

TO ALL KNOWN CREDITORS

8 January 2021

Ref: KSR/LW/AC/D21.1
Direct line: 0141 226 9320
Alastair Casey
acasey1@uk.ey.com

Dear Sirs

KSR Electronic Systems Limited (In Administration) (“the Company”)

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

1. Introduction

I write to provide you with our final progress report in the administration, which includes details of the outcome. The report covers the period from 27 July 2020 to 8 January 2021 and should be read in conjunction with our previous report dated 25 August 2020 (“Previous Progress Report”) and the Joint Administrators’ statement of proposals dated 20 March 2020 (“Proposals”).

Statutory information about the Company, the administration and the office holders is given at Appendix A.

The Joint Administrators can confirm that there are sufficient funds available for a distribution to be made to the unsecured, non-preferential creditors. To enable these funds to be distributed, the Company will shortly move from Administration to Creditors’ Voluntary Liquidation (“CVL”).

2. Summary of progress since the Previous Progress Report

Trading

The final accounts for the trading period have not yet been completed due to delays in receiving final invoices from certain trading suppliers. However, interim accounts have been issued to the Company’s customers and initial refunds made of advanced funding provided by those customers that was not utilised during the Company’s trading period.

In addition to the small number of final payments due to be made to trading suppliers, a VAT return for the period from 1 October 2020 to 31 December 2020 is required to be submitted in January 2021. The Company is in a net reclaim position and part of this reclaim relates to the Company’s trading.

Once the VAT reclaim is received from HM Revenue and Customs, the Company will be in a position to finalise the trading accounts and to issue final refunds to the Company’s customers. As detailed in the Previous Progress Report, the Joint Administrators expect that the Company will generate a trading profit of £485,000 for the period of trading to 30 June 2020 and that this trading profit will be available to the general body of creditors.

Stock

In addition to the trading profit, opening stock of raw materials and WIP owned by the Company which was used during the trading period in the sum of £1,428,013 will be recovered in full through a charge to the customers via the final trading accounts.

Leasehold property

As detailed in the Previous Progress Report, the Company granted a licence to occupy the leasehold property to the purchaser of the business and certain assets of the Company - Mechatronics Systems Wales Limited ("the Purchaser"). This licence expired on 31 December 2020, and therefore, at the Purchaser's request, a further licence has been granted until 31 August 2021, being the date of expiry of the Company's lease. The licence extension was conditional upon the Purchaser paying to the Company a fee of £25,000 (plus VAT). A contribution to professional costs of £18,833 (plus VAT) has also been received from the Purchaser.

National Westminster Bank plc refund

A refund of £45,005 was received from the Company's former bankers, National Westminster Bank plc, in relation to incorrect foreign exchange rates applied to transactions dating from 2010 to 2014.

VAT and Corporation tax

As noted above, the Company is due to submit a VAT return for the period from 1 October 2020 to 31 December 2020 during January 2021. This return may be submitted in the CVL, together with any relevant returns for future periods.

Corporation tax returns for the Administration trading period from 27 January 2020 to 30 June 2020 and from 1 July 2020 to the end of the Administration, will be prepared and submitted during the CVL.

Remaining assets

No further asset realisations are anticipated.

Expenditure

During the period covered by this report, we have incurred expenses totalling £865,263 (net of VAT and excluding the Joint Administrators' fees and disbursements). The majority of this expenditure relates to trading, but a detailed breakdown of all expenses incurred in this period is provided at Appendix C to this report.

Investigations

As detailed in the Previous Progress Report, the Joint Administrators submitted their conduct report 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.

3. Outcome for creditors

3.1 Secured creditors

As explained in the Previous Progress Report, Wells Fargo Bank, N.A. released its security prior to the appointment of the Joint Administrators. As a result, none of the Company's assets are subject to a fixed or floating charge.

3.2 Preferential creditors

A distribution of 100 p/£ was made to preferential creditors totalling £683.88.

No further preferential creditor claims are anticipated.

3.3. Unsecured, non-preferential creditors

Based on the Company's records it is estimated that total unsecured, non-preferential claims could be in the region of £17.1m. However, creditor claims may be higher due to contingent claims and other non-priority creditor amounts not included in the Company's records.

