

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 2023 to 19 July 2024

Issued On: 17 September 2024

ABBREVIATIONS AND DEFINITIONS

Abbreviation or definition	Meaning
“the Act”	Insolvency Act 1986
“Connected Entities”	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 2023 to 19 July 2024
“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 the Entity. The *Former Liquidators* commenced court proceedings in the High Court in respect of the potential claims on 23 and 24 August 2021.

On 28 July 2022, 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 2023 to 19 July 2024.

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 independent review, we concluded that it is in the interest of Members to pursue the claims on behalf of the Entity. You will appreciate that we are not able to provide details as to our conclusions as doing so may prejudice the Entity’s position in the proceedings.

To allow time for us to carry out our independent review, the claims issued in the High Court on behalf of the Entity have been stayed. The Joint Liquidators of the Entity, together with the Menzies Liquidators of the Connected Entities, made an application to Court on 12 January 2024 to lift the stays and allow the claims to move forward (the “Application”). The Application has been listed for hearing before a High Court

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Judge in the Rolls Building (7 Rolls Building, Fetter Lane, London EC4A 1NL), in a two day window commencing on 25 September 2024, with a time estimate of one day.

The Application is currently opposed by one group of the Defendants to the claims.

As previously reported, in addition to assessing the merits of the claims, we considered the litigation funding arrangements and any associated insurance. The purpose of these arrangements is to cover the up front costs associated with bringing the claims. During the Period we revisited the arrangements which had been put in place by the *Former Liquidators* and agreed revised terms to reflect the latest market position. In doing so we have given careful consideration to the potential return to Members if the claims resulted in a successful outcome. The revised arrangements were finalised in November and December 2023. The funding is in connection with the costs leading up to and during any potential trial and is considered to be sufficient to see the claims through to the end of trial.

Costs are requested to and reimbursed directly from the funder and no funds are received via the Entity. For the period December 2023 to 30 June 2024, costs of £35,922 (net) have been requested and are due to be settled shortly.

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.

As a result of bringing court claims on behalf of the Entity (as set out in more detail in the Investigation section above), the Entity is exposed to the risk of being subject to an adverse costs order if the claims are ultimately unsuccessful (whether in full or in part), or the Defendants to the claims have a successful outcome at an interim stage of the proceedings. The circular addressed to members in advance of the general meeting of the Entity held on 20 December 2021 explained that the *Former Liquidators* were in the process of obtaining ATE insurance to cover the potential adverse costs liability. Since then, the Joint Liquidators have incepted ATE insurance intended to cover the adverse costs risk. The cost of the ATE insurance is being met by the funding arrangements put in place for the purposes of bringing the claims.

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’.

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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 our 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.

Liquidators’ remuneration

The Joint Liquidators' time costs incurred in the Period totalled £125,367.55 made up of 211.12 hours at an average charge out rate of £594 per hour across all grades of staff. This is part funded by the Non-recourse funding of £200,000, with the remaining subject to the terms of the arrangements put in place for pursuing the claims following the completion of the independent review.

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 drawn remuneration and disbursements as follows in the Period:

- Non-recourse funding: £100,000 of time costs and £6,170 of disbursements.
- Other funding arrangements: £35,922 for time costs incurred from December 2023 to 30 June 2024.

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 to 19 July 2022, the *Former Liquidators* reported expenses as a combined total across the Entity and the Connected Entities. 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.

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 1 expense	Incurred in the Period	Paid in the Period
	£	£
Advertising	-	90*
Statutory bonding	-	247*
Rail travel	135	-
Legal costs - Gatehouse Chambers	20,000	20,000
Legal costs - counsel**	80,338	47,144*
Harcus Parker - expenses**	2,711	2,539*
Harcus Parker - costs**	141,459	268,250*
Total	244,643	338,270

Category 2 expense	Incurred in the Period	Paid in the Period
	£	£
Printing and postage	3,263	5,833*
Travel cost	0	0
Total	3,263	5,833

**Paid costs include costs that were incurred in the previous periods*

***33.3% of the costs incurred and paid in the period have been included in this report.*

Expenses above totalling £26,170 have been paid for from the non-recourse funding which is held in the bank account in the name of the Entity.

If following the claims there are insufficient funds to meet all of the Liquidators’ costs and expenses, we will write off such costs and not pursue the Members for any sums.

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 2023 to 19 July 2024

	From 20 July 2023 To 19 July 2024	From 20 July 2018 To 20 July 2024
	£	£
RECEIPTS		
Fundings - cash <small>Note 1</small>	Nil	Nil
Total		
PAYMENTS		
Total	Nil	Nil
DISTRIBUTIONS		
Total	Nil	Nil
TOTAL BALANCE	Nil	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 2023 to 19 July 2024

Time costs:

Classification of work	Hours							Total	Total	Average
	Partner	Director	Senior Manager	Manager	Senior Associate	Associates	Support	Hours	Cost	Hourly rate
Accounting and Treasury	-		1.1	0.2	1.15	1.1	0.3	3.85	1,528.80	397.09
Administration & planning	0.5		8.1		0.25	1.05		9.9	5,607.53	566.42
Investigations	97.0		18.1		0.7			115.8	78,742.65	679.99
Statutory and compliance	11.2	0.57	35.75		5.15	27.9	1	81.57	39,488.58	484.11
Total	108.7	0.57	63.05	0.2	7.25	30.05	1.3	211.12	125,367.56	593.82

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 2024

Grade	£ / hr
Partners	717.5
Director	659.4
Senior Manager	620.2
Managers	526.4
Senior Associate	389.2
Associates	284.9
Support	115.5

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From 1 July 2023

Grade	£ / hr
Partners	696.5
Director	640.5
Senior Manager	602
Managers	511
Senior Associate	371
Associates	276.5
Support	112

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.