

TO ALL MEMBERS AND ALL CREDITORS
WHO ARE NOT OPTED OUT

9 March 2023

Ref: SKR/LW/AC/D21.1
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KSR Electronic Systems Limited (in Creditors' Voluntary Liquidation) ("the Company")

High Court of Justice, Business and Property Courts of England and Wales Number CR-2020MAN000054

Introduction

Dan Hurd and I were appointed as Joint Liquidators of the Company on 12 January 2021 and I now write to provide you with our report on the progress of the liquidation for the period from 12 January 2022 to 11 January 2023. This report should be read in conjunction with our progress report dated 8 March 2022.

At Appendix A of this report, we provide information about the Company and the Liquidators. A copy of our receipts and payments account for the period from 12 January 2022 to 11 January 2023 is at Appendix B.

Progress during the period of the report

Trading

The Company entered administration on 27 January 2020 and several customers provided advanced funding to enable the Company to trade whilst in administration (the "Funding Customers"). At the date of our last report, we were continuing to pursue the recovery of import VAT from HMRC to enable the trading position to be finalised.

The import VAT has been received in the period and the trading accounts have now been finalised. Advanced funding provided by the Funding Customers totalling £112,561.60 which was unutilised has subsequently been refunded to the Funding Customers.

VAT

The recovery of import VAT totalling £86,910.19 from HMRC has been protracted due to the reasons previously reported. However, the import VAT has been received in the period.

Corporation tax

The resolution of the above issues has enabled the tax position of the Company to be finalised in preparation for payment of the dividend to unsecured creditors and the conclusion of the liquidation in due course.



Creditor claim adjudication

At the date of our last report, we were undertaking the adjudication process in respect of creditor claims received and were awaiting further information from a number of creditors. This process has continued and several of the creditor claims received were found to be complex and required the Joint Liquidators to obtain specialist advice. However, the adjudication process for unsecured, non-preferential claims received is now largely complete, with the final few creditor claims expected to be resolved shortly.

Work which remains to be done

VAT

£32,258 of input VAT has been incurred on costs paid in the period and not yet reclaimed. Upon finalisation and payment of the final costs of the liquidation, the net VAT will be reclaimed from (or paid to, if appropriate) HMRC.

Payment of a dividend to unsecured, non-preferential creditors

The Joint Liquidators will shortly issue a notice of intended dividend to creditors who have not yet submitted claims, allowing a final period of 21 days for claims to be submitted. Although the dividend rate will not be known until the expiry of the 21-day period, the Joint Liquidators remain of the opinion that the dividend rate will be in the region of 25 pence in the pound, as previously reported. This estimate remains subject to the receipt of further claims from creditors.

Joint Liquidators' remuneration

Our remuneration was fixed on the basis of time properly given by the Joint Liquidators and their staff in dealing with matters arising in the Creditors' Voluntary Liquidation at the hourly rates set out below, by a resolution of the creditors on 17 June 2020.

During the period covered by this report, the Joint Liquidators have charged remuneration of £150,541. In the period covered by this report, no remuneration has been drawn. Accordingly, the Joint Liquidators have incurred total time costs of £291,466 in the liquidation to date. No sums have been drawn in respect of these time costs.

In accordance with Rule 18.20(4) of The Insolvency (England and Wales) Rules 2016, the basis of remuneration fixed in the Administration continues to apply in the Creditors' Voluntary Liquidation. Attached at Appendices C and D are an analysis of the time spent, an explanation of the work done and a comparison with the fee estimate dated 28 May 2020.

Joint Liquidators' statement of expenses incurred

During the period covered by this report, we have incurred expenses totalling £4,958.90 plus VAT.



