

The Insolvency Act 1986

Administrator's progress report

2.24B

Name of Company GEN-X IT LTD	Company number 04480097
In the Manchester District Registry of the High Court	Court case number 2030 of 2016

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

We (a) Kevin Murphy & Andrew Poxon of Leonard Curtis, Tower 12, 18/22 Bridge Street, Spinningfields, Manchester M3 3BZ

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

(b) Insert dates

from (b) 20 January 2016	to (b) 19 July 2016
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Signed A Poxon
Joint Administrator

Dated 19 August 2016

Contact Details.

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

Leonard Curtis	
Tower 12, 18/22 Bridge Street, Spinningfields, Manchester M3 3BZ	
Ref CRL/35	Tel 0161 831 9999
DX Number	DX Exchange



Completed and signed this form please send it to the Registrar of Companies at Companies House, Cardiff, CF14 3UZ DX 33050 Cardiff



LEONARD CURTIS
BUSINESS RESCUE & RECOVERY

**GEN-X IT LTD
(IN ADMINISTRATION)**

Registered Number: 04480097
Court Ref: 2030 of 2016
High Court of Justice
Chancery Division, Manchester District Registry

**Joint Administrators' first progress report in accordance
with Rule 2.47 of the Insolvency Rules 1986**

**Report period
20 January 2016 to 19 July 2016**

19 August 2016

Leonard Curtis Business Solutions Group
Tower 12, 18/22 Bridge Street,
Spinningfields, Manchester M3 3BZ
Tel 0161 831 9999 Fax 0161 831 9090
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Ref M/35/CRL/NG829K/1010

GEN-X IT LTD – IN ADMINISTRATION

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**STRICTLY PRIVATE AND CONFIDENTIAL
NOT FOR PUBLICATION**

**TO: THE REGISTRAR OF COMPANIES
ALL CREDITORS
ALL MEMBERS**

1 INTRODUCTION

1 1 This report has been produced in accordance with Rule 2 47 of the Insolvency Rules 1986 to provide creditors with an update on the progress of the administration of Gen-X IT Ltd (“the Company”) for the period from 20 January 2016 to 19 July 2016 This is the Joint Administrators’ first progress report to creditors

2 STATUTORY INFORMATION

2 1 K G Murphy and A Poxon were appointed as Joint Administrators of the Company in the jurisdiction of the High Court of Justice, Chancery Division, Manchester District Registry under Court number 2030 of 2016 on 20 January 2016 The administration appointment was made by the directors of the Company, Alan Stewart and Kelley Gould

2 2 The administration is being handled by the Manchester office of Leonard Curtis which is situated at Tower 12, 18/22 Bridge Street, Spinningfields, Manchester M3 3BZ

2 3 The principal trading address of the Company was Sol House, 24 Dark Lane, Ardwick Green, Manchester M12 6FA The business traded under its registered name

2 4 The registered office address of the Company at the date of the appointment of the Joint Administrators was Sol House, 24 Dark Lane, Ardwick Green, Manchester M12 6FA Following the appointment this was changed to Tower 12, 18/22 Bridge Street, Spinningfields, Manchester M3 3BZ The registered number of the Company is 04480097

2 5 For the purposes of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 (as amended), it should be noted that during the period in which the Administration Order is in force, any act or function required or authorised under any enactment to be done by the Administrator may be exercised by all or any of the persons holding that office

2 6 The Company’s main centre of operations is based in the UK The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation

3 JOINT ADMINISTRATORS’ PROPOSALS

3 1 Attached at Appendix A is a summary of the Joint Administrators’ approved proposals for achieving one of the three statutory purposes of administration

3 2 The Proposals were approved by the general body of creditors on 30 March 2016

3 3 There have been no major amendments to, or deviations from, the proposals during the course of the administration to date

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- 3.4 The objective of the administration has been to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in administration). The Joint Administrators consider that there is a reasonable prospect of a dividend being made available to unsecured creditors in this matter. Any distribution to unsecured creditors is dependent upon the final level of realisations in the administration. Details of the assets that have been and remain to be realised by the Joint Administrators are detailed at 4 and 5 below.
- 3.5 As detailed in the Joint Administrators Proposals of 14 March 2016, a distribution has been in the administration to RBS Invoice Finance Limited ("RBSIF"). The distribution to RBSIF has been made from book debt realisations subject to its fixed charge security. We anticipate that a dividend will also be paid to preferential creditors shortly.
- 3.6 In the event that a dividend is not made available to unsecured creditors, it is considered that a purpose of administration has been achieved as a distribution has been made to one of the Company's secured creditors, without prejudicing the interests of creditors generally.

4 PROGRESS OF THE ADMINISTRATION

- 4.1 Attached at Appendix B is the Joint Administrators' receipts and payments account for the period from 20 January 2016 to 19 July 2016.

4.2 Debts subject to Invoice Discounting Facility

RBSIF holds security by way of a fixed and floating charge over the Company's assets created on 22 December 2004. RBSIF provided an invoice finance facility to the Company. The Company held debtor ledgers in three currencies. On our appointment the Company had a gross debtor ledger totalling £222,175. Of this amount, RBSIF had approved funding for £218,028.