Claims continue to be received from unsecured, non-preferential creditors and a formal adjudication of these claims will be made in the CVL. Until all creditor claims are received and the adjudication is completed, we will not be in a position to provide details of the exact distribution to creditors. However, at this stage we still expect a return to unsecured non-preferential creditors in the region of 25 pence in the pound.

We caution creditors against using the above figure as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets as it is based on estimates of future costs of the Administration and CVL and not all creditor claims have been received. Accordingly, actual funds available to unsecured non-preferential creditors may differ. The Joint Administrators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this estimate.

If you have a claim that you have not yet submitted, please download a proof of debt form from https://www.ey.com/en_uk/ksrelectronic-administration and return together with supporting documentation (e.g. invoices, statements and agreements) to Ernst & Young LLP, The Paragon, Counterslip, Bristol, BS1 6BX, marked for the attention of Oliver Charlesworth, or, alternatively, to the following email address: ksrelectronic@uk.ey.com.

3.4 Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003. A relevant charge against the Company was created on 28 December 2017 but, as detailed above, was released on 24 January 2020. Therefore, the Prescribed Part does not apply in this matter.

4. Joint Administrators' receipts and payments

A summary of the Joint Administrators' receipts and payments for the period from 27 July 2020 to 8 January 2021 is attached at Appendix B.

5. Joint administrators' remuneration, expenses, disbursements and payments to other professionals

The statutory provisions relating to remuneration are set out in 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 Administrators' 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 me.

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 Administrators' Fees' referred to above.

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

| Grade | Hourly rate (£) |
|-------------------|-----------------|
| Partner | 900 |
| Associate Partner | 805 |
| Director | 690 |
| Senior Manager | 610 |
| Senior Executive | 475 |
| Executive | 340-375 |
| Analyst | 130-270 |

During the period covered by this report, the Joint Administrators have incurred time costs (based on the above hourly rates) of £297,574, of which £115,818 relates to time costs incurred for trading, which are funded by the customers via the supply agreements. Accordingly, the Joint Administrators have incurred total time costs (based on the above hourly rates) of £1,652,607, of which £1,005,386 relates to time costs incurred for trading.

In the period covered by this report, remuneration of £541,503 (net of VAT) has been drawn, of which £305,903 will be funded by the customers via the supply agreements. Accordingly, total remuneration of £1,498,495 (net of VAT) has been drawn to date, of which £1,005,386 has been funded by the customers via the supply agreements. Fees for the remaining time costs will be invoiced and paid in the CVL.

Attached at Appendices D, E, F and G are detailed analyses of time spent and charge out rates for each grade of staff for the various areas of work carried out as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

Our remuneration has not exceeded the amount provided for in the fee estimate dated 28 May 2020. In accordance with Rule 18.20(5) of The Insolvency (England and Wales) Rules 2016, the basis of remuneration fixed in the administration continues to apply in the CVL.

Pre-administration costs

As set out in the Previous Progress Report, the requisite approvals were received from the Company's creditors on 17 June 2020 for unpaid pre-Administration costs in the amount of £348,028.72 to be met as an expense of the Administration. All of these costs have now been drawn.

Disbursements

During the period covered by this report, the Joint Administrators have incurred Category 1 and Category 2 disbursements of £86.25 and £Nil (excluding VAT), respectively. Accordingly, the Joint Administrators have incurred total Category 1 and Category 2 disbursements of £13,792.38 and £3,397.45 (excluding VAT), respectively

The Joint Administrators received approval from the creditors on 17 June 2020 to draw disbursements in accordance with the charging policy set out in Appendix G.

During the period covered by this report, the Joint Administrators have drawn Category 1 and Category 2 disbursements of £1,505.01 and £Nil (excluding VAT), respectively. Accordingly, total Category 1 and Category 2 disbursements of £13,790.84 and £3,397.45 (excluding VAT) have been drawn to date. The remaining disbursements will be invoiced and paid in the CVL.

Appendix C also includes a breakdown of the Joint Administrators' Category 1 and Category 2 disbursements.

