

CORE VCT PLC – in Members' Voluntary Liquidation

Progress report to Members pursuant to Section 92A of The Insolvency Act 1986 and Rule 18.7 of The Insolvency (England and Wales) Rules 2016 for the Period from 20 July 2022 to 19 July 2023

Issued On: 19 September 2023

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ABBREVIATIONS AND DEFINITIONS

Abbreviation or definition	Meaning
“the Act”	Insolvency Act 1986
“Companies”	Core VCT IV Plc and Core VCT V Plc
“the Entity”	Core VCT Plc
“Firm”	Menzies LLP
“the Former Liquidators / Menzies Liquidators”	Simon Underwood and Laurence Pagden of Menzies LLP
“the Original Liquidators”	Mark Robert Fry of Begbies Traynor (London) LLP and Neil John Mather of Moore Kingston Smith & Partners LLP (formerly of Mazars LLP and, before that, Begbies Traynor (London) LLP)
“Harcus Parker”	Harcus Parker Limited, legal advisors
“Joint Liquidators / replacement liquidators / my / we”	David Baxendale and Steven Sherry, both of PwC LLP
“the Manager”	Soho Square Capital LLP (formerly known as ESO Capital Advisors LLP and, before that, Core Capital Partners LLP), an entity authorised and regulated by the Financial Conduct Authority
“Mr Fakhry”	Founder and Managing Partner of the Manager
“Reporting Period”	20 July 2022 to 19 July 2023
“the Rules”	Insolvency (England & Wales) Rules 2016
“SIP9”	Statement of Insolvency Practice 9
“Stewarts Law”	Stewarts Law LLP, former legal advisors
“VCT”	Venture capital trust as defined in Section 259 of the Income Tax Act 2007

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INTRODUCTION

Background to our appointment

The Entity entered Members’ Voluntary Liquidation on 16 April 2015 and the *Original Liquidators* were appointed. Following final meetings held on 10 August 2016 the Entity was dissolved on 18 November 2016.

Following a Court application by Mr Timothy Grattan (a shareholder) the Entity was restored by order of the High Court on 20 July 2018 and the *Former Liquidators* were appointed joint liquidators. The *Former Liquidators* sought to investigate the financial affairs of the Entity and identified a number of potential claims against parties connected with Entity.

On 28 July 2022, a subsequent order of the High Court ordered the *Former Liquidators* be replaced and David Baxendale and I were appointed as Joint Liquidators in order to carry out an independent review of the potential claims, the litigation funding arrangements and decide whether to continue with the actions.

Reporting period

This report covers the conduct and progress of the liquidation in the period from 20 July 2022 to 19 July 2023.

We note that the *Former Liquidators* were in office for a brief time during this reporting period (20 July 2022 - 27 July 2022). The substance of their update to shareholders was provided in our previous progress report dated 16 September 2022 and this report should be read in conjunction with that and previous progress reports issued by the *Former Liquidators* which together cover the period from 20 July 2018 to 19 July 2022.

A summary of receipts and payments for this Period is at Appendix A.

The statutory information relating to the Entity and the Liquidators is at Appendix B.

REPORT ON THE LIQUIDATION

Realisation of assets

As previously advised by the *Former Liquidators*, as at the date of their appointment on 20 July 2018, there were no known assets. All known assets had been realised and any proceeds were distributed by the *Original Liquidators*. The amounts realised were shown in the *Original Liquidators’* final progress report dated 10 August 2016, albeit it did not correctly show the amounts realised from particular investments and a breakdown of the correct figures was provided in the *Former Liquidators* report dated 16 September 2019.

Investigation

Following our appointment we immediately commenced the process of gathering information that would allow us to undertake the independent assessment of the potential claims and met with the *Former Liquidators*, their legal advisors and other interested parties in order to ensure that we understood the full history of the case.

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After an initial review of the information we sought to meet with each of the defendants and their legal advisors in order for them to share their perspectives on the potential claims and provide any information that they believed would be useful for the purpose of our independent assessment of the claim.

