

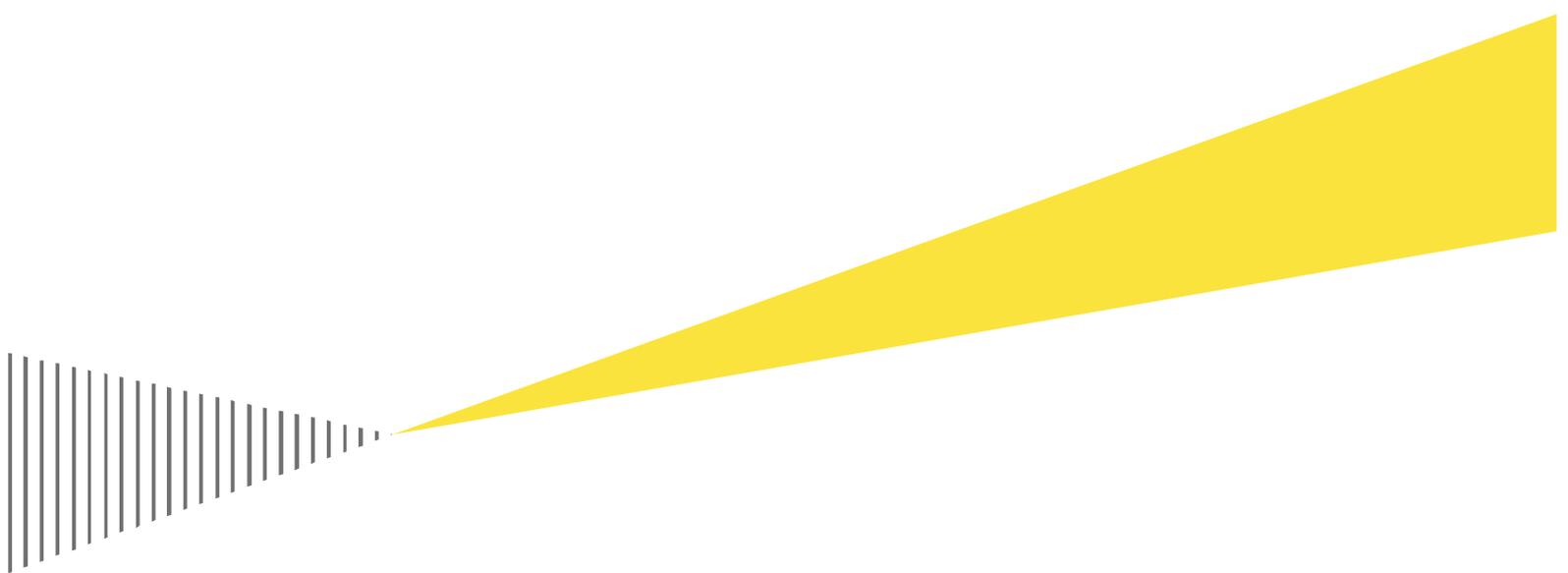
Richard Irvin & Sons Limited
In Administration (the Company)

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: 18 July 2019

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 December 2018 to 18 June 2019 and should be read in conjunction with the Proposals dated 21 December 2018.

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 a total consideration of c. £1.1m (excluding VAT). Approximately £0.6m of the consideration is 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. Further information is provided in section 2.2.

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

1.2 Approval of the Proposals

The Proposals were issued to all known creditors of the Company on 21 December 2018. In accordance with the Rules, the Joint Administrators sought approval of the Proposals from the Company's creditors and a Notice to Creditors of the Decision Procedure was enclosed with the Proposals. The creditors approved the Proposals on 14 January 2019.

1.3 Extensions to the initial period of appointment

The administration appointment will automatically expire on 18 December 2019. At this stage, we anticipate that an extension to the administration (for period of at least one year) will be required to enable the Company's remaining assets to be realised. Further correspondence in this regard will be issued to creditors in due course.

2. Progress since the Proposals

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 detailed in the Proposals, the Company's FM business and assets were sold to RIFM immediately following the appointment of the Joint Administrators. Further, all FM related employees TUPE transferred to RIFM on this date.

Accordingly, the 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

At the Date of Appointment, the Company had two freehold properties in Aberdeen (the Aberdeen Property) and Inverness (the Inverness Property).

