

TO ALL KNOWN CREDITORS AND MEMBERS

20 March 2024

Ref: CGJK/AMH/KH/NH
Direct line: +44 (0) 20 7951 7693
Email: nhamill@parthenon.ey.com

Dear Sir or Madam

Interserve Plc (in Compulsory Liquidation) (formerly in Administration) (“the Company”)

**High Court of Justice Business and Property Courts of England and Wales
Insolvency and Companies List (ChD), Number BR-2019-000339**

I write, in accordance with Rule 8.7 of the Insolvency (England and Wales) Rules 2016 (“the Rules”), to provide creditors and members of the Company with a report on the progress of the liquidation.

On 21 January 2022 (“the Date of Appointment”), a winding up order was made in respect of the Company in the High Court of Justice, Business and Property Courts of England and Wales (“the Court”) pursuant to paragraph 79 of Schedule B1 to the Insolvency Act 1986 (“the Act”) (the “Liquidation”).

Simultaneously, the Court appointed Robert Hunter Kelly and Alan Michael Hudson as joint liquidators of the Company (“the Joint Liquidators”). I subsequently replaced Robert Hunter Kelly as joint liquidator on 27 June 2022, as notified in my previous report.

Statutory information about the Company, the Liquidation and the office holders is given at Appendix 1.

This report covers the period from 21 January 2023 to 20 January 2024 (“the Reporting Period”) and should be read in conjunction with the former Joint Administrators’ Statement of Proposals dated 21 March 2019 (“the Proposals”), the former Joint Administrators’ Statement of Revised Proposals dated 1 December 2021 (“the Revised Proposals”), previous Progress Reports issued by the former Joint Administrators (dated 14 October 2019, 8 April 2020, 14 October 2020, 13 April 2021 and 14 October 2021) and the previous Progress Report issued by the Joint Liquidators (dated 17 March 2023).

Progress during the period of the report

AI Binaa Shares

The Company legally owns shares in AI Binaa Contracting Company W.L.L. (“AI Binaa”) (“the AI Binaa Shares”). The economic benefit in these shares transferred to Interserve Group Limited (“IGL” or “the Purchaser”) on 15 March 2019, as part of a sale of substantially all of the Company’s business and assets and certain liabilities (“the Sale”). The Purchaser’s interest in the AI Binaa Shares has subsequently been transferred to Interserve Developments No. 1 Limited (“ID1”), an associate of the Purchaser.

During the Reporting Period, the Joint Liquidators continued to assist IGL and ID1 in negotiations, which they led on behalf of the Company, with a buyer to reach agreement on the sale of the Al Binaa Shares. We are pleased to report that an agreement to sell the Al Binaa shares has been signed. However, the completion of the sale can only take place once various local tax matters have been resolved and, as previously reported, formal tax clearance from the Qatari tax authorities has ultimately been obtained. This is the primary outstanding matter in the Liquidation, but could be a very complex and time consuming process given the intricacies of the Qatari tax code and the related processes. To manage this, tax specialists based in the Middle East have been engaged, including Qatari advisers who will specifically advise the Joint Liquidators.

Given the confidentiality and commercial sensitivity surrounding the sale and the related discussions, we are unable to provide any further details at this stage but will provide an update in the progress report following formal completion of the sale.

Other matters

Investigations

The Joint Liquidators are not currently undertaking any investigations into the Company or former directors of the Company.

During the Reporting Period no regulatory bodies have contacted the Joint Liquidators in respect to any ongoing investigations into the Company.

VAT

The Joint Liquidators have continued to submit the required VAT returns since the Date of Appointment.

Corporation tax

A corporation tax return for the period from 22 January 2022 to 31 December 2022 was submitted to HMRC during the Reporting Period. To date, HMRC has not raised any enquiries, but the enquiry window remains open.

The next corporation tax return, for the period 1 January 2023 to 31 December 2023 is due for submission to HMRC by 31 December 2024.

Tax related fees are included within our time costs, set out at Appendix 3.

Receipts and payments account

A summary of the Joint Liquidators' receipts and payments for the Reporting Period is attached at Appendix 2.

This account does not reflect future estimated realisations or costs, including remuneration and disbursements.

Joint Liquidators' remuneration

During the preceding Administration, the basis of the office holders' remuneration was approved by the secured creditors on a time cost basis, which has carried forward to the Liquidation, in accordance with Rule 18.20(5) of the Rules.

Since commencement of the Liquidation, the Joint Liquidators have incurred time costs of £487,685.25 (£234,980.85 during the Reporting Period). Of this, £295,992.00 has been paid to date.