We met with the Manager on 14 December 2022, Peter Smaill on 3 March 2023 and *Original Liquidators* on 18 April 2023, following which there was some additional information provided by a number of the parties and we undertook a further detailed assessment of the information available.

We have also engaged legal counsel to assist us with our independent assessment of the claims.

In addition to assessing the merits of the claim we are required to consider the litigation funding arrangements and any associated insurance and during the period we have met with the potential funding provider in order to assess the funding terms and potential returns to members.

It is clearly a complex situation with a significant amount of history and parties involved. We are mindful of the time taken for this process and we hope to conclude our assessment shortly. At present the claims have remained stayed pending the outcome of our review.

Settlement of liabilities

The *Former Liquidators* advised the Joint Liquidators that they were not aware that the Entity had any liabilities. The Joint Liquidators have not received any claims in the Period.

Distributions to Members

No distributions were made during the Period. We are unable to advise at present whether there is likely to be a distribution to Members.

LIQUIDATORS’ FEES AND EXPENSES

Basis of remuneration

On 15 April 2015 the *Original Liquidators’* remuneration was fixed by ‘reference to the time properly given by the Liquidators and the various grades of their staff calculated at the prevailing hourly charge out rates in attending to matters arising in the Liquidation’.

Pursuant to Rule 18.31 of the Rules, the resolution in effect prior to the *Original Liquidators* ceasing to act continues to apply in relation to any subsequently appointed Liquidator. However, as indicated in the *Former Liquidators* previous reports, it is expected that we will be reverting to shareholders in relation to their costs. In the interim some costs have been funded.

Non-recourse funding

As part of the court process which resulted in our appointment as Joint Liquidators, Mr Fakhry provided an undertaking that he would provide the Replacement Liquidators with funding of £200,000 on a non-recourse basis to carry out the independent review of the claims.

This funding was provided on 15 November 2022.

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Liquidators’ remuneration

Whilst the Joint Liquidators costs will be taken from the non-recourse funding noted above, for information the Joint Liquidators’ time costs incurred in the Period totalled £151,011, made up of 238 hours at an average charge out rate of £634 per hour across all grades of staff.

A detailed breakdown of the Liquidators’ time costs during the Period, together with details of applicable charge-out rates, is provided at Appendix C.

The Joint Liquidators have not drawn remuneration in the Period.

Former Liquidators’ remuneration

The *Former Liquidators* have no costs in the Period. The *Former Liquidators’* costs incurred to date total £452,297, made up of 1,225 hours at an average charge out rate of £369 per hour across all grades of staff.

The *Former Liquidators* have drawn remuneration of £75,000 plus VAT.

Liquidators’ expenses¹

For previous reporting periods, the *Former Liquidators* reported expenses as a combined total across the Entity and the Companies. For the purpose of reporting going forward, we will only report costs in connection with the Entity.

In the Period, the Liquidators incurred the following expenses in connection with the liquidation of the Entity.

Category 1 expense	Incurred in the Period	Paid in the Period
	£	£
Statutory advertising	90	0
Statutory bond	247	0
Legal costs*	252	0
Harcus Parker	4,560	0
Total	5,149	0

*Total costs incurred in the previous periods was £124,875 and not £67,000 as stated in the previous report. These costs were omitted from the previous report so this is a correction.

¹ Category 1 expenses represent specific expenditure incurred directly in respect of the liquidation and payment has been to independent third parties. Category 2 expenses represent directly referable costs where payment is not to an independent third party.

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Category 2 expense	Incurred in the Period	Paid in the Period
	£	£
Printing and Postage	2,571	0
Total	2,571	0

Members’ rights regarding the Liquidators’ remuneration and expenses

Any member of the Entity with permission of the court or members of the Entity with at least 5% of the total voting rights of all the members having the right to vote at general meetings of the entity (or permission of the court) are entitled to request further information about our fees and expenses. Such requests need to be made within 21 days of receipt of this report. See Rule 18.9 of the Insolvency (England and Wales) Rules 2016 for further detail.

