

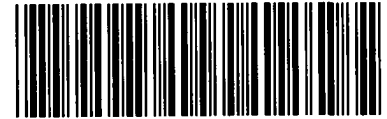
AM10

Notice of administrator's progress report



Companies House

TUESDAY



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25/08/2020

#191

COMPANIES HOUSE

1 Company details

Company number 0 3 6 4 8 7 2 0

Company name in full KSR Electronic Systems Limited (In Administration)

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Lucy

Surname Winterborne

3 Administrator's address

Building name/number Ernst & Young LLP

Street The Paragon

Counterslip, Avon

Post town Bristol

County/Region

Postcode B S 1 6 B X

Country United Kingdom

4 Administrator's name ①

Full forename(s) Daniel Christopher

Surname Hurd

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Ernst & Young LLP

Street No. 1 Colmore Square

Post town Birmingham

County/Region

Postcode B 4 6 H Q

Country United Kingdom

② Other administrator
Use this section to tell us about
another administrator.

AM10

Notice of administrator's progress report

6 Period of progress report

From date	d 2	d 7	m 0	m 1	y 2	y 0	y 2	y 0
To date	d 2	d 6	m 0	m 7	y 2	y 0	y 2	y 0

7 Progress report

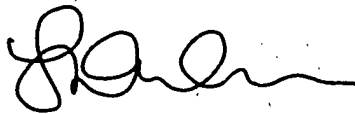
☒ I attach a copy of the progress report

8 Sign and date

Administrator's
signature

Signature

X



X

Signature date

d 2	d 5	m 0	m 8	y 2	y 0	y 2	y 0
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**Presenter information**

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Alastair Casey**

Company name **Ernst & Young LLP**

Address **G1 Building**

5 George Square

Post town **Glasgow**

County/Region

Postcode

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Country **United Kingdom**

DX

Telephone **0141 226 9320**

**Checklist**

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.

**Important information**

All information on this form will appear on the public record.

**Where to send**

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.

**Further information**

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse



Building a better
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Ernst & Young LLP
The Paragon Counterslip
Bristol, Avon
BS1 6BX

Tel: +44 121 535 2000
Fax: +44 121 535 2001
ey.com

TO ALL KNOWN CREDITORS

25 August 2020

Ref: KSR/LW/AC/D16.1
Direct line: 0141 226 9320
Alastair Casey
acasey1@uk.ey.com

Dear Sirs

KSR Electronic Systems Limited (In Administration) ("the Company")

High Court of Justice, Business and Property Courts of England and Wales,
Number CR-2020MAN000054

1. Introduction

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the administration. This report covers the period from 27 January 2020 to 26 July 2020 and should be read in conjunction with the Joint Administrators' statement of proposals dated 20 March 2020 ("the Proposals"). Statutory information about the Company, the administration and the office holders is given at Appendix A.

2. Summary of progress since the Joint Administrators' proposals dated 20 March 2020

2.1 Approval of the Proposals

The Proposals were issued to all known creditors of the Company on 20 March 2020. The Joint Administrators sought approval of the Proposals from the Company's creditors by deemed consent. The Proposals were approved on 7 April 2020 by deemed consent.

2.2 The Company's trading

As detailed in the Proposals, following extensive negotiations, on the date of appointment a supply agreement ("the Supply Agreement") was entered into by the Company's two key customers and the Joint Administrators for an initial three month period, with a provision to continue to trade on a rolling basis thereafter, with the customers agreeing to provide sufficient funding to ensure the business would trade at a £75,000 profit per month in the Administration.

Shortly after appointment a further supply agreement was reached with a third customer based on a significant price uplift, with a mechanism to enable the Joint Administrators to further uplift the price to ensure the business would trade at an additional £25,000 profit per month in the Administration.

With both supply agreements in place, the Company continued to manufacture for its three customers. However, following the outbreak of COVID-19 and the measures introduced by the UK and Welsh

Governments in March 2020, the Joint Administrators made the decision to temporarily cease production for a period of three weeks from 24 March 2020. Production re-commenced on 15 April 2020, albeit at reduced capacity given the measures required to be put in place to ensure safe working practices.

As a result, the Company furloughed a number of its employees in the period from 24 March 2020 to 30 June 2020 and received £119,098 from the UK Government's Job Retention Scheme for said period.

Owing to the reduced output and the impact of COVID-19 on the customers' own production and on the Company's supply chain, the Company's production schedules were impacted and, accordingly, trading was extended beyond the original three-month period.