The expenses can be summarised as follows:

Type of Expense	Per estimate dated 28 May 2020	Paid as at 8 January 2021	Paid in period 12 January 2021 to 11 January 2022	Paid in this reporting period	Outstanding	Total
Legal fees	75,000.00	187,090.00	30,715.00	Nil	Nil	217,805.00
Agents' fees	125,000.00	Nil	8,679.00	4,880.00	Nil	13,559.00
Insurance	16,500.00	995.00	95.00	Nil	Nil	1,090.00
Employee Costs	70,000.00	2,130.00	1,295.00	Nil	Nil	3,425.00
Property costs	255,000.00	221,482.00	90,120.00	Nil	Nil	311,602.00
Repairs and Maintenance	25,000.00	Nil	1,986.00	Nil	Nil	1,986.00
Bank charges and interest	10,000.00	2,737.00	7.00	18.90	Nil	2,762.90
Exchange Loss	Nil	Nil	Nil	Nil	Nil	Nil
Statutory Costs	10,000.00	95.00	99.00	Nil	Nil	194.00
Corporation Tax	Nil	Nil	Nil	Nil	Nil	Nil
Royalty Payment	Nil	8,123.00	Nil	Nil	Nil	8,123.00
Sundry Expenses	Nil	Nil	Nil	60.00	Nil	60.00
Total Payments	586,500.00	422,652.00	132,996.00	4,958.90	Nil	560,606.90

During the period covered by this report, the Joint Liquidators have incurred Category 1 disbursements totalling £71.85 which are set out in Appendix C.

A sum of £154,112 in respect of outstanding administrators' remuneration has been paid in the period, together with administration expenses totalling £1,779.

The Joint Liquidators anticipate that their remuneration will exceed the fee estimate by £201,500 due to the following issues:

- The original fee estimate was dated 28 May 2020 when the outcome of the administration and the duration of the subsequent liquidation could not be foreseen. The duration of the liquidation has been protracted due to the reasons set out below requiring the Joint Liquidators to remain in office and fulfil the statutory obligations and case management functions associated with the liquidation.
- The Joint Liquidators have finalised the trading position having made payment of outstanding trading expenses, preparing and finalising the trading accounts and refunding unutilised advance funding to the Funding Customers.
- Recovery of the import VAT has been protracted due to the issues previously reported, which has delayed the finalisation of the trading position.
- Several creditor claims have been either complex or disputed, which in some instances required the Joint Liquidators to obtain specialist advice to reach a resolution.

The Joint Liquidators will not draw remuneration in excess of the fee estimate without the prior approval of creditors. Notice of a decision procedure together with voting instructions will be issued following this report.



Creditors' rights to further information about, including how to 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

The former Joint Administrators submitted a conduct report during the Administration period to the Insolvency Service in respect of the Company's directors on 24 April 2020. The contents of this report are confidential. No further work has been undertaken in the period covered by this report, no investigations are continuing, and no third-party funding has been provided.

Other matters

The Joint Liquidators will shortly circulate notice of a decision procedure in respect of the Joint Liquidators' remuneration. A notice of intended dividend will also be circulated to creditors who are yet to submit a claim. Following the expiry of the last date for proving, the Joint Liquidators will pay a dividend to the unsecured, non-preferential creditors with a view to concluding the liquidation of the Company.

Should you wish to discuss any matters arising from this report, please do not hesitate to contact Charlotte Warman on the contact details shown above.

Yours faithfully
for the Company

A handwritten signature in blue ink, appearing to read 'Lucy Winterborne', written over a light blue horizontal line.

Lucy Winterborne
Joint Liquidator

L Winterborne and D Hurd are licenced in the United Kingdom to act as insolvency practitioners by the Insolvency Practitioners Association and The Institute of Chartered Accountants in England and Wales respectively.

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.

