

The Insolvency Act 1986

# Administrator's progress report

# 2.24B

Name of Company
GEN-X IT LTD

Company number
04480097

In the High Court of Justice, Chancery Division Manchester District Registry
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Court case number
2030 of 2016

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

We (a) K G Murphy & A 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 July 2016

to
(b) 12 December 2016

Signed   
Joint Administrators

Dated 12 January 2017

### 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

you have completed and signed this form please send it to the Registrar of Companies at Companies

Crown Way, Cardiff, CF14 3UZ

DX 33050 Cardiff



A24 \*A5Y1LA4Q\* #210  
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COMPANIES HOUSE



**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' second progress report in accordance  
with Rule 2.47 of the Insolvency Rules 1986**

**Report period 20 July 2016 to 12 December 2016**

**11 January 2017**

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

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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NOT FOR PUBLICATION**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 July 2016 to 12 December 2016. This is the Joint Administrators' second progress report to creditors.

1.2 Much of the information contained in this report encompasses the whole period of the Administration. Please be aware, however, that where reference is made to "the period of this report", this specifically means 20 July 2016 to 12 December 2016, being the period since the last progress report.

**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.

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- 3.3 There have been no major amendments to, or deviations from, the proposals during the course of the administration to date
- 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 made during 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 July 2016 to 12 December 2016, and cumulative to 12 December 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

It was initially 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. No further realisations have been made from the remaining ledger during the period of this report and CRM do not anticipate that future collections will be sufficient to discharge the shortfall to RBSIF

**4.3 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, Wngley 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 once a response has been received from HMRC.

**4.4 Directors' Loan Accounts**

A review of the Company's financial affairs highlighted an outstanding balance 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 c£45k respectively. Following receipt of the reconciliation prepared by WPCA 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.

During the period of this report the Joint Administrators have assessed the information provided by the directors in relation to their personal assets. Following that assessment a meeting was held with the directors on 18 August 2016. Both directors subsequently advised that they were not in a position to satisfy the amounts owed to the Company. Given their respective financial positions each director offered to pay £10,000 each to settle their loan account.

In consideration of the offer received the Joint Administrators assessed the likely cost and outcome of issuing bankruptcy proceedings against each director. It was subsequently concluded that given the level of the directors' assets in comparison to their liabilities, bankruptcy proceedings would be unlikely to result in a materially better outcome to the administration estate than the offers received.

In light of the above, the Joint Administrators accepted the settlement offers, subject to the receipt of payment by 2 December 2016.

I can confirm that to date, Kelley Stewart has paid £10k and Alan Gould has paid £6k. Confirmation of the receipt of the outstanding settlement balance from Alan Gould will be confirmed in due course.

**4.5 Bank Interest**

Bank interest in the sum of £84.29 has been accrued during the period of this report for the benefit of the administration estate.

**5 ASSETS STILL TO BE REALISED**

5.1 The assets still to be realised in this matter are detailed at section 4 above.

**6 INVESTIGATIONS**

- 6.1 As previously reported, 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 In order to facilitate a full investigation into the Company's affairs and the transactions detailed at 6.2 above, the Joint Administrators consider it necessary to extend the Joint Administrators' term of office for a period of 12 months. In the circumstances of this case, we require the consent of the general body of creditors to this extension. Further details of the request to the extension can be found at section 10 of this report
- 6.5 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	-
Cerberus Asset Management ("CAM")	Stock take and valuation of physical assets	1,500	1,500	-
CRM	Assessment of debtor ledger	2,500	2,500	-
Turner Parkinson LLP	Dealing with appointment papers	3,048	3,048	-
<b>TOTAL</b>		<b>27,388</b>	<b>27,388</b>	<b>-</b>

- 7.2 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**

7.3 On 30 March 2016, the general body of creditors 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 Joint Administration up to a value of £179,452. Approval was also received to draw category 2 disbursements as detailed at Appendix F.

7.4 The Joint Administrators' time costs are summarised below:

	Hours No	Rate / hr £	Total value of time £
Time previously reported	481.8	343.43	165,465.00
Time incurred in the period of this report	107.0	297.78	31,862.50
<b>Total Joint Administrators' time costs</b>	<b>588.8</b>	<b>335.14</b>	<b>197,327.50</b>

7.5 The time charged by the Joint Administrators' for the period to 12 December 2016 amounts to £31,862.50. This represents 107 hours at an average rate of £335.14 per hour. Please note that the time costs disclosed in the original version of this report issued on 12 December 2016 included time incurred up to 23 November 2016. This section and Appendix C have now been updated to reflect time incurred up to 12 December 2016.