Trading for two of the three customers ceased at the end of May 2020. The one remaining customer had placed orders to the end of June 2020 and provided further advanced funding to allow the business to continue to trade. Administration trading for this remaining customer ceased with effect from the end of June 2020, following a sale of the business and certain assets of the Company to Mechatronics Systems Wales Limited (see section 2.3 below).

As a requirement of the Supply Agreement, the Joint Administrators are in the process of preparing a final trading account for the Administration trading period. This has not yet been finalised and accordingly, the Joint Administrators' Summary of Receipts and Payments from 27 January 2020 to 26 July 2020 at Appendix B does not represent the final trading position of the Company. We do, however, anticipate that the Company will generate a trading profit of £485,000 for the period of trading to 30 June 2020 and this trading profit will become available to the general body of creditors in due course.

2.3 Sale of business and certain assets

On 3 April 2020, the Joint Administrators received an initial letter of intent from JTEKT Europe SAS for the proposed purchase of certain of the business and assets of the Company.

Following extensive negotiation and a period of diligence work, the Joint Administrators completed the sale of business and certain assets of the Company to Mechatronics Systems Wales Limited (a newly incorporated subsidiary of the JTEKT group) ("the Purchaser") on 2 July 2020 with the sale being effective from 1 July 2020 ("Completion Date").

With effect from the Completion Date, all of the Company's 92 remaining employees transferred to the Purchaser.

The total sale consideration achieved was £1.5m, apportioned as follows:

Asset	£
Books and records	1
Intellectual property	1
Miscellaneous stock (see section 2.4.4 below)	1
Equipment (see section 2.4.2 below)	1,499,993
Goodwill	1
Information technology	1
Customer list	1
Transferring supply contracts	1
Total Sale Consideration	1,500,000

The Purchaser also paid c.£1.56m for stock (with a further £0.07m to be invoiced and paid) and c.£0.20m for advance payments made by the Company to suppliers pertaining to goods and services not received by the Completion Date.

In addition, a licence to occupy in respect of the Company's leasehold premises was agreed with the Purchaser. Under this arrangement, licence fees of £0.06m were received on completion and have been used to discharge the rent liability for the months of July and August 2020. Further licence fees are due to be received shortly and again will be used to discharge the rent liability in future months.

2.4 Other asset realisations for the Company

2.4.1 Leasehold property

As detailed in the Proposals, the Company occupied a single leasehold site in Swansea with the lease expiring on 31 August 2021.

As detailed above, the Joint Administrators have granted a licence to occupy to the Purchaser.

2.4.2 Plant and equipment

The Company's principal fixed asset was its manufacturing machinery and equipment which was utilised throughout the Administration trading period.

As detailed in section 2.3, the Company's plant and equipment was sold to the Purchaser for consideration of £1,499,993. This was in line with the valuation provided by the specialist valuer firm Gordon Brothers, for the Company's plant and equipment on an in-situ basis.

2.4.3 Trade debtors

At the date of appointment, trade debtors due from third parties totalled c.£1.15m.

As part of the supply agreements, the customers paid their outstanding debts to the Company in full. Further book debts have also been recovered from other customers resulting in total recoveries of c.£1.10m. No further recoveries are anticipated.

2.4.4 Stock

At the date of appointment, the Company's stock balance had a book value of £2.04m, comprising raw materials (£1.58m), WIP (£0.09m) and finished goods (£0.37m).

2.4.4.1 Realisation of finished goods

Realisations from finished goods total £0.42m and includes sales to customers that were not party to any post-appointment supply agreements.

2.4.4.2 Stock used during the trading period

The Joint Administrators expect that any opening stock of raw materials and WIP owned by the Company which has been used during the trading period and which related to the three customers will be recovered in full through a charge to the customers via the final trading accounts, which are being currently prepared.

We are currently progressing a number of retention of title ("ROT") claims on a case by case basis. To date claims totalling £0.35m (inclusive of VAT, if applicable) have been received and £0.11m (inclusive of VAT, if applicable) has been paid as a commercial settlement.

2.4.4.3 Stock remaining following cessation of trading

Following the termination of the Supply Agreement and sale of business and certain assets of the Company, on the Completion Date there was stock with a book value of £2.25m remaining, with £2.11m of this relating to the three customers. Pursuant to the supply agreements, the customers were required to purchase the stock relevant to them on cessation of trading to ensure that the profit of £485,000 would be met. Accordingly, the realisations from closing stock will not be available for distribution to the general body of creditors.

