

TO ALL MEMBERS AND ALL CREDITORS
WHO ARE NOT OPTED OUT

08 March 2022

Ref: SKR/LW/AC/D21.1
Direct line: 0121 5352 181
Abhishek Manjunath
ksrelectronic@uk.ey.com

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 C Hurd and I were appointed as Joint Liquidators of the Company on 12 January 2021. I now write to provide you with our report on the progress of the Liquidation for the period from 12 January 2021 to 11 January 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 2021 to 11 January 2022 is at Appendix B.

The Joint Liquidators can confirm that there are sufficient funds available for a distribution to be made to the unsecured, non-preferential creditors. The Joint Liquidators are reviewing claims received from the creditors with a view to paying a dividend shortly.

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"). Interim trading accounts have been prepared and indicate that approximately £25,000 of the advanced funding was unutilised and is to be refunded to the Funding Customers. The trading accounts cannot be finalised until a VAT refund due from HMRC for the administration period has been received. It should be noted that the recovered VAT will also be refunded to the Funding Customers.

Leasehold property

As detailed in the final report on the Administration, 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"). The licence to occupy was due to expire on 31 August 2021, but ended earlier on 30 April 2021 as the Purchaser entered into a new lease directly with the landlord.

VAT

The Company was a member of a VAT Group, together with non-trading holding companies Electronic Motion Systems Holdings Limited and KSR EMS Holdings Limited (“the VAT Group”). The Company was removed from the VAT Group and re-registered with a sole VAT registration from 27 January 2022, the date it entered administration.

The Company continued to trade in administration and import VAT was paid on several purchases. C79 certificates from February 2020 to April 2020 were issued in the Company’s name but incorrectly referred to the Group VAT registration number. C79 certificates from May 2020 to July 2020 were incorrectly issued in the name of KSR EMS Holding Limited, as a remaining member of the VAT Group. These issues have delayed the recovery of the import VAT from HMRC but the sum of £86,910,19 is rightfully due to the Company.

The Joint Liquidators have submitted a VAT return seeking to recover the import VAT.

Once the VAT reclaim is received from HM Revenue and Customs, it will be possible to finalise the trading accounts and to issue the refunds to the Funding Customers.

Corporation tax

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 have been submitted on 29 June 2021 and 3 December 2021 respectively. Based on the tax returns filed, the Joint Liquidators are of the opinion that there is no corporation tax liability for the period 01 July 2020 to 11 January 2021.

The corporation tax return for the period 12 Jan 2021 to 11 Jan 2022 will be filed shortly.

Work which remains to be done

Trading Accounts

The Joint Liquidators are pursuing the VAT refund due from HMRC to enable the trading position to be finalised.

Payment of a dividend to unsecured, non-preferential creditors

A total of 96 claims have been received from unsecured creditors totalling £17.5m. In advance of paying a dividend to the unsecured creditors, we commenced the adjudication process during the period and have contacted several creditors seeking further information in respect of claims received. The adjudication process remains ongoing.

Upon completion of the adjudication process, the Joint Liquidators will issue a notice of intended dividend to formally commence the dividend process.

Until all creditor claims are received and the adjudication process is completed, we will not be in a position to provide details of the exact rate of the dividend available to the unsecured creditors. However, as previously reported the dividend amount is anticipated to be in the region of 25 pence in the pound. Please note that this is an estimate and should not be depended upon as an entitlement to payment from the Company’s assets. The Joint Liquidators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this estimate.

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 £140,925. In the period covered by this report, no remuneration has been drawn.

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 CVL. 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.

The total of the Joint Administrators' and Joint Liquidators' remuneration is not expected to exceed the amount provided for in the fee estimate.

Joint liquidators' statement of expenses incurred

During the period covered by this report, we have incurred expenses totalling £132,996.77 net of VAT, as set out in the receipts and payments account for the period from 12 January 2021 to 11 January 2022 attached at Appendix B.

