intellectual property assets and shares in subsidiaries of the Company.

As part of the transaction, an agreement is in place whereby contingent additional realisations could be due to the Company. This is based on the Company being granted a share of the back-end net profit of two films, 'Breathe' and 'The Ritual'; this is capped at £500,000 in aggregate.

To ensure additional protection for creditors, if either of these films perform significantly above expectations, we have agreed on an additional anti-embarrassment clause in the sale agreement that could provide additional contingent consideration capped at £1,000,000 over a three-year period. Further clauses relating to the film and TV projects in early development could provide additional contingent consideration, capped at £750,000.

Moreover, having analysed balance sheet information provided by Management in the time leading up to administration, the balance sheet positions of the subsidiaries of the Company do not contain any materially realisable assets for the Company itself and are therefore were of no significant value to creditors.

### *Assets relating to the Company's performance capture business:*

Hilco were engaged by the board of directors to complete an independent valuation of the equipment in the Company's performance capture studio, providing a going concern valuation of £243,900 and a breakup basis valuation of £72,500.



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The valuation by Hilco was undertaken by individuals holding the Royal Institute Chartered Surveyors professional qualification. Hilco have confirmed to us that they do not have any independence conflicts in acting, and carry adequate professional indemnity insurance.

As the offer for the equipment in the Company's performance capture studio included the acquisition of the Imaginarium brand name, Metis' opinion on this offer was also sought. Metis are of the opinion that the selling of this particular brand name independently from the intellectual property and physical assets of the business would likely attract a lesser value. The sector that the brand is positioned in and the strong connection to the founders means that achieving a significant return from a third party without securing further involvement from the main "brand-ambassadors" is considered unlikely.

We are satisfied that the value offered for the performance capture equipment of £100,000 + VAT will provide more value to creditors than what would likely have been achieved on a break-up basis in an insolvency situation. We have received a letter from Hilco recommending their acceptance of the offer.

## The transaction

The transaction for the assets relating to the Company's performance capture business completed on Tuesday 16 May 2017.

The transaction for the sale of the shares in the Company's subsidiaries completed on Wednesday 17 May 2017.

## Purchaser and related parties

*Shares in subsidiaries and associated intellectual property:*

The purchaser of the IP assets is Jawjip Ltd; John Cresswell, Jonathan Cavendish and Andy Serkis are the sole Directors.

John Cresswell is not a statutory Director of the Company but has been involved heavily in the management of the Company since January 2017 as interim CEO.

Jonathan Cavendish and Andy Serkis are the two founders of the Company and former Directors and shareholders of the Company, and will also be involved in producing and directing the two film projects that are currently nearing completion, 'Breathe' and 'The Ritual'.

None of the connected parties or any of the directors had previously held or provided guarantees or security to or from the Company.

*Assets relating to the Company's performance capture business:*

The purchaser of the assets relating to the performance capture business are Creative Capture Services Limited, of which Matthew Brown and Sharon Reid are sole Directors, and of which Andy Serkis is an investor and shareholder.

Matthew Brown and Sharon Reid were employees of the Company working in the business development area of the performance capture business, and Andy Serkis was an investor,



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shareholder and Director of the Company, as well as being one of the two founders of the Company.

None of the connected parties or any of the directors had previously held or provided guarantees or security to or from the Company.

## Assets

The assets involved in each transaction are summarised below:

*Shares in subsidiaries and associated intellectual property:*

- 100% of the share capital and assets and rights held in the following companies:
  - Scribe Productions Limited
  - Caveman Films Holdings Limited
  - Imaginarium Productions Limited
  - Imaginarium TV Limited
- Sage 500 license and user agreements
- All data and licences required to potentially complete the assets.
- All data and relevant servers to be acquired related to the IP rights acquired
- Trademark relating to the Imaginarium logo.
- Various office furniture, computers, screens, AVID media composer, digital assets and equipment.

*Assets relating to the Company's performance capture business:*

The equipment in the performance capture studio, as detailed by Hilco in their independent valuation and one additional processor currently rented out to a third party by the Company.