Savills has been appointed to market the Aberdeen Property, which is a commercial office / warehouse located in Altens Industrial Estate (extending to approximately 47,000 sq ft). Marketing particulars have been shared with local agents, solicitors, potentially interested parties and Savills' international connections in Oslo, Dubai, Perth (Australia) and Houston. Given the current configuration and size of the property, interest is likely to be focused on "owner-occupiers" rather than investors and, therefore, we anticipate it will take several months (if not longer) to realise the Aberdeen Property. Whilst a reasonable level of interest has been generated thus far, we note that no offers have been received to date.

Ryden has been instructed to market the Inverness Property, which is a commercial unit extending to approximately 5,000 sq ft. Marketing particulars have been shared with local agents, solicitors and potentially interested parties and, to date, two offers have been received. The offers are not currently at an acceptable level and, accordingly, Ryden continues to pursue these, and other, interests.

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's lease is due to expire in March 2020. During the period covered by this report, these leases generated gross rental receipts of c. £47k (excluding VAT) for the Company.

In accordance with the SPA, RIFM was granted licences to occupy the Company's freehold and leasehold properties. Gross receipts of c. £68k (excluding VAT and recharge of costs / expenses) have been generated in respect of the Aberdeen Property and the Inverness Property licences to date.

2.2.2 Leasehold properties

At the Date of Appointment, the Company traded from five leasehold properties in Elgin, Dundee, Edinburgh and Glasgow (two units).

As noted above, in accordance with the SPA, RIFM was granted licences to occupy the Company's freehold and leasehold properties. The licence payments received from RIFM in respect of the leasehold properties cover the Company's rental costs (i.e. in respect of the head leases between the Company / landlords) and other property costs (including, but not limited to, rates and utilities). Accordingly, no profit is anticipated to be generated in respect of RIFM's occupation of the leasehold properties. At the date of this report, RIFM continues to occupy the Edinburgh property and one Glasgow unit.

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 gross proceeds of c.£31k (excluding VAT). The sale proceeds were remitted to the Company's bank account from AG after 18 June 2019 and, therefore, the proceeds are not included within the receipts and payments at Appendix B.

2.2.3 Unencumbered vehicles

In accordance with the SPA, RIFM acquired the Company's unencumbered FM vehicles in two tranches. In this regard, initial consideration of £250k was received at completion and a further £250k was received on 1 May 2019.

At the Date of Appointment, the Company also operated a fleet of 27 unencumbered M&E vehicles. The Administrators' agent, TSA, was instructed to auction these vehicles and, in this regard, gross proceeds of c. £108k were generated from the auctions. Further, certain HP-funded M&E vehicles were sold to RIFM generating gross realisations of c. £13k.

Additionally, c. £6k of refunds have been received from the DVLA in respect of prepaid road tax.

Accordingly, total consideration of c. £628k has been generated in respect of the Company's vehicles. No further vehicle realisations are anticipated to be made.

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. £308k have been generated. GAJ continues to chase the remaining M&E debts and a further update will be provided in my next report to creditors.

2.2.5 FM debtors

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

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

I am pleased to report that all of the customer contracts specified in the SPA have been successfully novated and the first tranche of deferred consideration (c. £262k) was received from RIFM on 1 July 2019. For the avoidance of doubt, as this payment was received after the period covered by this report, it is not included in the receipts and payments account at Appendix B.

2.2.6 Apportionments

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 Expenditure

During the period covered by this report, we have incurred expenses totalling c. £227k (net of VAT and excluding the Joint Administrators' remuneration and disbursements). An analysis of expenses incurred is provided at Appendices C and D of this report.

At present, total expenses have not exceeded the original estimate provided within the Proposals (the Estimate). However, we note the following:

- Employee costs of £14k were not specifically listed in the Estimate, but have been incurred during the period of this report (see section 2.3.1 for further information); and
- Property costs (including, but not limited to, rates and utilities) were not specifically listed in the Estimate as these were expected to be fully recharged to the occupants of the properties. However, certain expenses are not able to be recharged (pursuant to the lease / licence agreements) and, accordingly, these will be borne by the Company (current estimate - c. £35k in relation to the floating charge estate). Further, it is anticipated that the Aberdeen Property will take several months to realise and, accordingly, incremental holding costs (e.g. rates, utilities, insurance) will be incurred in respect of this. 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 rather than the general body of creditors.

An overview of the principal expenditure to date is detailed below.