Payment to other professionals

The Joint Administrators have engaged the services of the following professional advisors during the course of the administration:

| Name of firm | Nature of service | How contracted to be paid |
|-------------------------------------|--|--|
| DLA Piper LLP | Legal Advisors | Time cost basis |
| Harrison Clark Rickerbys Limited | Legal Advisors | Time cost basis |
| Gateley UK LLP | Legal Advisors | Fixed fee |
| Gordon Brothers | Valuation services | Fixed fee |
| Aon Risk Solutions | Liaising with the Company's existing insurance brokers and underwriters to ensure appropriate insurance covers | Time cost basis Fixed fee basis for certain works |

Details of the fees paid to the above professional advisors to date are included in the receipts and payments account at Appendix B.

6. The outcome of the administration

In accordance with the terms of the Proposals, the Joint Administrators have delivered to Companies House a notice of move from administration to CVL. The liquidation will begin when the notice is registered by Companies House and Lucy Winterborne and Daniel Christopher Hurd of Ernst & Young LLP will become the Joint Liquidators.

This report will be made available on the following website:

https://www.ey.com/en_uk/ksrelectronic-administration

Should you have any remaining questions about the administration, please do not hesitate to contact Alastair Casey at this office.

Yours faithfully
for KSR Electronic Systems Limited (In Administration)



Lucy Winterborne
Joint Administrator

L Winterborne is licensed in the United Kingdom to act as an insolvency practitioner by The Insolvency Practitioners Association and D C Hurd is licensed in the United Kingdom to act as an insolvency practitioner 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, L Winterborne and D C Hurd, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, 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 Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A Statutory information

Company Information

Company Name: KSR Electronic Systems Limited
Registered Office Address: c/o Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX
Registered Number: 03648720
Date of incorporation: 7th October 1998
Trading Name(s): n/a
Trading Address(es): Heol Y Ddraig
Penllergaer Business Park
Swansea
SA4 9HL

Details of the administrators and of their appointment

Administrators: Lucy Winterborne and Daniel Christopher Hurd
IP number: 21130 and 20030
Date of Appointment: 27 January 2020
By Whom Appointed: The appointment was made by the Company's directors
Court Reference: High Court of Justice, Business and Property Courts of England and Wales:
CR-2020MAN000054

Any of the functions to be performed or powers exercisable by the Joint Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this Administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

Share capital

| Class | Authorised | | Issued and fully paid | |
|---------------|------------|-------|-----------------------|-------|
| | Number | £000s | Number | £000s |
| Ordinary (£1) | 2,000 | 2,000 | 2,000 | 2,000 |

Directors and their shareholdings

| Name | Director or Secretary | Date appointed | Date resigned | Current shareholding |
|-----------------|-----------------------|-----------------|---------------|----------------------|
| James Black | Director | 16 January 2020 | n/a | - |
| Eileen Wheatman | Director | 16 January 2020 | n/a | - |

Appendix B

Joint Administrators' Summary of Receipts and Payments for the period from 27 January 2020 to 8 January 2021