- Domain name
  - [www.themaginariumstudios.com](http://www.themaginariumstudios.com)
- Social channels previously used - LinkedIn
  - <https://www.linkedin.com/company-beta/2567269>
- Trademark for the name Imaginarium Studios

## Sale consideration

*Shares in subsidiaries and associated intellectual property:*

The total sale consideration of £85,000 was paid by the purchaser on completion, with an agreed 25% back-end share of net profit (calculations of which are clearly stipulated in the sale and purchase agreement) to be paid to the Company in relation to the films "Breathe" and "The Ritual", capped at £500,000 in aggregate. There is an additional clause that could provide additional contingent consideration capped at £1,000,000 over a three-year period as an anti-embarrassment clause.

Further clauses relating to the film and TV projects in early development could provide additional contingent consideration, capped at £750,000.

Valuation in Insolvency	Asset Class	Consideration received
£nil	Shares in subsidiaries of the Company	£81,999
£nil	Equipment and digital assets	£3,000
£nil	Intellectual property: Film & TV rights and contracts, Books & Records	£1
	<b>TOTAL</b>	<b>£85,000</b>



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The consideration shown in the table above does not include the contingent consideration described in this section.

*Assets relating to the Company's performance capture business:*

A non-refundable £20,000 + VAT was paid by the purchaser on completion. The remaining £80,000 + VAT will be paid on or before 31 May 2017. If it is not paid, the equipment will be marketed to other parties by the Joint Administrators.

<u>Valuation in insolvency</u>	<u>Asset Class</u>	<u>Consideration received</u>
£72,500	Equipment in performance capture studio	£85,000
£nil	Digital assets	£14,997
£nil	Social channels	£1
£nil	Business Intellectual Property	£1
£nil	Books and records	£1
	<b>TOTAL</b>	<b>£100,000</b>

## Connected Parties

### Pre-pack pool

*Shares in subsidiaries and associated intellectual property:*

The purchaser was advised to contact the pre-pack pool, however they declined to do so due to the additional time and cost required to put together a comprehensive document for their consideration.

The purchaser laid out the below reasons why they believed the pre-packaged transaction was in the best interests of creditors:

- Retention of key personnel to ensure continuity for the purchaser.
- Minimising risk of damage to the goodwill of the Company's production business through negative PR, which can be particularly damaging in the film industry.
- Reducing the likelihood of any termination of certain key licences or agreements, which would result in a delay to the continuation of the business.

*Assets relating to the Company's performance capture business:*

The purchaser approached the pre-pack pool and received a positive response to the proposed transaction. A copy of the response is attached at Appendix 1.

### Viability statement

*Shares in subsidiaries and associated intellectual property:*

The purchaser provided a viability statement for this transaction, which can be found at Appendix 2.

*Assets relating to the Company's performance capture business:*

The purchaser provided a viability statement for this transaction, which can be found at Appendix 3.



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## Conclusion

The Joint Administrators have accepted the appointment over the Company with the objective of 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) in accordance with Paragraph 3(1)(b).

They are satisfied that this pre-packaged sales have enabled them to achieve this purpose because a liquidation would have resulted in the immediate cessation of trade and a potentially significant erosion of value, in relation to both the Company's intellectual property and the equipment in the performance capture studio.

The Joint Administrators have acted in the best interests of the creditors as a whole when negotiating this pre-packaged sale and are satisfied that the sale price achieved was the best available outcome in all the circumstances.

*The Joint Administrators will send out their proposals, providing further information regarding the Company and their appointment, within two weeks of appointment.*



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## **OPINION ON PROPOSED PRE-PACKAGED SALE INVOLVING:**

### **APPENDIX 1**

**The Imaginarium Studios Limited AND Matthew brown (Creative Capture Services Limited)**

This opinion has been given by me in accordance with the request made by Matthew brown to Pre Pack Pool Ltd. Matthew brown is a connected party to The Imaginarium Studios Limited because an associate, as defined in section 435 of the Insolvency Act 1985/article 4 of the Insolvency (Northern Ireland) Order 1989, of The Imaginarium Studios Limited who is or will become a director, shadow director or company officer of Creative Capture Services Limited.

