

TO ALL MEMBERS AND ALL CREDITORS
WHO ARE NOT OPTED OUT

7 March 2024

Ref: TSR/LW/LJ/KSR
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
CR-2020-MAN-000054**

Introduction

Dan C Hurd and I, Lucy Winterborne, 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 2023 to 11 January 2024. This report should be read in conjunction with our progress reports dated 9 March 2023 and 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 2023 to 11 January 2024 is at Appendix B.

Progress during the period of the report

Sundry income

The Joint Liquidators received a refund of £1,813.79 in the period relating to a payment made by the Company prior to the Liquidators' appointment.

Bank interest received

In line with EYs policy, the Joint Liquidators' current account was placed back onto interest bearing. Accordingly, bank interest of £58,799.68 was earned in the period.

Corporation tax

Corporation tax returns for the periods ended 11 January 2023 and 19 June 2023 were both filed on 26 July 2023 with HM Revenue & Customs ('HMRC'). Whilst there was no corporation tax liability for the period ended 11 January 2023, as a result of the bank interest received, a corporation tax liability of £4,012.26 arose. This was paid to HMRC on 17 July 2023.

Due to delays in the Bank actioning our request to take the current account off interest bearing, interested continued to be received until 2 October 2023. Accordingly, a final corporation tax return for the period ended 2 October 2023 was filed with HMRC on 12 October 2023 and the liability of £6,630.50

paid to HMRC on 30 October 2023.

Payment of a dividend to non-preferential, unsecured creditors

The Joint Liquidators received claims from non-preferential, unsecured creditors totalling £15,947,089.61 and I am pleased to report that a first and final distribution of 33.76p in the £, equating to a total dividend of £5,383,443.59, was paid to the non-preferential, unsecured creditors on 31 October 2023. This includes the sum of £1,659.67 payable to HMRC for PAYE/NIC deductions on dividends.

Work which remains to be done

VAT

£67,132.53 of input VAT has been incurred on costs paid in the period and not yet claimed. Upon finalisation and payment of the final costs, the net VAT will be reclaimed from HMRC.

Joint liquidators' remuneration

Our remuneration was agreed during the preceding Administration in the sum of £2,112,660.50 plus VAT, in accordance with our fee estimate dated 28 May 2020 and approved by creditors on 17 June 2020.

The original fee estimate was split into two sections as the costs of trading the Company, estimated at £1,356,995.50, was funded by customers. Therefore, £755,665 was the estimate of time costs to be drawn from the estate to cover both the Administration and the subsequent Liquidation. A sum of £647,221 was incurred during the Administration, leaving a residual balance of £108,444 as the estimate of time costs for the Liquidation period.

A revised fee estimate, issued in July 2023, was subsequently approved by the general body of creditors, to increase our remuneration for the Liquidation from £108,444 plus VAT to £400,000 plus VAT.

During the period covered by this report, the Joint Liquidators have incurred time costs of £160,646.50 (net of VAT) bringing total time costs to £452,112.50. Of this sum, £168,506 (net of VAT) has been invoiced and paid.

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 revised fee estimate dated July 2023.

Although it is likely that our time costs will exceed the revised fee estimate, we will not be seeking to draw any further fees.

Joint liquidators' statement of expenses incurred

During the period covered by this report, we have incurred expenses totalling £16,831.76 plus VAT, as set out in the receipts and payments account for the period from 12 January 2023 to 11 January 2024 attached at Appendix B.

The expenses can be summarised as follows:

Type of Expense	Per Estimate Dated 28 May 2020	Paid as at 12 January 2021	Paid in the period 13 January 2021 to 11 January 2023	Paid in this reporting period	Outstanding	Total
Legal Fees	75,000.00	187,090.00	30,715.00	5,677.00	Nil	223,482.00
Agents' Fees	125,000.00	Nil	13,559.00	Nil	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	25.90	324.00	Nil	3086.90
Exchange Loss	Nil	Nil	Nil	Nil	Nil	Nil
Statutory Costs	10,000.00	95.00	99.00	188.00	Nil	382.00
Corporation Tax	Nil	Nil	Nil	10,642.76	Nil	10,642.76
Royalty Payment	Nil	8,123.00	Nil	Nil	Nil	8,123.00
Sundry Expenses	Nil	Nil	60.00	Nil	Nil	60.00
Total Payments	586,500.00	422,652.00	137,954.90	16,831.76	Nil	577,438.66

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 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.

