

Richard Irvin & Sons Limited
In Administration (the Company)

Six monthly progress report

In accordance with Rule 18.3 and 18.6 of The Insolvency Rules
2016

Date of delivery of progress report to creditors: 17 January 2020

Ernst & Young LLP



Abbreviations

The following abbreviations are used in this report:

the Act	the Insolvency Act 1986
the Company	Richard Irvin & Sons Limited
RIFM	Richard Irvin FM Limited
the Date of Appointment	19 December 2018
EY	Ernst & Young LLP
HMRC	HM Revenue and Customs
the Joint Administrators / Administrators	Fiona Livingstone Taylor and Colin Peter Dempster
the Proposals	Joint Administrators' Statement of Proposals, dated 21 December 2018
the Bank	Bank of Scotland plc
SPA	Sale and Purchase Agreement between the Company and RIFM
the Rules	the Insolvency (England and Wales) Rules 2016
TUPE	Transfer of Undertakings (Protection of Employment) Regulations
VAT	Value Added Tax
AG	Addleshaw Goddard LLP
GAJ	Gordon Johnston Associates
TSA	Thainstone Specialist Auctions and / or ANM Group Limited
Ryden	Ryden LLP
Savills	Savills plc
CDDA	Company Directors Disqualification Act 1986
M&E	Mechanical and Electrical
FM	Facilities Management

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1. Introduction

1.1 Introduction

I write, in accordance with Rule 18.3 and Rule 18.6 of the Rules, to provide creditors with a report on the progress of the Administration. This report covers the period from 19 June 2019 to 18 December 2019 and should be read in conjunction with the Proposals dated 21 December 2018 and my previous progress report, covering the period from the Date of Appointment to 18 June 2019, which was delivered to creditors on 18 July 2019.

On 19 December 2018 the Company entered Administration and F L Taylor and C P Dempster were appointed to act as Joint Administrators. The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 of the Act. Under the terms of the appointment, any act required or authorised to be done by the Joint Administrators can be done by either of them.

F L Taylor and C P Dempster are UK licenced insolvency practitioners and, consequently, are bound by the Insolvency Code of Ethics when carrying out all professional work relating to the administration.

Immediately following the appointment of the Joint Administrators, a sale of the Company's FM business and assets was completed to RIFM, an investment vehicle of Rcapital Partners LLP, for total consideration of c. £1.1m (excluding VAT). Approximately £0.6m of the consideration was contingent on i) the successful novation of certain customer contracts, and ii) the quantum of collections by RIFM in respect of the Company's FM debtor book at the Date of Appointment.

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

1.2 Extensions to the initial period of appointment

The Company's administration was due to expire on 18 December 2019. As set out in this report, a number of matters need be resolved before the Company's administration is concluded and, therefore, an extension to the administration was required.

In accordance with the insolvency regulations, the consents of the secured creditor (i.e. the Bank) and the preferential creditors were obtained and the administration was extended for a period of twelve months to 18 December 2020. Separate correspondence, notifying all known creditors of the extension, was issued in December 2019.

2. Progress since my last report to creditors

2.1 Purpose of the administration

As detailed in the Proposals, the Joint Administrators' strategy in respect of the administration is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).

2.2 Asset realisations

As noted, the Company's FM business and assets were sold to RIFM immediately following the Joint Administrators' appointment. Further, all FM related employees TUPE transferred to RIFM.

Accordingly, assets to be realised in the Company's administration principally comprise i) freehold / long leasehold properties, ii) unencumbered M&E vehicles, iii) M&E contract debtors, and iv) deferred payments as set out in the SPA. Further information in relation to the realisation of these assets is provided below.

2.2.1 Freehold properties

The Company owns two freehold properties – Irvin House, Aberdeen (the Aberdeen Property) and Harbour Road, Inverness (the Inverness Property).