2.3.1 Employee costs - c. £65k

To assist with the insolvency process, two M&E employees were retained by the Administrators for a short period. These employees were made redundant on 21 December 2018 and 26 January 2019.

Gross employee costs of £65k have been incurred in the administration. It should, however, be noted that c. £51k of this balance relates to certain deductions (i.e. PAYE, national insurance contributions, pension contributions) in respect of employee salaries / wages up to 18 December 2018 which the secured creditor agreed to settle.

Accordingly, an adjustment of £51k will be made to any future dividend to the secured creditor such that the net employee costs borne by the Company will be £14k (being the cost of the two retained employees in the administration).

2.3.2 Agents' fees – c. £27k

Agents' fees paid to date relate to the following:

- Commission on the sale of the Company's unencumbered M&E vehicles at auction and collection / storage costs in respect of the vehicles (TSA); and
- Costs associated with the valuation and marketing of the Aberdeen Property, the Inverness Property and Elgin property (Savills and Ryden);
- Preparation of schedules of conditions for the Aberdeen Property and Inverness Property, in accordance with the SPA (Savills and Ryden); and
- Costs associated with the recovery of the M&E debtor balances (GAJ).

2.3.3 Legal fees – c. £57k

Legal fees paid to date relate to the following:

- Pre-appointment fees of AG, in respect of the preparation and negotiation of the SPA and preparation of the administration appointment documentation. Please see section 5.2 of this report for further information; and
- Ad-hoc legal advice on various matters pertaining to the administration of the Company (i.e. following the Date of Appointment).

2.3.4 Property costs – c. £76k

Property costs paid to date relate to the Company's freehold and leasehold properties, including, but not limited to, rent, utilities and rates. As noted above, certain of these costs are capable of being recharged and, at this stage, we anticipate a net total cost to the floating charge estate of c. £35k.

2.4 Investigations

The Joint Administrators have 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 on 25 March 2019. A short extension to the statutory submission deadline was agreed with the Insolvency Service, due to IT issues with the online portal which affected the Administrators' ability to upload their report.

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 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. £148k, 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.

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 in the process of 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, however, able to confirm the quantum 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 June 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 June 2019, the Joint Administrators have incurred time costs (based on the agreed hourly rates) of £337,853. Of these time costs, remuneration of £100k (net of VAT) has been drawn by the Administrators in the period to 18 June 2019.

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

5.2 Pre-appointment remuneration

The Joint Administrators sought approval for unpaid pre-administration costs totalling £135,004 plus expenses of £700 (comprised of unpaid i) Joint Administrators' remuneration and expenses of £86,954, and ii) AG fees and expenses of £48,750).

The payment of unpaid pre-administration costs as an expense of the Administration is subject to approval under Rule 3.52. I am pleased to advise that 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 £227k (net of VAT, and excluding the Joint Administrators' fees and disbursements). There is an analysis of expenses incurred in this period at Appendix C of this report.

At present, expenses have not exceeded the original estimate provided with the Proposals.

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 G 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 C.

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:

- ▶ The realisation of the remaining assets of the Company including, but not limited to, i) the Aberdeen Property, ii) the Inverness Property, iii) the outstanding M&E debtor balances, and iv) any contractual payments due from RIFM in accordance with the SPA;
- ▶ 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

The administration of the Company will end automatically after twelve months following the Date of Appointment, although this period can be extended by either the creditors or an application to Court.

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.

It is proposed that the administration will end either through a subsequent liquidation or via dissolution depending on whether there are any assets remaining at the end of the administration.

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 Matters to be brought to the attention of the Joint Administrators

If there are any matters concerning the Company's affairs which you consider may require investigation and consequently should be brought to our attention, please forward the details to me in writing as soon as possible.

6.4 Reporting

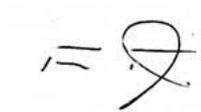
I will report to you again at the conclusion of the administration or in six months' time, whichever is the sooner.