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.

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

- Corresponding with Police in Amsterdam in relation to an alleged fraud which the Company may have been victim to,
- Reviewing the Company's books and records in relation to the alleged fraud being investigated by Amsterdam police,
- Preparation of the Joint Administrators first progress report to creditors which involved various grades of staff reviewing the report and making amendments where necessary prior to its distribution to the creditors, directors and the Registrar of Companies,
- Email and telephone correspondence with a number of unsecured creditors in relation to the prospect, timing and quantum of a dividend in this matter,
- Billing the Joint Administrators remuneration in line with the agreed fee estimate. This involved reviewing the fee estimate, raising of various invoices, posting remuneration taken on the Joint Administrators' receipts and payments account and allocating VAT as appropriate,
- Meeting with the directors to discuss their proposals for repayment of their outstanding loan accounts,
- Reviewing documentation provided by the directors in dispute of their loan account,
- Investigating the directors' personal financial position for the purpose of assessing each directors' ability to repay amounts due to the Company,
- Internal strategy meetings with Leonard Curtis' in house counsel in relation to claims brought against the Company by a major creditor and assessing the validity of those claims,
- Various correspondence with the Company's major creditor in relation to proceedings in which the Company is a defendant,
- Meeting with the major creditor and supervising access to certain records of the Company for the purpose of proceedings instigated by the creditor against the Company and its directors,
- Preparing and responding as appropriate to requests by the Company's major creditor in relation to requests for access to the Company's email servers,



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- Liaising with the major creditor in relation to providing assistance in regard to litigation and disclosure of the Company's records,
- Attending the storage facility in which the Company's books and records are kept and preparing certain records for review by the major creditor and the directors' solicitor,
- Preparing an inventory of the records made available for review by the major creditor and the directors' solicitor,
- Submission of a VAT 7 – VAT Deregistration form to remove the Company from the VAT register,
- Preparation and submission of VAT returns to reclaim amounts available to the Company,
- Correspondence with a hire purchase creditor in relation to the collection of goods,
- Attendance and supervision of access to the Company's books and records by the Company's major creditor,
- Correspondence with the major creditor in relation to the outcome of the review of the records,
- Liaising with the Company's directors in relation to obtaining the correct and up to date address information,
- Preparation of telephone notes recording correspondence with the Company's major creditor,
- Liaising with the Redundancy Payments Service and obtaining a proof of debt form in respect of preferential claims,
- Instructing EK Employment Consultants to calculate the residual preferential claim for the purpose of a distribution to preferential creditors,

7.7 Joint Administrators' fees drawn to date in respect of these time costs total £179,452 plus VAT

### 7.8 Joint Administrators' Disbursements

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 paid by LC	Amount recovered from case	Amount still to be recovered from case
		£	£	£
Auctus Limited	Storage	1,375 30	1,000 36	374 94
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	28 00	28 00	-
Business Tax Centre	AML searches	10 00	10 00	-
Land Registry	Property search	3 00	3 00	-
Companies House	Company search	3 00	3 00	-
		<u>2,083 70</u>	<u>1,708 76</u>	<u>374 94</u>

**Category 2 disbursements**

Charged by	Services provided	Total amount paid by LC	Amount recovered from case	Amount still to be recovered from case
		£	£	£
Leonard Curtis	Employee / Mileage	9 23	9 23	-
		<u>9 23</u>	<u>9 23</u>	<u>-</u>

**7 9 Expenses of the Administration**

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	Amount incurred this period	Total amount incurred to date	Amount paid	Amount unpaid
		£	£	£	£
Agents' Fees	CAM	-	11,000 00	11,000 00	-
Debt Collection Fees	CRM	-	5,000 00	5,000 00	-
Wages & Salaries	Former Financial Controller	-	6,082 74	6,082 74	-
Accountancy Fees	Wngley Partington Accountants	-	1,775 00	1,775 00	-
Agents' Fees	EK Employment Law	280 00	1,056 00	1,056 00	-
Solicitors' Fees	Turner Parkinson	-	662 50	662 50	-
Internet Services	Zen Internet	-	106 50	106 50	-
Bank Charges	AIB	-	22 50	22 50	-
<b>TOTAL</b>		<u>280 00</u>	<u>25,705 24</u>	<u>25,705 24</u>	<u>-</u>

**EK Employment Consultants Limited ("EK")**

EK was instructed to provide assistance with the calculation of residual employee claims following payments from the National Insurance Fund to the Company's employees who were subject to statutory limits. EK's charges of £280 plus VAT have been paid in full.