Savills was appointed to market the Aberdeen Property, which is a commercial office / warehouse located in Altens Industrial Estate (extending to approximately 47,000 sq ft). Given the size, configuration and location of the property, limited interest has been expressed to date however Savills continue to explore options for realisation.

Ryden was instructed to market the Inverness Property, which is a commercial unit extending to approximately 5,000 sq ft. An offer for the Inverness Property has been accepted and completion is expected shortly. For commercial reasons, it is not appropriate to disclose the amount of the offer however further details will be provided following completion.

At the Date of Appointment, two third party tenants occupied certain parts of the Aberdeen Property. One of these tenants vacated the property in March 2019 and the other tenant has confirmed its intention to vacate in March 2020. To date, gross rental receipts of c. £130k (excluding VAT) have been generated as a result of these leases (note that this includes some prepaid rent).

In accordance with the SPA, RIFM was granted licences to occupy the Aberdeen Property and the Inverness Property. The Aberdeen Property was vacated in August 2019 but the Inverness Property continues to be occupied. In this regard, gross rental receipts of c. £104k (excluding VAT and recharge of costs / expenses) have been generated in relation to RIFM's occupation of these properties.

2.2.2 Leasehold properties

As previously reported, the Company's leasehold interest in the Elgin property was due to expire in 2079. The Joint Administrators secured a sale of the Company's interest to a neighbouring property owner and the transaction completed on 31 May 2019 (generating cash proceeds of £27k, excluding VAT).

In accordance with the SPA, RIFM was also granted licences to occupy certain leasehold properties occupied by the Company prior to its administration. No profit is generated on these arrangements as the rental receipts from RIFM are used to offset the Company's rent obligations in relation to these properties.

2.2.3 Unencumbered vehicles

Total consideration of c. £628k was generated in respect of the Company's vehicles (comprised of i) £513k in respect of vehicles sold to RIFM, ii) c. £108k in respect of M&E vehicles sold at auction or by TSA, and iii) c. £7k of road fund licence refunds).

All of the Company's vehicles have been realised therefore no further receipts are expected.

2.2.4 M&E debtors

At the Date of Appointment, the Company had outstanding M&E contract balances of c. £3.7m. Given the stage of completion of the projects (many were only part complete) and the contractual complexities associated with the Company's administration, the Joint Administrators' instructed a specialist agent, GAJ, to pursue the collection of these balances.

As anticipated, this is proving challenging but, to date, total recoveries of c. £326k have been generated. GAJ continues to pursue M&E debtors where i) there are considered to be strong prospects of a recovery, and ii) it is commercially sensible to do so.

2.2.5 FM debtors

The FM debtor book at the Date of Appointment (c. £3.9m) was sold to RIFM.

In accordance with the SPA, further consideration in respect of the FM debtor book was payable to the Company in three tranches on 1 July 2019, 1 October 2019 and 1 December 2019. This consideration was contingent upon the successful novation of certain customer contracts and a minimum level of debtor collections by RIFM (£2.0m). The contingent consideration was to be calculated as 30% of debtor recoveries in excess of £2.0m, payable in three tranches as set out above.

Creditors will recall from my previous report that all of the customer contracts specified in the SPA were successfully novated. RIFM has recovered c. £3.6m of the FM debtor book, resulting in further consideration of £470k to the Company. No further receipts are anticipated.

2.2.6 Apportionments

As previously reported, in accordance with the SPA, a payment of c. £36k was received from RIFM in respect of FM related costs which were prepaid by the Company at the Date of the Administration.

2.3 Tax matters

During the period of this report, the administrators have continued to submit quarterly VAT returns.

Additionally, a corporation tax return covering the one day period of 19 December 2018 (being the date on which the Company's trade ceased) was prepared by the administrators' tax advisers and submitted to HMRC. No liability was payable in respect of this period. Further corporation tax returns will be required but, at this stage, we are not able to confirm the quantum of any administration related tax liabilities.