Closing stock on site has been realised as follows:

- ▶ Stock totalling £1.63m has been sold to the Purchaser pursuant to the sale of the business and certain assets of the Company to the Purchaser of which £1.56m has been collected to date.
- ▶ Of the stock totalling £0.48m relating to the remaining two customers, £0.43m has been realised to date with the balance (£0.05m) not realisable.
- ▶ The miscellaneous stock with a book value of £0.14m had limited realisable value and with the possibility of incurring holding costs from the Purchaser, this miscellaneous stock was sold to the Purchaser for a consideration of £1.

2.4.5 VAT receivable

The Company has received a total of £0.38m from HM Revenue and Customs in relation to the Company's VAT returns submitted for the periods 1 to 31 December 2019 and 1 to 26 January 2020. No further recoveries are anticipated.

2.4.6 Intercompany debtor balances

Balances due to the Company from other KSR entities totalled £0.61m, of which, £0.17m has been recovered.

We expect that all other balances due will be offset against inter-group creditor balances which total c.£13.08m. Accordingly, no further realisations are expected.

2.4.7 Cash at Bank

As detailed in the Proposals, the Company operated five credit-only bank accounts. There was c.£1.15m cash held in the Company's bank accounts at the date of appointment. This amount has been transferred into the Administration bank account.

For the avoidance of doubt, these funds are held in a separate account to the funding being used to facilitate the trading to ensure this balance is preserved for the benefit of creditors.

2.5 Expenditure

During the period covered by this report, we have incurred expenses totalling £6.45m (net of VAT and excluding the Joint Administrators' fees and disbursements and pre-administration costs). The majority of this expenditure relates to trading, but a detailed breakdown of all expenses incurred in this period is provided at Appendix C to this report.

2.6 Investigations

The Joint Administrators have undertaken an investigation into the Company's affairs pursuant to Statement of Insolvency Practice Number 2 (Investigations by Office Holders) and the Company Directors Disqualification Act 1986. On 24 April 2020, the Joint Administrators submitted their conduct report to the Insolvency Service in respect of the Company. The contents of this report are confidential.

3. Outcome for creditors

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

3.1 Secured creditors

As detailed in the Proposals, the Company operated credit-only facilities and was funded by KSR Industrial Corporation and its subsidiaries ("KSR Group"). As such, the Company does not have any direct borrowings from secured lenders.

However, up until 24 January 2020, the Company had cross-guaranteed the Group's borrowings from Wells Fargo Bank ("Wells Fargo"), the Group's principal lender, making them a qualifying floating charge holder.

On 24 January 2020, Wells Fargo released its security over the Company so consequently, none of the Company's assets are subject to a fixed or floating charge.

3.2 Preferential creditors

The Joint Administrators estimate preferential claims to be £2,814 in respect of employees' salaries, holiday pay, pension contributions and any other relevant salary deductions.

We expect that preferential claims will be paid in full shortly.

3.3 Unsecured, non-preferential creditors

Based on the Company's records it is estimated that total unsecured non-preferential claims could be in the region of £17.1m. However, creditor claims may be higher due to contingent claims and other non-priority creditor amounts not included in the Company's records.

We are still in the process of receiving claims from unsecured non-preferential creditors and a formal adjudication of these claims will be undertaken at the point it becomes clear that a distribution will be made. At this stage, based on estimated claims of £17.1m, we expect a return to unsecured non-preferential creditors of 25 pence in the £.

We caution creditors against using the above figure as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets as it is based on estimates of future asset realisations and forecast future costs of the Administration. Accordingly, actual funds available to unsecured non-preferential creditors may differ. The Joint Administrators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this estimate.

If you have a claim that you have not yet submitted, please download a proof of debt form from https://www.ey.com/en_uk/ksrelectronic-administration and return together with supporting documentation (e.g. invoices, statements and agreements) to Ernst & Young LLP, The Paragon, Counterslip, Avon, Bristol, BS1 6BX, marked for the attention of Oliver Charlesworth, or, alternatively, to the following email address: ksrelectronic@uk.ey.com.

3.4 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.

A relevant charge against the Company was created on 28 December 2017 but, as detailed previously, was released on 24 January 2020. Therefore, the Prescribed Part does not apply in this matter.

4. Joint Administrators' receipts and payments

A summary of the Joint Administrators' receipts and payments for the period from 27 January 2020 to 26 July 2020 is attached at Appendix B. This summary does not reflect estimated future realisations or associated costs

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

5.1 Joint administrators' remuneration

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

The basis of 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 set out below, by a resolution of the creditors on 17 June 2020.