**7 10 Joint Administrators Statement of Likely Expenses**

Creditors will recall that the Joint Administrators' have previously circulated a 'Statement of Likely Expenses' in this matter.

Expenses are separated into the following categories:

- (i) **Standard Expenses** this category includes expenses payable by virtue of the nature of the Administration process and / or payable in order to comply with legal or regulatory requirements.
- (ii) **Case Specific Expenses** this category includes expenses likely to be payable by the Joint Administrators in carrying out their duties in dealing with issues arising in a particular case. Also included within this

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category are costs that are directly referable to the administration but are not paid to an independent third party (and which may include an element of allocated costs)

These are known as “Category 2 disbursements” and are subject to the approval of the general body of Creditors. Creditors resolved to approve the basis of payment of Category 2 disbursements at the Meeting of Creditors held by correspondence on 30 March 2016

A copy of the Joint Administrators initial Statement of Likely Expenses, together with comparative details of expenses incurred during the current reporting period and confirmation as to whether those amounts are paid or unpaid is set out at Appendix D

You will note that, in general, the nature and value of expenses incurred to date are broadly in line with those anticipated within the original statement of expenses. It has however been necessary during the administration to incur some expenses which were not included within the original statement of expenses. In other cases we have also exceeded those amounts initially envisaged

A summary of those costs not anticipated and those that have been exceeded is provided below

Type	Description	Estimated Amount	Amount Incurred to Date	Amount Paid	Amount Unpaid
		£	£	£	£
Wages & Salaries	Collection of remaining debts	-	6,082 74	6,082 74	-
Service charge	Internet at premises	-	106 50	106 50	-
Administrators' Staff	Costs of Travel	10 60	18 10	18 10	-
Storage Costs	Storage of books and records	550 00	1,375 30	1,000 36	374 94
Property search	Land registry searches	-	3 00	3 00	-
		<u>560 60</u>	<u>7,585 64</u>	<u>7,210 70</u>	<u>374 94</u>

### Wages & Salaries

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 assistance of the Financial Controller as a number of doubtful and disputed debts have been collected which otherwise may have not. These costs were not included within the initial statement of likely expenses

### Service Charges

It was necessary to retain the Company's access to the internet during the period in which the Financial Controller assisted with the collection of the debtor ledger. The charges of £106 50 have been paid in full

### Storage Charges

The costs of storing and maintaining the Company's records have materially exceeded those initially anticipated. The reason for the increased costs is attributed to the investigations being undertaken in this matter. Throughout the administration, it has been necessary to attend, supervise and review the records on a number of occasions at the storage facility. Given the large quantity of records, the storage agent has charged the estate for the labour required to prepare the records for inspection

Whilst these charges were not initially anticipated, reviewing the records has been necessary to progress the investigations into the Company's affairs. Storage costs of £1,337.77 have been paid to date, with £76.31 remaining unpaid at the date of this report.

#### **Land Registry**

Charges of £3.00 have been incurred in obtaining a land registry search of the Directors' property. These costs were not initially envisaged, although were necessary in assessing the financial position of each director when considering the offer to settle each loan account. The costs have been discharged in full.

- 7.12 Attached at Appendix F 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.
- 7.13 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 2 February 2017.
- 7.14 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.

#### **The Royal Bank of Scotland ("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.

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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 instructed EK Employment Consultants to review this claim and to advise upon any residual amounts owed to individual preferential creditors. It is anticipated that 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.

The prospect of a prescribed part distribution to unsecured creditors is dependent on the level of future realisations.

### 8.4 Unsecured Non-Preferential Claims

A distribution to unsecured creditors, in addition to any prescribed part distribution 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 sections 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 F.

## 9 EXTENSION 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 becomes necessary to extend the Joint Administrators' term of office.

9.3 A one year extension to the administration is considered necessary to facilitate the recovery of the Company's remaining assets detailed at sections 4 and 5 above, and to pursue a recovery action arising from the result of the investigations into the Company's affairs.

9.4 On 6 January 2017, the Company's unsecured creditors granted the extension. A copy of the extension notice which has been filed at Companies House is attached at Appendix F.