2.4 Investigations

As previously noted, the Joint Administrators concluded their investigations into the Company's affairs, in accordance with Statement of Insolvency Practice Number 2 (Investigations by Office Holders), and the Company Directors Disqualification Act 1986, with the necessary return being made to the Insolvency Service.

3. Outcome for creditors

We provide below, for information, an indication of the current position with regard to creditors' claims.

3.1 Secured creditors

The principal secured creditor to the Company is the Bank. At the Date of Appointment, the debt due by the Company to the Bank was c. £3.7m.

The Bank's debt is secured by a qualifying floating charge and standard security in respect of the Aberdeen Property and the leasehold premises in Elgin.

We anticipate that there will be a substantial shortfall to the Bank in respect of its securities.

3.2 Preferential creditors

Preferential creditor claims are currently estimated to be c. £149k, in respect of arrears of pay / overtime, holiday pay and pension contributions (in relation to the Company's former M&E employees only).

We expect that preferential creditors will be paid in full in the coming months.

3.3 Unsecured non-preferential creditors

Per the Directors' statement of affairs, unsecured creditors at the Date of Appointment were c. £23.1m. The claim figures were compiled by the Company's management and have not been subject to independent review or audit.

We are still receiving claims from unsecured creditors. A formal adjudication of these claims will be undertaken at the point that it becomes clear that a distribution, via the prescribed part (see below), will be made to the unsecured non-preferential creditors of the Company.

3.4 The 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. The relevant charge for the Company was created on 25 June 2015.

The Joint Administrators currently estimate that there will be sufficient net floating charge realisations in the administration to enable a prescribed part distribution to be made. At this stage, we are not able to confirm the quantum or timing of any distribution to unsecured creditors.

4. Administrators' receipts and payments

A summary of the Administrators' receipts and payments for the period from 19 December 2018 to 18 December 2019 is attached at Appendix B.

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

5.1 Remuneration

The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Rules. 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 website 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 Administrators.

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 Rules). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

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 agreed between the Joint Administrators and the Bank (and in accordance with the Fee Estimate dated 21 December 2018). In accordance with the Rules, the requisite approvals of the secured creditor and the preferential creditors were received on 13 February 2019 and 6 March 2019 respectively.

To 18 December 2019, the Joint Administrators have incurred time costs (based on the agreed hourly rates) of c. £538k. Of these time costs, remuneration of £200k (net of VAT) has been drawn by the Administrators in the period to 18 December 2019.

Attached at Appendices C, D, E and F is a detailed analysis of time spent and average charge out rates for the various areas of work carried out to 18 December 2019 as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

As noted in this report, a further extension to the Company's administration was required to resolve various outstanding matters. The Fee Estimate dated 21 December 2018 assumed that the administration would be concluded without the need for an extension and, therefore, additional time costs will be incurred. It is, therefore, appropriate for the administrators to revisit the initial Fee Estimate and obtain the necessary consents from the Bank and the preferential creditors to draw remuneration in excess of this. Further correspondence will be issued to the appropriate creditors in due course.

5.2 Pre-appointment remuneration

As previously reported, the Joint Administrators sought approval for unpaid pre-administration costs totalling £135,004 plus expenses of £700 (comprised of administrators' and legal fees). The requisite approvals were received from the secured creditor and preferential creditors on 13 February 2019 and 6 March 2019 respectively and the costs were subsequently drawn from the administration estate.

5.3 Joint Administrators' statement of expenses incurred

During the period covered by this report, we have incurred expenses totalling £94k (net of VAT, and excluding the Joint Administrators' fees and disbursements).

Our latest estimate of administration expenses is set out at Appendix C, together with explanations for any increases compared with our previous estimate.

5.4 Disbursements

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

In accordance with the Rules, the Joint Administrators received the approval of the secured creditor and preferential creditors (on 13 February 2019 and 6 March 2019 respectively) to draw disbursements in accordance with the policy set out in Appendix F and estimate provided with the Proposals.

