
Joint administrators' progress report from 4 April to 3 October 2019

Dudson Limited *Dudson (Holdings) Limited* (both in administration)

High Court of Justice, Business and Property Courts in
Birmingham, Insolvency & Companies List (ChD)

29 October 2019

Case Numbers:

CR-2019-BHM-000281

CR-2019-BHM-000288

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Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

| Abbreviation or definition | Meaning |
|----------------------------|--|
| Administrators/we/us/our | Ross David Connock and David Matthew Hammond |
| Australian Branch | DL traded in Australia under the brand name 'Dudson International'. |
| Companies | Dudson Limited and Dudson (Holdings) Limited |
| DCI | Dudson Canada Inc. |
| DFH | Dudson French Holdings S.A.S. |
| DHL | Dudson (Holdings) Limited |
| DL | Dudson Limited |
| DLSL | Dudson Ltd SL |
| DUSA | Dudson USA Inc. |
| FEG | Fair Entitlements Guarantee, an Australian legislative scheme under which employees of insolvent companies may receive financial assistance to cover certain specified entitlements |
| Firm | PricewaterhouseCoopers LLP |
| Group | Dudson Limited, Dudson (Holdings) Limited, plus overseas subsidiaries in the USA (DUSA), Canada (DCI), France (DFH) and Spain (DLSL) |
| HCR | Harrison Clark Rickerbys |
| HMRC | HM Revenue & Customs |
| IA86 | Insolvency Act 1986 |
| IR16 | Insolvency (England and Wales) Rules 2016 |
| LSH | Lambert Smith Hampton |
| preferential creditors | Claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances |
| prescribed part | The amount set aside for unsecured creditors from floating charge funds in accordance with section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003 |
| RoT | Claims to retention of title over goods supplied to the Company but not paid for before the Administrators' appointment |
| RPS | Redundancy Payments Service, an executive agency sponsored by the Department for Business, Energy & Industrial Strategy, which authorises and pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996 |
| Sch.B1 IA86 | Schedule B1 to the Insolvency Act 1986 |
| secured creditors | Creditors with security in respect of their debt, in accordance with section 248 IA86 |
| SIP13 | Statement of Insolvency Practice 13 |

| | |
|---|---|
| the Bank / Shawbrook / secured creditor | Shawbrook Bank Limited, the secured creditor |
| the Liquidators | William Anthony Honner and Sam Marsden of PwC Australia, the liquidators of the Australian Branch |
| the Period | 4 April 2019 to 3 October 2019 |
| the Purchaser / Churchill China | Churchill China plc and Churchill China (UK) Limited |
| unsecured creditors | Creditors who are neither secured nor preferential |

Key messages

Why we've sent you this report

I am writing to update you on the progress of the administration of the Companies in the six months since our appointment on 4 April 2019. You may wish to refer to the Joint Administrators' proposals dated 11 April 2019, a copy of which can be downloaded at www.pwc.co.uk/dudson.

How much creditors may receive

The following table summarises the possible outcome for creditors*, based on what we currently know.

| Class of creditor | Dudson Limited Current estimate (p in £) | Dudson (Holdings) Limited Current estimate (p in £) |
|--------------------------|---|--|
| Secured creditor | 100 | 100 |
| Preferential creditors | 100 | 100 |
| Unsecured creditors | 8 | 2.5 |

**Please note this guidance on dividends is only an indication and should not be used as the main basis of any bad debt provision or debt trading.*

Secured Creditor

Shawbrook's lending to DL as at the date of administration was about £4.7m and is secured by fixed and floating charges over all of DL's assets, and cross guaranteed by DHL. We think that Shawbrook will be repaid in full.

In the period since our appointment, distributions of £1m (by DL) and £1m (by DHL) were paid to Shawbrook under the terms of its fixed and floating charge security. In addition, we assisted Shawbrook with the recovery of book debts totalling c.£1.6m due under its asset-based lending facility. We expect that the remainder of Shawbrook's debt will be repaid following the completion of the sale of DL's freehold property, which is referred to later in this report.

Preferential Creditors

We think preferential creditors (mainly employees) of both DL and DHL totalling approximately £320k will be paid in full.

Unsecured Creditors

Based on creditor figures shown in the directors' Statement of Affairs and the anticipated realisation, it is possible that DL's unsecured creditors may get a dividend of up to 8%, and DHL's unsecured creditors may get a dividend of up to 2.5%.

However, we have not undertaken the adjudication of the creditors' claims at this time. As such creditors should note that the estimate provided is subject to future realisations, costs and the level of claims admitted for dividend purposes. Any dividend ultimately declared and paid to creditors may vary potentially significantly, from the estimated figures provided. As a result, this information is purely for creditors' information only and should not be used or relied on for any other purposes.

As provided for in our proposals, we've asked for outstanding claims from creditors so that we can agree them in principle. This should help us pay a dividend to creditors earlier than might otherwise be the case once we've decided the most appropriate way to distribute the monies.

What you need to do

We stated in our proposals that we believe there may be a distribution to unsecured creditors other than from the prescribed part.

We are therefore seeking a creditors' decision on the following matters:

- the formation of a creditors' committee;
- If creditors don't form a committee, the approval for payment of the unpaid pre-administration costs, as set out in Appendix C, as an administration expense; and
- If creditors don't form a committee, the basis of our fees and Category 2 disbursements, as set out in Appendix D.

Should you wish to vote on these matter, please complete and return the decision by correspondence form included with this report by 20 November 2019.

If you haven't already done so, please send your claim to us. A claim form can be downloaded from our website at www.pwc.co.uk/dudson or you can get one by telephoning Bryony Ball on 020 7583 5000.

Background to the administration

You will remember from our proposals for achieving the purpose of administration that when we were appointed, that the position was as follows:

- DHL is the parent company of the Group, which also included a trading subsidiary in the USA and non-trading subsidiaries in Canada, France and Spain. DL, trading as Dudson, was the UK trading entity for the Group. You may wish to refer to the Group Structure diagram in the Joint Administrators' proposals.
- At the date of appointment, the Companies employed c.390 employees, predominately in Stoke-on-Trent, with a small number working in a branch in Australia.
- The Group focused on the design, manufacture and sale of ceramic tableware products to distributors, suppliers and direct to the hospitality industry, supplemented by sourced glassware and cutlery.
- In the second half of 2018, the Group started experiencing significant cash flow pressures as a result of deterioration in sales, increased costs in relation to a sales-led turnaround plan, and greater contributions to a long standing pension scheme deficit.

PwC's initial role was to assist management undertake an independent business review and to advise on the options available to the Company in light of short and medium term funding requirements. This subsequently became a role for preparing and supporting an accelerated sales process. Whilst the preferred outcome was to achieve a solvent sale of the business, the marketing process confirmed there were no interested parties willing to acquire the business as a going concern outside of an insolvency process. Following deliberations, it was determined that an offer from Churchill China for c.£2.1m for certain assets, a controlled wind down trading period to realise remaining stock and recover debtors, and a controlled realisation of the remaining plant and property would offer the best result for creditors.

Immediately on our appointment, we secured and took control of the Companies' assets, which included:

- Stocks of finished goods;
- Unfinished stock ("biscuit");
- Cash at bank;
- Plant and machinery excluded from the sale to Churchill China;
- A large freehold site in Stoke-on-Trent;
- Debts with a book value of c.£2m (subject to security held by Shawbrook);
- Stock and debts within the Australian trading branch of DL; and
- Investments in subsidiaries.

We explain in the next section the work we've done since our appointment and our anticipated future work.

Progress since we were appointed

Pre-packaged sale of specific assets

As detailed in our proposals, immediately following our appointment we completed a sale of the "Dudson" brand and intellectual property owned by DHL together with certain items of plant and machinery with accompanying intellectual property owned by DL, to Churchill China for c.£2.1m. £600k was allocated to DL, and the remaining c.£1.5m to DHL. The sale represented the best offer for both Companies in the circumstances.

Trading

Whilst the manufacturing and production of the business ceased upon appointment, our strategy was to maximise the realisations of the high levels of stock held by DL by continuing to take and fulfil new orders. We adopted a strategy of retaining the sales team and selling the stock to existing customers over a controlled period, with a marketing strategy to generate interest. Limited discounts were applied at first before gradually increasing discounts to maximise overall recoveries for all remaining stock, which included a mix of slow moving and desirable stock. We continued this process until the stock had been depleted to such an extent that a bulk sale of stock presented the best return to creditors. As a result, we continued to trade the remaining business until 2 August 2019.

To date, receipts from trading sales of c.£2.0m have been achieved in DL, including the goods sold at the factory outlet store. Further receipts in relation to agreed sales that are yet to be paid will not exceed £50k.