9.5 The revised date at which the administration will come to an end is 20 January 2018. The Company will then move either to dissolution or to creditors' voluntary liquidation, as appropriate.

9.6 The Joint Administrators will be discharged from liability immediately upon their appointment as Administrators ceasing to have effect.

## 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.

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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 JULY 2016 TO 12 DECEMBER 2016, AND CUMULATIVE TO 12 DECEMBER 2016**

	Statement of Affairs	Amounts previously reported	This period	Cumulative
	£	£	£	£
<b>RECEIPTS</b>				
<b>Assets Specifically Pledged</b>				
Factored Book Debts	157,534	159,264 80	-	159,264 80
Less RBSIF	(157,534)	(159,264 80)	-	(159,264 80)
<b>Surplus / (Deficit) as regards RBSIF</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Assets Not Specifically Pledged</b>				
Surplus as regards RBSIF	-	-	-	-
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	-	16,000 00	16,000 00
Insurance Claim	126	125 76	-	125 76
Refund of prepayments	-	34 20	-	34 20
Bank Interest	-	20 57	63 72	84 29
	<b>275,013</b>	<b>283,740 82</b>	<b>16,063 72</b>	<b>299,804 54</b>
<b>PAYMENTS</b>				
<b>Agreed Pre-appointment Costs</b>				
Leonard Curtis		(20,340 00)	-	(20,340 00)
Turner Parkinson		(3,048 00)	-	(3,048 00)
CAM		(1,500 00)	-	(1,500 00)
CRM		(2,500 00)	-	(2,500 00)
		<b>(27,388 00)</b>	<b>-</b>	<b>(27,388 00)</b>
<b>Disbursements</b>				
Category 1 disbursements		(1,147 77)	(579 09)	(1,726 86)
Category 2 disbursements		(9 23)	-	(9 23)
		<b>(1,157 00)</b>	<b>(579 09)</b>	<b>(1,736 09)</b>
<b>Post Appointment Costs</b>				
Joint Administrators' remuneration		(109,660 00)	(69,792 00)	(179,452 00)
CAM		(11,000 00)	-	(11,000 00)
Wages & Salaries		(6,082 74)	-	(6,082 74)
CRM		(5,000 00)	-	(5,000 00)
Wngley Partington Accountants		-	(1,775 00)	(1,775 00)
EK Employment Law		(776 00)	(280 00)	(1,056 00)
Turner Parkinson		(662 50)	-	(662 50)
Internet Services		(106 50)	-	(106 50)
Bank Charges		(22 50)	-	(22 50)



**GEN-X IT LTD – IN ADMINISTRATION**

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	<u>(133,310 24)</u>	<u>(71,847 00)</u>	<u>(205,157 24)</u>
<b>BALANCE IN HAND</b>	<u>121,885 58</u>	<u>(56,362 37)</u>	<u>65,523 21</u>
<b>Represented by:</b>			
Cash at Bank			28,200 68
VAT Control Account			<u>37,322 53</u>
			<u>65,523 21</u>
<b>DISTRIBUTIONS BY CLASS OF CREDITOR</b>			
Secured Creditor - RBSIF	(159,264 80)	-	(159,264 80)
Preferential Creditors	-	-	-
Unsecured Creditors	-	-	-
	<u>(159,264 80)</u>	<u>-</u>	<u>(159,264 80)</u>

SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS FOR THE PERIOD  
FROM 20 JULY 2016 TO 12 DECEMBER 2016

	Director		Senior Manager		Manager 1		Manager 2		Administrator 2		Administrator 3		Administrator 4		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review			12	492.00					10	230.00			1	15.00	23	737.00	320.43
Receipts & Payments					3	109.50							7	105.00	10	214.50	214.50
Assets	44	1 980.00							50	1 150.00					94	3 130.00	332.98
Liabilities	161	7 245.00			8	292.00			76	1 748.00					245	9 285.00	378.98
Landlords													4	60.00	4	60.00	150.00
General Administration							20	640.00	55	1 265.00	27	567.00	83	1 245.00	185	3 717.00	200.92
Post Appointment Credits																	
Meetings	15	675.00							34	782.00					49	1 457.00	297.35
Investigations	25	1 125.00							109	2 507.00					134	3 632.00	271.04
LEGAL SERV Preparation	94	4 230.00											100	1 500.00	194	5 730.00	295.36
LEGAL SERV Attendance	30	1 350.00													30	1 350.00	450.00
LEGAL SERV Research	2	90.00											14	210.00	16	300.00	187.50
LEGAL SERV Drafting docs	20	900.00											43	645.00	63	1 545.00	245.24
LEGAL SERV Travel	12	540.00											11	165.00	23	705.00	306.52
<b>Total</b>	<b>403</b>	<b>18 135.00</b>	<b>12</b>	<b>492.00</b>	<b>11</b>	<b>401.50</b>	<b>20</b>	<b>640.00</b>	<b>334</b>	<b>7 682.00</b>	<b>27</b>	<b>567.00</b>	<b>263</b>	<b>3 945.00</b>	<b>1 070</b>	<b>31 862.50</b>	
<b>Average Hourly Rate (£)</b>	<b>450.00</b>		<b>410.00</b>		<b>365.00</b>		<b>320.00</b>		<b>230.00</b>		<b>210.00</b>		<b>150.00</b>		<b>297.78</b>		