I have reviewed the evidence provided by Matthew brown. This consists of:

1. G. Creative Capture Services Ltd PPP application 10 May
2. A. Imaginarium Consolidated Feb 17 BS - Final
3. B. Imaginarium Consolidated P&L Feb 17 - Updated
4. C. Imaginarium Studios Ltd-Full Report-Apr 17
5. D. Imaginarium Project Hertz Teaser
6. E. Creative Capture Services Ltd Short Business Plan May 17
7. F. Creative Capture Services Ltd P&L

In undertaking my review I have relied on the information and evidence provided by Matthew brown and have not undertaken a detailed audit or verification of the information or evidence provided.

For the avoidance of doubt, I express no opinion on whether Creative Capture Services Limited is, or will in the future remain a going concern. This is a matter for Matthew brown. Neither do I express an opinion on any decision of the administrator of The Imaginarium Studios Limited to enter into a pre-packaged sale. This is a matter for the administrator.

The administrator's duties relate to The Imaginarium Studios Limited and its creditors, not to Creative Capture Services Limited or its creditors or future creditors (or any other person). The administrator's duties are not affected by this opinion.

The request for an opinion is voluntary and no liability attaches to me or to Pre Pack Pool Ltd as a result of this opinion.

I confirm that I have no personal, professional or other relationship with any party connected to The Imaginarium Studios Limited or Creative Capture Services Limited, and that no relationship, bias or ethical conflict exists which prevents me from evaluating this application solely on its merits.

### **Opinion**

Based on my review, I have not found anything to suggest that the grounds for the proposed pre-packaged sale outlined in the application are unreasonable.

Philip Long

10-05-2017



## APPENDIX 2

### Jawlip Limited Viability Statement

Jawlip Limited is purchasing the subsidiaries holding the TV and Film development slate and intellectual property rights of the Imaginarium Studios Limited.

The company will look to develop and exploit this development slate over the coming months as well as developing new ideas.

The company has adequate working capital to see itself through the first quarter trading and is in active discussion with an investor to provide additional short term capital via equity. We are also in advanced discussions regarding a music publishing deal.

It is anticipated that we would seek additional growth capital in the fourth quarter of this year although we will have working capital to see us through the next 15 months.

Film and TV development is an inherently uncertain business so we will operate very much as a small independent producer.

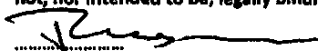
The model is different from IMS Limited in that we have a smaller overhead – (less staff) and we will be more disciplined about development funding, looking to find distribution partners to cover our costs. We also have the option of concluding Studio first look deals for our future projects.

Unlike IMS Limited we will not expose the company to material development funding on any one project.

Other differences are that producers and directors who take an equity share in the business will be exclusive to Jawlip Limited and the share of fees remitted to the company will be higher than IMS Ltd.

All these measures will allow the Company to sustain itself as it awaits returns from the Films to be delivered and its exploitation of the current slate.

This information is provided to KPMG for background information only. No representations or warranties are made or given (and no commitments made to any particular course of action or conduct) whether as to completeness or accuracy and is provided solely for the purposes of assisting KPMG in their production of a S16 statement in the context of assuming appointment of administrators to Imaginarium Studios Limited. It is not, without the prior written consent of Jawlip Limited, to be disclosed to third parties (save for professional advisers engaged by KPMG in their capacity as administrators and then only on terms that the recipient accepts the same limitations as set out in this paragraph). This document expresses current view and intent and is not, nor intended to be, legally binding.



John Cresswell

Director

12th May 2017

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APPENDIX 3

**CREATIVE CAPTURE SERVICES LIMITED  
VIABILITY STATEMENT**

**Date: 15 May 2017**

**1. How Creative Capture Services Limited (CCS) will survive for at least 12 months from the date of the proposed purchase**

Please see the attached Business Plan, cash flow forecast, profit and loss account.