During the trading period a number of suppliers sought to enforce RoT over various items of stock and fixtures supplied to DL prior to our appointment. Of these claims, settlements were agreed on 25 claims, often involving the suppliers being allowed to collect their goods.

We are continuing to agree the costs for utilities and rates for the trading period, but based on the information currently available it's estimated that the trading will result in a profit of c.£850k. This has been calculated based on the realisations of UK stock less all paid and expected future trading costs.

Plant and machinery

Following a tender process, we appointed Lambert Smith Hampton to market and sell those items of plant and machinery excluded from the sale to Churchill China. The strategy adopted was a two stage approach, first to seek buyers on a private treaty basis to sell the bespoke equipment to specific buyers, followed by an auction process for the remainder.

In total, c.£661k was raised in DL as part of this process, net of marketing and agents' disposal costs. The funds are currently held by LSH and are expected to be received shortly. No further recoveries are expected from this source.

Property

The Companies occupied three properties: the main freehold site at Scotia Road, Stoke-on-Trent; the leasehold warehouse at Nile Street, Stoke-on-Trent; and a leasehold showroom in London.

Freehold property

Following a tender process, we instructed Avison Young as our agents to dispose of this property. The intention was to undertake a controlled sale process with a view to receiving an offer at the end of summer and looking to coincide completion of the sale with the removal of all of the plant and machinery from the site, at the beginning of October.

The marketing process resulted in five offers being received at a value at or in excess of £2.85m. The best of these was an offer of £3.3m from M20 Group, which was subsequently adjusted to £3m plus VAT with the purchaser adopting responsibility for removing asbestos-lined plant and machinery which had not been sold as part of the process. We exchanged contracts with the buyer on 25 September 2019, with an agreed completion date of 25 November 2019 to provide time for the purchaser to plan site clearance. Shortly following the period of this report, and in lieu of the split exchange and completion, a deposit of £1.5m plus VAT was received, representing 50% of the sale price, with the balance to be paid upon completion.

Leasehold properties

London showroom - On our appointment, we immediately ceased to occupy the London showroom and agreed to a forfeiture of the lease by peaceful re-entry on 3 June 2019. Given the rent that would otherwise have accrued at this site we were satisfied that the rental interest had no premium value.

Nile Street, Stoke-on-Trent - We continued to occupy and pay rent on the Nile Street Warehouse until 9 August 2019. As no formal lease was in place, a formal surrender of the property was not required. We continued to pay the market rent for continued occupation during the period in which the warehouse was used for the benefit of the administration.

Australian Branch

As detailed in our proposals, DL's Australian Branch operated out of Sydney, Melbourne and Queensland and employed five staff. In order to protect the position of DL and seek to mitigate the risk of the Australian creditors ranking as preferential in the administration, we applied to court in Sydney to place the Australian Branch into a formal liquidation process in Australia on 14 June 2019 pursuant to s.583 Corporations Act 2001, and appointed the Liquidators. The administrations of DL and DHL were not recognised as an insolvency process in Australia without the local liquidation.

The strategy was to liquidate the remaining stock using existing sales relationships, building on the stock realisation strategy adopted for the main UK estate.

Due to the unprecedented nature of a liquidation of an Australian branch with an overseas parent, there was legal uncertainty over the extent to which the FEG would accept Australian employees' preferential claims against the estate, which are enhanced according to local Australian laws compared to employees in the UK.

The legal aspects were complex with the Liquidators seeking to reach a commercial agreement involving the courts, whilst FEG was seeking to avoid setting a precedent which could prove materially damaging in future local Australian insolvency situations. As a result, additional professional costs were incurred in Australia in resolving the matter.

As a result of these professional costs and softening of the local Australian market demand for Dudson stock, we are not expecting a surplus from the estate, but potential claims against the UK estate have been mitigated.

Investments in subsidiaries

Dudson French Holdings S.A.S.

DFH, a property investment company registered in France, is a wholly owned subsidiary of DHL. The principal asset of DFH is a freehold property in France, which is currently tenanted. The tenant of DFH recently went through a local insolvency process which led to cash flow issues within the subsidiary.

We have instructed a local contractor, CMB Associates, to support us in dialogue with the tenant on behalf of the shareholders and to support the company in agreeing a sale of the property. Former directors of DL and DHL remain involved as officers of DFH. We are continuing to monitor the level of realisations expected against costs incurred, with a sale of the property in the near term likely to maximise the level of net recoveries to DHL.

Dudson Canada Inc.

During the period, DL made a payment of CA\$25k to DCI to fund its bankruptcy process and facilitate the recovery of the debt due from DCI to DL (via recovery of the DUSA outstanding balance). This resulted in PricewaterhouseCoopers Inc. LIT being appointed as Licensed Insolvency Trustee of the estate of DCI pursuant

to the Bankruptcy and Insolvency Act (Canada) R.S.C. 1985. It is anticipated that the return to DL will exceed its contribution to fund DCI's bankruptcy process, which was necessary to enable a controlled wind-down of DUSA stock and debtors maximising the realisations available in that estate.

Dudson Ltd SL

At the date of administration, an intercompany debt of c.£75k was owed by DL to DLSL, a Spanish-registered group company. DHL, the parent of DLSL, made a payment of €1,5k to DLSL to fund its solvent winding up, after which DLSL wrote off any residual unsecured balance owed by DL, therefore reducing DL's total unsecured debt. The €1,5k will shortly be recharged to DL from DHL.

Dudson USA Inc.

Following an assessment made by the directors of DUSA immediately following the administration of the Companies, the stock and debtors in DUSA were realised by directors on a solvent basis to local customers in the USA. This was deemed to be the optimum strategy according to the directors' independent legal advice to maximise the recoveries for the creditors of that estate.

The Administrators have been kept apprised of this process in their capacity as shareholder (DHL) and ultimate potential beneficiary of realisations from this estate via the DCI bankruptcy process, and separately Dudson Sales & Export Limited, a solvent subsidiary of DL in the UK of which DL is also a creditor.

We understand that, as asset realisations are largely completed, the directors have taken the decision to appoint a trustee from Sherwood Partners Inc. to run a General Assignment process also known as an Assignment for the benefit of Creditors, which is a form of insolvency process to agree distributions to DUSA creditors whilst avoiding the level of costs associated with a Chapter 11 procedure.

As noted, the benefit to the Companies is likely to flow from intercompany claims between different group entities.

Book debts

At the date of our appointment, book debts owed to DL exceeded £2m, the majority of which were subject to a secured asset-based lending facility with Shawbrook. In the period, we assisted in the collection of c.£1.6m of book debts subject to the facility, the majority of which were paid directly to trust accounts controlled by Shawbrook. We also recovered c.£34k of book debts not subject to Shawbrook's lending facility.

All remaining uncollected debts are subject to dispute and are deemed unlikely to be collectible. We have engaged HCR to collect all remaining debts, all of which are located overseas and therefore difficult to enforce under UK law. Any realisations will result in upside to DL, as the engagement is agreed on a purely contingent fee basis of 20% of realisations.

Rates refund

We liaised with the city council to negotiate business rates relief for the business' freehold property in order to take advantage of the reduced utilisation of the property and limited retained workforce. This resulted in cost savings of £138k. In addition, we were able to reduce the rateable value of the property backdated to 1 April 2017, resulting in a pre-appointment rates refund of £6.3k being received by DL shortly after the period end.

Employees

As detailed in our proposals, on appointment the Companies collectively employed 385 people, excluding those employed in Australia. As no employees transferred to the Purchaser as part of the pre-packaged sale, we were unfortunately required to make 318 people redundant immediately following our appointment.

67 employees were retained to assist in the wind-down of the Companies' trading activities. Over the course of the period, 9 employees left voluntarily and the remaining 58 were made redundant.

Pensions

The business operated a number of pension schemes, including a defined benefit scheme. The business also operated a separate scheme providing a benefit in the event of death in service, along with some other insured employee benefit arrangements.

Following our appointment, we issued the relevant statutory notifications required by legislation, along with a further notification for the defined benefit scheme confirming that it cannot be rescued. We also established that DL was a trustee in a small defined contribution arrangement, and took the necessary steps to wind this scheme up.

In addition, we have liaised with the Pension Protection Fund and scheme trustees, and arranged for unpaid pre-appointment contributions to be claimed from the RPS where possible, which was complicated by some outstanding historic contributions.

We collated documentation in relation to the group life scheme and drafted the necessary documentation to allow the appointment of an independent trustee so that the outstanding death benefit could be settled.

For those employees retained to assist with the wind-down of the Companies' trading activities, we ensured the payment of their post-appointment pension contributions as they fell due, and ensured the employee benefit schemes remained on risk.

