

TO ALL MEMBERS AND ALL CREDITORS
WHO ARE NOT OPTED OUT

8 February 2022

Ref: CPD/SEC/LM/D16
Direct line: +44 141 226 9220
Lucy McWalters

apigroup@uk.ey.com

Dear Sir or Madam

API Group Limited (In Creditors' Voluntary Liquidation) ('the Company')

R H Kelly and I were appointed as Joint Liquidators of the Company on 11 December 2020 following our previous appointment as Joint Administrators on 31 January 2020. I now write to provide you with our report on the progress of the Liquidation for the period from 11 December 2020 to 10 December 2021.

At Appendix A of this report we provide information about the Company and the Joint Liquidators. A copy of our receipts and payments account for the period from 11 December 2020 to 10 December 2021 is at Appendix B.

A copy of the Joint Administrators' final progress report to creditors dated 13 November 2020 is available to view at www.ey.com/en_uk/ey-api-group-administrations.

Progress during the period of the report

Asset realisations

Investments in API Netherlands and API Hong Kong

The Joint Administrators previously reported that the directors of API Netherlands B.V. ('API Netherlands') were finalising matters to allow the entity to enter insolvent Liquidation. I can confirm that API Netherlands entered bankruptcy proceedings on 22 December 2020 and the Dutch Curator/Receiver has advised that there is no value in the Company's investment.

API Hong Kong continues to be in a solvent wind down process and we have sought confirmation from the directors as to whether any funds will be available to the Company as shareholder of the entity. We are hopeful that the position will be finalised shortly.

Intercompany debtors – API Netherlands

Although the Joint Administrators previously advised that there was no prospect of a recovery in respect of the intercompany debt of c£5.1m due by API Netherlands to the Company, the Dutch Curator/Receiver has indicated that there may ultimately be a small dividend available for unsecured creditors. We are liaising with him as regards the availability of supporting documentation for the outstanding balance. It is however not yet known when any distribution will be declared to the creditors.

Other debtors

In the period covered by this report we have received £1,064 in relation to a refund for legal costs prepaid prior to the Administration period.

Other matters

API-Stace cross-guarantee

As creditors may be aware, the Company is a guarantor in respect of the long leasehold Livingston property held by API-Stace Limited ('Stace'), which also entered Administration on 31 January 2020.

As part of the sale of the business and assets of APIF Realisations Limited (previously API Foils Limited) (In Administration), a licence to occupy the property was granted to the purchaser by the Joint Administrators however no assignment of the lease has yet been agreed with the landlord. The landlord is anticipated to have an unsecured claim in Stace in respect of its losses at the date of Administration and it is likely that a claim will subsequently be made against the Company as guarantor, given the limited asset realisations available within Stace.

Tax position

During the period of this report, work has been completed to submit both the pre and post appointment corporation tax returns for the Company. The Joint Liquidators have also continued to submit monthly VAT returns for the Company as part of the API VAT group submissions. HM Revenue & Customs ('HMRC') have recently made substantial VAT repayments to the registered member relating to the Administration period, which had been outstanding for over 12 months. As a result, £27 has been received by the Company in this period (reflected within the cash transferred over from the Administration) and a further £13,046 will be received from the registered member shortly.

We are awaiting further refunds from HMRC in respect of the Liquidation period returns which we continue to chase and hope to receive shortly, together with the appropriate VAT repayment supplements.

Work which remains to be done

Distributions to creditors

Preferential creditors

We are not aware of the existence of any preferential creditor claims given that the Company had no employees at the time of the Joint Administrators' appointment.

Non-preferential creditors

As previously advised in the Joint Administrators' final progress report, there are sufficient funds available to distribute a dividend to the non-preferential creditors of the Company. Based on asset realisations and claims received to date, we estimate that the value of the dividend will be less than 1p in the £. We are hopeful that we will be in a position to write to all creditors in the next 6 months to provide

an update on the estimated dividend and issue a formal notice of intention to declare a first and final dividend.