5.5 Payments to other professionals

The Joint Administrators have engaged the services of the following professional advisers during the course of the Administration:

Name of firm	Nature of service	How contracted to be paid
Addleshaw Goddard LLP	Legal advisors	Time cost basis
Thainstone Specialist Auctions, ANM Group Limited	Auction, appraisal and valuation services	Percentage of realisations for auction sales, and time cost basis for certain other tasks
G A Johnston Associates	Quantity surveyor services	Time cost basis
Ryden LLP	Property advice, valuation and marketing services	Percentage of realisations for sale of freehold property Fixed fees for certain other work
Savills plc	Property advice, valuation and marketing services	Percentage of realisations for sale of freehold property Fixed fees for certain other work

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

6. Other matters

6.1 Future conduct of the administration

The Joint Administrators will continue to manage the affairs, business and property of the Company to achieve the purpose of the administration. This will include, inter alia:

- ▶ Realisation of the remaining assets of the Company including, but not limited to, i) the Aberdeen Property and the Inverness Property, ii) the outstanding M&E debtor balances, and iii) plant & machinery and / or fixtures & fittings at the Aberdeen Property;
- ▶ Dealing with corporation tax and VAT matters, which includes filing statutory returns;
- ▶ Distributing realisations to the secured and preferential creditors of the Company;
- ▶ Agreeing unsecured creditor claims and distributing the Prescribed Part (if applicable);
- ▶ Ensuring all statutory reporting and compliance obligations are met;
- ▶ Any such actions the Joint Administrators consider, in their reasonable opinion, are necessary and / or expedient to fulfil the purpose of the administration; and
- ▶ Finalising the administration, including payment of all administration liabilities.

6.2 The end of the administration

As noted previously in this report, the Company's administration has been extended for a period of twelve months to 18 December 2020.

If the only distribution to unsecured creditors is from the Prescribed Part, as is expected, then the Joint Administrators are required to distribute the Prescribed Part during the administration, rather than placing the Company into liquidation simply for this purpose.

Currently, the Joint Administrators do not anticipate that there will be any assets remaining at the end of the administration. Accordingly, it is proposed that if at the end of the administration the Company has no property which might permit a distribution to its creditors other than by way of the Prescribed Part, the Joint Administrators will send a notice to that effect to the Registrar of Companies. On registration of the notice the Joint Administrators' appointment will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Company will be deemed to be dissolved three months after the registration of the notice.

6.3 Reporting

I will report to you again at the conclusion of the administration or in six months' time, whichever is sooner. Please also refer to the Company's administration website (details below) for further communications in relation to the administration.

<https://www.ey.com/uk/en/services/transactions/restructuring/ey-richard-irvin-sons-limited-administration>

Should you wish to discuss any aspect of this report, please contact Laura Jones on 0141 226 9332.

Yours faithfully
for the Company



Fiona Livingstone Taylor
Joint Administrator

F L Taylor is licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants in England and Wales and C P Dempster is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, F L Taylor and C P Dempster, 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:	Richard Irvin & Sons Limited
Registered Office Address:	c/o Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3EY
Registered Number:	00096281
Trading Name(s):	Richard Irvin Energy Solutions
Trading Address(es):	Irvin House, Hareness Road, Altens Industrial Estate, Aberdeen, AB12 3LE Suite 1, Kingfisher House, Barlow Park, West Pitkerro Industrial Estate, Dundee, DD5 3UB 3 Centura Court, Nasmyth Place, Hillington Park, Glasgow, G52 4PR Block 132, Unit 4/7, 42 Nasmyth Road South, Hillington Park, Glasgow, G52 4PR 4 Straiton View, Straiton Parc, Loanhead, EH20 9QZ 30 Tyock Industrial Estate, Elgin, IV30 1XY 29a Harbour Road, Inverness, IV1 1SY

