

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company CROWDMIX MANAGEMENT LIMITED	Company number 09584454
In the HIGH COURT OF JUSTICE, CHANCERY DIVISION, COMPANIES COURT <small>(full name of court)</small>	Court case number 3857 of 2016

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

Paul Appleton	Paul Cooper
David Rubin & Partners	David Rubin & Partners
26 - 28 Bedford Row	26 - 28 Bedford Row
London WC1R 4HE	London WC1R 4HE

*Delete as applicable attach a copy of ~~my~~/our proposals in respect of the administration of the above company

A letter was sent to all known creditors on 2 September 2016, advising them that a copy of these proposals is available for reading or downloading from our website at www.drpartners.com/cases

Signed

Dated

2/9/16

Joint / Administrator(s) (IP No(s) 8883 | 15452

Contact Details:

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

David Rubin & Partners
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When you have completed and signed this form, please send it to the
 registrar of Companies at -
Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff



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COMPANIES HOUSE

WEDNESDAY

IN THE HIGH COURT OF JUSTICE

NO 3857 OF 2016

IN THE MATTER OF

CROWDMIX MANAGEMENT LIMITED - IN ADMINISTRATION

AND

THE INSOLVENCY ACT 1986

**THE JOINT ADMINISTRATORS' REPORT AND
STATEMENT OF FORMAL PROPOSALS
AS REQUIRED BY PARAGRAPH 49 OF SCHEDULE B1
OF THE INSOLVENCY ACT 1986**

CROWDMIX MANAGEMENT LIMITED – IN ADMINISTRATION

JOINT ADMINISTRATORS' REPORT AND PROPOSALS - PARA 49

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CROWDMIX MANAGEMENT LIMITED – IN ADMINISTRATION

STATEMENT OF FORMAL PROPOSALS AND REPORT

OF THE JOINT ADMINISTRATORS AS REQUIRED BY

PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986

1. INTRODUCTION

Paul Cooper and myself, both of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE, were appointed Joint Administrators of Crowdmix Management Limited ("the Company") on 11 July 2016. The appointment was made by the Director pursuant to Paragraph 22 of Schedule B1 to the Insolvency Act 1986 ("the Act").

The Joint Administrators act jointly and severally in the exercising of any and all functions exercisable by an Administrator appointed under the provisions of Schedule B1 of the Act.

It should also be noted that on 11 July 2016, Paul Cooper and myself were appointed Joint Administrators of Crowdmix Limited, Crowdmix Holdings Limited and On-Communications Limited. These appointments were also made by the Directors pursuant to Paragraph 22 of Schedule B1 to the Act. In addition, on 13 July 2016, Paul Cooper and myself were appointed Joint Administrators of Buddy Bounce Limited, Music Technology Limited and Music Technology Holdings Limited. These appointments were made by the Qualifying Charge Holder pursuant to Paragraph 14 of Schedule B1 to the Act.

The above 7 Companies will be collectively referred to as the "Crowdmix Group" or "the Group" in this Report. Crowdmix Limited, the trading entity, will be referred to as 'Crowdmix'.

2. STATUTORY INFORMATION

The Company's statutory information is set out in Appendix 1 of this Report.

3. BRIEF TRADING HISTORY AND RESULTS

- 3.1 The Company's initial principal activity was of a management company on behalf of the Crowdmix Group, which was a social networking application for sharing music. However, this activity was subsequently absorbed into the activities of Crowdmix, and the Company became dormant. The Crowdmix concept was co-founded by Ian Roberts and Gareth Ingham in 2013 with an idea that users would be able to join 'crowds' to enable them to musically interact and locate popular tracks. There was an intention that users would be able to listen to music directly through the application, then share tracks and observe charts change, which reflected listening patterns.
- 3.2 The business initially operated from relatively small premises in East London, but moved to much larger Leasehold Premises at 3rd Floor, 15 Bonhill Street, London, EC2A 4DN in the middle of 2015 following incorporation of Crowdmix. The rent payable to the Landlord, Mind Candy Limited, was £243,109 per quarter, together with a service charge of £40,224, both inclusive of VAT. A rent deposit equal to one quarter was provided to the Landlord on entering into the Lease on 31 July 2015. The length of the Lease was a period of 7 years with a break clause in September 2017.

- 3.3 Since inception, Crowdmix has secured significant equity investment through institutional and individual investors via Crowdmix Holdings Limited ("Holdings"). In addition to its investment, Candy Ventures SARL ("Candy") loaned an initial sum of circa £6.5m across the Group, which was secured by Debentures incorporating fixed and floating charges over the assets
- 3.4 These funds were utilised, in the main, in developing and marketing the product/brand through a workforce that grew to 160 at its peak. In addition, the Group expanded by acquiring Buddy Bounce Limited, On-Communications Limited and Music Technology Limited, which it anticipated would assist and complement the product through its underlying technology. An office was also opened in LA through a US subsidiary, Crowdmix Inc, to enable the business to exploit that market
- 3.5 In May 2016, Crowdmix launched an invite-only version of the application to musicians, DJs and influencers, which secured circa 2,000 users. As anticipated, users were able to sign-up and join 'crowds' where they could interact with friends and view charts of music. However, Ian Roberts left the business soon after, at which point Gareth Ingham was appointed CEO.
- 3.6 As the Company was only incorporated in May 2015, it has not yet produced any financial statements. In any event, given the general nature of the Crowdmix business, it has not generated any turnover to date and it is understood that the monthly cost base was circa £2m at its peak.

4. BACKGROUND TO THE APPOINTMENT OF ADMINISTRATORS

- 4.1 By the end of May 2016, the business had accrued substantial trade liabilities and given its lack of income, required further funding in order to satisfy its historic liabilities and ongoing working capital requirements. The Group approached Candy to provide bridging finance pending an expectation of a significant equity raise. In that regard, the Group had engaged an independent non-exclusive equity fund raiser to advise on investor relations and seek further investment.
- 4.2 Candy subsequently entered into a convertible loan note to provide funding of £1.45m and £750,000 was advanced to the Group on 10 June 2016. The remainder, *inter alia*, was dependent on legally binding commitments to subscribe to a minimum of £4m in aggregate for shares in Holdings.
- 4.3 Given its position, Candy sought advice from David Rubin & Partners ("DRP"). Candy subsequently introduced the Director of the Company, Gareth Ingham, to DRP, and an initial meeting was held on 30 June 2016 at our offices. Edward Parsons, Director of Holdings, and also an employee at Candy, was present, together with Paul Jones, in-house legal advisor for the Group.
- 4.4 DRP was informed that investment of circa £4-5m would be required to enable the Group to continue trading until circa October 2016. Staffing costs were circa £1.1m (contractors and employees) per month, the June rent quarter was outstanding and there was a significant level of unsecured debt. Further investment would be required after that point. It was also established that there had been commitments to subscribe from investors in the sum of £1.6m, which was being held in escrow, a high-net worth individual had expressed an interest in investing £800,000 and an investment fund in the Cayman Islands had indicated that it would also invest a significant sum.