Any member of the Entity with permission of the court or members of the Entity with at least 10% of the total voting rights of all the members having the right to vote at general meetings of the entity (or permission of the court) are entitled to claim by way of court application that the liquidators’ fees and expenses are excessive. Such applications need to be made within 8 weeks of the receipt of this report. See Rule 18.34 of the Insolvency (England and Wales) Rules 2016 for further detail.

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APPENDIX A

Abstract of Receipts and Payments in the liquidation during the period from 20 July 2022 to 19 July 2023

	From 20 July 2022 To 19 July 2023	From 20 July 2018 To 20 July 2023
	£	£
RECEIPTS		
Fundings - cash	Nil	Nil
Total	<hr/>	<hr/>
PAYMENTS		
	Nil	Nil
Total	<hr/>	<hr/>
DISTRIBUTIONS		
	Nil	Nil
Total	<hr/>	<hr/>
TOTAL BALANCE	<hr/> Nil	<hr/> Nil

Notes:

1. The Estate does not have any cash assets, however the Joint Liquidators have opened a bank account in the name of the Entity to receive the £200,000 non-recourse funding as noted in the report.
2. The above Receipts and Payments account details cash receipts and payments only. It does not include any non-cash assets, sums settled in cash by third parties, or assets distributed in specie. Please see the assets, liabilities and distributions sections in the main body of the report for details on how the Liquidators dealt with the Entity’s non-cash assets and liabilities.

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APPENDIX B

Information on the Entity and the Liquidators

Entity Details

Entity’s registered name: CORE VCT PLC

Entity’s registered number: 05572561

Postal address of principal place of business C/O Steven Sherry Pricewaterhousecoopers Llp, One Chamberlain Square, Birmingham, B3 3AX, United Kingdom

Liquidators’ Details

Liquidators’ names: Steven Sherry and David Baxendale

Liquidators’ postal address: 7 More London Riverside, London SE1 2RT

Liquidator’ email: steven.a.sherry@pwc.com
david.baxendale@pwc.com

Nature of appointment: Members’ voluntary liquidation

Previous liquidators: Simon Underwood - CTA 28 July 2022
Laurence Pagden - CTA 28 July 2022

Steven Sherry and David Baxendale have been appointed as Joint Liquidators of the Entity to manage its affairs, business and property as its agents and without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Liquidators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The Joint Liquidators are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the Members’ Voluntary Liquidation.

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APPENDIX C

Liquidators remuneration during from the period 20 July 2022 to 19 July 2023

Time costs:

Classification of work	Hours						Total	Total	Average
	Partner	Director	Senior Manager	Senior Associate	Associates	Support	Hours	Cost	Hourly rate
Accounting and Treasury	-	-	0.5	3.15	0.95	-	4.60	1,640	357
Administration & planning	-	10.11	1.6	1.3	-	-	13.01	7,913	608
Investigations	110.25	-	56.7	1.3	-	-	168.25	110,234	655
Liaising with stakeholder	14.30	4.12	-	-	-	-	18.42	12,451	676
Statutory and compliance	-	4.42	21.5	7.35	-	-	33.27	18,430	554
Creditors / liabilities	0.5	-	-	-	-	-	0.5	343	686
Total	125.05	18.65	80.3	13.1	0.95	-	238.05	151,011	634

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Charge out rates:

The standard hourly charge out rates applicable to the partners and staff in the Business Restructuring Services department of PricewaterhouseCoopers LLP during the liquidation are noted below.

From 1 July 2022

Grade	£ / hr
Partners	686
Director	641
Senior Manager	602
Managers	511
Senior Associate	361
Associates	263
Support	112

Appropriate staff have been assigned to work on each aspect of the case based upon their seniority and experience, having regard to the complexity of the relevant work and the financial value of the assets being realised and/or claims agreed.

All time is charged in six minute increments.