Details of the Administrators and of their appointment

Administrators:	F L Taylor and C P Dempster
Date of Appointment:	19 December 2018
By Whom Appointed:	The appointment was made by the Company's Directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986.
Court Reference:	High Court of Justice, Business and Property Courts of England and Wales: CR-2018-010741

Any of the functions to be performed or powers exercisable by the 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	£	Number	£
A Ordinary	415,695	4,156.95	415,695	4,156.95
B1 Ordinary	68,670	686.70	68,670	686.70
B2 Ordinary	21,230	213.30	21,230	213.30
Ordinary Shares	3,741,250	935,312.50	3,741,250	935,312.50

Directors and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
George Still	Director and Secretary	1 April 2014	18 December 2018	A Ordinary - 89,593 B1 Ordinary - 12,970
Hugh Stewart	Director	21 September 2012	n/a	NIL
William Lund	Director	11 September 2003	n/a	Ordinary - 79,125
Richard Emmerson	Director	8 September 2005	14 February 2019	Ordinary - 27,222
Lindsey Cradock	Director	4 December 2014	n/a	Ordinary - 1,000
Robert Brannan	Director	6 November 2013	n/a	A Ordinary - 89,588 B1 Ordinary - 12,970
William Maclean	Director	1 January 2012	12 January 2018	A Ordinary - 188,501 B1 Ordinary - 33,100 Ordinary - 25,000

Appendix B Joint Administrators' receipts and payments account for the period from 19 June 2019 to 18 December 2019

Estimate to Realise per Director's Statement of Affairs	Cumulative to 18 June 2019 £	Transactions since 19 June 2019 £	Cumulative to 18 December 2019 £	Notes
Receipts				
	628,250	220	628,470	1
500,000	308,356	17,237	325,594	2
	186,412	145,676	332,088	3
30,000	36,378	-	36,378	4
	12,999	-	12,999	5
1,670	2,024	-	2,024	
	-	2,379	2,379	
	1,504	2,780	4,284	
	1,058	-	1,058	
	889	-	889	
2,700,001	-	27,000	27,000	6
647,154	-	470,428	470,428	7
3,878,825	1,177,870	665,720	1,843,590	
Payments				
	100,000	100,000	200,000	8
	86,504	-	86,504	8
	450	-	450	8
	8,420	5,889	14,309	9
	48,500	-	48,500	9
	263	-	263	9
	65,035	-	65,035	10
	54,428	16	54,444	11
	-	36,832	36,832	
	18,682	390	19,072	
	17,867	36,137	54,005	11
	-	5,473	5,473	11
	8,092	2,906	10,998	
	4,346	5,630	9,976	
	134	119	253	
	70	-	70	
	726	268	994	12
	413,516	193,660	607,177	
	764,353	472,060	1,236,414	
Represented by:				
			1,128,070	
			114,030	
			(18,004)	
			12,317	
			1,236,414	

Notes to the receipts and payments account:

1. Comprised of i) £513k in respect of vehicles sold to RIFM, ii) c. £108k in respect of M&E vehicles sold at auction or by TSA, and iii) c. £7k of road fund licence refunds.
2. Gross debtor recoveries in respect of the Company's M&E contract balances at the date of the Joint Administrators' appointment
3. Rental income in respect of the tenancies at Irvin House (Aberdeen) and RIFM's occupation of the Company's other properties
4. Receipt in respect of prepaid FM related costs at the date of administration
5. Joint Administrators' costs, paid by RIFM, in respect of the novation of certain FM related contracts from the Company to RIFM. For the avoidance of doubt, these fees were agreed separately with RIFM and will have no net impact on the administration estate. Accordingly, the Joint Administrators will draw these fees in due course and do not propose to seek further approvals from the Company's creditors in respect of these fees.
6. Sale proceeds in respect of the Elgin property
7. Deferred consideration receipts in respect of the FM debtor book, in accordance with the SPA
8. Joint Administrators' fees and expenses, drawn in accordance with the insolvency legislation following receipt of the requisite creditor approvals
9. Legal fees and expenses (including pre-appointment legal costs drawn in accordance with the insolvency legislation following receipt of the requisite creditor approvals)
10. Comprised of i) c. £14k gross employment costs in respect of two M&E employees retained for a short period following the administration, and ii) c. £51k of PAYE / NI costs in respect of the pre-appointment salaries / wages (the secured creditor has agreed to settle these costs and, accordingly, £51k will be deducted from the future dividend made to the secured creditor).
11. Property related costs in respect of the Aberdeen Property, the Inverness Property and the leasehold properties sublet to RIFM. In accordance with the rental / licence fee agreements for the Company's properties, certain costs are able to be recharged to the occupants. Accordingly, these balances could include costs which have still to be recharged to the respective occupants.
12. The Company's property in Inverness has not been opted to tax for VAT purposes and, therefore, input VAT incurred in relation to this property is irrecoverable.