Should you have any questions regarding the Liquidation, please do not hesitate to contact us by email at ksrelectronic@uk.ey.com

Yours faithfully
for the Company



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 numbers:	21130 and 20030	
Liquidators' addresses:	Ernst & Young LLP The Paragon Counterslip Bristol BS1 6BX	Ernst & Young LLP One Colmore Square Birmingham B4 6HQ
Email:	ksrelectronic@uk.ey.com	
Name of alternative person to contact with enquiries about the case:	Laura Jones	

Appendix B

Joint liquidators' receipts and payments account for the period from 12 January 2023 to 11 January 2024

	12 January 2021 to 11 January 2023	12 January 2023 to 11 January 2024	Cumulative Total
	£	£	£
Receipts			
Funds transferred from Administration	5,835,704.25	Nil	5,835,704.25
VAT reclaim from administration	231,729.79	Nil	231,729.79
Licence Fee Income	60,000.00	Nil	60,000.00
Pre-appointment reimbursements	5,111.94	Nil	5,111.94
Bank Interest	13,848.05	58,799.68	72,647.73
Sundry Income	Nil	1,813.79	1,813.79
Total Receipts	6,146,394.03	60,613.47	6,207,007.50
Payments			
Legal fees	(31,235.80)	(5,677.00)	(36,912.80)
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)	(188.00)	(287.45)
Other Professional Fees	(13,558.99)	Nil	(13,558.99)
Sundry Expenses	(120.00)	Nil	(120.00)
Rent	(90,000.00)	Nil	(90,000.00)
Insurance	(95.20)	Nil	(95.20)
Bank charges and interest	(25.80)	(324.00)	(349.80)
Customer Refunds	(112,561.60)	Nil	(112,561.60)
Administrators Fees	(154,112.00)	Nil	(154,112.00)
Administrators Expenses	(1,778.83)	Nil	(1,778.83)
Liquidators Fees	Nil	(168,506.00)	(168,506.00)
Corporation Tax	Nil	(10,642.76)	(10,642.76)
Unsecured creditors	Nil	(5,381,783.92)	(5,381,783.92)
PAYE/NIC deductions on Dividends	Nil	(1,659.67)	(1,659.67)
Total Payments	(406,928.90)	(5,568,781.35)	(5,975,710.25)
Net receipts and payments	5,739,465.13	5,508,167.88	231,297.25
Represented By			
VAT			67,132.53
RBS-GBP-32382730-IB Current			164,164.72
Balance			231,297.25

Notes

- Receipts and payments are stated net of VAT.
- These accounts do not reflect estimated future realisations or associated cost

Appendix C

Joint liquidators' time costs for the period from 12 January 2023 to 11 January 2024