The Company's indebtedness to RBSIF on our appointment was £157,534 (subject to currency conversions).

I can confirm that collections to date total £159,264.80 and these funds have been used to discharge part of the Company's indebtedness to RBSIF. Please note that the payments to RBSIF have been made in accordance with its fixed charge security relating to book debts. There is currently a shortfall in the facility to RBSIF in relation to interest and charges applied following our appointment totalling approximately £2,304.53.

Throughout the administration the Joint Administrators have been assisted in the debt collection exercise by Cerberus Receivables Management ("CRM"). During the period of this report, CRM has provided indicative outcomes for collection of the remaining debts in administration.

In my previous report of 14 March 2016, it was anticipated that the Company's indebtedness to RBSIF would be repaid in full and that a surplus may be available for the benefit of the administration estate. CRM has subsequently advised however that the prospect of a surplus from the financed ledger is unlikely. This is due to the majority of the remaining financed ledger being disputed and a bad debt which is irrecoverable. In addition, it is understood that the Company has also been the victim of an alleged fraud in the Netherlands which resulted in the supply of a significant quantity of goods to a fictitious company. CRM do not anticipate that future collections will be sufficient to discharge the shortfall to RBSIF.

In conjunction with CRM the Joint Administrators retained the services of the Company's former Financial Controller for a short period following their appointment. It was considered that the Financial Controller's knowledge of the ledger and relationship with a number of key customers would help facilitate the debt collection process. The Financial Controller was retained for a period of approximately two months and wage and salary costs of £6,082.74 were incurred. There has been a net benefit to the administration by retaining the

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assistance of the Financial Controller as a number of doubtful and disputed debts have been collected which otherwise may have not

4.3 Cash at Bank

During the period of this report the Joint Administrators have realised an amount of £242,060.29 from funds held in the Company's bank accounts with the Royal Bank of Scotland plc ("RBS") and held in Leonard Curtis' client account shortly prior to administration

No further realisations are anticipated

4.4 Stock

The Company predominantly traded in Cisco Technology, Inc ("Cisco") products. On 13 November 2015, the Company and its directors received notification of a claim from Cisco for trade mark infringement and use of counterfeit goods. Despite the directors disputing the claim, the Company was unable to fund litigation to defend the claims whilst ensuring the continuity of trade. The Company subsequently entered into administration.

Following our appointment, RICS registered independent agents and valuers, Cerberus Asset Management ("CAM") assessed the Company's remaining stock and provided indicative values that may be achieved from this category of asset. We requested that CAM consider the Company's position and the claims brought against it by Cisco in its valuation.

CAM subsequently provided a valuation which included a quantity of Cisco branded products where it was uncertain which stock, if any, would be available for sale. The valuation provided by CAM indicated that the Company's remaining stock had an estimated realisable value of between £67,300 and £5,800.

During the period of this report we have allowed Cisco to conduct a supervised inspection of the stock branded in its name. The inspected stock was categorised into that which is authorised to be sold in the European Economic Area ("EEA"), that which is alleged to be counterfeit and that which is alleged to be parallel imported stock.

Following its inspection, Cisco advised that all of its branded stock held by the Joint Administrators and categorised with authorisation to be sold in the EEA may be sold for the benefit of the Company's estate. The Joint Administrators subsequently received an offer of £9,000 plus VAT from a connected company, Nujack IT Limited ("Nujack") to purchase such right, title and interest in the remaining Cisco branded computer hardware. Following the recommendation of CAM, this offer was accepted and I can confirm that all consideration has been received.

All non-branded Cisco stock was subject to the receipt of an offer totalling £30,000 plus VAT from a connected company, Sol Distribution Limited ("Sol"). Following the recommendation of CAM, this offer was accepted. I can confirm that all sale consideration has been received from Sol.

Please note that both Nujack and Sol are considered to be connected to the Company by way of the directorships and shareholdings of both Alan Gould and Kelley Stewart.

Total realisations from this category of asset to date amount to £39,000 plus VAT.

As detailed above, a quantum of stock which is alleged to be counterfeit and/or alleged parallel import has been retained by the Joint Administrators. This stock is currently being used for the purpose of investigations in to the Company's affairs. The value achievable from this remaining stock, if any, is currently unknown and will be reported to creditors in due course.

4 5 Office & IT Equipment

In conjunction with its offer to purchase the non-Cisco branded stock detailed at 4 4 above, Sol also made an offer of £2,500 plus VAT to purchase all of the Company's remaining office and IT equipment. As the offer was in line with the assessment provided by CAM, the Joint Administrators were recommended to accept the offer. I can confirm that the Joint Administrators have received payment in full from this category of asset.

4 6 Corporation Tax Refund

The Joint Administrators have considered the information acquired in the course of appraising and realising the business and assets of the Company, together with information provided by the Company's directors and its creditors, to identify any further possible realisations for the estate.