- 4.5 It was apparent that Candy could not continue to fund the Group going forward without the assurance of further investment from all of the above. By calling in its debt, a formal insolvency procedure could be required
- 4.6 Following the initial meeting, I contacted the main Directors of the Group to advise what financial information I required, which included up to date management accounts, specifically the latest balance sheet.
- 4.7 Further meetings were held with the relevant parties over the ensuing week whilst ongoing talks continued about the raising of finance and advice was sought from my Solicitors, Stephenson Harwood ("SH"), regarding certain aspects of the matter.
- 4.8 When it became clear by the weekend of 9 and 10 July that the required investment would not be forthcoming, and having reviewed the financial information provided, I advised the Board that in lieu of the fact the Companies in the Group failed both tests of insolvency, my advice would be to place them into Administration so as to protect all Stakeholders and to allow for a sale process to commence for the business and assets, which would hopefully and ultimately lead to a rescue of the business (if not the Companies) and to allow for jobs to be saved and an enhanced return to all Stakeholders. The Board also had to consider its position and the consequences for creditors and for themselves if they permitted the Companies to continue to trade whilst they were insolvent. Moreover, I was also informed of at least one threat of a Winding-Up Petition being issued.
- 4.9 A Company Voluntary Arrangement was deemed inappropriate in this circumstance due to the lack of a regular income from which contributions could be made.
- 4.10 A Creditors' Voluntary Liquidation was also considered. However, there was doubt as to whether the requisite majority could be achieved from Shareholders and Boards to place any of the Companies into Creditors' Voluntary Liquidation.
- 4.11 Petitioning for the compulsory winding-up of any of the Companies in the Group was not deemed appropriate, as it could have irrecoverably damaged the business.
- 4.12 Accordingly, the Board resolved to place Crowdmix Limited, Crowdmix Holdings Limited, Crowdmix Management Limited and On-Communications Limited into Administration on 11 July 2016. The appointment of Administrators over the above Companies constituted an event of default pursuant to the Loan Note instrument with Candy. In accordance with the obligations of Buddy Bounce Limited, Music Technology Limited and Music Technology Holdings Limited pursuant to the Debenture dated 10 June 2016, immediate repayment was demanded of the sums due under the Loan Note by Candy. Paul Cooper and myself were subsequently appointed as Joint Administrators of those entities on 13 July 2016
- 4.13 The Administration of the Company is registered in the High Court of Justice, Chancery Division, Companies Court under reference number 3857 of 2016

5. PURPOSE OF THE ADMINISTRATION ORDER

- 5.1 Paragraph 3(1) of Schedule B1 of the Insolvency Act 1986 states that Administrators must perform their functions with the objective of:
- (a) rescuing the Company as a going concern; or

- (b) achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration); or
- (c) realising property in order to make a distribution to one or more Secured or Preferential Creditors.

- 5.2 Despite attempts to achieve the first objective, it was ultimately considered that this could not be realised as there were significant liabilities such that the Company and Group could not be rescued as a going concern without a substantial injection of working capital. As detailed earlier, the Directors of the Group had sought this investment but were unsuccessful prior to appointment.
- 5.3 As detailed earlier in the Report, the assets of the Company are subject to a fixed and floating charge in favour of Candy, which is owed £7,794,600. Ultimately, it was, therefore, apparent that realisations were likely to be insufficient to enable the payment of a dividend to Unsecured Creditors or Shareholders.
- 5.4 Accordingly, it was considered that the third objective would be achieved via the Administration process, and this has proved to be the case by way of a distribution effected to Candy, as the Secured Creditor, through Crowdmix and Buddy Bounce Limited
- 5.5 The Joint Administrators' Proposals for achieving the purpose of Administration and the rationale for achieving this purpose are set out in the remainder of this Report.

6. ACTION TAKEN BY THE ADMINISTRATORS

- 6.1 The manner in which the affairs and business of the Group have been managed, since the appointment of Joint Administrators, are set-out below **Please note that references below relate, in the main, to the trading entity, Crowdmix.**

Business Operations - Overview

- 6.2 At the time of the Joint Administrators' appointment, Crowdmix was trading from Leasehold Premises at 3rd Floor, 15 Bonhill Street, London, EC2A 4DN
- 6.3 It was understood that Crowdmix employed 57 staff and a further 35 contractors. The Joint Administrators were informed that the staff had not been paid since 30 May 2016. In that regard, it was established that most of the employees had been working from home and development/marketing of the product had effectively ceased. It was understood that the application was a self-sustaining product, albeit it did require ongoing web-hosting and maintenance.
- 6.4 In addition, it became apparent that certain members of staff had recently left Crowdmix and they were still owed their wages. The Directors had advised that the advance notification of collective redundancies HR1 form had been submitted to the Insolvency Service the previous week.
- 6.5 Upon our appointment on 11 July 2016, my colleagues, Adam Shama, Darren Ellis and Halle Broadbent, attended the premises to secure the assets, and to review the Group's financial position. In addition, a meeting was held at 2.30pm with the staff and contractors to explain the position. It was noted that a small number of employees had been unable to attend given the short notice provided.

- 6.6 It was explained that the Joint Administrators were looking to rescue the business and no employees were being made redundant at that point in time. They would hold the same position as they held with Crowdmix before it went into Administration. However, Crowdmix would not be able to pay any salaries and there was currently no necessity to attend the premises, as Crowdmix was not effectively trading.
- 6.7 In the scenario that the business could not be sold as a going concern, the employees were informed that it was likely that there would be redundancies, which could occur at short notice. Consequently, further information would be provided to them regarding any claims to be made.
- 6.8 It was highlighted that the Administrators acted as agents of Crowdmix and were not their employer. Their employment remained with Crowdmix, under the same terms and conditions until notified otherwise. The Joint Administrators did not voluntarily adopt their contract, nor were they personally liable. This was also set-out in writing to the employees the following day.
- 6.9 At the end of the meeting with the employees, they were advised that the Joint Administrators would be entering into a consultation period with the employees and certain representatives were elected to act on behalf of various divisions within Crowdmix. This included marketing, operations, finance, technical and product. The Head of the HR department was subsequently added to the list of representatives. The intention was for the Joint Administrators to liaise with the representatives in providing any significant updates of the Administration process, who would then provide the information to the employees in their respective divisions. It also gave the employees a forum for directing their enquiries. The Insolvency Service was informed of the position.
- 6.10 Numerous enquiries were received from employees through their representatives, which were answered in a timely manner.
- 6.11 All Stakeholders, including Creditors, Shareholders, Employees and Directors were informed of the Administration within the first week of appointment.