Grade	Hourly rate (£)
Partner	900
Associate Partner	805
Director	690
Senior Manager	610
Senior Executive	475
Executive	340-375
Analyst	130-270

During the period covered by this report, the Joint Administrators have incurred time costs (based on the above hourly rates) of £1,355,033 of which £889,568 relates to time costs incurred on trading, which will be funded by the customers via the supply agreements.

Of these time costs, remuneration of £956,992 (net of VAT) has been drawn to date, of which £699,484 will be funded by the customers via the supply agreements.

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 26 July 2020 as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No. 9.

Our remuneration is not expected to exceed the amount provided for in the fee estimate dated 28 May 2020.

5.2 Pre-administration costs

The payment of unpaid pre-administration costs as an expense of the Administration is subject to approval under Rule 3.52. Details of pre-administration costs are set out in detail in our letter of 28 May 2020.

The requisite approvals were received from the Company's creditors on 17 June 2020 for unpaid pre-Administration costs in the amount of £348,028.72 to be met as an expense of the Administration. Of these pre-administration costs, £339,506.72 has been drawn to date.

5.3 Joint administrators' statement of expenses incurred

During the period covered by this report, we have incurred expenses totalling £6.45m (net of VAT and excluding the Joint Administrators' fees and disbursements). A detailed breakdown of expenses incurred in this period is provided at Appendix C to this report.

5.4 Disbursements

During the period covered by this report, the Joint Administrators have incurred Category 1 and Category 2 disbursements of £13,706.13 and £3,397.45 (excluding VAT), respectively.

The Joint Administrators received approval from the creditors on 17 June 2020 to draw disbursements in accordance with the charging policy set out in Appendix G.

During the period covered by this report, the Joint Administrators have drawn Category 1 and Category 2 disbursements of £12,285.83 and £3,397.45 (excluding VAT), respectively.

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

5.5 Payment to other professionals

The Joint Administrators have engaged the services of the following professional advisors during the course of the administration:

Name of firm	Nature of service	How contracted to be paid
DLA Piper LLP	Legal Advisors	Time cost basis
Harrison Clark Rickerbys Limited	Legal Advisors	Time cost basis
Gateley UK LLP	Legal Advisors	Fixed fee
Gordon Brothers	Valuation services	Fixed fee
Aon Risk Solutions	Liaising with the Company's existing insurance brokers and underwriters to ensure appropriate insurance covers	Time cost basis Fixed fee basis for certain works

Details of the fees paid to the above professional advisors 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, but not be limited to:

- ▶ Preparing the final trading accounts, including monitoring the cash flow and liaising with the customers, who are funding the trading period;
- ▶ Dealing with corporation tax and VAT matters, which includes filing statutory returns;
- ▶ Dealing with creditor enquiries;
- ▶ Distributing realisations to the preferential creditors of the Company;
- ▶ Ensuring all statutory reporting and compliance obligations are met;
- ▶ Finalising the Administration, including payment of all Administration liabilities; and
- ▶ Any other actions required to be undertaken by the Joint Administrators in order to fulfil the purpose of the Administration.

6.2 The end of the Administration

It is proposed that, at the end of the Administration, to enable a distribution to unsecured non-preferential creditors, the Company will move straight into creditors' voluntary liquidation upon the filing with the Registrar of Companies of a notice pursuant to paragraph 83 of Schedule B1 to the

Insolvency Act 1986. It is proposed that the liquidators will be Lucy Winterborne and Daniel Christopher Hurd of Ernst & Young LLP and that any act required or authorised under any enactment to be done by the liquidators may be done by either or both of them.

In accordance with paragraph 83(7) of Schedule B1 to the Insolvency Act 1986 and Rule 3.60(6)(b) of the Insolvency (England and Wales) Rules 2016, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of these proposals and before the proposals are approved. It should be noted in this regard that a person must be authorised to act as an insolvency practitioner in order to be appointed as liquidator.

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.

The report will be made available on the following website:

https://www.ey.com/en_uk/ksrelectronic-administration

Should you wish to discuss any aspect of this report, please contact Alastair Casey by email at acasey1@uk.ey.com or telephone on 0141 226 9320.