Following that review it was apparent that the Company had paid tax on its profits in the three years preceding the administration. In light of its current position, the Joint Administrators are entitled to apply for relief on Corporation tax paid by the Company in this period. Please note that any relief the Company may be entitled to may be set off against the level of its tax arrears at the date of administration.

HMRC has submitted an interim claim in the administration totalling £38,130.83. The Joint Administrators have instructed the Company's accountant, Wrigley Partington Chartered Accountants ("WPCA") to apply to HMRC for relief in this matter. The outcome of the application submitted by WPCA will be reported to creditors in due course.

4 7 Directors' Loan Accounts

A review of the Company's financial affairs highlighted two outstanding balances owed by each director to the Company for the cumulative sum of £167,379.39. Each director has been subsequently issued with a letter constituting formal demand for payment. At the request of each director a meeting was held on 29 April 2016 to discuss the loan account position and both loan account balances were disputed.

The Joint Administrators have requested WPCA to conduct a reconciliation of each loan account applying legitimate adjustments where required. WPCA subsequently advised that the true value of each loan account was c£51k and £45k respectively. Since receiving WPCA's reconciliation the Joint Administrators have requested personal asset and liabilities statements from each director and have undertaken an exercise to identify each director's ability to pay. No settlement agreement has yet been agreed with the directors. The outcome of any settlement agreement or recovery action taken will be reported in due course.

4 8 Insurance Claim

The Joint Administrators have received £125.76 in relation to an insurance claim submitted by the Company prior to the administration.

4 9 Bank Interest

Bank interest in the sum of £20.57 has been accrued during the period of this report for the benefit of the administration estate.

4 10 Refund of Prepayments

In order to facilitate book debt collections the Joint Administrators retained the services of the Company's former Financial Controller. In addition to wage and salary expenses, it was also necessary to maintain the Company's internet services. It was agreed with the internet service provider, Zen Internet Limited that amounts due would be payable monthly in advance. Total payments of £106 50 were made during the period that the former Financial Controller assisted with book debt collections. On cessation of that assistance the Company received a refund of £34 20 for prepaid internet services.

5 ASSETS STILL TO BE REALISED

5 1 The assets still to be realised in this matter are detailed at 4 4, 4 6 and 4 7 above.

6 INVESTIGATIONS

6 1 Following their appointment the Joint Administrators considered the information acquired in the course of appraising and realising the business and assets of the Company together with information provided by the Company's directors and its creditors, to identify any further possible realisations for the estate and what further investigations, if any, might be appropriate.

6 2 That assessment identified that further realisations may be possible and additional investigations were required. In short, on reviewing the Company's financial affairs the Joint Administrators discovered that a number of significant payments were made from the Company's bank account to a connected party in the period from 4 August 2014 to 8 January 2016. The Joint Administrators consider that these payments were not in the best interests of the Company and have taken advice in regard to restoring the Company to the position it would have been in had the payments not have been made.

6 3 Please note that the investigations are currently ongoing and it is not considered appropriate to provide full details of those investigations at this time. Full details will however be provided in future reports once our investigations have been completed.

6 4 Regardless of the above, the Joint Administrators have complied with their statutory obligations under the Company Directors Disqualification Act 1986 and the appropriate report has been submitted to the relevant authority.

7 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

Pre-Administration Costs

7 1 On 30 March 2016, the general body of creditors consented to the following pre-administration costs and expenses being paid as an expense of the administration

Charged by	Services provided	Total amount charged £	Amount paid £	Amount unpaid £
LCBSG	Advice to the Company and secured creditors and considering whether an administration purpose could be achieved	20,340	20,340	20,340
CAM	Stock take and valuation of physical assets	1,500	1,500	1,500
CRM	Assessment of debtor ledger	2,500	2,500	2,500
Turner Parkinson LLP	Dealing with appointment papers	3,048	3,048	3,048
	TOTAL	27,388	27,388	27,388

Those costs above that are shown as having been paid are detailed in the receipts and payments account attached at Appendix B

Joint Administrators' Remuneration

7 2 On 30 March 2016, the general body of creditors also agreed that the basis of the Joint Administrators' remuneration be fixed by reference to time properly spent by them and their staff in attending to matters arising from the administration up to a value of £179,452. Approval was also received to draw category 2 disbursements as detailed at Appendix D

7 3 The time charged by the Joint Administrators for the period of this report amounts to £165,465. This represents 481.8 hours at an average rate of £343.43 per hour. Attached at Appendix C is a time analysis which provides details of the activity costs incurred by staff grade during this period, along with a description of the work done by the Joint Administrators and their staff in respect of which the time has been charged. Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded from <http://www.leonardcurtis.co.uk/resources/creditorsguides>. If you would prefer this to be sent to you in hard copy please contact Carl Lever of this office on 0161 831 9999.