Connected party transactions

In accordance with SIP13, we are required to disclose any known connected party transactions that occurred in the period or any proposed connected party transactions.

On 2 August 2019, the remaining finished stock held in the Nile Street warehouse, along with certain intellectual property rights and moulds and cases, was sold to Tricer Limited, a company set up and owned by a former staff member and two former directors of DL. The agreed sale price was £75k plus VAT, of which £50k was received during the period (as reflected in our receipts and payments account at Appendix A). The remaining balance was received shortly after the end of the period.

A period of reduced weekly sales and sales promotions preceded this sale, after which several parties were approached to discuss purchasing the remaining stock and invited to site to inspect the stock, of which two took the opportunity to do. Four indicative offers were received, of which Tricer Limited's was the highest. Following further discussions with the other interested parties, none were willing to better this offer. Accordingly, Tricer Limited's offer was accepted.

In light of the above, we consider that the sale to a Tricer Limited, a connected party, resulted in the best value being achieved for creditors.

We also sold the remaining stock within the Dudson Factory outlet shop to Heather Dudson, a former employee of DL and shareholder of DHL, for £18k plus VAT. The consideration paid was for the factory 'seconds' stock which was of inferior quality and which was subject to no other bids from other parties. On this basis, we accepted Heather Dudson's offer for this stock.

As detailed in the 'Property' section earlier in this report, we paid rent of £52k in the period for the DL's continued occupation of the Nile Street warehouse during the trading period. This property is owned by the Dudson Family Pension Scheme, beneficiaries of which were former directors of DL. Given that the continued use of the warehouse during the trading period was required, we continued to pay the rent at the agreed rates, and are satisfied that the amount paid was reasonable and it ultimately benefited creditors by allowing trading to continue uninterrupted.

Approval of our proposals

We issued to creditors our proposals for achieving the purpose of administration dated 11 April 2019. Creditors approved our proposals by deemed consent on 29 April 2019.

Investigations and actions

During the period, we have fulfilled our statutory obligations and filed our submissions on the conduct of the directors of the Companies with the Insolvency Service, the contents of which are confidential.

Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the administration from 4 April 2019 to 3 October 2019.

Our expenses

We set out in Appendix D a statement of the expenses we've incurred to the date covered by this report and an estimate of our future expenses.

The statement excludes any potential tax liabilities that we may need to pay as an administration expense in due course because amounts due will depend on the position at the end of the tax accounting period.

Our fees

We set out in Appendix D an update on our remuneration which covers our fees, disbursements and other related matters in this case.

Pre-administration costs

You can find in Appendix C information about the approval of the unpaid pre-administration costs previously detailed in our proposals.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

You can also get a copy free of charge by telephoning Bryony Ball on 020 7583 5000 or emailing dudson.enquiries@uk.pwc.com.

What we still need to do

In addition to complying with our statutory obligations, we will continue to realise the remaining assets of the Companies including pursuing recoveries from overseas subsidiaries, and finalise trading costs, including liaising with utility providers.

Within the next six months, we anticipate paying distributions to secured and preferential creditors, whilst considering the best option for adjudication of and distribution to unsecured creditors' claims.

Next steps

We are currently considering the best strategy for the administrations, taking into account the timing of potential future recoveries from overseas subsidiaries and the impact on distributions to creditors. We'll provide an update on this in our next report.

We expect to send our next report to creditors at the end of the administration or in about six months, whichever is the sooner.

If you've got any questions, please get in touch by emailing dudson.enquiries@uk.pwc.com.

Yours faithfully
For and on behalf of the Companies



Ross Connock
Joint Administrator

Ross David Connock and David Matthew Hammond have been appointed as Joint Administrators of Dudson Limited and Dudson (Holdings) Limited to manage their affairs, business and property as their agents without personal liability. They are licensed in the United Kingdom to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales.

*The Joint Administrators 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 Administrators may act as controllers of personal data, as defined by the UK data protection law, depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a 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. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

Appendix A: Receipts and payments

Dudson Limited

Joint Administrators' receipts and payment account

| Statement of affairs | Notes | GBP | AUD | EUR | USD |
|--|--|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | | 4 April 2019 to 3 October 2019 | 4 April 2019 to 3 October 2019 | 4 April 2019 to 3 October 2019 | 4 April 2019 to 3 October 2019 |
| Assets subject to a fixed charge | | | | | |
| Receipts | | | | | |
| 1,724,383 | Book debts | 1,535,265.82 | 113,996.60 | 27,864.67 | - |
| | Intangible assets | 1.00 | - | - | - |
| 800,000 | Plant & machinery and intellectual property | 599,999.00 | - | - | - |
| 3,280,000 | Freehold property | - | - | - | - |
| | Total Receipts | 2,135,265.82 | 113,996.60 | 27,864.67 | - |
| Payments | | | | | |
| | Agents' fees | (5,090.10) | - | - | - |
| | Security | (17,086.98) | - | - | - |
| | Site clearance | (65,942.16) | - | - | - |
| | Total Payments | (88,119.24) | - | - | - |
| Distributions | | | | | |
| | Fixed charge distribution | (1,860,567.93) | (45,125.42) | (26,595.14) | - |
| VAT | | | | | |
| | Fixed charge VAT receivable | (17,623.84) | - | - | - |
| | Fixed charge VAT payable | 120,000.00 | - | - | - |
| | Net assets subject to a fixed charge | 288,954.81 | 159,122.02 | 54,459.81 | - |
| Assets subject to a floating charge | | | | | |
| Receipts | | | | | |
| 217,821 | Cash on appointment | 86,403.81 | 25.00 | 23,231.94 | 2,089.44 |
| | Trading surplus/(deficit) | 976,363.02 | 23,581.92 | 123,707.44 | 14,990.95 |
| | Investments & shares | 34.41 | - | - | - |
| | Sundry floating realisations | 3,430.03 | - | - | - |
| | Bank interest | 2,508.67 | - | - | 12.91 |
| | Total Receipts | 1,068,739.94 | 23,606.92 | 146,939.38 | 17,093.30 |
| Payments | | | | | |
| | Investments in subsidiaries | (14,615.61) | - | - | - |
| | Legal fees & expenses | (8,055.56) | - | - | - |
| | Professional fees | (1,093.00) | - | - | - |
| | RoT, duress and liens | (19,339.51) | - | - | - |
| | Statutory advertising | (77.00) | - | - | - |
| | Office costs, stationery & postage | (9,578.35) | - | - | - |
| | Bank charges | (3,884.09) | (228.42) | (173.12) | (25.17) |
| | Total payments | (56,643.12) | (228.42) | (173.12) | (25.17) |
| Distributions | | | | | |
| | Floating charge distribution | (650,924.30) | - | - | - |
| VAT | | | | | |
| | VAT Receivable | (41,462.45) | - | - | - |
| | VAT Payable | 195,179.00 | - | - | - |
| | Net assets subject to a floating charge | 514,889.07 | 23,378.50 | 146,766.26 | 17,068.13 |
| Inter-currency transactions | | | | | |
| | Receipts from inter-currency transfers | - | 8,024.62 | - | - |
| | Payments from inter-currency transfers | (4,493.64) | - | - | - |
| | Total cash in hand | 799,350.24 | 190,525.14 | 201,226.07 | 17,068.13 |
| | Total GBP equivalent as at 03.04.2019 | 799,350.24 | 103,591.31 | 178,202.33 | 13,756.86 |
| | Bank of England exchange rates as at 03.04.2019 | 1.0000 | 1.8392 | 1.1292 | 1.2407 |

1. Detailed trading account included on next page.

2. Total GBP cash equivalent at 3 October 2019 based on exchange rates at 3 October 2019 was £998,725.64.

3. All amounts shown exclude VAT unless otherwise stated.

4. Cash is held on interest-bearing accounts.

Dudson Limited

Joint Administrators' trading account

Trading Sales

Receipts

| | | | | |
|-----------------------|---------------------|------------------|-------------------|------------------|
| Trading sales | 1,640,579.86 | 31,380.68 | 123,474.82 | 14,990.95 |
| Factory outlet sales | 94,566.95 | - | - | - |
| Connected party sales | 49,999.99 | - | - | - |
| Third party funds | 7,479.77 | - | 5,322.87 | - |
| Total Receipts | 1,792,626.57 | 31,380.68 | 128,797.69 | 14,990.95 |