Should creditors wish to submit a claim in the Liquidation, and are yet to do so, a hard copy proof of debt form can be downloaded from our website https://www.ey.com/en_uk/ey-api-group-administrations and returned by email together with supporting invoices and statements to apigroup@uk.ey.com.

Please note that, in accordance with Rule 14.3(2) of the Insolvency (England and Wales) Rules 2016, creditors who have proved their debt in the Administration are deemed to have proved their debt in the Liquidation and are therefore not required to submit a new claim.

Joint Liquidators' remuneration

In accordance with Rule 18.20(4) of the Insolvency (England and Wales) Rules 2016, where an Administrator becomes Liquidator, the basis of remuneration fixed under Rule 18.18 for the Joint Administrators is treated as having been fixed for the Joint Liquidators. Details of the basis of remuneration fixed and time costs incurred for the period of this report are outlined in the table below.

As the fee estimate previously approved by creditors in the Administration did not consider work to be completed in the Liquidation, we are now seeking a decision of the creditors by correspondence on the value of the Joint Liquidators' remuneration. Formal notice of the decision to be sought by correspondence is being issued to creditors alongside this progress report. Further detail is provided in the table below and in the formal notice issued to the creditors ('Liquidation fees and expenses estimate – 8 February 2022').

For the avoidance of doubt, no Joint Liquidators' remuneration has been paid during the period of this report (and therefore to date in the Liquidation). Time is recorded in units of six minutes.

Basis of remuneration (fixed in the Administration)	How the basis of remuneration was fixed	Basis and quantum of Joint Liquidators' remuneration being sought	Time costs incurred during period of this report (and to date) (£)
Time-cost basis (fully drawn during the Administration)	Resolution of creditors on 10 April 2020	Time-cost basis (fee estimate of £36,135)	£20,544

An analysis of the time spent and a comparison with the fee estimate dated 8 February 2022 is attached at Appendix D to this report. The Joint Liquidators' remuneration is not expected to exceed the amount provided for in the fee estimate but, in any case, the Joint Liquidators will not draw remuneration in excess of the fee estimate without the approval of creditors.

A narrative explanation of work done to date and why it was necessary to be done is provided at Appendix E.

Joint Liquidators' statement of expenses incurred

During the period covered by this report, we have incurred the following expenses in respect of the Company. A breakdown of the expenses paid and a comparison to the estimate provided to creditors dated 8 February 2022 (issued with this report) is attached at Appendix C.

	Incurred to 10 December 2021 (£)	Paid to 10 December 2021 (£)
Payments made from the estate which are not expenses	1,036	1,036
Category 1 expenses	953	-
Category 2 expenses	22	-
Total	2,011	1,036

The Joint Liquidators' expenses are not expected to exceed the amount provided for in the estimate and, should these not be required in full, the funds available for distribution will increase accordingly. For the avoidance of doubt, no Category 1 or Category 2 expenses have been drawn to date and the Joint Liquidators will not draw Category 2 expenses in excess of the estimate dated 8 February 2022 without the approval of creditors.

Creditors' rights to further information about, and challenge, remuneration and expenses

The statutory provisions relating to remuneration are set out in Chapter 4 of Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Liquidators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Liquidators.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Liquidators' Fees' referred to above.

Investigations

We concluded our investigations into the Company's affairs, in accordance with Statement of Insolvency Practice 2 (Investigations by Office Holders) and the Company Directors Disqualification Act 1986, with the required statutory returns made to the Insolvency Service during the Administration. No further investigations were required as a result of the Company moving into Creditors' Voluntary Liquidation on 11 December 2020 and no third party funding has been required or provided.

Other matters

I will report to all creditors again in approximately 12 months or at the conclusion of the Liquidation, whichever is sooner.

Should you have any queries regarding any of the contents of this report, please do not hesitate to contact my colleague, Lucy McWalters, by sending an email to apigroup@uk.ey.com.

Yours faithfully
for the Company



C P Dempster
Joint Liquidator

C P Dempster and R H Kelly are both licensed in the United Kingdom to act as Insolvency Practitioners by The Institute of Chartered Accountants of Scotland.