7 4 Work undertaken by the Joint Administrators during the period of this report included, but was not limited to

- Conducting regular reviews of the case file to ensure all matters were being progressed,
- Preparation and distribution of the letter enclosing details of the appointment of the Joint Administrators,
- Liaising with CRM and RBSIF in regards to the recovery of the Company's debtor ledger,
- Liaising with credit insurers and completion of credit insurance forms for creditors,
- Banking funds received and paying agent invoices,
- Liaising with the Company's solicitors in relation to the claims brought against the Company by Cisco,
- Corresponding with Cisco and liaising with CAM to identify goods that may be subject to the claims brought against the Company,
- Attendance at the Company's trading premises and orchestrating an inspection of the Company's stock by Cisco,
- Reviewing the Company's financial affairs,
- Preparation of periodic estimated outcome statements,

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- Liaising with Cisco and receiving consent to sell products authorised in the EEA,
- Conducting initial investigations into the Company's affairs and records to identify the possibility of further realisations,
- Managing the debt collection process which included retaining the Company's financial controller for a short period following administration,
- Arranging for the appropriate IT services to be maintained in order to facilitate the debt collection process,
- Monitoring payments from Sol and Nujack following a sale of the stock,
- Reviewing the loan account position and issuing letters to the directors which constituted a formal demand for payment,
- Submitting the required report to the Department of Business, Skills and Innovation in relation to the directors' conduct,
- Meeting with the directors in relation to repayment of their loan accounts,
- Conducting a further review of the loan accounts in light of additional information supplied,
- Reviewing the Company's tax position and instructing WPCA to investigate any relief that may be claimed by the Company,
- Periodic updates to RBSIF in respect of book debt collections and the progress of the administration,
- Reconciling the cash at bank position and paying applicable amounts RBSIF in respect of book debts subject to its fixed charge,
- Preparation of the Joint Administrators Report and Statement of Proposals and distribution of the same,
- Distributing notice of the approval of the Joint Administrators proposals, and
- Collection and review of the Company's books and records

7.5 Administrators' fees drawn to date in respect of these time costs total £109,660 plus VAT

Joint Administrators Disbursements

7.6 The following Category 1 and Category 2 disbursements have been incurred on the case since appointment

Category 1 disbursements

Charged by	Services provided	Total amount pd by LC	Amount recovered from case	Amount still to be recovered from case
		£	£	£
Auctus Limited	Storage	493 90	456 37	37 53
AUA Insolvency Risk Services	Bordereau	400 00	400 00	-
Courts Advertising	Statutory advertising	159 30	159 30	-
Pelstar Computing	Software Licence	87 00	87 00	-
Sundry Expenses	LCBSG	18 10	18 10	-
Pelstar Limited	Document Upload	14 00	14 00	-
Business Tax Centre	AML searches	10 00	10 00	-
Companies House	Company search	3 00	3 00	-
		<u>1,185 30</u>	<u>1,147 77</u>	<u>37 53</u>

Category 2 disbursements

Charged by	Services provided	Total amount pd by LC	Amount recovered from case	Amount still to be recovered from case
		£	£	£
Employee	Mileage @45p / mile	<u>9 23</u>	<u>9 23</u>	<u>-</u>

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Expenses of the Administration

7.7 The Joint Administrators have also incurred expenses during the period of this report. These expenses are detailed in the table below, which also indicates whether these expenses have yet been paid from the case funds.

Nature of expenses	By whom provided	Total amount incurred to date £	Amount paid £	Amount unpaid £
Agents' fees	CAM	11,000 00	11,000 00	-
Wages & Salaries	Retained Staff	6,082 74	6,082 74	-
Agents' fees	CRM	10,000 00	5,000 00	5,000 00
Accountants' Fees	WPCA	1,775 00	-	1,775 00
Agents' fees	EK Employment Consultants Limited	776 00	776 00	-
Legal fees and disbursements	Turner Parkinson LLP	662 50	662 50	-
Internet Services	Zen Internet Limited	106 50	106 50	-
Bank Charges	Allied Irish Bank	22 50	22 50	-
TOTAL		30,425 24	23,650 24	6,775 00

CAM

The work undertaken by CAM during the period of this report includes

- Supervising the inspection undertaken by Cisco,
- Securing the Company's stock and other tangible assets,
- Extracting information from the Company's servers to assist with ongoing investigations,
- Negotiating private treaty sales of the Company's assets to Nujack and Sol,
- Providing recommendation that the offers received from Nujack and Sol be accepted

CAM's fees in this matter totalling £11,000 plus VAT have been paid in full.

CRM

The work undertaken by CRM in collection of the ledger includes

- Distribution of disclosure letters to all debtors,
- Telephone correspondence with a number of debtors,
- Provision of statements and supporting documentation when debts have been disputed,
- Ongoing and continued assistance to the Joint Administrators with dispute resolution,
- Negotiation with key debtors to recover aged balances, and
- Working closely with the Financial Controller to maximise debtor realisations

CRM's fees totalling £5,000 plus VAT in assisting with the debt collection process have been paid. The remainder is anticipated to be paid shortly.