Sale of Business and Assets

- 6.12 Immediately on appointment, the Joint Administrators instructed Messrs Lambert Smith Hampton ("LSH") to deal with the valuation, marketing and sale of the business and assets on our behalf. LSH were chosen because they have the largest team in the UK in dealing with distressed business and asset sales. They have been established for over 70 years and have dealt with a complete cross section of businesses, advising and assisting all mainstream small, medium and large Corporate Recovery experts alike. Whilst not specialists in Intellectual Property, they had dealt with many technology based distressed company disposals over the years. Most importantly, I felt confident that they were best placed to assist with this distressed sale, as few could work to the required, restricted timescales, notably in this case. They had the procedures, databases, websites, PR support and marketing experience to test demand in short order working closely in conjunction with the Joint Administrators.
- 6.13 The marketing campaign over the ensuing days included the following:
- 6.13.1 A teaser was produced and circulated to LSH's Business Sale List of 3,385 targeted recipients. This was also sent out to a 'Distressed Buyers of Business' list of contacts specialising in such investments;

- 6.13.2 An advert was placed on the LSH website and their marketing team had looked to boost the profile through social media directed at various media outlets. It should be noted that the general press coverage of the case had highlighted the position in any event,
 - 6.13.3 An approved press release was produced in conjunction with their PR Partners and dispatched to a list of appropriate media outlets, which was monitored and managed throughout the process;
 - 6.13.4 They followed up with their Tech M&A Specialist, Music Industry and Blue Chip Social Media industry Contacts, together with their developed list of Venture Capitalists operating in the sector; and
 - 6.13.5 A Non-Disclosure Agreement (“NDA”) was produced and sent out to parties that had expressed interest. On return of the NDA, an approved sales pack was forwarded to the interested party and efforts were made to facilitate their requirements. This was produced with the assistance of the Directors of the Group and the independent non-exclusive equity fund raiser previously contracted
- 6.14 It should be noted that at least 15 parties contacted LSH to express an interest, which included high profile names in the industry. Negotiations with several of those parties advanced over the subsequent period and additional key information was provided to those entities. Conscious of the fact that the business was more attractive with its employees in place and with a view to attempting to save the business as a going concern, a relatively small timeframe for the submission of bids, ie. to 21 July 2016 at 5pm, was set. In this regard, several promising bids were submitted but they were all subject to further due diligence being undertaken before those offers were finalised. LSH entered into dialogue with those parties with a view to setting a deadline for submission of best and final binding offers. Whilst it was, therefore, not possible to conclude a sale prior to the deadline, I was nonetheless confident, based on negotiations to that date, that a sale of the business would complete in the ensuing days
- 6.15 However, as previously advised, there was no funding in place to trade the business or pay employees and the Joint Administrators would not be adopting the contracts of any employee. Given the latter automatically took effect after 14 days of appointment, I had no alternative but to convene a further meeting with the employees to formally dismiss them by reason of redundancy with effect from 22 July 2016. My colleagues, Adam Shama, Darren Ellis and Halle Broadbent attended again that day on behalf of the Joint Administrators. In the likely event that a sale of the business completed over the ensuing days/weeks, they advised that they would, of course, pass their details to the purchaser. A formal letter was dispatched to the employees that same day.
- 6.16 Given the position regarding the employees, LSH informed those parties, which had submitted bids and/or had expressed a serious interest, that the employees had been made redundant given the impact that this may have on their offers. In addition, they were informed that the deadline had been extended until Thursday 28 July 2016 at 5pm for the submission of best, final and unconditional bids. This was, effectively, a second phase invitation restricted to those parties with the most serious interest. Matters such as proof of funding, time scale for completion, terms of consideration and asset apportionment were required by that point. During the following days, the Joint Administrators and LSH, together with key management figures, provided assistance, as appropriate, to the interested parties.

6 17 On 28 July 2016, the following offers were received with the key terms highlighted:

- **52 Grosvenor Street Limited ("52GS")**, an entity under the control of Candy.
 - £6.75m for all Intellectual Property Rights (including exclusive rights to use to Crowdmix, Mixerati and Buddy Bounce names), the Subscriber Database, the Software and the Office Furniture and Equipment held by the Group;
 - 52GS provided evidence of funding to support the level of this offer and confirmed that they expected to complete a purchase in early course,
 - They indicated that they would look to re-employ a number of key staff and management going forward; and
 - On completion, 52GS would pay £675,000, with the relevant balance being repaid to the Secured Creditor, as appropriate
- **Darden Enterprises Inc ("Darden")** or a UK subsidiary under its control
 - Offered to acquire certain parts of the Group's business and assets, including the technology assets to operate the Crowdmix and Mixerati platforms in the following structure:
 - Candy, as Secured Creditor would be issued with a non-convertible loan note by the purchasing entity. The total amount would be £7.95m with a repayment date on the 3rd anniversary of the completion of the transaction. Interest would be payable on the repayment of the loan note at 7%;
 - Candy would be granted a Debenture by the purchasing entity,
 - Candy would be issued ordinary shares in the purchasing company equivalent to 5% of the diluted share capital,
 - a pool of equity in the purchasing entity (equivalent to 2% of the diluted share capital) would be created for the benefit of the Group's Unsecured Creditors,
 - The Crowdmix Senior Management confirmed their support for the Darden Offer as part of a side letter; and
 - No cash was being paid.
- **Compere Capital Limited ("CCL")**
 - Offer 1:
 - To buy Buddy Bounce Limited ("BBL") as a going concern taking on the trading liabilities for the sum of £745,000 plus 10% of any resale proceeds should BBL be sold within the subsequent three years;
 - This was to be funded by taking on certain liabilities of BBL estimated to total £745,000;
 - The offer was supported by the former founders of the BBL business and was subject to a number of conditions, and
 - No cash was being paid
 - Offer 2:
 - To buy the rights to litigate all non-trade creditor claims of the Group for the sum of £200,000 plus 30% of net proceeds from any subsequent successful claims,
 - This was to be funded by taking on certain liabilities of the Group;
 - The offer was subject to a number of conditions and assumptions; and
 - No cash was being paid.

6.18 Having reviewed each offer in detail, LSH provided me with the following comments:

- The offer from 52GS was straightforward, was supported by proof of funding and had the support of Candy, as the Secured Creditor, which was owed the sum of £7.95m;
- The offer from Darden required the support of Candy in terms of granting the loan note and other terms. There was no evidence within the offer letter supporting the financial strength of the purchasing company, nor a business plan provided. In addition, the equity being offered by Darden in the purchasing company was not possible to quantify. In any event, Candy advised that it was not prepared to accept the proposed terms from Darden;
- The offer from CCL was only for part of the business of the Group, did not provide for any cash payment, nor any enhanced value as described in the other two offers. In addition, the offer from CCL was inferior to the other two offers in achieving the purpose of Administration as opposed to achieving a sale of the business and assets of the Group as a whole,
- The business and assets had been widely marketed and all interest had been explored. Information had been provided to interested parties and there were no prospective purchasers, which had been unable to bid within the timeline for best and final offers. No interest was continually being expressed by any party other than the three that had submitted bids; and
- The business had effectively ceased to trade on 11 July 2016 with the employees being made redundant on 22 July 2016. The value attaching to the software and intellectual property was therefore diminishing at a rapid rate as key staff were recruited into new employment, and interest in the platforms began to wane. An urgent sale was therefore sought to protect and maximise the realisable value.