This report will be made available on the following website:

<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 Douglas Taylor on 0131 777 2403

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 December 2018 to 18 June 2019

Estimate to Realise per Directors' Statement of Affairs	Total to 18 June 2019	Notes
	£	
Receipts		
Sale of motor vehicles / road tax refunds	628,250	1
500,000 Pre-appointment debtor receipts	308,356	2
License to occupy income / recharged costs	186,412	3
30,000 Prepayments and other debts	36,378	
Contract novation fees	12,999	4
1,670 Petty cash as at date of appointment	2,024	
Bank interest	1,504	
Rates rebate	1,058	
Insurance rebate	889	
2,700,001 Other fixed assets (including property)	0	
647,154 Recoveries from FM debtor book	0	5
3,878,825	1,177,870	
Payments		
Joint Administrators' fees	100,000	6
Joint Administrators' pre-appointment fees	86,504	6
Employee costs	65,035	7
Legal fees	56,920	
Utilities	54,428	8
Agents' fees	18,682	8
Rent	17,867	8
Pre-appointment debtor collection costs	8,092	
Sundry expenses	4,346	8
Joint Administrators' pre-appointment expenses	450	6
Legal expenses	263	
Bank charges	134	
Statutory costs	70	
Irrecoverable VAT	726	9
	413,516	
	764,353	
Represented by:		
BOS current account	682,073	10
RBS current account	89,056	10
VAT control account	(6,776)	
	764,353	

Notes:

- 1 Comprised of i) £500k received from RIFM in respect of the FM vehicles, ii) £122k in respect of the Company's M&E related vehicles, and iii) £6k in respect of pre-paid road fund licence rebates from the DVLA.
- 2 Gross debtor recoveries in respect of the Company's M&E contract balances at the date of the Joint Administrators' appointment
- 3 Rental / licence income in respect of the tenancies at Irvin House (Aberdeen) and RIFM's occupation of the Company's other properties
- 4 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.
- 5 In accordance with the sale and purchase agreement with RIFM, the first deferred consideration payment, in respect of FM debtor book collections, was received on 1 July 2019 (c. £262k).
- 6 Joint Administrators' fees and expenses, drawn in accordance with the insolvency legislation following receipt of the requisite creditor approvals.
- 7 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).
- 8 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.
- 9 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.
- 10 The bank accounts are stated net of £4.7k of funds received from RIFM's debtors in error (at the date of this R&P, these funds had not been remitted to RIFM)

Appendix C Summary of Joint Administrators' expenses incurred for the period from 19 December 2018 to 18 June 2019

1. Payments made from the estate which are not disbursements

	Per estimate dated 21 December 2018	Paid to 18 June 2019	Outstanding	Revised estimate	
Agents Fees	£150,000	£26,774	£123,226	£150,000	
Legal Fees	£100,000	£57,183	£42,817	£100,000	
Storage	£5,000	£0	£5,000	£5,000	
Insurance	£10,000	£0	£10,000	£10,000	
Statutory Costs	£5,000	£70	£4,930	£5,000	
Bank Charges	£250	£134	£117	£250	
Corporation Tax	£10,000	£0	£10,000	£10,000	
Property Costs	£0	£77,367	-£42,367	£35,000	1
Employee Costs	£0	£65,035	-£51,099	£13,936	2
Total	£280,250	£226,562	£102,623	£329,186	

Notes

1 Adjustment made in respect of costs anticipated to be recharged to the tenants of the properties. Note that the "Outstanding" balance does not include any incremental holding costs associated with the Aberdeen Property (which will be separately discussed with the secured creditor)

2 Adjustment made in respect of the amount to be deducted from any dividend to the Bank (in respect of pre appointment wages / salaries)

2. Category 1 disbursements

	Per estimate dated 21 December 2018	Paid to 18 June 2019	Outstanding	Revised estimate
Accommodation	£6,500	-	£1,000	£1,000
Travel costs (excl. mileage)	£5,000	-	£1,500	£1,500
Specific Bond	£4,000	-	£1,000	£1,000
Postage and printing	£1,000	-	£1,000	£1,000
Other	-	-	£1,000	£1,000
Total	£16,500	-	£5,500	£5,500

Note: In the period of this report, £NIL has been paid in respect of Category 1 Disbursements incurred in respect of the administration. However, £450 was paid in respect of pre-administration Category 1 & 2 disbursements (following receipt of the requisite creditor approvals).