Appendix C Summary of Joint Administrators' expenses incurred for the period from 19 June 2019 to 18 December 2019

1. Payments made from the estate which are not disbursements

	Per revised estimate in last progress report	Paid as at 18 June 2019	Paid in the period 19 June to 18 December 2019	Outstanding	Revised estimate	
Agents Fees	£150,000	£26,774	£2,906	£120,320	£150,000	
Legal Fees	£100,000	£57,183	£5,889	£36,929	£100,000	
Storage	£5,000	£0	£1,691	£10,309	£12,000	
Insurance	£10,000	£0	£36,832	£5,168	£42,000	
Statutory Costs	£5,000	£70	£0	£4,930	£5,000	
Bank Charges	£250	£134	£119	£297	£550	
Corporation Tax	£10,000	£0	£0	£10,000	£10,000	
Property Costs	£35,000	£77,367	£45,955	-£88,323	£35,000	3
Employee Costs	£13,936	£65,035	£0	-£51,099	£13,936	4
Irrecoverable VAT	£0	£726	£268	£4,006	£5,000	
Total	£329,186	£227,288	£93,660	£52,537	£373,486	

Notes

- Expenses paid to date represent fixed and floating expenses paid from case funds.
- Note that the "outstanding" estimates do not include any incremental holding costs associated with the Aberdeen Property (which will be discussed separately with the secured creditor)
- Adjustment made in respect of costs anticipated to be recharged to the tenants of the properties.
- Adjustment made in respect of the amount to be deducted from any dividend to the Bank (in respect of pre-appointment wages/salaries).

Category of expense	Description of expense, work done and ongoing
Agents' fees	<ul style="list-style-type: none"> Agents' fees in respect of the realisation of the Company's assets, including those paid to TSA, GAJ, Ryden and Savills. Further fees are anticipated in respect of the Company's remaining assets, including, but not limited to, the Aberdeen Property, the Inverness Property and other plant and machinery (to the extent there is a net benefit to the administration).
Legal fees	<ul style="list-style-type: none"> Fees paid to AG in respect of legal matters in connection with the administration, including, but not limited to, assignments / novations of agreements, ROT claims, and ad hoc legal queries. The amount incurred to date also includes pre-appointment fees of £49k incurred by AG in respect of the pre administration period. The requisite approvals to draw these fees in the administration were obtained from the relevant creditors. Further fees associated with sale and purchase agreements in connection with the remaining assets and other ad hoc matters will be incurred. To the extent there are any unexpected / contentious legal matters, additional costs may be incurred.
Storage	<ul style="list-style-type: none"> Costs in respect of the collection, storage and destruction (if appropriate) of the Company's records in accordance with the administrators' retention policy. The Company has more books and records than originally anticipated and, therefore, additional storage costs are expected. Accordingly, our estimate has been increased to reflect this.
Insurance	<ul style="list-style-type: none"> Insurance costs in respect of the Company's assets. The Company's properties (in particular, the Aberdeen Property and the Inverness Property) have taken longer to realise than originally anticipated. Accordingly, insurance costs are expected to exceed our previous estimate. Insurance costs will be incurred until all assets have been realised.
Statutory costs	<ul style="list-style-type: none"> Costs in respect of complying with the administrators' statutory obligations
Bank charges	<ul style="list-style-type: none"> Charges associated with processing bank transfers (including CHAPS fees). To the extent possible, direct payments are made from the Company's RBS account which attracts lower transfer charges. Our previous estimate of bank charges has been increased to reflect potential future charges.
Corporation tax	<ul style="list-style-type: none"> Corporation tax liabilities in respect of the periods from 19 December 2018.