Appendix 3 of this report provides an analysis of the time spent in comparison with the fee estimate provided to creditors on 17 February 2022 ("the Fee Estimate") and provides details of the work completed and expected to be undertaken during the remainder of the Liquidation.

The Joint Liquidators have exceeded the Fee Estimate of £295,992.

The Joint Liquidators will only draw remuneration in excess of the estimate with the prior agreement of the secured creditors, who approved the basis of remuneration, in accordance with Rule 18.30 of the Rules. An update in this matter will be provided to the creditors in the form of an updated fee estimate in due course.

The reasons for exceeding the fee estimate are set out below:

- Changes in the proposed form of the sale of the AI Binna Shares, which required additional negotiation with the interested party and were therefore not anticipated when the Fee Estimate was drafted and communicated at the start of the Liquidation;
- In addition, negotiations with the interested party were more complex than originally expected resulting in a prolonged negotiation period;
- Return of funds held by the former Joint Administrators, which transferred to the Joint Liquidators, earlier than the end of the statute of limitation period, in agreement with the Purchaser. Time was incurred in the first year of the Liquidation (included in Other Matters in Appendix 3) to ensure that this return of funds was in the best interests of the Company; and
- The Liquidation will extend beyond the originally assumed two year period of the Liquidation, driven by negotiations with the interested party taking longer than expected and tax clearance processes in Qatar. It is currently anticipated that the Company will remain in Liquidation beyond 2024.

Joint Liquidators' statement of expenses incurred

During the Reporting Period, we have incurred expenses and disbursements of £40,169.05 plus VAT. A detailed breakdown of expenses and disbursements incurred is included at Appendix 4.

Expenses and disbursements have exceeded the original estimate of £64,000 by £98,022.36, driven by:

- £88,669.75 of higher legal fees and disbursements than included in the Fee Estimate due to the complexities noted above associated with progressing the sale of the AI Binaa Shares; and
- £10,000 of Ocorian Trust Account fees, which were not included in the Fee Estimate. As previously reported, these fees related to an account that held additional Administration funding, provided by the Purchaser to be used under certain specific and agreed circumstances during the preceding Administration. Under the agreement with the Purchaser, these funds were due to be returned to the Purchaser. However, the Purchaser agreed to transfer £70,066.22 to the Joint Liquidators to fund the Liquidation, £10,000 of which covered the remaining Ocorian Trust account fees of £10,000.

An update on the expected expenses and disbursements to complete the Liquidation will be communicated to creditors, alongside the updated fee estimate noted above, in due course.

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

The statutory provisions relating to remuneration are set out in Chapter 4 of Part 18 of the Rules. 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 website 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 an office holder's remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Rules). Further information is provided in 'A Creditor's Guide to Liquidators' Fees' referred to above.

Distributions to creditors

As previously reported, it is not anticipated that any further distributions will be made to the Company's secured or unsecured creditors, as the proceeds of a sale of the AI Binaa Shares will be paid to the Purchaser as required under the terms of the Sale, which completed shortly following the commencement of the preceding Administration of the Company.

Work which remains to be done

The Joint Liquidators will continue to deal with the Liquidation in line with statutory requirements. Future tasks include the following:

- progressing and concluding tax matters in relation to the sale of the AI Binaa Shares;
- preparing and filing corporation tax and VAT returns;
- fulfilling statutory and reporting requirements of the Liquidation;
- dealing with enquiries from creditors, members and other stakeholders, as required; and
- any other actions required by the Joint Liquidators to wind down and close the Liquidation.

Next report

The next progress report, which will include an update on the progress of the Liquidation, will be delivered in twelve months' time.

Should you have any queries regarding any of the matters outlined in this report, please contact my colleague, Natalie Hamill, on the contact details above.

Yours faithfully
for the Company



C G J King
Joint Liquidator

Charles Graham John King is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants of England & Wales and Alan Michael Hudson is licensed in the United Kingdom to act as an insolvency practitioner by The Insolvency Practitioners Association.

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.

Appendix 1

Interserve Plc (in Compulsory Liquidation) (formerly in Administration) ("the Company")

Information about the Company and the Joint Liquidators

Registered office address of the Company:	c/o Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Registered number:	00088456
Date of appointment of the Joint Liquidators:	21 January 2022
Details of any changes of Liquidator:	Charles Graham John King replaced Robert Hunter Kelly as Joint Liquidator on 27 June 2022
Full names of the Liquidators:	Charles Graham John King (from 27 June 2022) Alan Michael Hudson Robert Hunter Kelly (to 27 June 2022)
Current office holder number(s):	Charles Graham John King - 8985 Alan Michael Hudson - 9200
Liquidators' address(es):	Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Contact details:	+44 (0) 207 951 7693 nhamill@parthenon.ey.com
Name of alternative person to contact with enquiries about the case:	Natalie Hamill

