

TO ALL MEMBERS AND CREDITORS

19 December 2017

Ref: RHK/CGJK/CR/HM/D11.1

Direct line: 0113 298 2319

Email: hmistry@uk.ey.com

Dear Sirs

Lotus Construction Limited – In Creditors Voluntary Liquidation (“the Company”)

On 6 November 2012, R H Kelly and I were appointed as Joint Liquidators of the Company. I now write to provide you with our report on the progress of the liquidation for the period from 6 November 2016 to 5 November 2017. This report should be read in conjunction with the Joint Liquidators' previous reports and all previous reports in the preceding Administration.

In accordance with Section 105 of the Insolvency Act 1986 we are required to provide certain information about the Company and the Liquidators, this information can be found in Appendix A of this report. A copy of our receipts and payments account for the period from 6 November 2012 to 5 November 2017 is at Appendix B.

Progress of the Liquidation to 5 November 2017

Unsecured Creditor Claims

Since our last progress report, we have continued to adjudicate non-preferential, unsecured creditor claims against the Company. Due to the quantum of claims received to date and the complexity of the claims under assessment, this continues to take longer than anticipated. We have been in communication with a large number of creditors in order to ascertain their position in the Liquidation and we have agreed some of the largest claims received to date.

The more complex claims will require input from specialists in order to assess their validity.

Based on the quantum of claims received to date, we currently estimate the dividend to be 2 - 3 pence in the pound, however, this remains subject to the final quantum of creditors admitted to rank for dividend purposes.

Receipts and Payments

I attach at Appendix B a statement of the Liquidators' receipts and payments for the period 6 November 2012 to 5 November 2017.

The only receipt during the period 6 November 2016 to 5 November 2017 was bank interest totalling £176. There are no further asset realisations anticipated in the Liquidation.

Joint Liquidators' remuneration

At a meeting of the Creditors on 20 December 2012, the creditors passed a resolution allowing the Joint Liquidators to draw fees based upon time properly spent by them and their staff in attending to matters arising in the Liquidation.

Time costs to 5 November 2017 total £171,577. An analysis of the time spent and a statement of the Liquidators' charging policy for remuneration can be found at Appendix D to this report. To date, the Joint Liquidators have drawn fees of £50,000. We do not intend to draw any future time costs in this liquidation.

Our time costs to date primarily relate to the following matters:

- ▶ Agreeing and adjudicating the claims of unsecured creditors; and
- ▶ Statutory requirements including reporting to creditors and holding annual meetings of the creditors and the Company.

Joint Liquidators' statement of expenses incurred

The Joint Liquidators have incurred £2,591 disbursements during the period all relating to postage costs. To date, no disbursements have been drawn in the liquidation.

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

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to Court if members consider the costs to be excessive. Further information is provided in Appendix C.

Annual Meetings of Members and Creditors

The annual meetings of the members and creditors of the Company will be convened on 30 January 2018 pursuant to Section 105 of the Insolvency Act 1986. The annual meetings are being held for formal purposes only and no further information will be presented at the meetings other than that contained in this report.

Notice of the Annual meetings is enclosed with this report. A proxy form is also enclosed which is intended for use at the meeting.

Should you have any queries, please contact my colleague Hitesh Mistry on 0113 298 2319.

Yours faithfully
for the Company



C G J King
Joint Liquidator

Enc: Notice of the Annual meeting of Members and Creditors
Proxy form for Members and Creditors

Robert Hunter Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland and Charles Graham John King is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales.

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.

Appendix A

Lotus Construction Limited (In Creditors' Voluntary Liquidation)

Information about the company and the liquidators

Registered office address of the company:	c/o Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Registered number:	02800054
Full names of the liquidators:	Robert Hunter Kelly and Charles Graham John King
Liquidators' address(es):	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR
Date of appointment of the joint liquidators:	6 November 2012
Details of any changes of liquidator:	None

Appendix B

Joint Liquidators' receipts and payments account for the period from 6 November 2012 to 5 November 2017

	To 5 November 2016 £	In this Report Period £	Total £
Receipts			
Joint Administrators' surplus	178,524	-	178,524
Interest received	3,438	176	3,614
Other income	13	-	13
	<u>181,975</u>	<u>176</u>	<u>181,975</u>
Payments			
Public notices	(238)	-	(238)
Storage charges	(6,053)	(1,226)	(6,053)
Corporation tax	(308)	(282)	(590)
Liquidators Fees	(50,000)	-	(50,000)
	<u>(56,599)</u>	<u>(1,508)</u>	<u>(58,107)</u>
Net Realisations	<u>125,377</u>	<u>(1,332)</u>	<u>124,044</u>
Funds Held:			
Cash at Bank	115,308	8,508	123,816
VAT Control	10,069	(9,840)	229
	<u>125,377</u>	<u>(1,332)</u>	<u>124,044</u>

Notes

1. Receipts and payments are stated net of VAT.

Appendix C

Creditor's rights to request further information about remuneration or expenses or to challenge a liquidator's remuneration – Rules 4.49E and 4.131 of the Insolvency Rules 1986 (as amended)

4.49E Creditors' request for further information

(1) If—

- (a) within the period mentioned in paragraph (2)—
 - (i) a secured creditor, or
 - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
 - (iii)(b) with the permission of the court upon an application made within the period mentioned in paragraph

(2)—

- (i) any unsecured creditor, or
- (ii) makes a request in writing to the liquidator for further information about remuneration or expenses set out in a progress report in accordance with Rule 4.49B(1)(e) or (f) (including by virtue of Rule 4.49C(5)) or in a draft report under Rule 4.49D, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of matter in a draft report under Rule 4.49D or a progress report required by Rule 4.108 which (in either case) was previously included in a progress report not required by Rule 4.108.