| Per Directors' Statement of Affairs | Notes | Period from | Period from | Period from |
|---|-------|---------------------------------|--------------------------------|-----------------------------------|
| | | 27 January 2020 to 26 July 2020 | 27 July 2020 to 8 January 2021 | 27 January 2020 to 8 January 2021 |
| GBP | | GBP | GBP | GBP |
| Trading Receipts | | | | |
| Customer advance payments | | 5,001,746 | - | 5,001,746 |
| Customer sales | | 3,838,556 | 442,795 | 4,281,351 |
| Closing stock realisations | | 1,989,376 | 74,012 | 2,063,387 |
| Reimbursement of prepayments to suppliers | | 195,079 | - | 195,079 |
| HMRC JRS grant | | 119,098 | (158) | 118,939 |
| Bank interest (Trading) | | 4,071 | 241 | 4,312 |
| | | 11,147,926 | 516,889 | 11,664,815 |
| Trading Payments | | | | |
| Cost of sales | | (4,202,814) | (224,848) | (4,427,662) |
| Staff costs | | (1,328,661) | 955 | (1,327,706) |
| Administrators' fees (Trading) | | (699,484) | (305,903) | (1,005,386) |
| Pre-appointment administrators' fees | 4 | - | (104,683) | (104,683) |
| Electricity | | - | (189,387) | (189,387) |
| Rent | 5 | (150,000) | 30,000 | (120,000) |
| Retention of title | | (113,131) | (55,207) | (168,338) |
| Repairs and maintenance | | (96,477) | (1,159) | (97,636) |
| Legal fees (Trading) | | (91,140) | (3,551) | (94,691) |
| Pre-appointment legal fees | 6 | - | (137,000) | (137,000) |
| Carriage | | (83,736) | (2,884) | (86,620) |
| Royalty fees | | - | (84,947) | (84,947) |
| Import VAT | | (83,099) | (50) | (83,148) |
| Software licensing fees | | (62,719) | - | (62,719) |
| Rates | 7 | (42,529) | 7,182 | (35,347) |
| Insurance | | - | (24,126) | (24,126) |
| Hire of equipment | | (19,847) | (3,367) | (23,214) |
| Gas | | - | (17,585) | (17,585) |
| Irrecoverable VAT | | - | (15,573) | (15,573) |
| Sundry expenses | 8 | (11,772) | 2,503 | (9,269) |
| Telephone | | (3,749) | (632) | (4,381) |
| Waste disposal | | (2,769) | (2,766) | (5,535) |
| Bank charges and interest (Trading) | | (3,407) | (739) | (4,147) |
| Water rates | | - | (3,011) | (3,011) |
| Security | | (2,043) | - | (2,043) |
| Stationery and printing | | (2,059) | - | (2,059) |
| Consultant fees | | (1,940) | - | (1,940) |
| Refunds of advanced funding | | - | (1,554,395) | (1,554,395) |
| | | (7,001,377) | (2,691,172) | (9,692,548) |
| Trading Receipts and Payments | | 4,146,549 | (2,174,282) | 1,972,267 |
| Non Trading Receipts | | | | |
| 1,153,699 | | 1,153,703 | - | 1,153,703 |
| 1,500,000 | | 1,500,000 | - | 1,500,000 |
| 1,251,217 | | 1,274,448 | - | 1,274,448 |
| 100,989 | | 418,522 | - | 418,522 |
| 163,631 | | 376,686 | - | 376,686 |
| | | - | 221,482 | 221,482 |
| | | - | 45,005 | 45,005 |
| | | - | 25,000 | 25,000 |
| | | - | 18,833 | 18,833 |
| | | 5,765 | 495 | 6,260 |
| | | 15 | (0) | 15 |
| | | 4,729,140 | 310,816 | 5,039,956 |
| Non Trading Payments | | | | |
| | | (257,509) | (235,600) | (493,109) |
| | | (146,320) | (40,770) | (187,091) |
| | 4 | (183,354) | 104,683 | (78,671) |
| | 6 | (147,375) | 137,000 | (10,375) |
| | | (8,778) | - | (8,778) |
| | | - | (221,482) | (221,482) |
| | | (15,683) | (1,505) | (17,188) |
| | | - | (8,123) | (8,123) |
| | | - | (2,563) | (2,563) |
| | | (952) | (1,178) | (2,130) |
| | | - | (995) | (995) |
| | | (165) | (9) | (174) |
| | | (95) | - | (95) |
| | | - | (684) | (684) |
| | | (760,230) | (271,227) | (1,031,457) |
| Non-Trading Receipts and Payments | | 3,968,910 | 39,589 | 4,008,498 |
| Net Receipts and Payments | | 8,115,459 | (2,134,694) | 5,980,765 |
| Represented By | | | | |
| Cash at bank and in hand | | 7,745,426 | (1,909,745) | 5,835,681 |
| VAT receivable | | 438,798 | (291,319) | 147,480 |
| Licence fee control account | | (60,000) | 30,000 | (30,000) |
| Reimbursement due from purchaser | | 2,783 | (2,783) | - |
| Unrealised exchange loss/(gain) | | (11,554) | 39,159 | 27,605 |
| Pension control | | (55) | 55 | - |
| Payroll deductions | | 60 | (60) | - |
| Total Represented By | | 8,115,459 | (2,134,694) | 5,980,765 |