The Joint Liquidators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

API Group Limited (In Creditors' Voluntary Liquidation)

Information about the Company and the Joint Liquidators

Registered office address of the Company: c/o Ernst & Young LLP, 2 St. Peter's Square,
Manchester, M2 3EY

Registered number: 00169249

Date of appointment of the Joint Liquidators: 11 December 2020

Details of any changes of liquidator: None

Full names of the Joint Liquidators: Colin Peter Dempster and Robert Hunter Kelly

Office holder numbers: 8908 and 8582

Liquidators' addresses:

Colin P Dempster	Robert H Kelly
Ernst & Young LLP	Ernst & Young LLP
Atria One, 144 Morrison Street	1 Bridgewater Place
Edinburgh	Leeds
EH3 8EX	LS11 5QR

Telephone number: +44 141 226 9202

Name of alternative person to contact with enquiries about the case: Lucy McWalters

API Group Limited (In Creditors' Voluntary Liquidation)

**Joint Liquidators' receipts and payments account for the period from 11 December 2020
to 10 December 2021**

	Total in reporting period to 10 December 2021 (£)
Receipts	
Cash from Administration	358,353
Pre-appointment Debtors	1,064
Bank Interest	10
Total	359,426
Payments	
Public Notices	95
Storage Charges	693
Corporation Tax	247
Bank Charges & Interest	2
Total	1,036
Balance in hand	358,390
Represented by:	
Royal Bank of Scotland - current account	358,233
VAT Receivable	157
Total	358,390

Notes

1. Receipts and payments are stated net of VAT.

API Group Limited (In Creditors' Voluntary Liquidation)

Joint Liquidators' statement of expenses paid

Type of Expense	Notes	Per Fee estimate dated 8 February 2022	Paid in period to 10 December 2021	Outstanding	Total
Payments made from the estate which are not expenses					
	1 & 2				
Legal Fees		5,000	-	5,000	5,000
Statutory costs		500	95	406	500
Storage costs		2,500	693	1,807	2,500
Bank charges and interest		100	2	98	100
Corporation tax		500	247	253	500
Total		8,600	1,036	7,564	8,600
Category 1 expenses					
	2				
Specific penalty bond	3	800	-	800	800
Travel & accommodation	4	153	-	153	153
Subtotal		953	-	953	953
Category 2 expenses					
	2				
Printing & postage	5	1,522	-	1,522	1,522
Subtotal		1,522	-	1,522	1,522
Total		11,075	1,036	10,039	11,075

Notes

1. Statement of Insolvency Practice 9 ('SIP 9') defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.
2. SIP 9 defines expenses as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Expenses fall into two categories: Category 1 and Category 2.
 - Category 1 expenses are payments to independent third parties where there is specific expenditure directly referable to the appointment.
 - Category 2 expenses are payments which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.
3. Of the £800 of specific penalty bond expenses outstanding, £480 relates to expenses incurred but not paid in the Administration period.
4. £153 of travel & accommodation costs outstanding relate to expenses incurred but not paid in the Administration period.
5. Of the £1,522 of printing & postage category 2 expenses outstanding, £21.68 relates to expenses incurred but not requested or paid in the Administration period.

API Group Limited (In Creditors' Voluntary Liquidation)

**Joint Liquidators' time costs for the period from 11 December 2020 to 10 December 2021
and a comparison with the fee estimate dated 8 February 2022**

Type of work	<u>Per Liquidation Fee Estimate dated 8 February 2022</u>			<u>Actual in this report period (and to date)</u>		
	Total hours	Total time costs (£)	Average hourly rate (£)	Total hours	Total time costs (£)	Average hourly rate (£)
Accounting & Administration	23.6	6,754	286	15.6	5,092	326
Bank & Statutory Reporting	4.9	2,419	494	1.9	1,210	637
Creditors	16.3	7,513	461	5.3	3,533	667
Debtors	6.2	2,855	461	1.2	759	633
Employee Matters	5.2	1,598	307	5.2	1,567	301
Investigation & CDDA	1.6	898	561	1.6	859	537
Legal Issues	0.8	424	530	0.3	67	222
Statutory Duties	26.4	10,396	394	17.4	5,536	318
VAT & Taxation	10.9	3,278	301	6.9	1,922	278
Total	95.9	36,135	377	55.4	20,544	371