Trading Expenditure

| | | | | |
|---|---------------------|-------------------|-------------------|----------|
| Heat & light | (6,112.03) | - | - | - |
| Health & safety | (214.00) | - | - | - |
| Lease/hire/HP payments | (2,647.00) | - | - | - |
| Repairs & maintenance | (40,808.32) | - | - | - |
| IT costs | (106,086.43) | - | - | - |
| Marketing and advertising | (3,880.00) | - | - | - |
| Telephone and fax | (1,035.84) | - | - | - |
| Transportation costs | (32,751.10) | - | - | - |
| Utilities and rates | (132.72) | - | - | - |
| Rent | (52,108.30) | - | - | - |
| Sundry expenses | (471.04) | - | - | - |
| Wages and salaries | (379,752.18) | (7,798.76) | - | - |
| Employee/subcontractor costs and expenses | (4,818.54) | - | - | - |
| PAYE/NIC, pension and other deductions | (183,746.05) | - | (5,090.25) | - |
| Petty cash | (1,700.00) | - | - | - |
| Total Payments | (816,263.55) | (7,798.76) | (5,090.25) | - |

| | | | | |
|----------------------------------|-------------------|------------------|-------------------|------------------|
| Trading surplus/(deficit) | 976,363.02 | 23,581.92 | 123,707.44 | 14,990.95 |
|----------------------------------|-------------------|------------------|-------------------|------------------|

Dudson (Holdings) Limited

Joint Administrators' receipts and payment account

GBP

Statement of
affairs

Notes

4 April 2019 to
3 October 2019
(£)

| | | |
|--|--|---------------------|
| Assets subject to a fixed charge | | |
| Receipts | | |
| 1,499,997 | Intangible intellectual property | 1,499,997.00 |
| | Bank interest | 2,227.20 |
| | Total Receipts | 1,502,224.20 |
| Payments | | |
| | Total Payments | - |
| Distributions | | |
| | Fixed charge distribution | (1,000,000.00) |
| VAT | | |
| | Fixed charge VAT payable | 299,999.40 |
| | Net assets subject to a fixed charge | 802,223.60 |
| Assets subject to a floating charge | | |
| Receipts | | |
| 128 | Cash on appointment | 128.43 |
| 279,716 | Investments in subsidiaries | - |
| 509,502 | Intercompany debtors | - |
| | Total Receipts | 128.43 |
| Payments | | |
| | Investments in subsidiaries | (25,052.90) |
| | IT costs | (735.00) |
| | Legal fees & expenses | (14,759.79) |
| | Professional fees | (322.00) |
| | Statutory advertising | (77.00) |
| | Subsidiary strike-off costs | (40.00) |
| | Total payments | (40,986.69) |
| VAT | | |
| | VAT Receivable | (1,599.65) |
| | Net assets subject to a floating charge | (42,457.91) |
| | Total cash in hand | 759,765.69 |

1. Costs under 'Investments in subsidiaries' consist predominantly of fees paid to CMB Associates in relation to DFH.

2. All amounts shown exclude VAT unless otherwise stated.

3. Cash is held on interest-bearing accounts.

Appendix B: Other information

| | | |
|---|--|---------------------------|
| Court details for the administration: | High Court of Justice, Business and Property Courts in Birmingham (ChD), Companies and Insolvency List. Court references below. | |
| Companies | Dudson Limited | Dudson (Holdings) Limited |
| Court Reference | CR-2019-BHM-000281 | CR-2019-BHM-000288 |
| Registered number | 00910754 | 00150494 |
| Trading name: | Dudson | |
| Registered address: | 200 Scotia Road, Tunstall, Stoke On Trent, Staffordshire, ST6 4JD | |
| Date of the joint administrators' appointment: | 4 April 2019 | |
| Joint administrators' names, addresses and contact details: | Ross David Connock of PricewaterhouseCoopers LLP, 2 Glass Wharf, Bristol, BS2 0FR and David Matthew Hammond of PricewaterhouseCoopers LLP, 19 Cornwall Street, Birmingham, B3 2DT Email: dudson.enquiries@uk.pwc.com | |

Appendix C: Pre-appointment costs

Summary

As detailed in our proposals, we incurred the below costs before our appointment as Administrators but with a view to the Companies entering administration. We are in the process of seeking approval for these costs. Details of the work done and expenses incurred are as follows.

| | DL | DL | DHL | DHL |
|--|-----------------|-------------------|-----------------|-------------------|
| | Paid amount (£) | Unpaid amount (£) | Paid amount (£) | Unpaid amount (£) |
| Our fees as Administrators-in-waiting | Nil | 99,276.15 | Nil | 66,184.10 |
| Expenses incurred by us as Administrators-in-waiting | Nil | 24,794.00 | Nil | 16,420.50 |
| Total | Nil | 124,070.15 | Nil | 82,604.60 |

Details of our pre-administration fees incurred

Below is a breakdown by grade of our pre-appointment time incurred:

| Grade | Hours | Cost (£) | Average hourly rate (£) |
|------------------|---------------|-------------------|-------------------------|
| Director | 54.00 | 30,165.00 | 559 |
| Senior Manager | 105.55 | 49,834.50 | 472 |
| Manager | 116.20 | 43,153.00 | 371 |
| Senior Associate | 157.90 | 42,118.75 | 267 |
| Associate | 1.05 | 189.00 | 180 |
| Total | 434.70 | 165,460.25 | 381 |

Our fees as Administrators in waiting have been quantified on a time cost basis, calculated using our usual charge out rates for work of this nature.

We undertook an extensive process in order to achieve a pre-packaged sale of specific assets of the Companies to help achieve the best possible outcome for creditors. The following provides an overview of the work undertaken by us.

Pre-packaged sale of the brand and certain operating assets

- Negotiating commercial and practical aspects of two different potential deal structures, with a potential going concern business sale an alternative to the existing option during discussions leading up to appointment;
- Contractual discussion and agreement ahead of completion of the sale of the brand and certain operating assets of the Companies, once the offers were received and insolvency became likely;
- Updating key stakeholders on the progress of the sale; and

- Drafting the SIP16 disclosure in preparation for the sale.

Contingency planning

- Making contingency plans for delivering the administration under the different offer structures being discussed with potential interested parties, and assessing the potential outcomes available under different strategies within administration;
- Alternative contingency plans including trading the full business without any sale being completed on a pre-packaged basis;
- Comparison of the potential outcomes for creditors from all available options;
- Plans for dealing with the international operations;
- Plans for dealing with and communicating the insolvency to all employees affected by the insolvency, including those based overseas; and
- Detailed planning for the process for realising stock and debtors in the impending insolvency appointment.

Day 1 administration planning

- Working with the Companies' directors and their legal advisors in preparing for the administration;
- Completing our internal procedures in preparation for accepting the appointment;
- Developing a day one strategy for the administrators' team, including ensuring a PwC presence to support key employee announcements and communications immediately following appointment;
- Reviewing the Companies' employee information and preparing communication to the employees and ensuring the claim process for employees was managed effectively;
- Developing strategy for the post-appointment trading period and the realisation of the Companies' key assets including stock and debtors;
- Developing a strategy for establishing controls over overseas trading assets, including all aspects of the Australian trading branch;
- Identifying key areas of risk and how these could be mitigated, including seeking health and safety guidance from in-house specialists; and
- Preparing statutory documentation and declarations required for effecting the administration appointments and liaising with our legal advisors in this regard.

Details of our pre-administration expenses incurred

Solicitors HCR were engaged by the Companies in relation to legal services provided during the sale process and in effecting the appointment of administrators.

A summary of the tasks carried out by HCR in connection with the sale process and effecting the appointment of administrators included:

- Drafting, reviewing and filing the notice of intention to appoint administrators;
- Various communications with the Companies' board of directors and PwC in order to prepare for the appointment;
- Drafting and reviewing the appointment documentation and attending court to file these;
- Attending board calls and supporting the Companies' board of directors in considerations surrounding their duties whilst in receipt of offers for the business on an insolvent basis;
- Drafting and finalising the sale contracts and holding various discussions on the documents with PwC; and
- Providing general advice as required in preparation for the administrators' appointments.

Please note that the above is indicative of the key areas of work performed and is not an exhaustive list of work done.