6.18 Accordingly, given the circumstances described above, LSH advised that the offer from 52GS should be accepted with the other two offers being rejected. All parties were informed of the decision on 2 August 2016.

6.19 My Solicitors, SH, were instructed to prepare a Sale Agreement and liaise with the Solicitors for 52GS with a view to agreeing the same. Given the complexities involved in the deal, completion did not take place until 10 August 2016, the main terms detailed as follows:

- The agreement incorporated all seven companies in the Group;
- The purchase price was £6.75m with the sum of £675,000 paid on completion;
- The debt due to Candy, the Secured Creditor, was assigned to 52GS, pursuant to an assignment agreement between those two entities; and
- The remaining sum of £6,075,000 was procured by way of debt forgiveness on behalf of the assigned Secured Creditor, 52GS

The consideration was split as follows between the entities in the Group:

<u>Company</u>	<u>Asset</u>	<u>Consideration/£</u>
Crowdmix Limited	Intellectual Property & Software	6,119,999
	Subscriber Database	1
	Office Furniture & Equipment	90,000
Crowdmix Holdings Limited	-	-
Crowdmix Management Limited	Intellectual Property & Domains	5,000
On-Communications Limited	Intellectual Property	25,000
Music Technology Limited	Intellectual Property	5,000
Music Technology Holdings Limited	-	-
Buddy Bounce Limited	Intellectual Property & Software	<u>505,000</u>
Total		<u>6,750,000</u>

- 6.20 The employee representatives and the Insolvency Service have been provided with regular updates regarding the sale process. All laptops owned by Crowdmix and held by the employees have either been requested to be returned to LSH, on behalf of the Joint Administrators, for onward transmission to 52GS, or directly to that entity
- 6.21 It should be noted that shortly after my appointment, I was informed by two parties, which had dealt with patent and trademark applications on behalf of Crowdmix, that they would be claiming a patent's lien in respect of unpaid invoices. Having taken advice from my Solicitors, SH, it was apparent that any lien could not be enforced under insolvency legislation without the consent of Court or the Joint Administrators. SH has been in correspondence with both parties since that time as SH's conclusion was contested by both parties. In the meantime, independent Patent and Trademark Attorneys, Kilburn & Strode ("KS"), have been instructed to deal with ongoing applications. The Purchaser has been informed of the position and has been provided with the contact details for KS.
- 6.22 Creditors should be aware that Crowdmix owns the entire share capital of Crowdmix Inc, an entity incorporated in Delaware, USA. Following appointment, on the recommendation of SH, I entered into dialogue with Curtis, Mallet-Prevost, Colt & Mosle LLP, restructuring and insolvency experts, in conjunction with the Directors of Crowdmix Inc, in order to discuss potential options for that entity. These discussions are ongoing.

7. CONDUCT OF THE ADMINISTRATION

- 7.1 As required by Schedule B1 to the Insolvency Act 1986, the Joint Administrators have filed notice of our appointment with the Registrar of Companies, served formal notice on the Company and advertised our appointment in the London Gazette
- 7.2 We were required, as soon as reasonably practicable after our appointment, to write to all creditors and shareholders of the Company notifying them of our appointment. We obtained details of the Company's creditors and shareholders from the Directors and on 15 July 2016, we sent formal notice to all known creditors and shareholders by email notifying them of our appointment as Administrators.

In addition to the work of developing the strategy for the Administration, including liaising with the Directors, evaluating the business and overseeing/progressing the sale of the business as explained above, the Joint Administrators and our staff have undertaken, *inter alia*, the

following further tasks, the majority of which have been undertaken in the Administration of Crowdmix:-

- a) Opening a designated bank account and dealing with the movement of funds.
- b) Applying for Joint Administrators' bonds, as required by the Insolvency Practitioners Regulations 2005.
- c) Acknowledging creditors' claims, answering telephone enquiries and correspondence therewith, including retention of title claims
- d) Dealing with email and telephone enquiries received from Shareholders, and entering into correspondence therewith.
- e) Dealing with extensive employees' queries/concerns and liaising with the Insolvency Service regarding the consultation period and the submission of the relevant forms in respect of their claims arising from redundancy
- f) Liaising with Griffins Business Consultants regarding the production of P45s on behalf of the employees and sending them by email to each individual.
- g) Liaising with the finance team regarding access to the information contained within the accounting systems, Xero and Sharepoint and subsequently reviewing those systems.
- h) Liaising with the operations manager regarding ongoing obligations
- i) Entering into correspondence with the Landlord, Mind Candy and its Solicitors, RPC LLP regarding occupation and clearance of the premises.
- j) Securing the access code and source documentation relating to the application
- k) Securing the premises and obtaining insurance.
- l) Contacting the Company's Bankers, Silicon Valley Bank regarding the funds held in the account and the credit card facilities provided
- m) Reviewing and analysing the bank statements provided and the matters raised by Creditors, Directors and Shareholders in their questionnaires and undertaking initial investigations in that regard,
- n) Instructing Solicitors to validate the Debentures held by Candy and the appointment of the Joint Administrators
- o) Dealing with matters arising from the articles published in the press
- p) Requesting a Statement of Affairs to be submitted by the Director of each Group Company, Gareth Ingham, and drafting an estimated copy the same based on information contained within the Company's records.
- q) Arranging for the collection of the Group's books and records from the trading premises
- r) Liaising with HM Revenue & Customs.

s) Statutory and Administrative duties

8. RECEIPTS AND PAYMENTS ACCOUNT

A copy of the Joint Administrators' Receipts and Payments account for the period from 11 July 2016 to 2 September 2016 is attached at Appendix 2. I would comment on the account as follows:-

8.1 RECEIPTS

8.1.1 Sale of business and assets

As reported at Section 6 of this Report, the business and assets of the Group were sold on 10 August 2016 to 52GS.