Notes

1. Receipts and payments are stated net of VAT or other applicable goods and services taxes.
2. These accounts do not reflect estimated future realisations or associated costs.
3. The following HM Revenue and Customs published exchange rates have been applied to foreign currency transactions: GBP : EUR – 1.1174 and GBP : USD - 1.2540.
4. Reallocation of pre-appointment Joint Administrators' time costs from non-trading to trading (and therefore will be funded by the Company's customers)
5. Reallocation of rent payments from trading to non-trading.
6. Reallocation of pre-appointment legal fees from non-trading to trading (and therefore will be funded by the Company's customers).
7. A business rates refund was received following completion of the Company's trading period.
8. Reallocation of sundry payments from trading to non-trading.

Appendix C

Summary of the Joint Administrators' expenses incurred for the period from 27 January 2020 to 8 January 2021

| Category of expense | Per estimate dated 28 May 2020 (£) | Paid to 26 July 2020 (£) | Paid in period (£) | Outstanding (£) | Total (£) |
|-----------------------------------|--|-----------------------------|--------------------|-----------------|------------------|
| Trading expenses | | | | | |
| Employee costs | 2,810,000 | 1,328,661 | (955) | 2,000 | 1,329,706 |
| Temporary labour | 7,000 | 1,940 | - | - | 1,940 |
| Material and consumable purchases | 7,920,000 | 4,318,005 | 295,627 | 2,000 | 4,615,632 |
| Hire of equipment | 16,000 | 19,847 | 3,367 | - | 23,214 |
| Shipping / freight charges | 233,000 | 83,736 | 2,884 | - | 86,620 |
| Repairs, renewals and calibration | 330,000 | 111,657 | (605) | - | 111,052 |
| Import VAT and duty | 252,000 | 83,099 | 50 | - | 83,148 |
| Property costs | 1,115,000 | 197,341 | 175,566 | 2,000 | 374,907 |
| IT and telephone | 115,000 | 66,468 | 632 | - | 67,101 |
| Corporate overhead | 780,000 | - | 84,947 | - | 84,947 |
| Insurance | 275,000 | - | 24,126 | - | 24,126 |
| Legal fees | 100,000 | 91,140 | 3,551 | - | 94,691 |
| Total trading expenses | 13,953,000 | 6,301,893 | 589,191 | 6,000 | 6,897,084 |
| Non-trading expenses | | | | | |
| Legal fees | 75,000 | 146,320 | 40,770 | 9,230 | 196,320 |
| Agents' fees | 125,000 | - | - | 10,000 | 10,000 |
| Insurance | 16,500 | - | 995 | 1,000 | 1,995 |
| Employee costs | 70,000 | - | 2,130 | - | 2,130 |
| Property costs | 255,000 | - | 221,482 | 240,000 | 461,482 |
| Repairs and maintenance | 25,000 | - | - | - | - |
| Bank charges and interest | 10,000 | 165 | 2,572 | 3,000 | 5,737 |
| Exchange loss | - | - | - | - | - |
| Statutory costs | 10,000 | 95 | - | 5,000 | 5,095 |
| Corporation tax | - | - | - | - | - |
| Royalty payment | - | - | 8,123 | - | 8,123 |
| Total non-trading expenses | 586,500 | 146,580 | 276,072 | 268,230 | 690,882 |
| Total | 14,539,500 | 6,448,473 | 865,263 | 274,230 | 7,587,966 |

Notes

The estimate of the Joint Administrators' expenses was based on the following assumptions:

- ▶ The Administration trading period would end on 31 December 2020 and that the expenses incurred for trading the business would be funded in full by the three customers for which production continued during the Administration.
- ▶ One extension to the Administration would be required and the Administration extension would be granted by creditors and an application to Court for approval of the extension would not be required.

Trading with two customers ceased with effect from 31 May 2020 and trading for the one remaining customer ceased on 30 June 2020. In addition, the Joint Administrators completed the sale of business and certain assets of the Company to the Purchaser on 2 July 2020 with sale being effective from 1 July 2020.

Total expenses have not exceeded the original estimate provided. However, as set out in the Previous Progress Report, Hire of Equipment and Non-trading legal fees have exceeded the individual

estimates for the reasons set out in that report. In the period covered by this report, a royalty payment of £8,123 was made to KSR IP Holdings LLC (estimate: £nil) in respect of royalties due on sales of finished goods stock raised after the appointment of the Joint Administrators.