Property costs	<ul style="list-style-type: none"> ▶ Costs associated with the Company's freehold and leasehold properties including, but not limited to, utilities, general maintenance, rent (leasehold only). ▶ To the extent possible, costs in respect of the sublet properties are recharged to the respective tenants however, as explained previously, certain costs are not capable of being recharged and are borne by the Company. ▶ Holding costs in respect of the Aberdeen Property will continue to be incurred (particularly in relation to utilities, security, insurance etc) until the property is realised. However, on the basis that such expenses in relation to the Aberdeen Property will be fixed charge costs of realisation (i.e. rather than floating charge), the Administrators will discuss any increases with the secured creditor directly (rather than disclosing any estimated incremental costs in the progress report).
Employee costs	<ul style="list-style-type: none"> ▶ Costs associated with two M&E employees retained for a short period to assist with administration related tasks. ▶ In January 2019, PAYE/NI liabilities were settled in respect of the December FM related payroll however it was agreed that this cost would be deducted from the future dividend(s) to the Bank as it agreed to settle the FM wages to 18 December 2018. Accordingly, the net employee cost to the administration was c. £14k.
Irrecoverable VAT	<ul style="list-style-type: none"> ▶ The Inverness Property has not been "opted to tax" and, therefore, input VAT is irrecoverable in respect of this property.

2. Category 1 disbursements

	Per revised estimate in last progress report	Paid to 18 June 2019	Paid to 18 December 2019	Outstanding	Total estimate
Accommodation	£1,000	-	-	£1,000	£1,000
Travel costs (excl. mileage)	£1,500	-	-	£1,500	£1,500
Specific Bond	£1,000	-	-	£1,000	£1,000
Postage and printing	£1,000	-	-	£1,000	£1,000
Other	£1,000	-	-	£1,000	£1,000
Total	£5,500	-	-	£5,500	£5,500

3. Category 2 disbursements

	Per revised estimate in last progress report	Paid to 18 June 2019	Paid to 18 December 2019	Outstanding	Total estimate
Mileage	£500	-	-	£500	£500
Total	£500	-	-	£500	£500

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; and
 - ▶ 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

As required by the Rules, the Proposals included the Joint Administrators' estimate of remuneration, disbursement 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 Rules.

Appendix D Joint Administrators' time costs for the period from 19 December 2018 to 18 December 2019 and a comparison with the fee estimate dated 21 December 2018