KSR Electronic Systems Limited (in Creditors' Voluntary Liquidation) ("the Company")

Information about the Company and the Liquidators

Registered office address of the Company:	KSR Electronic Systems Limited c/o Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX	
Registered number:	03648720	
Date of appointment of the Joint Liquidators:	12 January 2021	
Details of any changes of liquidator:	None	
Full names of the liquidators:	Lucy Winterborne and Daniel Christopher Hurd	
Office holder number(s):	21130 and 20030	
Liquidators' address(es):	Ernst & Young LLP The Paragon Counterslip Bristol BS16BX	Ernst & Young LLP One Colmore Square Birmingham B46HQ
Telephone number:	0121 393 9938	
Name of alternative person to contact with enquiries about the case:	Charlotte Warman	

KSR Electronic Systems Limited (in Creditors' Voluntary Liquidation) ("the Company")

Joint Liquidators' receipts and payments account for the period from 12 January 2021 to 11 January 2023

	12 January 2021 to 11 January 2022 £	12 January 2022 to 11 January 2023 £	Cumulative Total £
Receipts			
Funds transferred from Administration	5,835,704.25	Nil	5,835,704.25
VAT reclaim from administration	144,819.60	86,910.19	231,729.79
Licence Fee Income	60,000.00	Nil	60,000.00
Pre-appointment reimbursements	5,061.91	50.03	5,111.94
Bank Interest	554.95	13,293.10	13,848.05
Total Receipts	6,046,140.71	100,253.32	6,146,394.03
Payments			
Legal fees	(30,715.00)	(520.80)	(31,235.80)
Employee benefits	(1,282.32)	Nil	(1,282.32)
Repairs, Renewals and Calibration	(1,986.00)	Nil	(1,986.00)
Employers NIC	(13.11)	Nil	(13.11)
Telephone	(59.80)	Nil	(59.80)
Public Notices	(99.45)	Nil	(99.45)
Other Professional Fees	(8,678.99)	(4,880.00)	(13,558.99)
Sundry Expenses	(60.00)	(60.00)	(120.00)
Rent	(90,000.00)	Nil	(90,000.00)
Insurance	(95.20)	Nil	(95.20)
Bank charges and interest	(6.90)	(18.90)	(25.80)
Customer Refunds	Nil	(112,561.60)	(112,561.60)
Administrators Fees	Nil	(154,112.00)	(154,112.00)
Administrators Expenses	Nil	(1,778.83)	(1,778.83)
Total Payments	(132,996.77)	(273,932.13)	(406,928.90)
Net Receipts and Payments	5,913,143.94	(173,678.81)	5,739,465.13
Represented By			
Flt VAT receivable			32,258.33
RBS-GBP-32382730-IB Current			5,707,206.80
Balance			5,739,465.13

Notes

1. Receipts and payments are stated net of VAT.
2. These accounts do not reflect estimated future realisations or associated costs.

KSR Electronic Systems Limited (in Creditors' Voluntary Liquidation) ("the Company")

Joint Liquidators' time costs for the period from 12 January 2022 to 11 January 2023

	Staff Grade						Total Hours	Total Cost £	Average Rate £	
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive				Analyst
Administration & Planning	-	2.7	-	8.6	31.8	38.3	24.9	106.3	38,602.50	363.1
Creditors	-	4.0	5.2	0.1	94.9	48.5	9.0	161.7	67,071.50	414.8
Employees	-	-	-	-	0.3	-	-	0.3	142.50	475.0
Immediate Tasks	-	-	-	-	-	-	-	-	-	-
Job Acceptance & Strategy	-	-	-	-	1.1	-	-	1.1	522.50	475.0
Legal Issues	-	-	-	-	-	-	-	-	-	-
Members	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-
Other Matters	-	0.5	-	-	0.4	-	-	0.9	592.50	658.3
Property	-	1.5	-	-	-	-	-	1.5	1,207.50	805.0
Reporting	-	1.5	-	-	20.2	-	29.5	51.2	18,767.50	366.6
Statutory Duties	-	0.5	-	-	-	0.2	-	0.7	456.50	652.1
Trading	-	-	-	7.7	9.0	-	-	16.7	8,972.00	537.2
VAT & Taxation	-	-	0.5	0.9	15.8	14.6	7.5	39.3	14,206.00	361.5
Total Hours	-	10.7	5.7	17.3	173.5	101.6	70.9	379.7		
Time Costs (£)	-	8,613.50	3,933.00	10,553.00	82,412.50	27,600.00	17,429.00		150,541.00	
Average Hourly Rate (£)	-	805.0	690.0	610.0	475.0	271.7	245.8		396.5	