*E. Creative Capture Services Ltd Short Business Plan May 17*

**2. What Creative Capture Services Limited will do differently in order that the business will not fail**

CCS has secured external funding pledges of at least £120,000 in working capital which will be realised by convertible loan notes. Additional investment of £100,000 will fund the purchase of the fixed assets.

CCS intends to substantially reduce overheads with staff being reduced from approximately fifty people to a permanent team of two, being Matthew Brown and an a junior operations employee. All other roles will be filled through a mix of contractors and freelancers, employed as work comes in to the studio.

The former Imaginarium Studios increasingly became involved with post-production issues, which became time-consuming, complicated and unprofitable. Up to 75% of The Imaginarium Studios staff time was deployed for post-production activities. Moreover the major financial difficulties that The Imaginarium Studios faced happened after it created its own film and games products. CCS's core business will not be its' own productions.

The new management team will also lead to a significant shift in the nature of the business. This new team will be made up of:

Matthew Brown, CEO - Matt's background is in the creative industries and he has a deep understanding of the tech sector and funding. Matt's role would be to oversee the strategic direction of the Studio and set the vision for success. He has high level connections with a number of tech businesses that would be a key factor in the Studio's success.

Sharon Reid, COO & Client Services Director – Sharon is a former Creative Director and COO and has run successful, profitable and award winning businesses in the UK and Europe. Sharon's role would be the operational running and efficiency of the business and staff team as well as client services, and bringing in new leads from the business sector.

Adam Phillips, CFO – Adam has extensive experience with a specific focus on restructuring and improved ways of working. He will oversee all financial planning and reporting.

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Andy Serkis will take the role of Creative Director, a non-Exec role that will allow him to continue his research and production work across all aspects of performance capture.

Signed:



Matthew Brown  
Creative Capture Services Ltd

#### BUSINESS OBJECTIVES

- *Short term (June to December 2017)*

Introduce a new staffing model for commissions and a new rate card for charging out the studio and video suite to achieve total gross revenue of £554,000 across 86 shooting days.

- *Medium term (January 2018 to June 2019)*

Increase the shoot days to 300+ over the period and grow gross revenues to over £1m

- *Long term (July 2019 onwards)*

Cement our position as a leading performance capture studio by increasing our footprint both in the UK and other territories

#### MANAGEMENT TEAM

- Matt Brown, CEO

Matt's background is in creative industries, tech and business and he has expert knowledge of the commercial, political and technological trends facing the creative industries tech sector and funding. Matt's role would be to oversee the strategic direction of the studio and set the vision for success

- Sharon Reid, COO & Client Services Director

Former Creative Director and COO in the UK and Europe, Sharon has set up studios in London and run successful teams and profitable businesses for over 20 years. Sharon's role would be the operational running and efficiency of the business and staff team as well as client services, and bringing in new leads from the business sector

- Adam Phillips, CFO

Adam has over 15 years of industry experience with specific focus on restructuring and improved ways of working, overseeing all financial planning and reporting as well as ensuring all job quotes deliver what the studio needs

Andy Serkis, Non-Exec Director

Andy is an award-winning actor and Director, famous for his roles in Lord of the Rings, Star Wars, Planet of the Apes and King Kong. Known as the original champion of performance and motion capture, Andy will use his wide ranging industry contacts to ensure the Studio remains a leader in the industry.

#### DECISION MAKING

- Day to day operational decision making will be taken by the three person management team
- Quarterly business reviews will take place with all stakeholders

#### CLIENT BASE

- All relevant staff given specific sales targets

02 May 2017

#### BUSINESS OVERVIEW

- Creative Capture Services Limited will specialise in performance capture and story telling. It will bring together some of the world's leading creative artists and technicians to provide the highest level of character creation, story telling and service provision.
- The studio will provide a range of services covering pre-pitch, pre-vis, pre-production, production and post
- Services delivered via partnership model in the short to medium term while establishing agile in-house capabilities
- Heavy focus on real time VFX high to differentiate from competition
- Services extend to Film, TV, Games, Commercials, AR, VR & MR
- In house R&D lab keeps us at the cutting edge and drives partnerships
- Revenue streams will come from utilising both the main stage a new video production/streaming suite