	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 and Administration	352.5	97,075	275	164.2	28,962	176	445.2	91,158	205
Bank & Statutory Reporting	236.3	60,225	255	168.5	37,856	225	244.3	60,540	248
Creditors (Mandatory)	270.5	56,610	209	19.8	14,628	739	333.7	78,558	235
Decision Analytics	-	-	-	-	-	-	0.1	38	380
Debtors	81.5	20,830	256	6.1	1,666	273	23.2	5,194	224
Employee Matters	160.0	47,400	296	52.6	12,180	232	189.8	51,564	272
Environmental Issues	-	-	-	0.8	128	160	0.8	128	160
Immediate Tasks	115.0	32,000	278	2.9	1,604	553	101.3	31,916	315
Investigation/CDDA (Mandatory)	107.5	22,550	210	-	-	-	70.1	13,420	191
Job Acceptance & Strategy	45.0	16,500	367	-	-	-	1.8	495	275
Legal Issues	110.0	35,600	324	0.6	360	600	17.6	5,120	291
Members	-	-	-	0.5	266	532	6.6	1,242	188
Other Assets (Mandatory)	60.0	14,700	245	12.7	2,926	230	58.4	15,834	271
Other Matters	112.5	28,250	251	33.5	10,984	328	68.2	22,364	328
Out of scope	-	-	-	-	-	-	10.8	3,868	358
Property	127.5	33,300	261	233.3	60,040	257	373.7	96,034	257
Public Relations issues	19.0	5,580	294	-	-	-	1.4	466	333
Retention of Title	99.5	20,490	206	-	1,428	-	36.1	9,058	251
Statutory Duties	220.0	48,600	221	33.0	8,474	257	77.5	19,704	254
Trading	-	-	-	-	-	-	10.5	1,680	160
VAT & Taxation	251.5	59,655	237	79.4	18,725	236	123.9	29,699	240
Total	2,368.3	599,365	209	807.9	200,227	248	2,195.0	538,080	245

1. Please note that these time costs represent the Joint Administrators' time costs associated with entering into novations with RIFM, in accordance with the SPA. For the avoidance of doubt, these time costs will not be charged to the administration estate.
2. As noted in this report, we anticipate that the Fee Estimate will be exceeded. In this regard, separate correspondence seeking the requisite approvals will be issued to the appropriate creditors in due course.

Appendix E 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, accounting functions, statutory compliance diaries and time cost reporting.
Bank and Statutory Reporting	<ul style="list-style-type: none"> ▶ Regular reporting to the Company's secured creditor. ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Creditors	<ul style="list-style-type: none"> ▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to the secured, preferential and unsecured creditors (as appropriate).
Debtors	<ul style="list-style-type: none"> ▶ Liaising with agents regarding book debts and contract debts. ▶ Realising value from book debts, accrued income, WIP and prepayments (if any). ▶ Discussing and agreeing book debt collection (if any).
Employee Matters	<ul style="list-style-type: none"> ▶ Writing to employees regarding their redundancy and if appropriate, TUPE. ▶ Dealing with any employee enquiries. ▶ Consultation with employees. ▶ Processing employee claims, including correspondence with RPS
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' report on the conduct of the directors under the Company Directors Disqualification Act 1986.
Legal Issues	<ul style="list-style-type: none"> ▶ Liaising with RIFM and our appointed solicitors to support any assignation of any leasehold properties in use by RIFM. ▶ Dealing with any ad hoc legal issues.
Other Assets	<ul style="list-style-type: none"> ▶ Realising value from the Company's residual assets. ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the Date of Appointment. ▶ Recovery of the Company's physical books and records, and electronic records (including a back-up of company servers and systems), where applicable.
Property	<ul style="list-style-type: none"> ▶ Collecting licence fees from RIFM and arranging for rent payments to landlords. ▶ Collecting rent payments from the tenants of the Aberdeen Property. ▶ Dealing with landlord enquiries regarding the property interests. ▶ Liaising with Savills and Ryden in connection with the realisation of Aberdeen Property, Inverness Property and Elgin property. ▶ Liaising with the rating authorities in connection with council rates expenses and, where possible, securing the appropriate exemptions.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the administration, including notifications to creditors and members, advertising the appointment, reporting to creditors on a 6-monthly basis and at the conclusion of the administration together with appropriate filings at Companies House
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing corporation tax and quarterly VAT returns (as appropriate), with input from EY Tax and other specialists as appropriate. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the Administration. ▶ Preparing claims for VAT bad debt relief (if applicable)

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

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 has been agreed between the Joint Administrators and the secured creditor.

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

Details of Category 1 or Category 2 expenses incurred to date are included at Appendix C.

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