Joint Liquidators' time costs and disbursements for the period from 12 January 2022 to 11 January 2023 and a comparison with the fee estimate dated 28 May 2020

	Per Fee Estimate			Actual in the (Administration period)			Total actual to date (CVL period)			Total actual to date		
	Total hours	Total costs (£)	Average rate (£)	Total hours	Total costs (£)	Average rate (£)	Total hours	Total costs (£)	Average rate (£)	Total hours	Total costs (£)	Average rate (£)
Administration & Planning	481.1	137,671.5	286	261.4	91,240.5	349	177.6	62,202.5	350	439.0	153,443.0	350
Creditors	219.1	58,149.5	265	179.7	50,845.0	283	327.3	121,549.0	371	507.0	172,394.0	340
Debtors	13.4	6,932.0	517	14.2	7,420.0	523	-	-	-	14.2	7,420.0	523
Employees	233.9	90,157.5	385	145.3	59,111.0	407	19.6	5,748.0	293	164.9	64,859.0	393
Immediate Tasks	26.9	10,878.5	404	26.9	10,878.5	404	7.5	4,575.0	610	34.4	15,453.5	449
Investigation & CDDA	75.9	30,750.5	405	85.9	35,870.5	418	-	-	-	85.9	35,870.5	418
Job Acceptance & Strategy	1.8	697.0	387	2.3	1,147.0	499	1.6	760.0	475	3.9	1,907.0	489
Legal Issues	0.7	524.5	749	6.2	4,523.0	730	0.3	156.0	520	6.5	4,679.0	720
Members	0.5	450.0	900	1.3	938.0	722	1.0	805.0	805	2.3	1,743.0	758
Other Assets	43.9	27,865.0	635	31.9	19,960.0	626	0.2	95.0	475	32.1	20,055.0	625
Other Matters	66.9	37,117.5	555	89.6	24,526.5	274	2.6	1,119.5	431	92.2	25,646.0	278
Property	11.6	6,515.0	562	8.0	5,579.0	697	21.6	15,798.0	731	29.6	21,377.0	722
Reporting	217.3	80,525.0	371	88.8	36,629.5	412	71.7	25,493.5	356	160.5	62,123.0	387
Retention of Title	6.3	2,992.5	475	6.3	2,992.5	475	-	-	-	6.3	2,992.5	475
Sale of Business	318.0	103,571.0	514	248.2	144,269.5	581	-	-	-	248.2	144,269.5	581
Statutory Duties	163.8	63,228.0	386	231.2	109,513.0	474	1.9	1,116.0	587	233.1	110,629.0	475
Trading	3,223.1	1,356,995.5	421	2,528.7	1,005,386.0	398	17.0	9,155.0	539	2,545.7	1,014,541.0	399
VAT & Taxation	115.3	37,840.0	326	144.4	41,777.0	289	128.5	42,893.5	334	272.9	84,670.5	310
Total	5,219.5	2,112,660.50	405	4,100.3	1,652,606.50	403	778.4	291,466.00	374	4,878.7	1,944,072.50	398

Appendix D**Joint Liquidators' time costs - explanation of work done during the Administration period, Creditors' Voluntary Liquidation period and ongoing:**