Yours faithfully
for KSR Electronic Systems Limited (In Administration)



Lucy Winterborne
Joint Administrator

L Winterborne is licensed in the United Kingdom to act as an insolvency practitioner by The Insolvency Practitioners Association and D C Hurd is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators, L Winterborne and D C Hurd, 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: KSR Electronic Systems Limited
Registered Office Address: c/o Ernst & Young LLP
 The Paragon
 Counterslip
 Bristol
 BS1 6BX
Registered Number: 03648720
Date of incorporation: 7th October 1998
Trading Name(s): n/a
Trading Address(es): Heol Y Ddraig
 Penllergaer Business Park
 Swansea
 SA4 9HL

Details of the Administrators and of their appointment

Administrators: Lucy Winterborne and Daniel Christopher Hurd
IP number: 21130 and 20030
Date of Appointment: 27 January 2020
By Whom Appointed: The appointment was made by the Company's directors
Court Reference: High Court of Justice, Business and Property Courts of England and Wales:
 CR-2020MAN000054

Any of the functions to be performed or powers exercisable by the Joint 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	£000s	Number	£000s
Ordinary (£1)	2,000	2,000	2,000	2,000

Directors and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
James Black	Director	16 January 2020	n/a	-
Eileen Wheatman	Director	16 January 2020	n/a	-

Appendix B

Joint Administrators' Summary of Receipts and Payments from 27 January 2020 to 26 July 2020

Per estimated Statement of Financial Position £		EUR	USD	GBP	Total GBP Equivalent
Trading Receipts					
	Customer advance payments	-	-	5,001,746	5,001,746
	Customer sales	2,695,739	1,630,002	126,203	3,838,556
	Closing stock realisations	-	-	1,989,376	1,989,376
	Reimbursement of prepayments to suppliers	-	-	195,079	195,079
	HMRC JRS grant	-	-	119,098	119,098
	Bank interest (Trading)	-	-	4,071	4,071
		2,695,739	1,630,002	7,435,573	11,147,926
Trading Payments					
	Cost of sales	(2,271,720)	(995,376)	(1,376,012)	(4,202,814)
	Staff costs	-	-	(1,328,661)	(1,328,661)
	Administrators' fees (Trading)	-	-	(699,484)	(699,484)
	Rent	-	-	(150,000)	(150,000)
	Retention of title	(46,040)	-	(71,928)	(113,131)
	Repairs and maintenance	(16,303)	-	(81,887)	(96,477)
	Legal fees (Trading)	-	-	(91,140)	(91,140)
	Carriage	(3,802)	(1,570)	(79,081)	(83,736)
	Import VAT	-	-	(83,099)	(83,099)
	Software licensing fees	-	(72,000)	(5,303)	(62,719)
	Rates	-	-	(42,529)	(42,529)
	Hire of equipment	-	-	(19,847)	(19,847)
	Sundry expenses	-	-	(11,772)	(11,772)
	Telephone	-	-	(3,749)	(3,749)
	Waste disposal	-	-	(2,769)	(2,769)
	Bank charges and interest (Trading)	(1,738)	(1,302)	(814)	(3,407)
	Security	-	-	(2,043)	(2,043)
	Stationery and printing	-	-	(2,059)	(2,059)
	Consultant fees	-	-	(1,940)	(1,940)
		(2,339,604)	(1,070,248)	(4,054,117)	(7,001,377)
	Trading Receipts and Payments	356,135	559,754	3,381,457	4,146,549
Non Trading Receipts					
1,153,699	Cash at bank on appointment	-	-	1,153,703	1,153,703
	Sale consideration	-	-	1,500,000	1,500,000
1,162,174	Debtors	-	-	1,274,448	1,274,448
100,989	Stock and finished goods	-	-	418,522	418,522
163,631	Pre-appointment VAT	-	-	376,686	376,686
	Bank interest (Non-Trading)	-	-	5,765	5,765
	Sundry income	-	-	15	15
		-	-	4,729,140	4,729,140
Non Trading Payments					
	Administrators' fees (Non-Trading)	-	-	(257,509)	(257,509)
	Legal fees	-	-	(146,320)	(146,320)
	Pre-appointment administrators' fees	-	-	(183,354)	(183,354)
	Pre-appointment legal fees	-	-	(147,375)	(147,375)
	Pre-appointment agent fees	-	-	(8,778)	(8,778)
	Administrators' disbursements	-	-	(15,683)	(15,683)
	Employee costs	-	-	(952)	(952)
	Bank charges and interest (Non-Trading)	-	-	(165)	(165)
	Public notices	-	-	(95)	(95)
		-	-	(760,230)	(760,230)
	Non-Trading Receipts and Payments	-	-	3,968,910	3,968,910
	Net Receipts and Payments	356,135	559,754	7,350,366	8,115,459
Represented By					
	Cash at bank and in hand	653,537	765,408	6,550,180	7,745,426
	VAT receivable	196,885	117,657	168,774	438,798
	Licence fee control account	-	-	(60,000)	(60,000)
	Reimbursement due from purchaser	-	-	2,783	2,783
	Inter-account transfers required	(494,287)	(323,310)	700,177	
	Unrealised exchange loss/(gain)	-	-	(11,554)	(11,554)
	Pension control	-	-	(55)	(55)
	Payroll deductions	-	-	60	60
	Total Represented By	356,135	559,754	7,350,366	8,115,459