Appendix D: Remuneration Report

***Dudson Limited and Dudson (Holdings)
Limited - both in administration***

Remuneration Report: Initial Information to
Creditors including Fees Estimate

29 October 2019



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1. Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used during this report:

| Abbreviation or definition | Meaning |
|-----------------------------------|---|
| Companies | Dudson Limited and Dudson (Holdings) Limited |
| Administrators/we/us/our | Ross Connock and Matthew Hammond |
| Firm | PricewaterhouseCoopers LLP |
| DL | Dudson Limited |
| DHL | Dudson (Holdings) Limited |
| Group | Dudson Limited, Dudson (Holdings) Limited, plus overseas subsidiaries in the USA, Canada, France and Spain |
| IA86 | Insolvency Act 1986 |
| IR16 | Insolvency (England and Wales) Rules 2016 |
| Preferential creditors | Creditors with claims for: <ol style="list-style-type: none">1. unpaid wages for the whole or any part of the period of four months before 4 April 2019 (up to a maximum of £800);2. accrued holiday pay for any period before 4 April 2019; and3. unpaid pension contributions in certain circumstances. |
| Prescribed part | The amount set aside for unsecured creditors from floating charge funds in accordance with Section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003 |
| RPS | Redundancy Payments Service (part of the Insolvency Service, an executive agency of the Department for Business, Energy & Industrial Strategy) |
| Secured creditors | Creditors with security in respect of their debt, in accordance with Section 248 IA86 |
| SIP | Statement of Insolvency Practice (issued by regulatory authorities, setting out principles and key compliance standards with which insolvency practitioners are required to comply) |
| Unsecured creditors | Creditors who are neither secured nor preferential |

Ross David Connock and David Matthew Hammond have been appointed as Joint Administrators of Dudson Limited and Dudson (Holdings) Limited to manage their affairs, business and property as their agents without personal liability. They are licensed in the United Kingdom to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators 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 Administrators may act as controllers of personal data, as defined by the UK data protection law, depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a 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. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

2. Background

2.1. Purpose of this initial advice to creditors

If a company or individual is facing financial difficulty they may enter a formal insolvency process under the control of an independent external person (an insolvency practitioner). The costs of the proceedings are paid out of the assets of the company or the individual's estate and include the insolvency practitioner's remuneration, which in this case would be our fees for acting as joint administrators.

We must seek approval to the basis of our remuneration before it is paid and provide the fee approving body with sufficient information for them to make a decision. Insolvency law determines who the fee approving body is (and it depends on the circumstances of the case), but it's usually those creditors who have a direct interest in the amount paid because it impacts on how much those creditors recover.

Changes to insolvency legislation on 1 October 2015 also now require us to give all known creditors details of the work we expect to carry out during the case and the expenses that are likely to be incurred. Also, if our fees are proposed to include remuneration calculated on a time costs basis, we must provide an estimate of those fees. This report provides all this information and details of where further information can be obtained.

2.2. Action required by you

The following table gives our current estimates on the likely return for the various classes of creditors. We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Companies' assets. The joint administrators, their firm, its members, partners and staff and advisers accept no liability to any party for any reliance placed upon this report.

Dudson Limited – dividend prospects

| <i>Class of creditor</i> | <i>Forecast return</i> | <i>Timing</i> |
|---------------------------------|-------------------------------|----------------------|
| Secured creditor | 100p/£ | < 1 year |
| Preferential creditors | 100 p/£ | < 1 year |
| Unsecured creditors | 8p/£ | 1 – 2 years |

Dudson (Holdings) Limited – dividend prospects

| <i>Class of creditor</i> | <i>Forecast return</i> | <i>Timing</i> |
|---------------------------------|-------------------------------|----------------------|
| Secured creditor | 100p/£ | < 1 year |
| Preferential creditors | 100 p/£ | < 1 year |
| Unsecured creditors | 2.5p/£ | 1 – 2 years |

We have stated in our proposals that we believe there may be a distribution to unsecured creditors other than from the prescribed part. Therefore where no committee is appointed, the unsecured creditors have the responsibility for fixing the basis of our fees and approving Category 2 disbursements (as defined in Section 4.1). Please read this Remuneration Report carefully before voting on the basis of our fees and disbursements.

Creditors' rights

You can find information on administrators' fees and your rights at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

2.3. How fees are calculated

Insolvency law currently allows fees to be calculated in three ways:

- As a percentage of the value of the property which we deal with (often referred to as a “percentage basis”);
- By reference to the time properly given by us and our staff attending to the matters arising (“time costs basis”); or
- A set amount (a fixed fee).

The basis of our fees can be a combination of the above and different bases can be used for different parts of our work. The fee approving body decides which basis (or combination of bases) should be used to calculate fees, once it is satisfied that the fee basis proposed represents the most appropriate mechanism in the circumstances of the case.

In this case we are proposing that our remuneration is on a time costs basis, for the following reasons:

- It ensures that creditors are only charged for work that is performed;
- We are required to perform a number of tasks which do not relate to the realisation of assets (for example: reporting to creditors, investigating the conduct of the directors and distributing surplus funds, if any); and
- We are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the administration.

In the next section, we include details of our fees estimate.

Insolvency law says that in determining the basis of our remuneration, regard must be had to the following—

- the complexity (or otherwise) of the case;
- any exceptional responsibility falling on us;
- the effectiveness with which we are carrying out, or to have carried out, our duties; and
- the value and nature of the property with which we have to deal.

3. Our fees estimate

3.1. Summary

This section provides the following information:

- Details of the work we propose to undertake;
- The hourly rates we propose to charge for each part of that work;
- The time we anticipate each part of the work will take; and
- Whether we think it will be necessary to seek approval to exceed the amount of the estimate, and if so, why.

The total amount of our fees estimate is £1.241m for DL and £207k for DHL. The following tables summarise our anticipated time costs and then provide more detail on each area of work. Time costs are shown at the hourly rates set out later. We haven't included an estimate of our fees and the expenses for any subsequent liquidation.

In the period since our appointment to 3 October 2019, we have incurred:

- time costs of £1,039,837, representing 84% of the fees estimate, in DL; and
- time costs of £126,006, representing 61% of the fees estimate, in DHL.

Dudson Limited - Time costs

| <i>Category of work</i> | <i>Hours</i> | <i>Fees estimate (£k)</i> | <i>Average hourly rate (£/hour)</i> | <i>Hours incurred to 3 October 2019</i> | <i>Time costs incurred to 3 October 2019 (£k)</i> | <i>Average hourly rate for time costs incurred to 3 October 2019 (£/hour)</i> |
|--------------------------------------|-----------------|---------------------------|-------------------------------------|---|---|---|
| Accounting and treasury | 375.00 | 93 | 248 | 302.40 | 75 | 248 |
| Assets | 800.00 | 304 | 380 | 764.40 | 285 | 372 |
| Creditors | 140.00 | 50 | 358 | 99.30 | 36 | 358 |
| Employees | 500.00 | 144 | 288 | 438.60 | 127 | 288 |
| Investigations | 16.40 | 4 | 257 | 16.40 | 4 | 257 |
| Pensions | 135.00 | 98 | 724 | 105.30 | 76 | 724 |
| Statutory and compliance | 300.00 | 86 | 285 | 192.55 | 55 | 285 |
| Strategy and planning | 120.00 | 46 | 385 | 76.05 | 29 | 385 |
| Tax and VAT | 280.00 | 117 | 417 | 135.50 | 56 | 417 |
| Trading | 840.00 | 300 | 357 | 832.30 | 297 | 357 |
| Total hours and fees estimate | 3,506.40 | 1,242 | 354 | 2,962.80 | 1,040 | 351 |

Dudson (Holdings) Limited - Time costs

| <i>Category of work</i> | <i>Hours</i> | <i>Fees estimate (£k)</i> | <i>Average hourly rate (£/hour)</i> | <i>Hours incurred to 3 October 2019</i> | <i>Time costs incurred to 3 October 2019 (£k)</i> | <i>Average hourly rate for time costs incurred to 3 October 2019 (£/hour)</i> |
|--------------------------------------|---------------|---------------------------|-------------------------------------|---|---|---|
| Accounting and treasury | 85.00 | 19 | 229 | 42.60 | 10 | 229 |
| Assets | 100.00 | 40 | 397 | 56.35 | 22 | 397 |
| Creditors | 15.00 | 5 | 329 | 6.55 | 2 | 329 |
| Employees | 100.00 | 27 | 271 | 72.35 | 20 | 271 |
| Investigations | 15.60 | 4 | 255 | 15.60 | 4 | 255 |
| Pensions | 60.00 | 55 | 918 | 40.85 | 38 | 918 |
| Statutory and compliance | 120.00 | 32 | 263 | 69.17 | 18 | 263 |
| Strategy and planning | 50.00 | 17 | 346 | 20.65 | 7 | 346 |
| Tax and VAT | 20.00 | 8 | 408 | 13.20 | 5 | 408 |
| Total hours and fees estimate | 565.60 | 207 | 366 | 337.32 | 126 | 374 |

Our total remuneration cannot exceed the total amount of this fees estimate without prior consent from the fee approving body.

The above table provides an estimate of the anticipated time likely to be required on the various areas of work and in future reports we will provide an update by reference to actual costs incurred. To facilitate such a comparison, we are likely to report costs on the same basis and using our normal rates.

3.2. Work we propose to undertake

The following table provides details of the work we propose to do (indicated by →), have already done (✓) or which is in progress (□). It provides a brief summary for each category rather than an exhaustive list of all possible tasks. The fees estimate for each category is also shown, together with costs incurred to 3 October 2019.