8.2 PAYMENTS

No payments for expenses have been effected as yet from the Administrators bank account, albeit the main cost elements, including legal and agents fees, are in Crowdmix. However, I detail below, the specific expenses incurred to date in respect of this case

8.2.1 Specific Bond

The Specific Bond is the cost of insurance in respect of realisations by us, as Joint Administrators, as required by the Insolvency Practitioners Regulations 2005. The sum of £30 has been incurred in this regard

8.2.2 Carriage and archiving

Our firm uses a commercial archiving company for storage facilities for the company's records and papers. This is recharged at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of archiving and retrieval of documents

9. STATEMENT OF AFFAIRS

In his capacity as the only Director common to all entities in the Group, and as the CEO and Co-Founder, Gareth Ingham was formally requested to prepare a Statement of Affairs pursuant to Paragraph 47 of the Schedule on 3 August 2016. In order to assist him, the Joint Administrators prepared a summary of the Estimated Financial Position of the Company as at 11 July 2016. This was sent to Mr Ingham and Ed Parsons for their approval on 8 August 2016. Having received the comments from Ed Parsons, a slightly amended version was provided to Mr Ingham on 16 August 2016. Mr Ingham has failed to respond to any of these requests. Accordingly, the estimated position is attached at Appendix 2

10. CREDITORS, PRESCRIBED PART AND DIVIDEND PROSPECTS

10.1 Secured Creditor

Candy was granted two Debentures incorporating fixed and floating charges over the assets in the Group in respect of two loan note instruments

The first Debenture was created on 28 August 2015 and registered on 17 September 2015, whilst the second Debenture was created on 10 June 2016 and registered on 30 June 2016

As detailed earlier in the Report, the sum of £7,794,600 was due to Candy at the date of Administration. SH have since reviewed the Debentures and associated documentation and confirmed that they are valid. It will be noted that the debt has since been assigned to 52GS and a fixed charge distribution has been effected from asset realisations as follows

Crowdmix Limited	£5,600,000
Buddy Bounce Limited	<u>£475,000</u>
Total	£6,075,000

Whilst no distribution has been effected to Candy specifically through this Administration, purpose (3) has been deemed to have been achieved

10.2 PREFERENTIAL CREDITORS

There are no preferential creditors in respect of this matter.

10.3 PRESCRIBED PART

Pursuant to Section 176A of the Act, where a floating charge is created after 14 September 2003 a prescribed part of the Company's net property shall be made available to unsecured non-preferential creditors.

The charge registered against the Company was created after 15 September 2003 and therefore the provisions of S176A will apply in this Administration. However, based on the level of realisations, the anticipated preferential claims and the costs incurred to date, the value of the Company's net floating charge property is likely to be below the prescribed minimum. Accordingly, the prescribed part will not apply.

10.4 NON-PREFERENTIAL UNSECURED CREDITORS

Based on current information, it does not appear that there are any Unsecured Creditors of the Company.

10.5 DIVIDEND PROSPECTS

As detailed above, it is not anticipated that there will be a distribution to Preferential, Unsecured Creditors or Shareholders.

11. INVESTIGATION BY THE JOINT ADMINISTRATORS

The Joint Administrators will investigate and, if appropriate, pursue any claims that the Company may have under the Companies Acts 1985 and 2006 or the Act. The Joint Administrators are required, within three months of their appointment, to submit a return to the Department for Business, Energy & Industrial Strategy on the conduct of all persons, who have acted as either Directors or Shadow Directors of the Company during the period of three years ending on the date of the Joint Administrators' appointment. To facilitate the preparation of that return and our enquiries into the Company's affairs, the Joint Administrators have already invited any Stakeholders to provide them with information on any matters of concern.

12. CREDITORS' MEETING

Under Paragraph 51(1) of Schedule B1 to the Act, the Administrators are normally required to convene a meeting of creditors to consider the Administrators' proposals. However, paragraph 52(1) of Schedule B1 to the Act states that where Administrators are working solely to achieve purpose 3 of the statutory purposes referred to above, i.e. the realisation of assets for the benefit of one or more secured creditors, paragraph 51(1) shall not apply. Therefore, the Administrators may dispense with summoning a meeting of creditors

Creditors of the Company, whose debts amount to at least 10% of the total debts of the Company, may require the Joint Administrators to convene a requisitioned meeting if they complete and submit to us the prescribed Form 2.21B within 8 business days from the date of this report. If the request is by a group of creditors, the following must be provided along with the request as set out under Rule 2.37(1):

- (a) A list of creditors concurring with the request, showing the amounts of their respective debts in the Administration;
- (b) From each creditor concurring, written confirmation of his concurrence, and
- (c) A statement of the purpose of the proposed meeting

Creditors should note that the costs of a requisitioned meeting are to be paid by those creditors requesting it, and the Administrators are not empowered to call a meeting until the creditors have lodged sufficient funds with the Administrators as a deposit for the costs of the meeting. Such costs may be ordered to be paid as an expense of the Administration if the meeting so resolves

Given that there do not appear to be any Unsecured Creditors, the above will not apply to this case

13. ENDING OF ADMINISTRATION

The options available to the Joint Administrators for the exit from the Administration are as follows:

- Company Voluntary Arrangement;
- Creditors' Voluntary Liquidation;
- Compulsory Winding Up,
- Return of control to the Director, and
- Dissolution of Company (i.e. striking off the Companies House register).

The Joint Administrators recommend that the Company should move from Administration to dissolution in accordance with the provisions of paragraph 84 of the Act.

However, should any matters come to light as part of the Joint Administrators' investigations that require any further action to be undertaken, or indeed, funds become available to enable a distribution to Unsecured Creditors or Shareholders from funds set aside under the Prescribed Part, the Joint Administrators would recommend, in that scenario, that the Company should move from Administration to Creditors' Voluntary Liquidation in accordance with the provisions of Paragraph 83 of the Act or Compulsory Winding-Up.

14. JOINT ADMINISTRATORS' REMUNERATION

- 14.1 As Administrators, under the provisions of R2.106 of the Insolvency Rules 1986, we are required to provide creditors with details of the work we propose to undertake in the Administration and the expenses we consider will be, or are likely to be, incurred in dealing with the Company's affairs, prior to determining the basis upon which our remuneration is to be fixed.
- 14.2 In addition to this, where Administrators seek to pass a resolution to agree the basis of their remuneration by reference to the time properly spent by them and their staff in attending to matters arising in the Administration, a fee estimate outlining the time and estimated cost of the work to be done must also be provided.
- 14.3 In this case, we are seeking to agree that our remuneration be based on the time properly spent by us and our staff in dealing with the affairs of the Company. The fee estimate and details of the work we propose to undertake can be found in Appendices 4 and 4a to this report. Please note that where appropriate, the fee estimate may be to a particular stage of the case only and if we consider the estimate will be exceeded during the Administration, we are obliged to seek further approval for any increase in remuneration.
- 14.4 We will provide updates on the expenses we consider will be, or are likely to be, incurred during this case with our progress reports in due course.
- 14.5 We have now reviewed our time costs for the period of the Administration from 11 July 2016 to 26 August 2016. A report of our time costs is attached at Appendices 5 and 5a, which has also been explained in detail earlier in this Report.

15. PRE-APPOINTMENT COSTS

As stated in Appendix 5, unpaid pre-appointment costs are not part of the above Proposals but subject to approval under Paragraph 53. However, in accordance with Rule 2.67A, the Joint Administrators will also seek approval for any unpaid pre-administration costs detailed in this report and in Appendix 5 from the Secured Creditor.