3. Category 2 disbursements

	Per estimate dated 21 December 2018	Paid to 18 June 2019	Outstanding	Revised estimate
Mileage	£1,000	-	£500	£500
Total	£1,000	-	£500	£500

Notes

- 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.
- 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 June 2019

	Staff Grade				Total Hours	Time Cost (£)	Average Hourly Rate (£)	Cumulative time cost to date (£)	Notes
	Partner / Director	Senior Manager / Manager	Assistant Manager	Administrative support					
Accounting and Administration	25.3	48.5	49.0	158.2	281.0	62,196	221	62,196	
Bank & Statutory Reporting	4.8	43.5	27.5	-	75.8	22,684	299	22,684	
Creditors	7.5	62.4	12.4	231.6	313.9	63,930	204	63,930	
Debtors	2.1	1.5	1.0	12.5	17.1	3,528	206	3,528	
Decision Analytics	0.1	-	-	-	0.1	38	380	38	
Employee Matters	43.4	25.8	54.0	14.0	137.2	39,384	287	39,384	
Immediate Tasks	19.0	60.6	-	18.8	98.4	30,312	308	30,312	
Investigation / CDDA	4.7	6.5	-	58.9	70.1	13,420	191	13,420	
Job Acceptance and Strategy	-	1.8	-	-	1.8	495	275	495	
Legal Issues	9.0	-	1.0	7.0	17.0	4,760	280	4,760	
Members	-	-	-	6.1	6.1	976	160	976	
Other Assets	1.3	29.2	0.9	14.3	45.7	12,908	282	12,908	
Other Matters	1.7	30.3	-	2.7	34.7	11,380	328	11,380	
Out of scope	4.9	5.9	-	-	10.8	3,868	358	3,868	1
Property	6.1	65.0	7.8	61.5	140.4	35,994	256	35,994	
Public Relations Issues	1.1	-	-	0.3	1.4	466	333	466	
Retention of Title	-	10.3	-	25.8	36.1	7,630	211	7,630	
Statutory Duties	2.0	19.0	5.0	18.5	44.5	11,230	252	11,230	
Trading	-	-	-	10.5	10.5	1,680	160	1,680	
VAT & Taxation	-	22.0	3.0	19.5	44.5	10,974	247	10,974	
Total Hours	133.0	432.3	161.6	660.2	1,387.1				
Time Costs (£)	50,740	145,929	35,552	105,632		337,853			
Average Hourly Rate (£)	382	338	220	160		244			
Cumulative time cost to date (£)	50,740	145,929	35,552	105,632				337,853	
Category 1 Disbursements (£)					Category 2 Disbursements (£)				
Accommodation	331.67				Mileage	210.65			
Bonding	420.00				Total Category 2 Disbursements (£)	210.65			
Transport (excl. Mileage)	489.08								
Postage & printing	868.91								
Subsistence	198.75								
Total Category 1 Disbursements (£)	2,308.41								

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 (see note 4 in Appendix B for more information). For the avoidance of doubt, these time costs will not be charged to the administration estate.

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

Category	Per fee estimate dated 21 December 2018			Total to 18 June 2019		
	Total Hours	Time Costs	Average Hourly rate	Total Hours	Time Costs	Average Hourly rate
		£	£		£	£
Accounting and Administration	352.5	97,075	275	281.0	62,196	221
Bank & Statutory Reporting	236.3	60,225	255	75.8	22,684	299
Creditors (Mandatory)	270.5	56,610	209	313.9	63,930	204
Debtors	81.5	20,830	256	17.1	3,528	206
Decision Analytics	-	-	-	0.1	38	380
Employee Matters	160.0	47,400	296	137.2	39,384	287
Immediate Tasks	115.0	32,000	278	98.4	30,312	308
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	17.0	4,760	280
Members	-	-	-	6.1	976	160
Other Assets (Mandatory)	60.0	14,700	245	45.7	12,908	282
Other Matters	112.5	28,250	251	34.7	11,380	328
Out of scope	-	-	-	10.8	3,868	358
Property	127.5	33,300	261	140.4	35,994	256
Public Relations Issues	19.0	5,580	294	1.4	466	333
Retention of Title	99.5	20,490	206	36.1	7,630	211
Statutory Duties	220.0	48,600	221	44.5	11,230	252
Trading (Mandatory)	-	-	-	10.5	1,680	160
VAT & Taxation	251.5	59,655	237	44.5	10,974	247
	2,368.3	599,365	209	1,387.1	337,853	244

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

Category of work	Description of work done and ongoing
Accounting & Administration	<ul style="list-style-type: none"> ▶ Overall management of the case, treasury, 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 annual corporation tax and quarterly VAT returns (as appropriate), with input from EY VAT 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 G 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 D.

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