Dudson Limited - Work we propose to do

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|---|----------------------------|--|
| Accounting and treasury Estimate: 375 hours £93k Incurred to date: 302.40 hours £75k | Accounting and treasury | <ul style="list-style-type: none"> Opening and closing bank accounts and arranging facilities ✓ Dealing with receipts, payments and journals to correctly reflect and record all trading and other expenditure □ Carrying out bank reconciliations and managing investment of funds □ |
| Assets Estimate: 800 hours | Property | <ul style="list-style-type: none"> Carrying out title searches and securing relevant property records ✓ Securing possession of property and arranging for ongoing assessment of security needs to ensure asset value is protected ✓ |

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|---|----------------------------|---|
| £304k Incurred to date: 764.40 hours £285k | | <ul style="list-style-type: none"> • Liaising with valuers and running tender process to establish strategy for disposal to maximise realizable value ✓ • Discussion with landlords surrounding terms of occupation at Nile Street and terms of subsequent exit ✓ • Negotiating with third parties for property transfer or surrender ✓ • Negotiating with third parties and liaison with solicitors around terms of property sale, including equipment removal, date of sale and contractual aspects of sale ✓ • Successfully completing sale and transfer of freehold property □ |
| | Debtors | <ul style="list-style-type: none"> • Reconciliation of opening debtor position and agreeing basis with fixed charge creditor the rights to various debtors ✓ • Discussions with employees to establish controls over debtor collection, including liaison with stock sales team to seek to leverage recoveries alongside stock sales ✓ • Establish collection strategy by debtor depending on ageing and forecast repayment date ✓ • Establishing controls for parameters of settlement and dispute settlement with debtors ✓ • Correspondence with debtors, including escalation letters and dealing with counter claims ✓ • Ongoing review and reconciliation of debtor collection by specific ledger (including Australian) for reporting purposes □ • Establish terms for contingent fee basis for collection of outstanding disputed amounts ✓ • Final reconciliation of debtor balances collected □ |
| | Other chattel assets | <ul style="list-style-type: none"> • Liaising with valuers around appointment and strategy, auctioneers and interested parties around maximizing realisations from remaining plant and machinery ✓ • Reviewing asset listings and assets remaining on site following completion of auction process ✓ • Establishing and agreeing removal timescales and processes ✓ • Discussions with agents to ensure for CDM compliant equipment removal ✓ |
| | Retention of title claims | <ul style="list-style-type: none"> • Arranging for the completion of retention of title claim forms ✓ • Maintaining retention of title file ✓ • Meeting claimants on site to identify goods ✓ • Adjudicating retention of title claims ✓ • Corresponding with claimants regarding outcome of adjudication ✓ • Negotiating potential settlements ✓ |
| | Intangible assets | <ul style="list-style-type: none"> • Establishing an effective inventory list of the intellectual property associated with casts, moulds and designs ✓ • Selling title to such assets as fall outside the Churchill agreement ✓ • Carrying out tasks associated with realising the company's investments in subsidiaries e.g. Dudson Sales & Export Ltd → |
| | Subsidiaries | <ul style="list-style-type: none"> • Developing strategy for pursuing intercompany debts in foreign subsidiaries and monitoring position ✓ • Setting up and holding regular update calls with management and overseas advisors to support this process and ensure the company's interests are protected ✓ • Developing strategy for simplifying group structure and reducing intercompany claims owed by the Companies ✓ • Ongoing review of outcome of intercompany debt collection strategy following updates from advisors appointed to oversee management of processes and recoveries to the Companies □ |

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|---|-------------------------------|--|
| | Insurance | <ul style="list-style-type: none"> Identifying potential issues requiring attention of insurance specialists ✓ Reviewing insurance policies ✓ Corresponding with insurer regarding initial and ongoing insurance requirements <input type="checkbox"/> Realising any value within policies → |
| | Third party assets | <ul style="list-style-type: none"> Reviewing leasing documents ✓ Liaising with owners/lessors ✓ Carrying out tasks associated with disclaiming leases ✓ |
| Creditors Estimate: 140 hours £50k Incurred to date: 99.30 hours £36k | Creditor enquiries | <ul style="list-style-type: none"> Setting up a dedicated website for delivery of initial and ongoing communications and reports ✓ Receiving and following up creditor enquiries via telephone, email and post <input type="checkbox"/> Reviewing and preparing correspondence to creditors and their representatives <input type="checkbox"/> Receipting and filing proofs of debt <input type="checkbox"/> |
| | Secured creditors | <ul style="list-style-type: none"> Notifying secured creditor of appointment ✓ Agreeing a methodology, reporting structure and agreement around collection and reconciliation of debtor receipts paid into the trust account ✓ Regular updates to secured creditor on progress with the appointment <input type="checkbox"/> Preparing reports to secured creditor <input type="checkbox"/> Responding to secured creditor's queries <input type="checkbox"/> Making distributions in accordance with security entitlements <input type="checkbox"/> |
| | Preferential claims | <ul style="list-style-type: none"> Corresponding with employees regarding dividend → Preparing, issuing and receiving employee preferential claim agreement forms → Corresponding with the RPS regarding proof of debt → Calculating dividend rate and preparing dividend file → Advertising dividend notice → Preparing and paying distribution → Ensuring PAYE/NIC is deducted and remitted to HMRC → |
| | Unsecured claims | <ul style="list-style-type: none"> Dealing with proofs of debt for dividend purposes → Preparing correspondence to potential creditors inviting lodgment of proof of debt → Receiving proofs of debt and maintaining register → |
| Employees Estimate: 500 hours £144k Incurred to date: 438.60 hours £127k | Communications with employees | <ul style="list-style-type: none"> Drafting, issuing and delivering initial communications and announcements ✓ Preparing letters to employees advising of their entitlements and options available ✓ Ensuring communication channels with union and local employee representative groups to maintain continuity and commonality of communication with employees throughout process ✓ Ongoing discussions throughout the trading period with retained members of staff to inform them of the process and likely period of the trading period, as well as considering and building suitable strategies to retain key individuals ✓ Communication and controls over employees based overseas, particularly those in Australia within that branch ✓ Receiving and following up employee enquiries via telephone, post and email <input type="checkbox"/> |
| | Payroll | <ul style="list-style-type: none"> Reviewing employee files and company's books and records ✓ Reviewing awards and payroll structure ✓ Calculating and paying periodic payroll <input type="checkbox"/> |

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|--|--|---|
| | | <ul style="list-style-type: none"> Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties <input type="checkbox"/> |
| | Redundancy related work | <ul style="list-style-type: none"> Commencing / continuing a consultation process ✓ Selecting and making redundancies ✓ Control and consideration of redundancy and implications for employees based overseas ✓ Liaising with the RPS and external agencies <input type="checkbox"/> |
| Investigations Estimate: 16.40 hours £4k Incurred to date: 16.40 hours £4k | Conducting investigations | <ul style="list-style-type: none"> Collecting company books and records where related to investigatory work ✓ Reviewing books and records ✓ Reviewing specific transactions and liaising with directors regarding certain transactions ✓ Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills ✓ |
| Pensions Estimate: 135 hours £98k Incurred to date: 105.30 hours £76k | Pensions | <ul style="list-style-type: none"> Reviewing insurance policies ✓ Issuing statutory notices ✓ Dealing with general pension scheme issues and the Pension Protection Fund <input type="checkbox"/> Calculating contributions and requesting payments to the relevant scheme or policy <input type="checkbox"/> Ensuring payment of post-appointment pension and other employee benefit contributions for retained employees ✓ Complete Nortel/Lehman assessment → Agree the defined benefit pension scheme's claim under s.75 of Pensions Act 1995 → Liaising with pension provider to ensure currently unallocated contributions are dealt with appropriately → |
| Statutory and compliance Estimate: 300 hours £86k Incurred to date: 192.55 hours £55k | Initial letters and notifications Remuneration report Case reviews Proposals and initial meeting of creditors Progress reports and extensions Books and records Closure procedures | <ul style="list-style-type: none"> Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment ✓ Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case, our fees estimate and the expenses that are likely to be incurred <input type="checkbox"/> Conducting case reviews every six months → Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information ✓ Circulating notice of the proposals to creditors, members and the Registrar of Companies ✓ Preparing decision notice and associated documentation ✓ Preparing a record of the decision and issuing notice of the outcome to creditors ✓ Preparing and issuing periodic progress reports to creditors and the Registrar <input type="checkbox"/> Making applications to creditors or court for the extension of the administration and filing relevant notices → Collecting company books and records where not related to investigatory work ✓ Dealing with records in storage <input type="checkbox"/> Sending job files to storage → Withdrawing undertakings not relating to trading and obtaining clearances from third parties → |