16. EC REGULATION ON INSOLVENCY PROCEEDINGS

It is considered that the EC regulation applies and that these proceedings are main proceedings as defined in Article 3 of the EC Regulation as the Company was incorporated in England and the centre of main interest of the Company is in England and Wales within the United Kingdom.

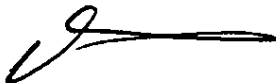
17. JOINT ADMINISTRATORS' FORMAL PROPOSALS

The Joint Administrators hereby make the following proposals in accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986, for the achievement of the purpose of the Administration:-

- i) The Joint Administrators will continue to manage the Company's affairs in accordance with the statutory purpose until such time as the Administration ceases to have effect.
- ii) Should a creditors' committee be formed and the Joint Administrators consider that an extension beyond an administration's statutory duration of one year would be advantageous, the Joint Administrators will consult with the committee prior to taking

the necessary steps. If a creditors' committee is not appointed, the Joint Administrators shall either apply to the Court, or seek a resolution of the appropriate classes of creditors for the consent to an extension.

- iii) That the basis of the Joint Administrators fees will be fixed and their Category 2 disbursements will be agreed by the Secured and Preferential Creditors. It is proposed that under Rule 2.106(2)(b) of the Insolvency Rules 1986, the remuneration of the Joint Administrators shall be fixed by reference to the time given by the Joint Administrators and the various grades of their staff according to their firm's usual charge out rates in attending to matters arising in the administration, that the Joint Administrators be authorised to draw Category 2 disbursements in accordance with their firm's published tariff and they be entitled to draw sums on account of their remuneration and disbursements as and when funds permit
- iv) That without prejudice to the provisions of Paragraphs 59 to 72 of Schedule B1 of the Insolvency Act 1986, the Joint Administrators may carry out all other acts that they consider to be incidental to the proposals above to assist in their achievement of the overriding purpose of the Administration
- v) The Joint Administrators take whatever other actions they deem appropriate in the interest of creditors. This includes placing the Company into liquidation if it appears that this would be in the best interests of the general body of creditors. In these circumstances it is proposed that the Joint Administrators shall apply to Court to become the Joint Liquidators and any act required or authorised under any enactment to be done by the Joint Liquidators may be done by either or both persons from time to time holding office.
- vi) That the Joint Administrators' liability, in respect of any action of theirs as Joint Administrators, shall be discharged in accordance with Paragraph 98 of Schedule B1, immediately upon the appointment ceasing to have effect



PAUL APPLETON - JOINT ADMINISTRATOR

DATE: 2 SEPTEMBER 2016

APPENDIX 1

STATUTORY INFORMATION

Date of incorporation:	11 May 2015
Registered number:	09584454
Registered Office:	1st Floor 26 - 28 Bedford Row London WC1R 4HE
Trading Address:	3 rd Floor 15 Bonhill Street London EC2A 4DN
Trading Name:	N/a
Issued Share Capital	10,737,760 Ordinary Shares of £0.01 each
Shareholder:	Ian Roberts
Director:	Gareth Ingham
Secretary:	None

CROWDMIX MANAGEMENT LIMITED
IN ADMINISTRATION
RECEIPTS AND PAYMENTS ACCOUNT
FOR THE PERIOD FROM 11 JULY 2016 TO 2 SEPTEMBER 2016

	Estimated to Realise (on SOA) £	Realisations/Payments £	Cumulative/£
<u>Assets (subject to Fixed Charge)</u>			
<i>Realisations</i>			
Intellectual Property & Domains	<u>Uncertain</u>	<u>5,000 00</u>	<u>5,000 00</u>
<i>Surplus funds available to Candy Ventures SARL</i>			<u>5,000 00</u>
<u>Assets (subject to Floating Charge)</u>			
<i>Realisations</i>	<u>Nil</u>	<u>Nil</u>	<u>Nil</u>
Total funds held in current account			<u>5,000 00</u>

CROWDMIX MANAGEMENT LIMITED
ESTIMATED STATEMENT OF AFFAIRS
AS AT 11 JULY 2016

	Notes	Book Value £	Estimated to Realise £
<u>ASSETS (Subject to Fixed Charge)</u>			
Intellectual Property & Domains		<u>Uncertain</u>	Uncertain
Less Fixed Charge Creditor - Candy Ventures SARL			<u>(7 794 600)</u>
Deficiency as regards Candy Ventures SARL c/d			<u>(7 794 600)</u>
<u>ASSETS (Subject to Floating Charge)</u>			
			<u>N/a</u>
			Nil
<u>PREFERENTIAL CREDITORS</u>			
Surplus available for Prescribed Part (Net Property)			<u>N/a</u>
			Nil
<u>PRESCRIBED PART</u>			
Prescribed Part Pursuant to Section 176A of IA86			<u>Nil</u>
Surplus Available for Floating Charge Creditors			Nil
<u>FLOATING CHARGE CREDITOR</u>			
Candy Ventures SARL b/d			<u>(7 794 600)</u>
Deficiency as regards Candy Ventures SARL			(7,794,600)
<u>UNSECURED CREDITORS</u>			
Trade & Expense Creditors			<u>Nil</u>
Deficiency as regards Unsecured Creditors			(7,794,600)
Deficiency as regards Creditors			(7,794,600)
<u>ISSUED AND CALLED UP CAPITAL</u>			
10,737,760 Ordinary Shares of £0.01 each		<u>107,378</u>	(107,378)
<u>DEFICIENCY AS REGARDS MEMBERS AND CREDITORS</u>			
			<u>(7,901 978)</u>

APPENDIX 4

CROWDMIX MANAGEMENT LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' ESTIMATE OF THE COSTS FOR THE ADMINISTRATION

As Joint Administrators, we are seeking to agree the basis of our remuneration in respect of this case on the time properly spent by us and our staff in dealing with the affairs of the Company. I have set out in Appendices 5 and 5a details of my Firm's pre-appointment costs and also the time costs for the work carried out from the date of appointment to the 26 August 2016. We attach at Appendix 4a estimates of the further work which we consider will be necessary in the conduct of the Administration. These estimates are provided to creditors in accordance with the requirements set out in the Insolvency (Amendment) Rules 2015. However, the Administrators' fees will be charged by reference to time properly spent by the Administrators and our staff in managing the Administration. If the actual time taken is less than the estimates, then only the time actually incurred will be billed and drawn.

In Appendix 4a, we have set out against each task the further time we estimate to be necessary to complete each particular task properly, analysed by different grades of staff. The estimate is intended to be viewed on a total basis and not on the basis of the individual tasks, which have been provided as a guide only. It is inevitable that provisions for some tasks will be overestimated whilst others will be underestimated and, therefore, the guide should be taken as a whole. In addition, the estimate is a ceiling that is initially binding on us as Joint Administrators, but we have the right to refer back to creditors in circumstances where we consider that the time cost fees estimate will be exceeded.