All Units are 6 minutes

**DESCRIPTION OF TIME SPENT BY CATEGORY**

**Statutory & Review**

Time has been spent by Leonard Curtis' Compliance department reviewing requests made by the Joint Administrators to draw remuneration from estate funds. This involved reviewing the agreed fee estimate and ensuring that the appropriate authorisation had been received from the relevant classes of creditor.

**Receipts & Payments**

This includes time spent billing the estate for time properly incurred by the Joint Administrators. This also involved arranging payment of invoices from EK and WPCA.

**Assets**

The Joint Administrators have spent time arranging and attending meetings with the Directors to progress the recovery of the Directors' loan accounts. This includes reviewing evidence provided of each director's financial position and considering offers made by each director to settle their indebtedness with the Company.

A small amount of time has also been spent by a Director of Leonard Curtis reviewing the corporation tax position.

**Liabilities**

A large amount of time has been spent by the case administrator corresponding with all class of creditor. This includes advising a number of unsecured creditors of the dividend prospects and advising on the progress of the case generally. The case administrator has also spent time corresponding with EK in relation to the calculation of residual preferential claims over and above the amount paid by the National Insurance Fund.

A significant amount of time recorded to this code relates to internal staff meetings between the Joint Administrators and Leonard Curtis' legal department to prepare the necessary responses to action taken by one of the Company's creditors against the Company and the Directors. This includes conference calls and meetings with said creditor and their legal advisors, and supervising the creditor's access to the Company's books and records.

During this period, time has been spent preparing, reviewing and distributing the Joint Administrators' First Progress Report. This involved the preparation of the report by the case administrator, review by the case manager and the Joint Administrators. Time was spent amending the report prior to its distribution by Leonard Curtis support staff.

The case administrator has also recorded time to this category of asset in dealing with the claim of a hire purchase creditor.

**Landlords**

Time has been spent by the Joint Administrators staff reviewing the Directors' financial position and obtaining information from the land registry in respect of property owned by the Directors.

**General Administration**

Time recorded to this category includes

- Liaising with the Directors' solicitor and arranging and supervising access to the Company's books and records,
- Arranging and supervising access to the Company's records by one of the Company's creditors,
- Updating the Joint Administrators' internal records with up-to-date details for the directors,
- Reviewing emails in relation to a request to obtain access to the Company's email server,

## **GEN-X IT LTD – IN ADMINISTRATION**

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- Making amendments and formatting the Joint Administrators' first progress report to creditors, and
- Reviewing amended claims by creditors

### **Post Appointment Creditors' Meeting**

The case administrators has recorded time to the this category of asset which is related to the preparation of the Joint Administrators' First Progress Report and making amendments to that report

### **Investigations**

Time recorded to this category included correspondence with Amsterdam Police in relation to the Company being the alleged victim of fraud

A substantial amount of time has also been spent attending the site at which the Company's records are held and supervising the inspection of those records by one of the Company's creditors. This included arranging a suitable date with the storage agent and correspondence with the litigating creditor

This also includes time spent complying with the requirements of the Bribery Act

### **Legal Services – Preparation**

Time recorded to this category of asset by Leonard Curtis' in-house legal department included

- Attending the premises at which the Company's books and records are held,
- Reviewing those records for the purpose of producing documents to one of the Company's creditors,
- Monitoring junior members of staff's work in relation to the production of an inventory,
- Reviewing correspondence received from one of the Company's creditors,
- Preparation of responses to correspondence received from the Company's creditors,
- Reviewing the outcome of one of the creditor's attendance and review of the Company's records,
- Preparing file notes following telephone conversations,
- Contacting the storage agent to arrange access to the Company's records,
- Discussions regarding the litigation being taken and liaising with the Joint Administrators in this regard,
- Preparing for a meeting with one of the Company's creditors and requesting information from the case manager and administrator, and
- The redaction of confidential information obtained from the Company's records