Retained Staff

As detailed at 4.2 and 4.10 above, the Joint Administrators retained the Company's former Financial Controller for a period of 2 months following the appointment to assist with the debt collection process. The Joint Administrators subsequently made wage and salary payments to the retained staff totalling £6,082.74.

WPCA

Shortly following their appointment the Joint Administrators sent notice to the directors requesting repayment of their outstanding loan account. The directors subsequently disputed the amounts claimed by the directors. WPCA was instructed to reconcile the loan account position and to advise on the true value of each claim. WPCA has reviewed the Company's historic loan account positions and liaised with the directors in relation to items charged against the loan account.

In addition to the above, WPCA has provided payroll and accountancy services to the Joint Administrators in respect of the retention of the Financial Controller. Furthermore, WPCA has distributed P45 forms to former members of staff and has completed a P11(d) form on behalf of the Joint Administrators.

WPCA has incurred costs totalling £1,775 plus VAT during the period of this report which remain outstanding.

Turner Parkinson LLP ("TP")

TP have incurred costs following the Joint Administrators appointment which are understood to be related to claims brought against the Company by Cisco. TP's charges of £662.50 plus VAT have been paid in full.

EK Employment Consultants Limited ("EK")

EK was instructed to provide assistance with the submission of employee redundancy claims to The Redundancy Payments Service. EK's charges of £776 plus VAT have been paid in full.

- 7.8 Attached at Appendix D is additional information in relation to the firm's policy on staffing, the use of sub-contractors, disbursements and details of our current charge-out rates by staff grade.
- 7.9 Unsecured creditors whose debts amount to at least 5% of the total value of the unsecured claims, or any secured creditor, may request further information regarding remuneration or expenses (other than pre administration costs) by submitting their written requests before 7 September 2016.
- 7.10 In addition, unsecured creditors whose debts amount to at least 10% of the total value of the unsecured claims, or any secured creditor, may apply to court, if they believe the remuneration charged or expenses incurred by the Joint Administrators to be excessive or the basis fixed for the Joint Administrators' remuneration to be inappropriate. Any application should be made within 8 weeks of receipt of this report.

8 ESTIMATED OUTCOME FOR CREDITORS

8.1 Secured Creditors

RBSIF

RBSIF holds security by way of a fixed and floating charge over the Company's assets created on 22 December 2004. RBSIF provided an invoice finance facility to the Company. The Company held debtor ledgers in three denominated currencies. The outstanding financed debtor ledger on our appointment totalled approximately £222,175, subject to currency conversions. Of this amount £218,028 was approved for funding.

The Company's indebtedness to RBSIF on our appointment was £157,534 (subject to currency conversions)

Financed debtor collections to date total £159,264.80 and this has been used to discharge part of the Company's indebtedness to RBSIF. As detailed above, no further collections are anticipated and there is likely to be a shortfall to RBSIF totalling £2,304.53

A further distribution may be made available to RBSIF under its floating charge security, although this will be dependent on the level of future realisations

RBS

RBS holds security by way of a debenture incorporating a fixed and floating charge over the Company's assets created on 26 August 2005. The Company's bank accounts were in credit on our appointment. As such, no claim was anticipated to be received from RBS during the administration, and no claim has been received to date

8.2 Preferential Claims

The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay. On our appointment, the majority of the Company's 26 employees were made redundant. The employees had claims for outstanding wages and holiday pay.

As detailed above, the Joint Administrators retained the employment of the Company's Financial Controller for a period of two months to facilitate book debt collections. The Financial Controller was subsequently made redundant by the Joint Administrators.

A preferential claim has been received from the Redundancy Payments Service totalling £8,789.61. The Joint Administrators have instructed EK Employment Consultants to review this claim and to advise upon any residual amounts owed to individual preferential creditors.

It is anticipated that a preferential creditors will be repaid in full shortly.

8.3 Prescribed Part

The Insolvency Act 1986 provides that, where a company has created a floating charge after 15 September 2003, the administrator must make a prescribed part of the company's net property available to the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

It is anticipated that a prescribed part distribution may be made available to unsecured creditors in this instance, although this will be dependent on the level future realisations.

8.4 Unsecured Non-Preferential Claims

A distribution to unsecured creditors, in addition to any prescribed part that is made available, will be dependent on the outcome of the Joint Administrators investigations in this matter and the realisation of the Company's remaining assets detailed at 4 and 5 above.

If you have not already done so, please submit details of your claim to my office. A statement of claim form is attached at Appendix E.