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|--|--------------------------------|---|
| | | <ul style="list-style-type: none"> • Completing checklists and diary management system → • Closing down internal systems → |
| | Other statutory and compliance | <ul style="list-style-type: none"> • Filing of documents <input type="checkbox"/> • Updating checklists and diary management system <input type="checkbox"/> |
| Strategy and planning Estimate: 120 hours £46k Incurred to date: 76.05 hours £29k | Strategy and planning | <ul style="list-style-type: none"> • Completing tasks relating to job acceptance ✓ • Preparing fee budgets & monitoring cost <input type="checkbox"/> • Holding team meetings not relating to trading and discussions regarding status of administration <input type="checkbox"/> |
| Tax & VAT Estimate: 280 hours £117k Incurred to date: 135.30 hours £56k | Tax | <ul style="list-style-type: none"> • Gathering information for the initial tax review ✓ • Carrying out tax review and subsequent enquiries ✓ • Preparing tax computations → • Liaising with HMRC → |
| | Council tax | <ul style="list-style-type: none"> • Negotiating discretionary rates relief with council ✓ • Negotiating rateable value reduction with council ✓ |
| | VAT | <ul style="list-style-type: none"> • Gathering information for the initial VAT review ✓ • Carrying out VAT review and subsequent enquiries ✓ • Preparing VAT returns <input type="checkbox"/> • Liaising with HMRC → |
| Trading Estimate: 840 hours £297k Incurred to date: 832.30 hours £300k | Trading management | <ul style="list-style-type: none"> • Discussion with company staff to agree key suppliers required to deliver strategy ✓ • Liaising with management and staff to establish trading controls and reporting methodology ✓ • Reviewing company's budgets and financial statements ✓ • Preparing budgets and financial reports ✓ • Establishing and maintaining new administration period trading terms and conditions to remove warranties and ensure cash payments were made and reconciled up front ✓ • Maintaining a presence on site to support direct communications with customers around queries with fulfilment of stock orders ✓ • Making contact with key suppliers required to support ongoing order fulfilment to agree terms, authorising all purchase orders and other commitments ✓ • Agreeing stock levels and continuously establishing and reviewing discount and communication strategy with all customers to maximise realisations for various lines of stock, across finished goods, WIP and factory seconds stock ✓ • Regular communication with Australian team to ensure the trading strategy was being delivered and the strategy and communications were consistent with the UK business, considering the commonality of customer base and relationships in place with employees ✓ • Maintaining purchase order registry to reconcile all commitments to actual final payments → • Preparing and authorising receipt and payment vouchers → • Holding meetings to discuss trading position ✓ |

Dudson (Holdings) Limited - Work we propose to do

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|---|-----------------------------------|--|
| Accounting and treasury Estimate: 85 hours £19k Incurred to date: 42.60 hours £10k | Accounting and treasury | <ul style="list-style-type: none"> • Opening and closing bank account and arranging facilities ✓ • Dealing with receipts, payments and journals ☐ • Carrying out bank reconciliations and managing investment of funds ☐ |
| Assets Estimate: 100 hours £40k Incurred to date: 56.35 hours £22k | Subsidiaries | <ul style="list-style-type: none"> • Developing strategy for pursuing intercompany debts in foreign subsidiaries and monitoring position ✓ • Developing strategy for simplifying group structure and reducing intercompany claims owed by the Companies ✓ • Holding regular calls to update on the overseas process for the purposes of assessing whether any further proactive action on the part of the Companies would support enhanced recoveries of the Companies' asset → • Engaging agent and solicitor in France to act on behalf of the administrators in protecting DFH's interest in the rental income due at the property held by DFH ✓ • Consideration of the options and implications at DFH of the local tenant's insolvency and subsequent local court process in France on the recoverability of rent and value in the property asset of DFH ✓ • Liaising with agent in France to agree the optimum strategy for realizing the property asset to recover value for the shareholder ✓ • Ongoing discussion with the director around progress with sale of the DFH property and the going concern status of DFH as a separate entity ☐ |
| | Insurance | <ul style="list-style-type: none"> • Identifying potential issues requiring attention of insurance specialists ✓ • Reviewing insurance policies ✓ • Corresponding with insurer regarding initial and ongoing insurance requirements ☐ • Realising any value within policies → |
| Creditors Estimate: 15 hours £5k Incurred to date: 6.55 hours £2k | Creditor enquiries | <ul style="list-style-type: none"> • Setting up a dedicated website for delivery of initial and ongoing communications and reports ✓ • Receiving and following up creditor enquiries via telephone, email and post ☐ • Reviewing and preparing correspondence to creditors and their representatives ☐ • Receipting and filing proofs of debt ☐ |
| | Secured creditors | <ul style="list-style-type: none"> • Notifying secured creditor of appointment ✓ • Preparing reports to secured creditor ☐ • Responding to secured creditor's queries ☐ • Making distributions in accordance with security entitlements → |
| | Preferential claims | <ul style="list-style-type: none"> • Corresponding with employees regarding dividend → • Preparing, issuing and receiving employee preferential claim agreement forms → • Corresponding with the RPS regarding proof of debt → • Calculating dividend rate and preparing dividend file → • Advertising dividend notice → • Preparing and paying distribution → • Ensuring PAYE/NIC is deducted and remitted to HMRC → |
| | Unsecured claims | <ul style="list-style-type: none"> • Dealing with proofs of debt for dividend purposes → |

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|---|--|---|
| | | <ul style="list-style-type: none"> • Preparing correspondence to potential creditors inviting lodgment of proof of debt → • Receiving proofs of debt and maintaining register → |
| Employees Estimate: 100 hours £27k Incurred to date: 72.35 hours £20k | Communications with employees Payroll Redundancy related work | <ul style="list-style-type: none"> • Drafting, issuing and delivering initial communications and announcements ✓ • Preparing letters to employees advising of their entitlements and options available ✓ • Arranging communication with employee based in France and establishing the legal requirements of such contact and subsequent notifications ✓ • Receiving and following up employee enquiries via telephone, post and email □ <ul style="list-style-type: none"> • Reviewing employee files and company's books and records ✓ • Reviewing awards and payroll structure ✓ • Calculating and paying periodic payroll □ • Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties □ <ul style="list-style-type: none"> • Commencing / continuing a consultation process ✓ • Arranging for appropriate and legal method of consultation, notice and redundancy for employee based in France by liaison with our colleagues in France ✓ • Selecting and making redundancies ✓ • Liaising with the RPS and external agencies □ |
| Investigations Estimate: 15.60 hours £4k Incurred to date: 15.60 hours £4k | Conducting investigations | <ul style="list-style-type: none"> • Collecting company books and records where related to investigatory work ✓ • Reviewing books and records ✓ • Reviewing specific transactions and liaising with directors regarding certain transactions ✓ • Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills ✓ |
| Pensions Estimate: 60.00 hours £55k Incurred to date: 40.85 hours £38k | Pensions | <ul style="list-style-type: none"> • Reviewing insurance policies ✓ • Issuing statutory notices ✓ • Dealing with general pension scheme issues and the Pension Protection Fund □ • Calculating contributions and requesting payments to the relevant scheme or policy □ • Ensuring payment of post-appointment pension and other employee benefit contributions for retained employees ✓ • Complete Nortel/Lehman assessment → • Agree the defined benefit pension scheme's claim under s.75 of Pensions Act 1995 → • Liaising with pension provider to ensure currently unallocated contributions are dealt with appropriately → |
| Statutory and compliance Estimate: 120 hours £32k Incurred to date: 69.17 hours £18k | Initial letters and notifications Remuneration report Case reviews Proposals and initial meeting of creditors | <ul style="list-style-type: none"> • Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment ✓ <ul style="list-style-type: none"> • Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case, our fees estimate and the expenses that are likely to be incurred □ <ul style="list-style-type: none"> • Conducting case reviews every six months → <ul style="list-style-type: none"> • Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information ✓ |

| <i>Category of work</i> | <i>General description</i> | <i>Work included</i> |
|---|---------------------------------|---|
| | | <ul style="list-style-type: none"> • Circulating notice of the proposals to creditors, members and the Registrar of Companies ✓ • Preparing decision notice and associated documentation ✓ • Preparing a record of the decision and issuing notice of the outcome to creditors ✓ |
| | Progress reports and extensions | <ul style="list-style-type: none"> • Preparing and issuing periodic progress reports to creditors and the Registrar □ • Making applications to creditors or court for the extension of the administration and filing relevant notices → |
| | Books and records | <ul style="list-style-type: none"> • Collecting company books and records where not related to investigatory work ✓ • Dealing with records in storage □ • Sending job files to storage → |
| | Closure procedures | <ul style="list-style-type: none"> • Withdrawing undertakings and obtaining clearances from third parties → • Completing checklists and diary management system → • Closing down internal systems → |
| | Other statutory and compliance | <ul style="list-style-type: none"> • Filing of documents □ • Updating checklists and diary management system □ |
| Strategy and planning Estimate: 50 hours £17k | Strategy and planning | <ul style="list-style-type: none"> • Completing tasks relating to job acceptance ✓ • Preparing fee budgets & monitoring cost □ • Holding team meetings and discussions regarding status of administration □ |
| Incurred to date: 20.65 hours £7k | | |
| Tax & VAT Estimate: 20 hours £8k | Tax | <ul style="list-style-type: none"> • Gathering information for the initial tax review ✓ • Carrying out tax review and subsequent enquiries ✓ • Preparing tax computations → • Liaising with HMRC → |
| Incurred to date: 13.20 hours £5k | VAT | <ul style="list-style-type: none"> • Gathering information for the initial VAT review ✓ • Carrying out VAT review and subsequent enquiries ✓ • Preparing VAT returns □ • Liaising with HMRC → |

Included in the above table are tasks that we must perform that may not directly benefit creditors financially. These typically relate to fulfilling obligations imposed by statute or regulatory bodies.