### **Legal Services – Attendance**

Time has been spent by senior members of Leonard Curtis' legal department attending meetings with one of the Company's creditors who is taking legal action against the Company and its Directors

### **Legal Services – Drafting Documents**

Time recorded to this category involved Leonard Curtis' in-house legal team creating an inventory of the Company's records which were requested by one of the Company's creditors who is taking legal action against the Company and its Directors

### **Legal Services – Travel**

This involved time spent by Leonard Curtis' in-house legal department travelling to and from the premises at which the Company's records are held

COMPARISON OF JOINT ADMINISTRATORS' LIKELY EXPENSES AGAINST THOSE INCURRED TO DATE

Case Specific Expenses

Type	Description	Estimated Amount £	Amount Incurred to Date £	Amount Paid £	Amount Unpaid £
Agents' Fees	Costs of valuing and realising assets	12,500 00	11,000 00	11,000 00	-
Debt Collection Fees	Costs of collection of debts	7,500 00	5,000 00	5,000 00	-
Wages & Salaries	Collection of remaining debts	-	6,082 74	6,082 74	-
Legal Fees	Costs of appointed solicitors	10,000 00	662 50	662 50	-
Other professional fees	Costs of employee advice and accountancy advice	6,000 00	2,831 00	2,831 00	-
Staff Mileage	Category 2 disbursement requiring specific creditor / committee approval	100 00	9 23	9 23	-
Service charge	Internet at premises	-	106 50	106 50	-
Administrators Staff	Costs of travel	10 60	18 10	18 10	-
Bank Charges	Costs of operating bank account	-	22 50	22 50	-
	<b>Total case specific expenses</b>	<b>31,110 60</b>	<b>25,732 57</b>	<b>25,732.57</b>	<b>-</b>

Standard Expenses

Type	Description	Amount £	Amount Incurred to Date £	Amount Paid £	Amount Unpaid £
AML Checks	Electronic client verification	10 00	10 00	10 00	-
Bond Fee	Insurance bond	400 00	400 00	400 00	-
Company Searches	Extraction of company information from Companies House	10 00	3 00	3 00	-
Document Hosting	Hosting of documents for creditors	42 00	28 00	28 00	-
Software Licence Fee	Case management system licence fee	87 00	87 00	87 00	-
Statutory Advertising	Advertising	157 50	159 30	159 30	-
Storage Costs	Storage of books and records	550 00	1,375 30	1,000 36	374 94
Post redirection	Redirection of post	160 00	-	-	-
Property search	Land registry searches	-	3 00	3 00	-
	<b>Total standard expenses</b>	<b>1,416.50</b>	<b>2,065.60</b>	<b>1,690.66</b>	<b>374.94</b>

**ADDITIONAL INFORMATION IN RELATION TO THE POLICY OF LEONARD CURTIS REGARDING FEES AND DISBURSEMENTS**

The following information relating to the policy of Leonard Curtis 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 Leonard Curtis

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: \_\_\_\_\_



FORM 2.31B – NOTICE OF EXTENSION OF PERIOD OF ADMINISTRATION

The Insolvency Act 1986

**Notice of extension of period of administration**

**2.31B**

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

(a) Insert name(s) and address(es) of administrator(s) We (a) K G Murphy & A Poxon of  
Leonard Curtis, Tower 12, 18/22 Bndge Street, Spinningfields, Manchester M3 3BZ

(b) Insert name and address of the registered office of company having been appointed administrator(s) of (b) GEN-X IT LTD Tower 12, 18/22 Bndge Street, Spinningfields, Manchester M3 3BZ  
(“the company”)

(c) Insert date of appointment on (c) 20 January 2016 by (d) the Directors  
(d) Insert name of appointor / applicant

\*Delete as applicable

hereby give notice that the administration has been extended

~~\* by order of the court~~

\* with the consent of the company's creditors

(e) Insert date

until (e) 20 January 2018

Signed



Joint Administrator

Dated 11 January 2017

**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 Bndge Street, Spinningfields, Manchester	
M3 3BZ	Tel 0161 831 9999
DX Number	DX Exchange