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9 EXTENSIONS TO THE ADMINISTRATION

- 9.1 The appointment of administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment
- 9.2 In certain circumstances it may be necessary to extend the Joint Administrators' term of office. In the circumstances of this case, this may be done for a specified period not exceeding twelve months with the consent of
- Each secured creditor of the Company, and
 - Unsecured creditors whose debts amount to more than 50% of the Company's unsecured debts, disregarding debts of any creditor who does not respond to an invitation to give or withhold consent
- 9.3 The appropriate body of creditors will be contacted in due course should an extension be required

10 NEXT REPORT

- 10.1 The Joint Administrators are required to provide a progress report within one month of the end of the next six months of the administration or earlier if the administration has been finalised

If you wish to discuss the issues raised in this report or require any additional information please contact this office

Yours faithfully,
For and on behalf of
GEN-X IT LTD



A POXON
JOINT ADMINISTRATOR

Licensed in the UK by the Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company without personal liability

SUMMARY OF JOINT ADMINISTRATORS' PROPOSALS

It is proposed that

- 1 The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration
- 2 If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company
- 3 If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors Voluntary Liquidation. It is further proposed that K G Murphy and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved.
- 4 Alternatively, if appropriate, the Joint Administrators apply to Court under Para 65 (3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration.
- 5 In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved.
- 6 The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company.
- 7 The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that K G Murphy and/or A Poxon be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them.
- 8 The Joint Administrators shall do all such other things and generally exercise all of his powers as contained in Schedule 1 of the Insolvency Act 1986, as he considers desirable or expedient to achieve the statutory purpose of the Administration.

SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT FOR THE PERIOD FROM
20 JANUARY 2016 TO 19 JULY 2016

	Statement of Affairs	Received / Paid by RBSIF	Received / Paid by Joint Administrators	Cumulative
	£	£	£	£
RECEIPTS				
Book Debts	157,534	151,824 80	7,440 00	159,264 80
Cash at Bank and in Hand	234,387	-	242,060 29	242,060 29
Stock	38,000	-	39,000 00	39,000 00
Office & IT Equipment	2,500	-	2,500 00	2,500 00
Corporation Tax Refund	Uncertain	-	-	-
Directors' Loan Accounts	Uncertain	-	-	-
Insurance Claim	126	-	125 76	125 76
Refund of prepayments	-	-	34 20	34 20
Bank Interest	-	-	20 57	20 57
	<u>432,547</u>	<u>151,824 80</u>	<u>291,180 82</u>	<u>443,005 62</u>
PAYMENTS				
Pre-appointment fee	-	-	(20,340 00)	(20,340 00)
Pre-appointment legal fee – Turner Parkinson	-	-	(3,048 00)	(3,048 00)
Pre-appointment Agents' fee – CAM	-	-	(1,500 00)	(1,500 00)
Pre-appointment Agents' fee - CRM	-	-	(2,500 00)	(2,500 00)
Category 1 disbursements	-	-	(1,147 77)	(1,147 77)
Category 2 disbursements	-	-	(9 23)	(9 23)
Joint Administrators' remuneration	-	-	(109,660 00)	(109,660 00)
Post-appointment agents' fees – CAM	-	-	(11,000 00)	(11,000 00)
Wages & Salaries	-	-	(6,082 74)	(6,082 74)
Post-appointment agent's fees – CRM	-	-	(5,000 00)	(5,000 00)
Post-appointment agents' fees – EK Employment Law	-	-	(776 00)	(776 00)
Post-appointment legal fees and disbursements – Turner Parkinson	-	-	(662 50)	(662 50)
Internet Services	-	-	(106 50)	(106 50)
Bank Charges	-	-	(22 50)	(22 50)
	-	-	<u>(161,855 24)</u>	<u>(161,855 24)</u>
DISTRIBUTIONS				
RBSIF	-	(151,264 80)	(7,440 00)	(159,264 80)
BALANCE IN HAND				
	-	-	<u>121,885 58</u>	<u>121,885 58</u>

SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS FOR THE PERIOD
FROM 20 JANUARY 2016 TO 19 JULY 2016

	Director		Senior Manager		Manager 1		Manager 2		Administrator 1		Administrator 2		Administrator 3		Administrator 4		Total		Average
	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Units	Cost	Hourly Rate
	£		£		£		£		£		£		£		£		£		£
Statutory & Review	24	1 080 00	2	82 00			5	160 00	35	910 00	173	3 979 00					239	6 211 00	259 87
Receipts & Payments									28	728 00	47	1 081 00			65	975 00	140	2 784 00	198 86
Insurance	8	360 00							5	130 00	11	253 00					24	743 00	309 58
Assets	852	38 340 00			52	1 898 00	35	1 120 00	81	2 106 00	192	4 416 00			4	60 00	1 216	47 940 00	394 24
Liabilities	409	18 405 00					153	4 896 00	141	3 666 00	216	4 968 00			74	1 110 00	993	33 045 00	332 78
Landlords							5	160 00			7	161 00					12	321 00	267 50
Debtenture Holder	41	1 845 00					10	320 00			2	46 00					53	2 211 00	417 17
General Administration	66	2 970 00					50	1 600 00	29	754 00	45	1 035 00	8	168 00	402	6 030 00	600	12 557 00	209 28
Appointment	17	765 00					15	480 00	47	1 222 00							79	2 487 00	312 28
Planning & Strategy	27	1 215 00									11	253 00					38	1 468 00	386 32
Post Appointment Creds Mtngs	297	13 365 00					140	4 480 00	115	2 990 00	48	1 104 00					600	21 939 00	365 85
Investigations	527	23 715 00					105	3 360 00			88	2 024 00					720	29 099 00	404 15
LEGAL SERV Preparation	84	3 780 00															84	3 780 00	450 00
LEGAL SERV Attendance	10	450 00															10	450 00	450 00
LEGAL SERV Research	10	450 00															10	450 00	450 00
Total	2 372	106 740 00	2	82 00	52	1 898 00	518	16 576 00	481	12 506 00	840	19 320 00	8	168 00	545	8 175 00	4 818	185 485 00	
Average Hourly Rate (£)	450 00		410 00		365 00		320 00		260 00		230 00		210 00		150 00			343 43	