Notes

1. Receipts and payments are stated net of VAT or other applicable goods and services taxes.
2. These accounts do not reflect estimated future realisations or associated costs.
3. The following HM Revenue and Customs published exchange rates have been applied to the above: GBP : EUR - 1.1174 and GBP : USD - 1.2540.

Appendix C

Summary of the Joint Administrators' expenses incurred for the period from 27 January 2020 to 26 July 2020

Payments made from the estate which are not disbursements

Category of expense	Per estimate dated 28 May 2020 (£)	Paid to 26 July 2020 (£)	Outstanding (£)	Total (£)
Trading expenses				
Employee costs	2,810,000	1,328,661	5,000	1,333,661
Temporary labour	7,000	1,940	-	1,940
Material and consumable purchases	7,920,000	4,318,005	300,000	4,618,005
Hire of equipment	16,000	19,847	8,500	28,347
Shipping / freight charges	233,000	83,736	2,000	85,736
Repairs, renewals and calibration	330,000	111,657	5,000	116,657
Import VAT and duty	252,000	83,099	2,000	85,099
Property costs	1,115,000	197,341	250,000	447,341
IT and telephone	115,000	66,468	5,000	71,468
Corporate overhead	780,000	-	355,000	355,000
Insurance	275,000	-	30,000	30,000
Legal fees	100,000	91,140	25,000	116,140
Total trading expenses	13,953,000	6,301,893	987,500	7,289,393
Non-trading expenses				
Legal fees	75,000	146,320	50,000	196,320
Agents' fees	125,000	-	-	-
Insurance	16,500	-	5,000	5,000
Employee costs	70,000	-	-	-
Property costs	255,000	-	195,000	195,000
Repairs and maintenance	25,000	-	-	-
Bank charges and interest	10,000	165	3,000	3,165
Statutory costs	10,000	95	5,000	5,095
Corporation tax	-	-	-	-
Total non-trading expenses	586,500	146,580	258,000	404,580
Total	14,539,500	6,448,473	1,245,500	7,693,973

The estimate of the Joint Administrators' expenses was based on the following assumptions:

- The Administration trading period would end on 31 December 2020 and that the expenses incurred for trading the business would be funded in full by the three customers for which production continued during the Administration.
- One extension to the Administration would be required and the Administration extension would be granted by creditors and an application to Court for approval of the extension would not be required.

As noted in section 2.3, trading with two customers ceased with effect from 31 May 2020 and trading for the one remaining customer ceased on 30 June 2020. In addition, the Joint Administrators completed the sale of business and certain assets of the Company to the Purchaser on 2 July 2020 with sale being effective from 1 July 2020.

Accordingly, at present, total expenses have not exceeded the original estimate provided. However, the expenses which have individually exceeded the estimate to 26 July 2020 are:

► Hire of equipment - £19,847

Hire of equipment expenses paid to 26 July 2020 has an element of charges paid for the period after sale, which will either be funded by the customers via the Supply Agreement or the Purchaser via the Sale Agreement.

► Non-trading legal fees - £146,320

Non-trading legal fees paid to 26 July 2020 largely relates to fees paid to DLA Piper LLP for advice and assistance in relation to the sale to business and certain assets of the Company, including drafting and negotiating the Sale Agreement and the Licence to Occupy Agreement.

Category 1 disbursements (see note 2)

Disbursement	Per estimate dated 28 May 2020 (£)	Paid to 26 July 2020 (£)	Outstanding (£)	Total (£)
Accommodation and subsistence costs	12,888	8,298	1,000	9,298
Travel costs (excluding mileage)	4,951	3,661	250	3,911
Specific Bond	1,280	-	1,280	1,280
Postage and printing	727	327	400	727
Total	19,846	12,286	2,930	15,216

Category 2 disbursements (see note 2)

Disbursement	Per estimate dated 28 May 2020 (£)	Paid to 26 July 2020 (£)	Outstanding (£)	Total (£)
Mileage	4,072	3,397	250	3,647
Total	4,072	3,397	250	3,647

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
 - 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

The Joint Administrators' letter of 28 May 2020 included the Joint Administrators' estimates of remuneration, disbursements 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 Insolvency (England and Wales) Rules 2016.