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	Outstanding	Total
Legal Fees	75,000	187,090	30,715	625	218,430
Agents' fees	125,000	Nil	8,679	5,000	13,679
Insurance	16,500	995	95	Nil	1,090
Employee Costs	70,000	2,130	1,295	Nil	3,425
Property Costs	255,000	221,482	90,120	Nil	311,602
Repairs and Maintenance	25,000	0	1,986	Nil	1,986
Bank Charges and Interest	10,000	2,737	7	Nil	2,744
Exchange Loss	Nil	Nil	Nil	Nil	Nil

Type of Expense	Per Estimate Dated 28 May 2020	Paid as at 8 January 2021	Paid in Period	Outstanding	Total
Statutory Costs	10,000	95	99	Nil	194
Corporation Tax	Nil	Nil	Nil	Nil	Nil
Royalty Payment	Nil	8,123	Nil	Nil	8,123
Total	586,500	422,652	132,996	5,625	561,273

During the period covered by this report, the Joint Liquidators have incurred Category 1 disbursements totaling £1,608 which are set out in Appendix C.

The total of the Joint Administrators' and Joint Liquidators' expenses are not expected to exceed the amount provided for in the estimate provided to creditors dated 28 May 2020.

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 and 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 request that creditors respond promptly to any requests for additional information in respect of claims made against the Company and, 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 it together with any available supporting documentation, to Ernst & Young LLP, One Colmore Square, Birmingham, B4 6HQ, marked for the attention of Charlotte Warman, or, alternatively, send it to the following email address: ksrelectronic@uk.ey.com

Yours faithfully
for KSR Electronic Systems Limited (In Creditors Voluntary Liquidation)



Lucy Winterborne
Joint Liquidator

L Winterborne is licensed in the United Kingdom to act as an insolvency practitioner by the Insolvency Practitioners Association. 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 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 Liquidator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A

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 BS1 6BX	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ
Telephone number:	0121 393 9938	
Name of alternative person to contact with enquiries about the case:	Charlotte Warman	

Appendix B

Joint Liquidators' receipts and payments account for the period from 12 January 2021 to 11 January 2022

KSR Electronic Systems Limited (in Creditors Voluntary Liquidation)
Receipts and Payments Account
12 January 2021 to 11 January 2022

	GBP
Receipts	
Funds transferred from Administration	5,835,704.25
VAT reclaim from administration	144,819.60
Licence Fee Income	60,000.00
Pre-appointment reimbursements	5,061.91
Bank Interest	554.95
Total	6,046,140.71
Payments	
Legal fees	(30,715.00)
Employee benefits	(1,282.32)
Repairs, Renewals and Calibration	(1,986.00)
Employers NIC	(13.11)
Telephone	(59.80)
Public Notices	(99.45)
Other Professional Fees	(8,678.99)
Sundry Expenses	(60.00)
Rent	(90,000.00)
Insurance	(95.20)
Bank charges and interest	(6.90)
Total	(132,996.77)
Net receipts and payments	5,913,143.94
Represented By	
RBS-GBP-32382730-IB Current	5,913,143.94
Total Represented By	5,913,143.94

Notes

1. Receipts and payments are stated net of VAT.
2. These accounts do not reflect estimated future realisations or associated costs.
3. As part of the final trading account, an estimated sum of £25,000 transferred from the administration trading period will be returned to the Funding Customers. This excludes the awaited VAT reclaim of £86,910.19 which will be passed through to the Funding Customers when received from HMRC.