Outstanding costs are estimates of costs that will be incurred in the CVL.

Category 1 disbursements (see note 2)

| Disbursement | Per estimate dated 28 May 2020 (£) | Paid to 26 July 2020 (£) | Paid in period (£) | Outstanding (£) | Total (£) |
|-------------------------------------|---------------------------------------|-----------------------------|--------------------|-----------------|---------------|
| Accommodation and subsistence costs | 12,888 | 8,298 | - | - | 8,298 |
| Travel costs (excluding mileage) | 4,951 | 3,661 | - | - | 3,661 |
| Specific Bond | 1,280 | - | 1,280 | - | 1,280 |
| Postage and printing | 727 | 327 | 221 | 1,000 | 1,548 |
| Payroll software | - | - | 4 | - | 4 |
| Total | 19,846 | 12,286 | 1,505 | 1,000 | 14,791 |

Category 2 disbursements (see note 2)

| Disbursement | Per estimate dated 28 May 2020 (£) | Paid to 26 July 2020 (£) | Paid in period (£) | Outstanding (£) | Total (£) |
|--------------|---------------------------------------|-----------------------------|--------------------|-----------------|--------------|
| Mileage | 4,072 | 3,397 | - | - | 3,397 |
| Total | 4,072 | 3,397 | - | - | 3,397 |

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.
 - ▶ Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - ▶ 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.

Exceeding estimates of remuneration, disbursements and expenses

The Joint Administrators' letter of 28 May 2020 included the Joint Administrators' estimates of remuneration, disbursements and expenses.

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The Joint Administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 of the Insolvency (England and Wales) Rules 2016.

Appendix D

Summary of the Joint administrators' time costs and disbursements for the period from 27 January 2020 to 8 January 2021

| | Staff Grade | | | | | | | Total Hours | Total Cost £ | Average rate £ |
|--------------------------------|------------------|----------------------|------------------|-----------------------|------------------|-------------------|-------------------|----------------|---------------------|----------------|
| | Partner | Associate Partner | Director | Assistant Director | Manager | Executive | Analyst | | | |
| Accounting & Administration | 0.5 | - | - | 75.9 | 3.5 | 104.3 | 77.2 | 261.4 | 91,240.50 | 349.0 |
| Creditors | 0.7 | 17.3 | - | 12.1 | 1.5 | 0.7 | 147.4 | 179.7 | 50,845.00 | 282.9 |
| Debtors | - | 2.0 | - | 7.4 | - | 4.8 | - | 14.2 | 7,420.00 | 522.5 |
| Employees | 3.0 | 21.6 | 7.0 | 3.8 | 13.2 | 90.4 | 6.3 | 145.3 | 59,111.00 | 406.8 |
| Immediate Tasks | 1.0 | 2.0 | - | 6.3 | 1.9 | 7.5 | 8.2 | 26.9 | 10,878.50 | 404.4 |
| Investigation & CDDA | - | 5.1 | - | 23.7 | 13.4 | 33.0 | 10.7 | 85.9 | 35,870.50 | 417.6 |
| Job Acceptance & Strategy | 1.0 | - | - | - | - | - | 1.3 | 2.3 | 1,147.00 | 498.7 |
| Legal Issues | - | 3.8 | - | 2.4 | - | - | - | 6.2 | 4,523.00 | 729.5 |
| Members | 0.5 | - | - | 0.8 | - | - | - | 1.3 | 938.00 | 721.5 |
| Other Assets | - | 3.0 | - | 28.7 | - | - | 0.2 | 31.9 | 19,960.00 | 625.7 |
| Other Matters | - | 3.5 | - | 11.4 | 1.2 | 10.0 | 63.5 | 89.6 | 24,526.50 | 273.7 |
| Property | - | 4.0 | - | 3.4 | 0.6 | - | - | 8.0 | 5,579.00 | 697.4 |
| Reporting | - | 7.3 | - | 32.6 | - | 19.7 | 29.2 | 88.8 | 36,629.50 | 412.5 |
| Retention of Title | - | - | - | - | 6.3 | - | - | 6.3 | 2,992.50 | 475.0 |
| Sale of Business | - | 67.7 | 29.0 | 86.8 | - | 56.5 | 8.2 | 248.2 | 144,269.50 | 581.3 |
| Statutory Duties | - | 21.6 | - | 96.1 | 27.8 | 50.7 | 35.0 | 231.2 | 109,513.00 | 473.7 |
| Trading | 10.5 | 145.1 | 17.3 | 766.4 | 21.5 | 1,144.7 | 423.2 | 2,528.7 | 1,005,386.00 | 397.6 |
| VAT & Taxation | - | 1.8 | - | 21.3 | 4.8 | 29.1 | 87.4 | 144.4 | 41,777.00 | 289.3 |
| Total Hours | 17.2 | 305.8 | 53.3 | 1,179.1 | 95.7 | 1,551.4 | 897.8 | 4,100.3 | | |
| Time Costs (£) | 15,480.00 | 246,169.00 | 36,777.00 | 719,251.00 | 45,457.50 | 418,388.00 | 171,084.00 | | 1,652,606.50 | |
| Average Hourly Rate (£) | 900.0 | 805.0 | 690.0 | 610.0 | 475.0 | 269.7 | 190.6 | | 403.0 | |