Appendix D

Summary of the Joint administrators' time costs and disbursements for the period from 27 January 2020 to 26 July 2020

	Staff Grade							Total Hours	Total Cost £	Average Rate £
	Partner	Associate Partner	Director	Assistant Director	Manager	Executive	Analyst			
Accounting & Administration	0.5	-	-	35.3	3.5	2.8	25.9	68.0	29,322.50	431.2
Creditors	0.7	17.3	-	7.2	1.5	0.7	145.4	172.8	47,478.00	274.7
Debtors	-	2.0	-	6.7	-	4.8	-	13.5	6,993.00	518.0
Employees	3.0	21.6	6.4	3.5	13.2	70.0	6.0	123.7	52,949.00	428.0
Immediate Tasks	1.0	2.0	-	6.3	1.9	7.5	8.2	26.9	10,878.50	404.4
Investigation & CDDA	-	5.1	-	23.7	13.4	33.0	10.7	85.9	35,870.50	417.6
Job Acceptance & Strategy	0.5	-	-	-	-	-	1.3	1.8	697.00	387.2
Legal Issues	-	3.3	-	0.6	-	-	-	3.9	3,022.50	775.0
Members	0.5	-	-	-	-	-	-	0.5	450.00	900.0
Other Assets	-	3.0	-	27.7	-	-	0.2	30.9	19,350.00	628.2
Other Matters	-	2.5	-	4.8	1.2	6.5	50.5	65.5	16,860.50	257.4
Property	-	-	-	-	0.6	-	-	0.6	285.00	475.0
Reporting	-	4.0	-	25.7	-	12.2	11.8	53.7	24,433.00	455.0
Retention of Title	-	-	-	-	6.3	-	-	6.3	2,992.50	475.0
Sale of Business	-	64.7	29.0	84.9	-	56.5	8.2	243.3	140,695.50	578.3
Statutory Duties	-	10.6	-	47.7	27.8	7.0	26.3	119.4	57,682.00	483.1
Trading	10.5	138.3	17.3	679.7	21.5	655.1	368.7	2,219.1	889,568.00	400.9
VAT & Taxation	-	0.5	-	14.3	1.3	4.6	23.8	44.5	15,507.00	348.5
Total Hours	16.7	272.9	52.7	968.1	92.2	1,160.7	717.0	3,280.3		
Time Costs (£)	15,030.00	219,684.50	36,363.00	590,541.00	43,795.00	313,389.00	136,230.00		1,355,032.50	
Average Hourly Rate (£)	900.0	805.0	690.0	610.0	475.0	270.0	190.0		413.1	

Category 1 Disbursements	£
Printing	467.07
Air Transportation	1,793.19
Car Rental	665.84
Ground Transportation	1,182.38
Accommodation	5,980.45
Bonding	1,280.00
Subsistence	2,317.20
Total	13,706.13
Category 2 Disbursements	
Mileage	3,397.45
Total	3,397.45

Appendix E

Joint administrators' time costs for the period from 27 January 2020 to 26 July 2020 and a comparison with the fee estimate dated 28 May 2020

	Per Fee Estimate			Total actual to date		
	Total hours	Total costs (£)	Average rate (£)	Total hours	Total costs (£)	Average rate (£)
Accounting & Administration	481.1	137,671.50	286.2	68.0	29,322.50	431.2
Creditors	219.1	58,149.50	265.4	172.8	47,476.00	274.7
Debtors	13.4	6,932.00	517.3	13.5	6,993.00	518.0
Employees	233.9	90,157.50	385.5	123.7	52,949.00	428.0
Immediate Tasks	26.9	10,878.50	404.4	26.9	10,878.50	404.4
Investigation & CDDA	75.9	30,750.50	405.1	85.9	35,870.50	417.6
Job Acceptance & Strategy	1.8	697.00	387.2	1.8	697.00	387.2
Legal Issues	0.7	524.50	749.3	3.9	3,022.50	775.0
Members	0.5	450.00	900.0	0.5	450.00	900.0
Other Assets	43.9	27,865.00	634.7	30.9	19,350.00	626.2
Other Matters	66.9	37,117.50	554.8	65.5	16,860.50	257.4
Property	11.6	6,515.00	561.6	0.6	285.00	475.0
Reporting	217.3	80,525.00	370.6	53.7	24,433.00	455.0
Retention of Title	6.3	2,992.50	475.0	6.3	2,992.50	475.0
Sale of Business	318.0	163,571.00	514.4	243.3	140,695.50	578.3
Statutory Duties	163.8	63,228.00	386.0	119.4	57,682.00	483.1
Trading	3,223.1	1,356,995.50	421.0	2,219.1	889,568.00	400.9
VAT & Taxation	115.3	37,640.00	326.5	44.5	15,507.00	348.5
Total	5,219.5	2,112,660.50	404.8	3,280.3	1,355,032.50	413.1