All Units are 6 minutes

DESCRIPTION OF TIME SPENT BY CATEGORY

Statutory & Review

LCBSG's Compliance Department have spent time during the period of this report reviewing the Joint Administrators' case files. This involved reviewing all correspondence, statutory documentation, creditor claims, asset realisations and procedures undertaken by the Joint Administrators before and upon their appointment. A report was subsequently produced which contained recommendations to ensure that all matters were being progressed and statutory requirements were continued to be met. Time was subsequently spent reviewing the outcome of the report and conducting work recommended by the Compliance department.

Time recorded to this category also includes case planning. This involved a number of internal meetings in order to ensure that the purpose of the administration was being achieved and that the actions taken by the Joint Administrators were in accordance with the duty to act in the interest of the company, its creditors and stakeholders.

The Joint Administrators are required to submit a report on the director's conduct to the Department of Business, Innovation and Skills ("DBIS"). During the period of this report, the Joint Administrators have spent a significant amount of time reviewing and appraising the Company's financial information in addition to that obtained from the Company's creditors. A detailed note on the investigations undertaken has been produced, in addition to the preparation of the Joint Administrators report to DBIS.

Additionally, time recorded to this category also includes the submission of all statutory documentation with the appropriate entities including the Registrar of Companies and the Court.

Receipts & Payments

Time allocated to this category involved the preparation and review of periodic estimated outcome statements which have been used to monitor the progress of asset realisations and the administration generally. In order to produce the appropriate information, it has been necessary to spend time liaising with third party agents in respect of time incurred in assisting the Joint Administrators in this matter. In addition, time has also been spent reviewing invoices submitted by agents instructed by the Joint Administrators and negotiating the level of costs charged to the Company in administration.

Time has also been spent reconciling the case account and preparing periodic estimated outcome statements for the benefit of RBSIF.

Insurance

Time has been spent arranging for insurance on the Company's remaining stock which was held at two different premises. This also includes time spent conducting periodic bordereau reviews to ensure that the correct level of cover has been obtained.

Assets

The Company has a number of assets. A significant amount of time has been spent during the period of this report realising assets for the benefit of the Company's creditors. Time recorded to this category involved

Debts Subject to RBSIF

- Realising debts subject to the invoice discounting facility with RBSIF,
- Liaising with RBSIF in regard to the level of its debt,
- Monitoring the progress of book debt collections,
- Reviewing the level of currency conversions,

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- Providing instruction to CRM to assist with a debt collection exercise,
- Reviewing the indicative reports produced by CRM,
- Consideration to the purpose of the administration in light of the debt collection and subsequent reduction of the Company's indebtedness to RBSIF,
- Liaising with the Netherlands police in relation to an alleged fraud that the Company has been victim, and
- Retaining the Company's financial controller to assist with debt recovery

Cash at Bank

- Liaising with RBS in relation to the credit balance in the Company's three bank accounts,
- Monitoring post administration receipts into the account, and
- Arranging the transfer of balances received into Leonard Curtis' client account prior to the appointment into the case account

Stock

- Time has been spent liaising with Cisco in relation to claims for trade mark infringement and use of counterfeit goods,
- Meetings with the Company's directors in relation to Cisco's claim,
- Supervising an inspection by Cisco of stock branded in its name
- Liaising with CAM in relation to the sale of the Company's stock, and
- Reviewing CAM's recommendation to accept the offer from the connected parties to the Company

Office & IT Equipment

- Consideration of the offer made by Sol to purchase the Company's office and IT equipment,
- Liaising with CAM in relation to the offer, and
- Reviewing CAM's recommendation to accept the offer

Directors' Loan Accounts

- Reviewing the Company's financial records in relation to the two outstanding balances owed by each director to the Company,
- Meetings with each director to discuss the outstanding balances,
- Preparation and distribution of a letter constituting formal demand for payment,
- Instructing WPCA to reconcile each account,
- Requesting asset and liability statements from each director, and
- Assessing the director's personal position and ability to repay the Company

Corporation Tax

- During the period of this report, the Joint Administrators conducted a review of the Company's financial affairs. It was apparent following that review that the Company had paid tax on its profits in the three years preceding the administration. The Joint Administrators have spent time liaising the Company's accountant, WPCA in relation to the preparation of an application for tax relief in light of the administration

Liabilities

Time has been spent liaising with RBSIF in relation to the reduction of its debt through collections. This has included reviewing reports produced by CRM in relation to the indicative outcome for the debtor ledger and updating RBSIF accordingly.