| | |
|---------------------------------|------------------|
| Category 1 Disbursements | £ |
| Postage and printing | 549.36 |
| Air Transportation | 1,793.19 |
| Car Rental | 685.84 |
| Ground Transportation | 1,182.38 |
| Accommodation | 5,980.45 |
| Bonding | 1,280.00 |
| Subsistence | 2,317.20 |
| Payroll software | 3.96 |
| Total | 13,792.38 |
| Category 2 Disbursements | |
| Mileage | 3,397.45 |
| Total | 3,397.45 |

Appendix E

Joint administrators' time costs for the period from 27 January 2020 to 8 January 2021 and a comparison with the fee estimate dated 28 May 2020

| | Per Fee Estimate | | | Actual in this report period | | | Total actual to date | | |
|-----------------------------|------------------|--------------------|------------------|------------------------------|-------------------|------------------|----------------------|---------------------|------------------|
| | Total hours | Total costs (£) | Average rate (£) | Total hours | Total costs (£) | Average rate (£) | Total hours | Total costs (£) | Average rate (£) |
| Accounting & Administration | 481.1 | 137,671.50 | 286.2 | 193.4 | 61,918.00 | 320.2 | 261.4 | 91,240.50 | 349.0 |
| Creditors | 219.1 | 58,149.50 | 265.4 | 6.9 | 3,369.00 | 488.3 | 179.7 | 50,845.00 | 282.9 |
| Debtors | 13.4 | 6,932.00 | 517.3 | 0.7 | 427.00 | 610.0 | 14.2 | 7,420.00 | 522.5 |
| Employees | 233.9 | 90,157.50 | 385.5 | 21.6 | 6,162.00 | 285.3 | 145.3 | 59,111.00 | 406.8 |
| Immediate Tasks | 26.9 | 10,878.50 | 404.4 | - | - | - | 26.9 | 10,878.50 | 404.4 |
| Investigation & CDDA | 75.9 | 30,750.50 | 405.1 | - | - | - | 85.9 | 35,870.50 | 417.6 |
| Job Acceptance & Strategy | 1.8 | 697.00 | 387.2 | 0.5 | 450.00 | 900.0 | 2.3 | 1,147.00 | 498.7 |
| Legal Issues | 0.7 | 524.50 | 749.3 | 2.3 | 1,500.50 | 652.4 | 6.2 | 4,523.00 | 729.5 |
| Members | 0.5 | 450.00 | 900.0 | 0.8 | 488.00 | 610.0 | 1.3 | 938.00 | 721.5 |
| Other Assets | 43.9 | 27,865.00 | 634.7 | 1.0 | 610.00 | 610.0 | 31.9 | 19,960.00 | 625.7 |
| Other Matters | 66.9 | 37,117.50 | 554.8 | 24.1 | 7,666.00 | 318.1 | 89.6 | 24,526.50 | 273.7 |
| Property | 11.6 | 6,515.00 | 561.6 | 7.4 | 5,294.00 | 715.4 | 8.0 | 5,579.00 | 697.4 |
| Reporting | 217.3 | 80,525.00 | 370.6 | 35.1 | 12,196.50 | 347.5 | 88.8 | 36,629.50 | 412.5 |
| Retention of Title | 6.3 | 2,992.50 | 475.0 | - | - | - | 6.3 | 2,992.50 | 475.0 |
| Sale of Business | 318.0 | 163,571.00 | 514.4 | 4.9 | 3,574.00 | 729.4 | 248.2 | 144,269.50 | 581.3 |
| Statutory Duties | 163.8 | 63,228.00 | 386.0 | 111.8 | 51,831.00 | 463.6 | 231.2 | 109,513.00 | 473.7 |
| Trading | 3,223.1 | 1,356,995.50 | 421.0 | 309.6 | 115,818.00 | 374.1 | 2,528.7 | 1,005,386.00 | 397.6 |
| VAT & Taxation | 115.3 | 37,640.00 | 326.5 | 99.9 | 26,270.00 | 263.0 | 144.4 | 41,777.00 | 289.3 |
| Total | 5,219.5 | 2,112,660.5 | 404.8 | 820.0 | 297,574.00 | 362.9 | 4,100.3 | 1,652,606.50 | 403.0 |