Appendix 2

Interserve Plc (in Compulsory Liquidation) ("the Company")

Joint Liquidators' Summary of Receipts and Payments from 21 January 2023 to 20 January 2024

	Notes	21 January 2022 to 20 January 2023	21 January 2023 to 20 January 2024	21 January 2022 to 20 January 2024
RECEIPTS				
Bank interest		473.35	2,227.51	2,700.86
Transfers from preceding Administration bank accounts		300,782.69	-	300,782.69
Liquidation funding	3	70,066.22	139,001.03	209,067.25
Preceding Administration VAT refund		61,909.14	-	61,909.14
Pre-Administration appointment cash at bank	4	-	4,555.60	4,555.60
Funds for CGT tax	5	-	900,000.00	900,000.00
Total receipts		433,231.40	1,045,784.14	1,479,015.54
PAYMENTS				
Official Receiver's general fee and administration fee		(11,000.00)	-	(11,000.00)
ISA charges		(88.00)	(88.00)	(176.00)
Ocorian Trust Account fees		(10,000.00)	-	(10,000.00)
Joint Liquidators' fees		(179,609.30)	(116,382.70)	(295,992.00)
Legal Fees		(93,177.51)	(44,610.24)	(137,787.75)
Al Binaa		(90,795.51)	(44,610.24)	(135,405.75)
Non-Al Binaa		(2,382.00)	-	(2,382.00)
Joint Liquidators' disbursements and expenses		(2,103.50)	-	(2,103.50)
Legal Disbursements		-	(218.00)	(218.00)
Bank charges		(16.80)	(24.70)	(41.50)
Input VAT		(2,318.80)	(20,957.74)	(23,276.54)
Total payments		(298,313.91)	(182,281.38)	(480,595.29)
Net receipts / (payments)		134,917.49	863,502.76	998,420.25
REPRESENTED BY:				
Cash at Bank	6			948,490.93
ISA Control Account				(11,176.00)
VAT control account				61,105.32
Total				998,420.25

Notes:

- 1 This receipts and payments account is shown net of VAT.
- 2 This receipts and payments account has been prepared on an cash basis and does not reflect future expected receipts and payments.
- 3 Represents funds provided by the Purchaser to the Joint Liquidators to fund the Liquidation.
- 4 Cash from the Company's pre-appointment HSBC bank account, which is held for the benefit of the Purchaser under the sale agreement.
- 5 Funding received to meet CGT liabilities in relation to the sale of the Al Binaa shares. Any surplus after meeting CGT liabilities to be returned to the funder.
- 6 All funds are held in interest bearing accounts.

Appendix 3

Interserve Plc (in Compulsory Liquidation) ("the Company")

Joint Liquidators' time costs for the period 21 January 2023 to 20 January 2024

Actual costs in Reporting Period (21 January 2023 to 20 January 2024)											Fee estimate sent to all known creditors			Actual costs to 20 January 2024			Remaining balance of estimate sent to creditors	
	Staff Grade							Total Hours	Time Cost (£)	Average Hourly Rate (£)	Total hours	Time cost (£)	Average hourly rate (£)	Total hours	Time cost (£)	Total hours	Time cost (£)	
	Partner	Director	Senior Manager	Manager	Executive	Assistant Executive	Analyst											
Administration & Planning	0.3	2.0	6.4	3.0	19.4	24.9	1.0	57.0	26,639	467.4	105.6	36,336	344.1	139.4	65,587	470.5	(33.8)	(29,251)
Al Binaa	24.6	67.5	68.4	14.6	3.1	-	2.2	180.4	147,002	814.9	196.0	131,654	671.7	357.1	269,319	754.2	(161.1)	(137,664)
Job acceptance & Strategy	-	-	-	-	-	-	-	-	-	n.a.	12.0	5,171	430.9	10.3	4,525	439.3	1.7	646
Members	-	-	1.0	-	-	-	-	1.0	751	751.4	-	-	-	1.6	1,138	710.9	(1.6)	(1,138)
Other Assets	-	-	1.1	-	-	-	-	1.1	858	780.0	-	-	-	1.1	858	780.0	(1.1)	(858)
Other Matters	-	-	5.0	-	-	-	-	5.0	3,543	708.5	-	-	-	29.2	20,608	705.8	(29.2)	(20,608)
Out of Scope	-	-	-	-	-	-	-	-	-	n.a.	-	-	-	6.6	4,296	650.8	(6.6)	(4,296)
Public Relations	-	-	-	-	-	-	-	-	-	n.a.	-	-	-	0.2	129	643.5	(0.2)	(129)
Reporting & Statutory Duties	0.5	5.0	14.5	16.2	-	16.0	-	52.2	29,832	571.5	174.0	65,150	374.4	111.3	60,728	545.6	62.7	4,421
VAT & Taxation	1.9	1.0	12.9	5.4	1.8	1.0	31.8	55.8	26,356	472.3	101.4	57,681	568.8	127.9	60,498	473.0	(26.5)	(2,817)
Total Hours	27.3	75.5	109.3	39.2	24.3	41.9	35.0	352.5			589.0	295,992	502.5	784.7	487,685.3	621.5	(195.7)	(191,693)
Time Costs (£)	24,584	68,141	83,481	22,154	10,302	15,816	10,503											
Average Hourly Rate (£)	900.5	902.5	763.8	565.2	423.9	377.5	300.1			666.6								
Category 1 Disbursements (£)	-																	
Category 2 Disbursements (£)	31.61																	
	31.61																	
Disbursements (£)*																		
Category 1										2,280.00					1,383.50			896.50
Category 2										720.00					751.61			(31.61)
										3,000.00					2,135.11			864.89