	Staff Grade							Total Hours	Total Cost £	Average Rate £
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive	Analyst			
Administration & Planning	-	-	0.9	0.7	10.3	46.4	11.7	70.0	31,930.50	456.2
Creditors	3.7	-	-	1.9	91.6	6.2	5.5	108.9	79,204.50	727.3
Debtors	-	-	-	-	0.2	-	-	0.2	166.00	830.0
Employees	0.1	-	-	-	0.1	0.1	-	0.3	248.00	826.7
General	-	-	-	-	-	-	-	-	-	-
Legal Issues	-	-	-	-	2.9	-	-	2.9	2,407.00	830.0
Other Assets	-	-	-	-	0.1	-	-	0.1	72.50	725.0
Other Matters	-	-	-	-	0.1	-	-	0.1	72.50	725.0
Reporting	1.6	-	-	-	8.6	1.0	0.3	11.5	9,888.50	859.9
Statutory Duties	1.5	-	-	-	1.4	4.9	7.2	15.0	7,708.50	513.9
VAT & Taxation	0.1	-	-	4.7	10.8	14.2	15.0	44.8	28,948.50	646.2
Total Hours	7.0	-	0.9	7.3	126.1	72.8	39.7	253.8		
Time Costs (£)	8,876.00	-	981.00	7,552.00	95,173.50	33,670.00	14,394.00		160,646.50	
Average Hourly Rate (£)	1,268.0	-	1,090.0	1,034.5	754.7	462.5	362.6		633.0	

Joint liquidators' time costs and disbursements for the period from 12 January 2021 to 11 January 2024 and a comparison with the fee estimate dated 28 May 2020 and the revised fee estimate dated 27 July 2023

	Per Fee Estimate			Per Revised Fee Estimate			Incurred in the Administration			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 (£)	Total hours	Total costs (£)	Average rate (£)
Administration & Planning	481.1	137,671.5	286	186.3	73,346.5	394	261.4	91,240.5	349	247.6	94,133.0	380	509.0	185,373.5	364
Creditors	219.1	98,149.5	265	380.0	156,229.4	411	179.7	50,843.0	283	436.2	200,753.5	460	615.9	251,998.5	409
Debtors	13.4	6,932.0	517	0.2	166.0	830	14.2	7,420.0	523	0.2	166.0	830	14.4	7,586.0	527
Employees	233.9	90,157.5	385	11.3	3,575.9	316	145.3	59,111.0	407	19.9	5,996.0	301	165.2	65,107.0	394
General				25.5	8,746.0	343									
Immediate Tasks	26.9	10,878.5	404	7.5	4,575.0	610	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	1.6	760.0	475	2.3	1,147.0	499	1.6	760.0	475	3.9	1,907.0	489
Legal Issues	0.7	520.5	749	3.2	2,563.0	801	6.2	4,523.0	730	3.2	2,563.0	801	9.4	7,086.0	754
Members	0.5	450.0	900	1.0	805.0	805	1.3	938.0	722	1.0	805.0	805	2.3	1,743.0	758
Other Assets	43.9	27,865.0	635	0.2	95.0	475	31.9	19,960.0	626	0.3	167.5	558	32.2	20,127.5	625
Other Matters	66.9	37,117.5	555	1.6	1,117.0	698	89.6	24,526.5	274	2.7	1,192.0	441	92.3	25,718.5	279
Out of Scope				19.2	9,744.0	508									
Property	11.6	6,515.0	562	21.6	15,798.0	731	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	109.0	46,461.9	426	88.8	36,629.5	412	83.2	35,382.0	425	172.0	72,011.5	419
Retention of Title	6.3	2,982.5	475	-	-	-	6.3	2,982.5	475	-	-	-	6.3	2,982.5	475
Sale of Business	318.0	163,571.0	514	-	-	-	248.2	144,269.5	581	-	-	-	248.2	144,269.5	581
Statutory Duties	163.8	63,228.0	386	24.7	6,921.0	280	231.2	109,513.0	474	16.9	8,824.5	522	248.1	118,337.5	477
Trading	3,223.1	1,356,995.5	421	17.0	9,410.0	554	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	37,640.0	326	163.8	62,263.6	380	144.4	41,777.0	289	173.3	71,842.0	415	317.7	113,619.0	358
Total	5,219.5	2,112,660.5	405	973.7	402,577.3	413	4,100.3	1,652,606.5	403	1,032.2	452,112.5	438	5,132.5	2,104,719.0	410

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 claim. • 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 • Processing distributions to the non-preferential, unsecured creditors.
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

	<ul style="list-style-type: none"> • 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 Creditors' Voluntary Liquidation 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 • 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 reports
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