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 and accounting functions, statutory compliance diaries and time cost reporting
Creditors	<ul style="list-style-type: none"> ▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to preferential creditors.
Debtors	<ul style="list-style-type: none"> ▶ Reviewing the Company's debtors ledger, collating information on the outstanding balances and realising the book debts of the Company.
Employee Matters	<ul style="list-style-type: none"> ▶ Assessing staffing requirements and making redundancies. ▶ Dealing with employee enquiries. ▶ Processing employee claims. ▶ Dealing with TUPE related matters prior to the sale of the business and certain assets of the Company. ▶ Dealing with matters relating to claims under the Government's Job Retention Scheme.
Immediate Tasks	<ul style="list-style-type: none"> ▶ Completion of work streams requiring immediate attention following the appointments, in order to execute the strategy outlined in the Proposals.
Investigations	<ul style="list-style-type: none"> ▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". ▶ The Joint Administrators' reports on the conduct of the directors under the Company Directors Disqualification Act 1986. ▶ Further investigations as necessary.
Job Acceptance & Strategy	<ul style="list-style-type: none"> ▶ Matters relating to the appointments and initial planning of the administration strategy, including meetings with the Companies' directors and management and formulating and executing the strategy adopted. ▶ Considering exit routes from administration and implementing the most appropriate route.
Legal Issues	<ul style="list-style-type: none"> ▶ Dealing with any ad hoc legal issues.
Members	<ul style="list-style-type: none"> ▶ Liaising with the Company's shareholders
Other Assets	<ul style="list-style-type: none"> ▶ Realising value from the Company's other assets. ▶ Assessing, quantifying and seeking to realise value from assets not recorded in the management accounts of the Company at the date of appointment.
Other Matters	<ul style="list-style-type: none"> ▶ Dealing with any assets owned by third parties. ▶ Recovery of the Companies' physical books and records, and electronic records (including a back-up of Companies' servers and systems).

Property	<ul style="list-style-type: none"> ▶ Liaising with the landlord of the Company's premises. ▶ Realising value from the Company's leasehold interests (if any).
Reporting	<ul style="list-style-type: none"> ▶ Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report.
Retention of Title	<ul style="list-style-type: none"> ▶ Assessment and settlement of claims for retention of title from the Company's suppliers (if applicable).
Sale of Business	<ul style="list-style-type: none"> ▶ Liaising with interested parties whilst seeking to achieve a sale of the business, including preparation of financial and other information. ▶ Sale of the business and/or assets of the Company in pursuance of the Administrators' objectives. ▶ Liaising with the Purchaser and its advisors and relevant suppliers in relation to transitional arrangements.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the administrations, including notifications to creditors and members, advertising the appointment and sending to creditors and filing at Companies House.
Trading	<ul style="list-style-type: none"> ▶ Formulating the trading strategy. ▶ Trading the Company in Administration. ▶ Working with Company staff to oversee trading activities. ▶ Accounting and banking issues relating to trading including tracking of receipts, making payments to suppliers and employees and production of monthly accounts. ▶ Liaising with suppliers and customers. ▶ Employee issues pertaining to trading the Company.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing corporation tax and VAT returns, with input from EY VAT and tax specialists. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the administrations. ▶ Preparing claims for VAT bad debt relief (if applicable).

Appendix G

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

Joint Administrators' charging policy for remuneration

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 is subject to change over time. The hourly rate for each category of staff over the period is shown below:

Grade	Hourly rate (£)
Partner	900
Associate Partner	805
Director	690
Senior Manager	610
Senior Executive	475
Executive	340-375
Analyst	130-270

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.

Details of Category 1 and Category 2 expenses incurred to date are included in Appendix D.