#### FINANCIAL OVERVIEW

- The new look studio model has had all the non-essential costs taken out in order to rebuild from a small core team that focuses on establishing a solid revenue pipeline that will allow us to constantly improve our systems, staff team and partnerships into Year 2 and beyond
- As well as focusing on commercial revenues, we plan to seek strategic partnerships with new platforms and use grants to build up the technical pipeline
- Now with a lower cost base and a dramatically reduced headcount, we will focus aggressively on new business
- To ensure there is sufficient working capital in the first six months, cost will be kept low – including reductions in senior team salaries

#### FINANCIAL SUMMARY

- Operating with a reduced footprint and streamlined staff
- Software costs have been reduced to £9,000 per year.
- Senior staff will take a pay cut and numbers of staff will decrease to 2 full time salaried staff and 2 part time contracted staff
- 3 contracted/transitional roles that secure significant institutional knowledge
- Book keeper and IT outsourced
- 60% of 3 R&D salaries offset by grants
- Annual compensation costs reduced to just over £360,000
- Total cost of sales £378,000 per year
- A deep understanding of the costs of service provision mean that a realistic and profitable rate can be set for all work

- Previous clients such as DICE and RSC offer repeat collaboration opportunities and with a reworked approach, we have opportunities to upsell to existing clients
- New commissions such as Magic Leap offer high profile and margin revenue possibilities
- An intense focus on securing capture revenue from clients in all segments is already developing
- Our potential clients are looking for a service that is tailored to their capture needs that is delivered on time, to budget and to agreed quality
- During studio down time, facilities utilized by other businesses, eg as event or demo space
- Repositioning facilities to accommodate other non-capture activity such as video production is a major route to diversification

#### MARKETING & PR

- New look studio is positioned as a B2B service using business channels – focus on a simplified website with a separate recruitment site to be used when needed
- Build the brand up as a leading performance capture studio using partnerships, white papers and speaking opportunities to grow awareness
- Regular studio blog integrated into site

#### SUPPLIERS & PARTNERS

- Maintain and grow relationships with existing partners and suppliers such as Xsens, Vicon and Epic
- There is an opportunity to better integrate with partners, outsourcing lower value / higher volume work
- Particularly exciting is the prospect of strategic partnerships with new platforms, such as Magic Leap
- Nvzible to act as a realtime VFX partner, leveraging their 10+ years experience delivering high quality VFX to film, TV and other formats
- Collaborate with Digital Catapult to create a R&D lab at Ealing, further developing our capabilities and those of our partners

## Appendix 8      Glossary

<b>CMS</b>	CMS Cameron McKenna Nabarro Olswang LLP
<b>Company</b>	The Imaginarium Studios Limited- in Administration
<b>Coutts</b>	Coutts & Co
<b>Creative England</b>	Creative England Limited
<b>EBITDA</b>	Earnings Before Interest, Tax, Depreciation and Amortisation
<b>Enigma</b>	Enigma Video Games Limited
<b>Gateley</b>	Gateley Plc
<b>Hilco</b>	Hilco Global
<b>Joint Administrators/we/our/us</b>	Steve Absolom and Will Wright
<b>KPMG</b>	KPMG LLP
<b>Metis</b>	Metis Partners
<b>New Dawns</b>	New Dawns (London 2017) Limited
<b>Purchaser 1</b>	Creative Capture Services Limited
<b>Purchaser 2</b>	Jawjip Limited
<b>QFCH</b>	Qualifying Floating Charge Holder

## **TUPE**

*Transfer of Undertakings (Protection of  
Employment) Regulations 2006*

Any references in these proposals to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.



## Appendix 9 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by Steve Absolom and Will Wright, the Joint Administrators of The Imaginarium Studios Limited – in Administration (the 'Company'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the same group.

Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these proposals.

*Stephen John Absolom and William James Wright are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales.*

We are bound by the Insolvency Code of Ethics.

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

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