(2) The period referred to in paragraph (1)(a) and (b) is—

- (a) 7 business days of receipt of the progress report where it is required by Rule 4.108, and
- (b) 21 days of receipt of the report or draft report in any other case.

(3) The liquidator complies with this paragraph by either—

- (a) providing all of the information asked for, or
- (b) so far as the liquidator considers that—
 - (i) the time or cost of preparation of the information would be excessive, or
 - (ii) disclosure of the information would be prejudicial to the conduct of the liquidation or might reasonably be expected to lead to violence against any person, or
 - (iii) the liquidator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.

(4) Any creditor, who need not be the same as the creditors who asked for the information, may apply to the court within 21 days of—

- (a) the giving by the liquidator of reasons for not providing all of the information asked for, or
 - (b) the expiry of the 14 days provided for in paragraph (1),
- and the court may make such order as it thinks just.

(5) Without prejudice to the generality of paragraph (4), the order of the court under that paragraph may extend the period of 8 weeks or, as the case may be, 4 weeks provided for in Rule 4.131(1B) or 4.148C(2) by such further period as the court thinks just.

(6) This Rule does not apply where the liquidator is the official receiver.

4.131 Creditors' claim that remuneration is or other expenses are excessive

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

(1A) Application may be made on the grounds that—

- (a) the remuneration charged by the liquidator,
- (b) the basis fixed for the liquidator's remuneration under Rule 4.127, or
- (c) expenses incurred by the liquidator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

(1B) The application must, subject to any order of the court under Rule 4.49E(5), be made no later than 8 weeks (or, in a case falling within Rule 4.108, 4 weeks) after receipt by the applicant of the progress report, or the draft report under Rule 4.49D, which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").

(2) The court may, if it thinks that no sufficient cause is shown for a reduction, dismiss the application; but it shall not do so unless the applicant has had an opportunity to attend the court for a hearing, of which he has been given at least 5 business days' notice but which is without notice to any other party.

If the application is not dismissed under this paragraph, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly.

(3) The applicant shall, at least 14 days before the hearing, send to the liquidator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it.

(4) If the court considers the application to be well-founded, it must make one or more of the following orders—

- (a) an order reducing the amount of remuneration which the liquidator was entitled to charge;
- (b) an order fixing the basis of remuneration at a reduced rate or amount;
- (c) an order changing the basis of remuneration;
- (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the liquidation;
- (e) an order that the liquidator or the liquidator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify;

and may make any other order that it thinks just; but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report.

(5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the liquidation.

Rules 4.49E and 4.131 are reproduced from the Insolvency (Amendment) Rules 2010 under the terms of Crown Copyright Guidance issued by HMSO.

Appendix D

Lotus Construction Limited - In Creditors' Voluntary Liquidation

Joint liquidators' time costs for the period from 6 November 2012 to 5 November 2017

Hours	Lotus Construction Limited - In Creditors Voluntary Liquidation					Total
	Executive Director	Assistant Director	Senior Executive	Executive	Analyst	
Accounting and Administration	-	1.5	2.5	48.7	40.6	93.3
Bank & Statutory Reporting	5.0	-	1.0	29.5	5.0	40.5
Creditors	27.5	132.5	31.5	59.9	155.5	406.9
Investigation/CDDA	-	-	-	5.5	-	5.5
Other Matters	-	-	-	-	0.5	0.5
Statutory Duties	-	1.0	2.0	5.2	-	8.2
VAT & Taxation	-	4.8	-	8.1	13.4	26.3
Total Hours	32.5	139.8	37.0	156.9	215.0	581.2
Time Costs (£)	18,433	64,240	14,530	38,300	36,076	171,577.9
Average Hourly Rate (£)	567	460	393	244	168	295

Liquidators' charging policy for remuneration

At a meeting of the Creditors on 20 December 2012 it was determined that the Liquidators' remuneration should be fixed on the basis of time properly spent by them and their staff in attending to matters arising in the Liquidation.

The Liquidators have engaged a manager and other staff to work on the Liquidation. 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 Liquidators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown above and the current hourly rates used are shown below. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report.

A copy of the R3 (Association of Business Recovery Professionals) Creditors' Guide To Liquidators' Fees may be obtained by contacting Hitesh Mistry at the above address or at <http://www.r3.org.uk>.

Staff Charge-out Rates

It is my firm's policy to review the charge out rates annually on 1 July. Summarised below are our current hourly rates:

Grade Description	From 1 July 2014 (£)	From 1 July 2015 (£)	From 1 July 2016 (£)	From 1 July 2017 (£)
Partner	630	660	710	745
Executive Director	600	630	660	695
Director	450	540	565	595
Assistant Director	350	475	500	525
Senior Executive	250	370	390	410
Executive	230	265	280	295
Analyst	140-205	145-215	150-225	160-235
Support	125	110	135	140

Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) 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.

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. It is our policy, in line with the Statement, to seek approval for Category 2 disbursements before they are drawn.

A summary of Category 1 and 2 expenses is provided in the main body of this report.