In light of the claims made by Cisco, a significant amount of time has been spent reviewing the allegations and associated evidence. The Joint Administrators have subsequently sought legal advice in regard to the Company's

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position and the claims brought against it. Time has been spent preparing responses to requests made by Cisco to review the Company's stock, and time has been spent supervising visits by Cisco to categorise stock.

Time recorded to this category also includes time spent liaising with all class of creditor regarding their claims which includes telephone calls, general correspondence and creditor meetings. Time was also spent in relation to Retention of Title claims.

Landlords

Time has been spent during the period of this report liaising with the Company's landlord in relation to the continued occupation of the Company's trading premises for the purpose of the debt collection exercise. This included correspondence and telephone calls with the Landlord and arranging for the continued supply of internet and services to the property.

Debenture Holder

Time has been spent liaising with the secured creditor, RBSIF and notifying them of our appointment and keeping them apprised of the progress of the administration. This has included time spent confirming the Company's indebtedness to RBIF and monitoring the reduction of the Company's indebtedness in regard its invoice discounting facility.

General Administration

This involved notifying creditors and all relevant parties of our appointment as Administrators in line with statutory requirements. This also includes time spent dealing with various other administrative appointment formalities such as the formulation and distribution of the paragraph 49 report to creditors, various correspondence with unsecured creditors as well as the completion of various other mandatory statutory duties.

Appointment

This involved notifying creditors and all relevant parties of our appointment as Joint Administrators in line with statutory requirements.

Planning & Strategy

Time has been spent during the period of this report reviewing the purpose of the administration in line with the progress made. This included internal staff meetings to discuss the prospects of further realisations and the information ascertained as a result of the Joint Administrators investigations.

Post Appointment Creds Meetings

Time has been spent drafting the Joint Administrators report and statement of proposals to creditors, in addition to the preparation of the periodic report to creditors.

Investigations

This has involved gathering information and reviewing the Company's records for the preparation of the estimated financial position. Time has been spent conducting investigations into the Company's affairs and to payments made to a connected party within the two years preceding the Company entering into administration. The investigations undertaken involved reviewing the collection and inventory of the Company's books and records. Given the size and nature of the Company, a substantial quantity of records were retrieved from the Company.

This further included reviewing the reviewing the Company's SAGE records and bank accounts. In light of the information obtained, the Joint Administrators have spent time receiving legal advice in regard to potential action the Joint Administrators may have in relation to a number of payments made to a connected party.

On submission of the Joint Administrators' report on the directors conduct, time has been incurred liaising with DBIS in relation to the report provided and the supply of additional information.

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The Joint Administrators understand that the Company has been the victim of fraud. Time has been spent corresponding with the Netherlands police in relation to the potential prosecution of a suspect in relation to the fraud and the prospective of a financial benefit to the Company in relation to those proceedings.

Legal Services – Preparation

This involved LCBSG's internal legal counsel preparing responses in relation to allegations made prior to the appointment of the Joint Administrators in relation to the use of counterfeit goods and parallel import.

Legal Services – Attendance

Time was spent by LCBSG's internal legal counsel attending staff meetings and external meetings in relation to allegations made against the Company in relation to the use of counterfeit goods and parallel import.

Legal Services - Research

This involved LCBSG's internal legal counsel researching the legal position in relation to allegations made against the Company detailed in the body of the report.

ADDITIONAL INFORMATION IN RELATION TO THE POLICY OF LCBSG REGARDING FEES AND DISBURSEMENTS

The following information relating to the policy of LCBSG is considered to be relevant to creditors

Staff Allocation and Support Staff

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution of the secured creditors, a creditors' committee or creditors generally, that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rate given below.

With effect from 6 January 2014 the following hourly charge out rates apply to all assignments undertaken by LCBSG

With effect from 6 Jan 2014	Standard £
Director	450
Senior Manager	410
Manager 1	365
Manager 2	320
Administrator 1	260
Administrator 2	230
Administrator 3	210
Administrator 4	150
Support	0

Subcontractors

Details and the cost of any work which has been or is intended to be sub-contracted out that could otherwise be carried out by the office holders or their staff will be provided in any report which incorporates a request for approval of the basis upon which remuneration may be charged.

Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements. The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

- a) Category 1 disbursements. These are costs where there is specific expenditure directly referable both to 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 office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) 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. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£66.09 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.

STATEMENT OF CLAIM FORM

Date of administration order. 20 January 2016

Name of creditor: _____

Address of creditor: _____

Gross amount of claim:
(i.e. including VAT) _____

Amount of VAT _____

Details of any document by
reference to which the debt can be
substantiated:
(e.g. invoices) _____

Particulars of how and when debt
incurred: _____

Particulars of any security held, the
value of the security and the date it
was given: _____

Signature of creditor or person
authorised to act on his behalf. _____

Name in BLOCK CAPITALS: _____

Position with or relation to creditor _____