Category of work	Description of work done during the administration period
Accounting & Administration	▶ Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost reporting
Creditors	▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to preferential creditors.
Debtors	▶ Reviewing the Company's debtors ledger, collating information on the outstanding balances and realising the book debts of the Company.
Employee Matters	▶ Assessing staffing requirements and making redundancies. ▶ Dealing with employee enquiries. ▶ Processing employee claims. ▶ Dealing with TUPE related matters prior to the sale of the business and certain assets of the Company. ▶ Dealing with matters relating to claims under the Government's Job Retention Scheme
Immediate Tasks	▶ Completion of work streams requiring immediate attention following the appointments, in order to execute the strategy outlined in the Proposals.
Investigations	▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". ▶ The Joint Administrators' reports on the conduct of the directors under the Company Directors Disqualification Act 1986. ▶ Further investigations as necessary.
Job Acceptance & Strategy	▶ Matters relating to the appointments and initial planning of the administration strategy, including meetings with the Companies' directors and management and formulating and executing the strategy adopted. ▶ Considering exit routes from administration and implementing the most appropriate route.
Legal Issues	▶ Dealing with any ad hoc legal issues
Members	▶ Liaising with the Company's shareholders
Other Assets	▶ Realising value from the Company's other assets. ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment.
Other Matters	▶ Liaising with the landlord of the Company's premises. ▶ Realising value from the Company's leasehold interests (if any).
Reporting	▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Retention of Title	▶ Assessment and settlement of claims for retention of title from the Company's suppliers (if applicable).
Sale of Business	▶ Liaising with interested parties whilst seeking to achieve a sale of the business, including preparation of financial and other information. ▶ Sale of the business and/or assets of the Company in pursuance of the Administrators' objectives. ▶ Liaising with the Purchaser and its advisors and relevant suppliers in relation to transitional arrangements.
Statutory Duties	▶ Completion of statutory requirements of the administrations, including notifications to creditors and members, advertising the appointment and sending to creditors and filing at Companies House.

Category of work	Description of work done during the administration period
Trading	<ul style="list-style-type: none"> ▶ Formulating the trading strategy. ▶ Trading the Company in Administration. ▶ Working with Company staff to oversee trading activities. ▶ Accounting and banking issues relating to trading including tracking of receipts, making payments to suppliers and employees and production of monthly accounts. ▶ Liaising with suppliers and customers. ▶ Employee issues pertaining to trading the Company.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing corporation tax and VAT returns, with input from EY VAT and tax specialists. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administrations. ▶ Preparing claims for VAT bad debt relief (if applicable).

Category of work	Description of work done during the Creditors' Voluntary Liquidation period and ongoing
Accounting & Administration	▶ Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost reporting
Creditors	<ul style="list-style-type: none"> ▶ Receipt and recording of creditor claims ▶ Correspondence with creditors ▶ Adjudicating upon creditor claims received and corresponding with creditors where additional information is required ▶ Liaising with agents where specialised advice is required in relation to claims
Employee Matters	<ul style="list-style-type: none"> ▶ Processing employee claims ▶ Liaising with the Redundancy Payments Service ('RPS') regarding employee claims. ▶ Preparation and reporting of P11D submission and RTI submissions ▶ Payment of Class 1 NIC contributions to HM Revenue & Customs. ▶ Dealing with ad-hoc employee matters
Immediate Tasks	▶ Completion of work streams requiring immediate attention following the appointment
Job Acceptance & Strategy	▶ Matters relating to the appointments and initial planning of the Creditors' Voluntary Liquidation strategy
Legal Issues	▶ Dealing with any ad hoc legal issues
Members	▶ Liaising with the Company's shareholders
Other Matters	▶ Dealing with any assets owned by third parties
Property	<ul style="list-style-type: none"> ▶ Liaising with the landlord and surveyors ▶ Exit from license to occupy agreement with Mechatronics Systems Wales Limited and leasehold property agreement with the landlord
Reporting	▶ Preparing the Joint Liquidators' annual progress reports
Statutory Duties	▶ Completion of statutory requirements of the Liquidators, including notifications to creditors and members, advertising the appointment and sending to creditors and filing at Companies House
Trading	▶ Liaising and making payments to suppliers to finalise the trading account and process associated refunds
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing corporation tax and VAT returns, with input from EY VAT and tax specialists ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the CVL