If we consider that the estimate of £11,592.50 plus VAT is likely to be exceeded and doing so would result in better prospects of recovery for the creditors, we will seek sanction from creditors for a revised estimate and explain why we perceive there to be a benefit to the creditors of approving any increase in fees.

Our firm's general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the task and case. The constitution of the case team will usually consist of a Partner, Manager, Senior Administrator and two Administrators. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and additional staff may be allocated to meet the demands of the case.

Our firm's current hourly charge-out rates applicable to this appointment, which are charged in units of 6 minutes exclusive of VAT, are as follows.

	£
Senior / Managing Partners	450
Partners/Office holders	300 - 395
Managers / Senior Managers	250 - 295
Senior Administrators	180 - 220
Administrators	130 - 160
Cashiers and Assistants	120 - 160
Supports	110 - 120

Charge-out rates are normally reviewed annually in November, when rates are adjusted to reflect such matters as inflation, increases in direct wage costs, and changes to indirect costs such as Professional Indemnity Insurance.

Explanations of the Estimates

The majority of the tasks listed in Appendices 4a and 5a are self-explanatory and we do not therefore propose to elaborate on these. Creditors who require further details should feel free to contact this office. However, creditors may get a better understanding of the work involved if we list out, in broad terms, the various tasks involved:

Administration (including statutory compliance & reporting)

Under insolvency legislation the Administrator must comply with certain statutory compliance requirements which may not bring any direct financial benefit to the creditors of the Company. These tasks, as applicable, consist of:

- Notifying creditors of the Administrators' appointment and other associated formalities including statutory advertising and filing relevant statutory notices at Companies House.
- Opening, maintaining and managing the Administration estate cashbook, bank account(s).
- IPS set-up - Creation and update of case files on the firm's insolvency software which include company information, creditors, debtors and employees details.
- Securing the Company's books and records
- Complying with statutory duties in respect of the Administrators' specific penalty bond.
- Trading as appropriate.
- Instructing valuers and agents and overseeing the sale of the business
- Redirection of the Company's mail to the Administrators' office.
- Pension regulatory reporting, auto-enrolling whilst trading and auto-enrolment cancellation.
- Completion and filing of the notice of the Company's insolvency to HMRC.
- Dealing with former employees to provide support and assistance in lodging any claims they may be entitled to make for unpaid wages, holiday pay and other statutory entitlements from the National Insurance Fund and the Company.
- Dealing with all post-appointment VAT and corporation tax compliance.
- Liaison with secured creditors, obtaining charge documents and validating the security
- Initial assessment required by Statement of Insolvency Practice 2 and the Company Directors Disqualification Act 1986 (CDDA) including the review of the Company's books and records and the identification of potential further asset realisations which may be pursued in the liquidation
- Filing a statutory return to the Department for Business, Energy & Industrial Strategy under the CDDA.
- Preparing a Paragraph 49 Report and formulating the Joint Administrators' Proposals.
- Preparing and issuing half yearly progress reports to members and creditors
- Lodging periodic returns with the Registrar of Companies for the Administration.
- Establishing and holding periodic meetings of the Creditors' Committee and associated filing formalities (if a committee is appointed).
- Periodic case progression reviews (typically at the end of Month 1 and every 6 months thereafter). Although these reviews are not a legal requirement, Regulatory Bodies who monitor the work of the Administrators see this task as a best practice requirement with which the Office Holder is required to comply

Investigations

As Administrators, we are required by the Company Directors Disqualification Act 1986 to review the conduct of the Director(s) of the Company and transactions entered into prior to the Company's insolvency. The time estimated for this work is the minimum that is considered necessary in order to carry out any meaningful investigation.

SIP2 also requires that we review the Company's financial affairs in order to make an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account information provided by creditors either at the initial meeting or as a response to my request to complete an investigation questionnaire

This work may not necessarily lead to any financial benefit to creditors yet is work we are required to undertake in order to be satisfied that all assets belonging to the Company have been accounted for. Our initial investigations may reveal that further recoveries could be available for the insolvent estate and if this proves to be the case and we consider that further work will be required to pursue these assets, we will refer back to creditors about the likely costs involved in pursuing such recoveries.

Realisation of assets

Matters regarding the realisation of the Company's assets have been set-out in detail throughout the Report

Creditors and Shareholders (claims and distributions)

The Administrators have been dealing with all secured, preferential and unsecured creditors' and shareholder correspondence, as relevant, and claims as received, including any claims of creditors under retention of title.

Based on current information, it appears unlikely that there will be a dividend payable to unsecured creditors or shareholders. Accordingly, we have provided an estimate for dealing with creditors' and shareholders' queries and acknowledging claims.

EXPENSES AND DISBURSEMENTS

Direct expenses ("Category 1 disbursements")

Category 1 disbursements as defined by SIP 9, which can be specifically identified as relating to the administration of the case, will be charged to the estate at cost, with no uplift. These include, but are not limited to, such items as case advertising, bonding and other insurance premiums and properly reimbursed expenses incurred by personnel in connection with the case.

Below is a table which outlines the expenses that we consider at this stage will be, or are likely to be incurred in dealing with the Company's affairs. We will provide update to creditors in our future progress reports.

Expense	Provider	Basis of fee arrangement	Cost incurred to date
Administrators' bond	AXA Insurance	At cost	£30

As detailed in the Report, the costs alleged to have been incurred by the Patent Attorneys and the Landlord are not considered to be expenses of the Administration, rather, they are considered unsecured claims in the proceedings of Crowdmix.

Indirect expenses ("Category 2 disbursements")

Category 2 disbursements require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Approval to charge these will be sought from creditors when the basis of our remuneration as Administrators is fixed. The Category 2 disbursements which this firm proposes to charge in this case are unlikely to exceed £2,000 overall and are as follows:-

Headed paper	25p per sheet
Photocopying	6p per sheet
Envelopes	25p each
Postage	Actual cost
Meeting room facility	£150

Storage and Archiving Charges

We use a commercial archiving company for storage facilities for companies' records and papers. This is recharged to the estate at the rate of £10 per box per quarter, and includes a small charge to cover the administration costs of maintaining the archiving database and retrieval of documents. We also use our own personnel and vehicle for collection of books and records for which we charge £60 per hour.

Travel

Mileage incurred as a result of any necessary travelling is charged to the estate at HM Revenue & Customs approved rate, currently 45p per mile.