API Group Limited (In Creditors' Voluntary Liquidation)

Narrative explanation of the work done and why it was necessary to be done

Work in the Liquidation to date has primarily related to establishing the recoverability of assets due to the Company from overseas entities, preparations to make a distribution to unsecured creditors, reviewing unsecured claims (including potential guarantor claim with regard to Stace) and complying with statutory requirements of the Liquidation. Further details of the work undertaken by the Joint Liquidators to date and the work to be undertaken in the future are provided below:

Category of work	Detailed description of work	Work done / in progress / to be performed	Work required by statute or for creditor benefit
Accounting & Administration	<ul style="list-style-type: none"> Opening and closing bank account Dealing with receipts and payments vouchers. Carrying out bank reconciliations. 	<ul style="list-style-type: none"> In progress In progress In progress 	<ul style="list-style-type: none"> Statute (all items)
Bank & Statutory Reporting	<ul style="list-style-type: none"> Regular reporting to the secured creditor. 	<ul style="list-style-type: none"> In progress 	<ul style="list-style-type: none"> Statute
Creditors	<ul style="list-style-type: none"> Updating creditor website for delivery of initial and ongoing communications in the Liquidation. Receiving and dealing with creditor enquiries via post, email and telephone. Reviewing and preparing correspondence to creditors. Adjudicating and admitting claims for dividend purposes. Making a distribution to unsecured creditors. 	<ul style="list-style-type: none"> In progress In progress In progress In progress To be performed 	<ul style="list-style-type: none"> For creditor benefit (all items).
Debtors	<ul style="list-style-type: none"> Collection of the debtor book, negotiations with directors of overseas entities and appointed practitioners of insolvent debtors, where relevant. Monitoring and recording cash receipts 	<ul style="list-style-type: none"> In progress In progress 	<ul style="list-style-type: none"> For creditor benefit (all items)
Employee Matters	<ul style="list-style-type: none"> Investigating unsecured claim from Pension Protection Fund 	<ul style="list-style-type: none"> In progress 	<ul style="list-style-type: none"> For creditor benefit
Investigation & CDDA	<ul style="list-style-type: none"> Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". 	<ul style="list-style-type: none"> Work done 	<ul style="list-style-type: none"> Statute
Legal Issues	<ul style="list-style-type: none"> Dealing with any legal issues which may arise during the course of Liquidation (from a statutory perspective and to protect value in the estate) 	<ul style="list-style-type: none"> In progress 	<ul style="list-style-type: none"> Statute
Statutory Duties	<ul style="list-style-type: none"> Notification of appointment to relevant parties including filing at the Register of Companies Annual progress reports as required Completion of internal statutory monitoring system. Preparation of formal statutory papers in line with institute policies. Preparation for the closure of the 	<ul style="list-style-type: none"> Work done In progress In progress In progress To be 	<ul style="list-style-type: none"> Statute (all items) For creditor benefit

Appendix E

	<ul style="list-style-type: none"> Liquidation. Matters relating to the initial planning and ongoing oversight of the Liquidation strategy, including update meetings to formulate the strategy adopted. 	<ul style="list-style-type: none"> performed In progress 	<ul style="list-style-type: none"> For creditor benefit
VAT & Taxation	<ul style="list-style-type: none"> Recovery of outstanding VAT refunds due for the pre-appointment and Administration periods. Submission of VAT returns on a monthly basis. Preparation and submission of outstanding tax returns for the pre-appointment and Administration periods and liaising with HMRC as appropriate. Preparation and submission of tax returns for future Liquidation periods and liaising with HMRC as appropriate to secure tax clearance 	<ul style="list-style-type: none"> Work done In progress Work done In progress 	<ul style="list-style-type: none"> Statute (all items)