Appendix C

Joint Liquidators' time costs and disbursements for the period from 12 January 2021 to 11 January 2022 and a comparison with the fee estimate dated 28 May 2020

	Per Fee Estimate			Actual in this Administration period			Actual in this CVL period			Total		
	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	286.2	261.4	91,240.5	349.0	71.3	23,600.0	331.0	332.7	114,840.5	345.2
Creditors	219.1	58,149.5	265.4	179.7	50,845.0	282.9	165.6	54,477.5	329.0	345.3	105,322.5	305.0
Debtors	13.4	6,932.0	517.3	14.2	7,420.0	522.5	-	-	-	14.2	7,420.0	522.5
Employees	233.9	90,157.5	385.5	145.3	59,111.0	406.8	19.3	5,605.5	290.4	164.6	64,716.5	393.2
Immediate Tasks	26.9	10,878.5	404.4	26.9	10,878.5	404.4	7.5	4,575.0	610.0	34.4	15,453.5	449.2
Investigation & CDDA	75.9	30,750.5	405.1	85.9	35,870.5	417.6	-	-	-	85.9	35,870.5	417.6
Job Acceptance & Strategy	1.8	697.0	387.2	2.3	1,147.0	498.7	0.5	237.5	475.0	2.8	1,384.5	494.5
Legal Issues	0.7	524.5	749.3	6.2	4,523.0	729.5	0.3	156.0	520.0	6.5	4,679.0	719.8
Members	0.5	450.0	900.0	1.3	938.0	721.5	1.0	805.0	805.0	2.3	1,743.0	757.8
Other Assets	43.9	27,865.0	634.7	31.9	19,960.0	625.7	0.2	95.0	475.0	32.1	20,055.0	624.8
Other Matters	66.9	37,117.5	554.8	89.6	24,526.5	273.7	1.7	527.0	310.0	91.3	25,053.5	274.4
Property	11.6	6,515.0	561.6	8.0	5,579.0	697.4	20.1	14,590.5	725.9	28.1	20,169.5	717.8
Reporting	217.3	80,525.0	370.6	88.8	36,629.5	412.5	20.5	6,726.0	328.1	109.3	43,355.5	396.7
Retention of Title	6.3	2,992.5	475.0	6.3	2,992.5	475.0	-	-	-	6.3	2,992.5	475.0
Sale of Business	318.0	163,571.0	514.4	248.2	144,269.5	581.3	-	-	-	248.2	144,269.5	581.3
Statutory Duties	163.8	63,228.0	386.0	231.2	109,513.0	473.7	1.2	659.5	549.6	232.4	110,172.5	474.1
Trading	3,223.1	1,356,995.5	421.0	2,528.7	1,005,386.0	397.6	0.3	183.0	610.0	2,529.0	1,005,569.0	397.6
VAT & Taxation	115.3	37,640.0	326.5	144.4	41,777.0	289.3	89.2	28,687.5	321.6	233.6	70,464.5	301.6
Total	5,219.5	2,112,660.5	404.8	4,100.3	1,652,606.5	403.0	398.7	140,925.0	353.5	4,499.0	1,793,531.5	398.7

Category 1 Disbursements	£
Postage and printing	96.85
Bonding	1288.2
Subsistence	223.48
Total	1608.5

Appendix D

Joint Liquidators' time costs – explanation of work done during the Administration period, CVL period and ongoing

Category of work	Description of work done during the administration period
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).

Category of work	Description of work done during the CVL period 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 ▶ 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	<ul style="list-style-type: none"> ▶ Completion of work streams requiring immediate attention following the appointment
Job Acceptance & Strategy	<ul style="list-style-type: none"> ▶ Matters relating to the appointments and initial planning of the CVL strategy
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 Matters	<ul style="list-style-type: none"> ▶ Dealing with any assets owned by third parties
Property	<ul style="list-style-type: none"> ▶ Liaising with the landlord and surveyors

	<ul style="list-style-type: none"> ▶ Exit from license to occupy agreement with Mechatronics Systems Wales Limited and leasehold property agreement with the landlord
Reporting	<ul style="list-style-type: none"> ▶ Preparing the Joint Liquidators' annual progress report
Statutory Duties	<ul style="list-style-type: none"> ▶ 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	<ul style="list-style-type: none"> ▶ 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