CROWDMIX MANAGEMENT LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' ESTIMATE OF TIME COSTS							
FOR THE PERIOD 27 AUGUST 2016 TO CLOSURE							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
IPS set up & maintenance	00 00	00 30	02 30	01 00	04 00	717 50	179 38
Statutory filings, circulars, notices, etc	00 30	00 30	03 00	00 00	04 00	832 50	208 13
Case planning, strategy & control	00 30	00 30	00 30	00 00	01 30	482 50	321 67
Taxation PAYE, C/Tax & VAT	01 00	01 00	03 00	00 00	05 00	1,177 50	235 50
Accounting & Cashiering	00 18	00 30	01 00	00 30	02 18	532 50	231 52
Case reviews & Diary maintenance	00 12	00 30	05 00	00 00	05 42	1,037 50	182 02
Statutory reporting and compliance	01 00	04 00	07 00	00 00	12 00	2,842 50	236 88
Investigations							
CDDA preparation & reporting	01 00	00 30	04 00	00 00	05 30	1,250 00	227 27
SIP2 assessment and financial review	01 00	01 00	04 00	00 00	06 00	1,357 50	226 25
Proceedings & recoveries	00 30	00 30	00 30	00 00	01 30	482 50	321 67
Realisation of assets							
Creditors & distributions							
Secured creditors	00 30	00 30	01 00	00 00	02 00	552 50	276 25
Shareholders & Unsec'd Creditors	00 00	00 30	01 00	00 00	01 30	327 50	218 33
Total hours and costs	06 30	10 30	32 30	01 30	51 00	11,592.50	227 30

APPENDIX 5

JOINT ADMINISTRATORS' TIME COSTS AND EXPENSES

Pre-Appointment Costs: Statement under Rule 2.33(2B) of the Insolvency Rules 1986

Unpaid pre-appointment costs as an expense of the administration is:-

- (i) Subject to approval under Rule 2.67A, and
- (ii) Not part of the proposals subject to approval under paragraph 53

By a letter of engagement between David Rubin & Partners ("DRP") and the Company, dated 11 July 2016, the Secured Creditor agreed to pay DRP a fixed fee of £4,000 plus VAT for assistance and advice on the prospective Administration of the Company.

Overview

Our firm, David Rubin & Partners, was first consulted on 30 June 2016. A number of meetings took place with the Company's management to determine the financial position of the Company and to consider what options might be available to the Directors.

The matters leading up to the appointment of the Joint Administrators and the advice provided have already been highlighted extensively in Section 4 of the Report. The issues impacting on the level of costs incurred has also been highlighted extensively.

Pre-appointment expenses

In accordance with rule 2.67A of the Insolvency Rules 1986 (as amended), we shall be seeking the approval of the Secured Creditor, to our drawing any unpaid balance of our pre-appointment time costs and the disbursement of the pre-appointment expenses as reported at Section 8 of this Report and in this Appendix

Post-appointment

The time costs we have incurred from the date of our appointment to 26 August 2016 amount to £6,025.50 plus VAT for a total of 28 hours and 12 minutes. This represents an average hourly charge out rate of £214 per hour. We have not drawn any fees on account and this entire sum is outstanding. An analysis of the time spent is also provided at Appendix 5a.

Case overview

The tasks undertaken by the Joint Administrators have been highlighted extensively in Sections 5 to 10 of the Report, together with the issues affecting costs.

Due to the crucial nature of the negotiations, a high level of Partner and Senior Manager involvement was required with this part of the assignment.

To view an explanatory note concerning Administrators' remuneration approved by the Joint Insolvency Committee, please visit the Publications folder on our website www.drpartners.com/cases, using the following log-on details:

USERNAME: C603@drco.co.uk

PASSWORD: 306Cas*!

Alternatively, please contact this office to arrange for a copy to be sent to you.

CROWDMIX MANAGEMENT LIMITED - IN ADMINISTRATION

JOINT ADMINISTRATORS' TIME COSTS							
FOR THE PERIOD 11 JULY 2016 TO 26 AUGUST 2016							
Classification of work function	Hours					Total Cost £	Average hourly rate £
	Partners	Manager / Senior Manager	Admin / Senior Admin	Cashiers	Total hours		
Statutory compliance, admin and planning							
Statutory filings, circulars, notices, etc.	02.00	01 42	12 18	00 00	16 00	3,219 50	201 22
Case planning, strategy & control	00:00	01 48	00 24	00 00	02 12	595 00	270 45
Accounting & Cashiering	00 00	00 00	00 00	00 42	00 42	112 00	160 00
Case reviews & Diary maintenance	00 00	00 00	02 30	00 00	02 30	400 00	160.00
Investigations							
SIP2 assessment and financial review	00 00	00 00	00 48	00 00	00 48	104 00	130 00
Realisation of assets							
Tangible assets	00 00	03 00	00 00	00 00	03 00	885 00	295.00
Creditors							
Unsec'd Creditors correspondence & claims	01 00	00 00	00 00	00 00	01 00	450.00	450 00
Total hours and costs	03 00	06 30	18:00	00 42	28 12	6,025 50	213 67

Notice of conduct of business by correspondence

Name of Company Crowdmix Management Limited	Company number 09584454
In the HIGH COURT OF JUSTICE, CHANCERY DIVISION, COMPANIES COURT (full name of court)	Court case number 3857 of 2016

Notice is hereby given by Paul Appleton and Paul Cooper of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE to the Secured Creditor of Crowdmix Management Limited, whose registered office is at 1st Floor, 26 - 28 Bedford Row, London, WC1R 4HE that pursuant to paragraph 58 of Schedule B1 to the Insolvency Act 1986, below are resolution(s) for your consideration. Please indicate whether you are in favour or against each resolution.

This form must be received at the offices of David Rubin & Partners, 26 - 28 Bedford Row, London, WC1R 4HE by 12 00 noon on **Monday, 19 September 2016** in order to be counted. It must be accompanied by details in writing of your claim. Failure to do so will lead to your vote(s) being disregarded.

*Please place a tick in either box to indicate your vote

Vote for Resolutions (in the absence of a Creditors' Committee):

- | | For | Against |
|---|-----|---------|
| 1. THAT under Rule 2 67A of the Insolvency Rules 1986, the unpaid pre-administration costs as detailed in the Administrator's Report be approved | [] | [] |
| 2. The Joint Administrators' fee estimate for further work after the issue of their Proposals is noted and IT IS RESOLVED THAT their remuneration be fixed by reference to the time given by them and the various grades of their staff according to their firm's usual charge out rates in attending to matters arising in the administration and that they be authorised to draw their post appointment time costs as reported and such further remuneration as and when funds are available | [] | [] |
| 3. THAT In accordance with Statement of Insolvency Practice No 9, issued by the Association of Business Recovery Professionals, the Administrators be authorised to draw Category 2 disbursements in accordance with their firm's published tariff as disclosed in the Report | [] | [] |
| 4. THAT The Administrators be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect | [] | [] |

TO BE COMPLETED BY CREDITOR WHEN RETURNING THE FORM

Name of creditor

Signature of creditor

If signing on behalf of creditor, state capacity e.g. director/solicitor

If you require any further details or clarification prior to returning your votes, please contact this office on 020 7400 7900

Signed


PAUL APPLETON - JOINT ADMINISTRATOR

Dated