Notes

- Time is charged in 6 minute intervals.
- Specialists, such as tax professionals, have been engaged to provide advice, where required. Standard charge-out rates of these specialists are higher than the equivalent grade in the Restructuring team.
- Time costs include agreed 35% discount to all standard charge out rates (incl. specialist resource).
- * Expenses communicated in Liquidation Fee Estimate of £61,000, covering legal fees and disbursements and the official receivers general and administration fees, not reported here.

Category of work	Description of work completed / to be completed
Administration and Planning	<ul style="list-style-type: none"> • Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost monitoring and reporting. • Monitoring internal systems and records in line with statutory requirements.
Al Binaa	<ul style="list-style-type: none"> • Obtaining required consents, clearances and transferring ownership / managing the sale of the Al Binaa Shares. • Tax advice in respect to the sale of the Al Binaa Shares.
Job Acceptance and Strategy	<ul style="list-style-type: none"> • Matters relating to the Liquidation appointment and initial planning. • Completion of workstreams requiring immediate attention following appointment.
Members	<ul style="list-style-type: none"> • Corresponding and dealing with shareholder queries.
Other Matters	<ul style="list-style-type: none"> • Managing general queries and correspondence on behalf of the Company. • Dealing with general compliance obligations of the Liquidation. • Other ad hoc matters that arise in the course of the Liquidation.
Out of scope	<ul style="list-style-type: none"> • Assistance provided to the Purchaser in relation to a rebate due to the Company, which under the sale agreement transferred to the Purchaser. The Purchaser is to cover the costs in relation to this matter.
Public Relations	<ul style="list-style-type: none"> • Agreeing and issuing statements to the press, as required, and dealing with enquiries from the media.
Reporting and statutory duties	<ul style="list-style-type: none"> • Preparing the Joint Liquidators' first twelve month progress report. • Reporting to the Purchaser. • Completion of statutory requirements of the Liquidation, including notifications to the creditors and members, advertising the appointment, and filing documents at Companies House.
VAT and Taxation	<ul style="list-style-type: none"> • Preparing corporation tax and VAT returns, with input from EY VAT and tax specialists

Appendix 4

Interserve Plc (in Compulsory Liquidation) ("the Company")

Summary of Joint Liquidators' expenses incurred

Type of Expense	Per Joint Liquidators' fee estimate (£)	Total incurred from 21 January 2022 to 20 January 2023 (£)	Total incurred from 21 January 2023 to 20 January 2024 (£)	Remaining balance / (overrun) of estimate (£)
Payments made from the estate which are not disbursements^{1,2}				
Legal fees and disbursements ³	50,000.00			(88,669.75)
Al Binaa		96,263.01	39,654.74	
Non-Al Binaa		2,382.00	370.00	
Official Receiver's general fee and administration fee	11,000.00	11,000.00	-	-
Ocorian Trust Account fees	-	10,000.00	-	(10,000.00)
ISA charges	-	88.00	88.00	(176.00)
Bank charges	-	16.80	24.70	(41.50)
Category 1 disbursements²				
Specific penalty bond	1,280.00	1,280.00	-	-
Advertising	1,000.00	103.50	-	896.50
Category 2 disbursements²				
Copying, printing and postage	720.00	720.00	31.61	(31.61)
Total	64,000.00	121,853.31	40,169.05	(98,022.36)

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 disbursements as a type of expense which is met by and reimbursed to an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
 - a. Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment.
 - b. Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.
- 3 As at 20 January 2024, £882.00 of legal fees had been incurred and not yet paid. Please refer to the main body of this report for further information on the overrun of legal fees and disbursements and expected costs going forwards.