Appendix F

Joint Administrators' time costs – explanation of the work done and ongoing

| Category of work | Description of work done and ongoing |
|-----------------------------|--|
| Accounting & Administration | <ul style="list-style-type: none">▶ 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.▶ Processing distributions to preferential creditors. |
| Debtors | <ul style="list-style-type: none">▶ Reviewing the Company's debtors ledger, collating information on the outstanding balances and realising the book debts of the Company. |
| Employee Matters | <ul style="list-style-type: none">▶ 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 | <ul style="list-style-type: none">▶ Completion of work streams requiring immediate attention following the appointments, in order to execute the strategy outlined in the Proposals. |
| Investigations | <ul style="list-style-type: none">▶ 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 | <ul style="list-style-type: none">▶ 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 | <ul style="list-style-type: none">▶ Dealing with any ad hoc legal issues. |
| Members | <ul style="list-style-type: none">▶ Liaising with the Company's shareholders |
| Other Assets | <ul style="list-style-type: none">▶ 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 | <ul style="list-style-type: none">▶ Dealing with any assets owned by third parties.▶ Recovery of the Companies' physical books and records, and electronic records (including a back-up of Companies' servers and systems). |
| Property | <ul style="list-style-type: none">▶ Liaising with the landlord of the Company's premises.▶ Realising value from the Company's leasehold interests (if any). |
| Reporting | <ul style="list-style-type: none">▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report. |
| Retention of Title | <ul style="list-style-type: none">▶ Assessment and settlement of claims for retention of title from the Company's suppliers (if applicable). |
| Sale of Business | <ul style="list-style-type: none">▶ 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 | <ul style="list-style-type: none">▶ 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. |
| 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). |

Appendix G

Statement of Administrators' charging policy for remuneration and disbursements pursuant to Statement of Insolvency Practice No.9

Joint Administrators' charging policy for remuneration

The Joint Administrators have engaged managers and other staff to work on the Administration. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the Company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators.

All time spent by staff working directly on case-related matters is charged to a time code established specifically for this engagement. Time is recorded in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The hourly rate for each category of staff over the period is shown below:

| Grade | Hourly rate (£) |
|-------------------|-----------------|
| Partner | 900 |
| Associate Partner | 805 |
| Director | 690 |
| Senior Manager | 610 |
| Senior Executive | 475 |
| Executive | 340-375 |
| Analyst | 130-270 |

Administrators' charging policy for disbursements

Statement of Insolvency Practice No. 9 divides disbursements into two categories:

- ▶ Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee or the general body of creditors. In line with Statement of Insolvency Practice No. 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as may reasonably be required to support the disbursements drawn.
- ▶ Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. Statement of Insolvency Practice No. 9 provides that such disbursements are subject to approval as if they were remuneration.

Details of Category 1 and Category 2 expenses incurred to date are included in Appendices C and D.