3.3. Our time charging policy and hourly rates

The time we charge to the administration is by reference to the time properly given by our staff and us in attending to matters arising.

It is our policy to delegate tasks to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or the administrators personally.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of staff actually, or likely to be, involved on this assignment.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time charged is three minutes (i.e. 0.05 units). There has been/will be no allocation of any general costs or overhead costs. These rates will apply to each part of our work.

Specialist departments with our firm, such as Tax, VAT, Property and Pensions are also used where their expert advice and services are required. Such specialist rates do vary but the figures below provide an indication of the maximum rate per hour.

Charge-out rates (Maximum per Hour (£))

| <i>Grade</i> | <i>From 1 July 2018</i> | | <i>From 1 July 2019</i> | |
|------------------|-------------------------|-------------------|-------------------------|-------------------|
| | <i>Standard</i> | <i>Specialist</i> | <i>Standard</i> | <i>Specialist</i> |
| Partner | 640 | 1,520 | 690 | 1,520 |
| Director | 540 | 1,390 | 595 | 1,465 |
| Senior Manager | 465 | 1,230 | 515 | 1,290 |
| Manager | 365 | 770 | 405 | 775 |
| Senior Associate | 275 | 570 | 310 | 575 |
| Associate | 180 | 305 | 210 | 305 |
| Support staff | 95 | 250 | 120 | 250 |

In common with all professional firms, hourly rates increase from time to time over the period of the administration (for example to cover annual inflationary cost increases). Any material amendments to these rates will be advised to the fee approving body when seeking fee approval, and to creditors in our next statutory report.

3.4. Further approval

Creditors should be assured that the provision of a fees estimate will not affect the proper conduct of the administration. If the necessary work exceeds (or is likely to exceed) that included in the fees estimate, we can seek consent, usually from the fee approving body, for our fees to exceed the fees estimate.

Our fees estimate is based on a number of assumptions, which are explained in Section 5.

We do not think we will need to seek further approval because the majority of assets have already been realised, or are due to complete shortly.

In our periodic progress reports, we will keep creditors updated on how our fees are comparing to the fees estimate. If fees are likely to exceed this fees estimate we will need further approval to draw those fees.

4. Expenses

4.1. What is an expense?

Expenses are defined in SIP9 as amounts properly payable by the office holder from the estate which are not office holders' remuneration or a distribution to creditors. These include disbursements, which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. They fall into two categories: Category 1 and Category 2:

| Disbursement | SIP9 definition |
|--------------|---|
| Category 1 | Payments to independent third parties where there is specific expenditure directly referable to the appointment in question. |
| Category 2 | Costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the office holder or their firm, and that can be allocated to the appointment on a proper and reasonable basis. |

Our firm's disbursements policy allows for all properly incurred expenses to be recharged to the case. We don't need approval from creditors to draw Category 1 disbursements as these have all been provided by third parties, but we do need approval to draw Category 2 disbursements as these are for services provided by our firm. The body of creditors who approve our fees also have responsibility for agreeing the policies for the payment of Category 2 disbursements, which in this case are as follows:

| | |
|---------------------|---|
| Photocopying | At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying. |
| Mileage | At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc). |

In the period, we have incurred Category 2 disbursements on DHL of £4,895.83 (€5,500) for professional services provided by PwC France advising on French employment regulations.

4.2. Our expenses estimate

The following table shows expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred.

The total expenses estimate for Dudson Limited is £2,790k. The total expenses estimate for Dudson (Holdings) Limited is £377k.

The estimate excludes any potential tax liabilities that may be payable as an expense of the administration in due course because amounts due will depend on the position at the end of the tax accounting period. The table should be read in conjunction with the receipts and payments account at Appendix A of our first progress report, which shows expenses actually paid during the period and the total paid to date.

Our expenses estimate includes pre-administration costs that (if approved) would be payable as an expense of the administration and which were explained in more detail in Section 7. Whilst pre-administration costs are subject to approval in the same manner as our remuneration, they do not form part of our remuneration in relation to our work as joint administrators following our appointment.

Dudson Limited – Expenses estimate

| <i>Nature of expenses</i> | <i>Incurred to date (£k)</i> | <i>Estimate of future expenses (£k)</i> |
|--|-------------------------------------|--|
| Trading expenses | | |
| Gross wages, salaries and other employee costs | 606 | - |
| Rent | 52 | - |
| Utilities | 100 | 25 |
| Outward transportation costs | 33 | - |
| IT costs | 106 | 20 |
| Telephone and fax | 1 | - |
| Marketing and advertising | 4 | - |
| Repairs and maintenance | 41 | 5 |
| Other operating costs | 5 | 2 |
| Subtotal | 948 | 52 |
| Other expenses | | |
| Agents' fees and disbursements | 205 | - |
| Bank charges | 4 | 1 |
| RoT, duress and lien payments | 19 | - |
| Insurance | 30 | 5 |
| Legal fees and expenses | 8 | 15 |
| Office holders' fees | 1,040 | 201 |
| Office holders' disbursements | 8 | 10 |
| Printing and postage | 10 | - |
| Pre-administration costs – Legal | 25 | - |
| Pre-administration costs – PwC | 99 | - |
| Security costs | 17 | 22 |
| Site clearance | 66 | - |
| Statutory advertising | - | 1 |
| Storage costs | 1 | 3 |
| Total expenses | 2,480 | 310 |

Dudson (Holdings) Limited – Expenses estimate

| <i>Nature of expenses</i> | <i>Incurred to date (£k)</i> | <i>Estimate of future expenses (£k)</i> |
|----------------------------------|------------------------------|---|
| Other expenses | | |
| IT Costs | 1 | - |
| Insurance | 7 | 5 |
| Legal fees and expenses | 15 | 25 |
| Office holders' fees | 126 | 81 |
| Office holders' disbursements | 5 | 5 |
| Pre-administration costs - Legal | 16 | - |
| Pre-administration costs - PwC | 66 | - |
| Professional fees | 1 | - |
| Statutory advertising | - | 1 |
| Subsidiary-related costs | 8 | 15 |
| Total expenses | 245 | 132 |

5. Professionals and subcontractors

We have instructed the following third parties on this case:

Dudson Limited

| <i>Service provided</i> | <i>Name of firm</i> | <i>Reason selected</i> | <i>Basis of fees</i> |
|--------------------------------|--|---|--|
| Legal advice | Harrison Clark Rickerbys Limited Gowling WLG Canada LLP | Industry knowledge, knowledge of the company | Time costs and disbursements |
| Property agents | Avison Young | Industry knowledge | Percentage of realisations and disbursements |
| Chattel agents | Lambert Smith Hampton | Industry knowledge | Percentage of realisations |
| Overseas payroll processing | RSM Employer Services Limited | Knowledge of the company | Fixed fee |
| Payroll services | Nick Sherratt | Knowledge of the company | Time costs and disbursements |
| Interpretation | Deafinks Staffordshire | Knowledge of the company | Time costs and disbursements |

Dudson (Holdings) Limited

| <i>Service provided</i> | <i>Name of firm</i> | <i>Reason selected</i> | <i>Basis of fees</i> |
|--------------------------------|--|--|---------------------------------|
| Legal advice | Harrison Clark Rickerbys Limited Insolidum Avocats Associés | Industry knowledge, knowledge of the company built up through pre appointment relationship | Time costs and disbursements |
| Property agents | CMB Associates | Industry knowledge | Fixed fee |
| Notary | Robin Stephenson Limited | Industry knowledge | Fixed fee and disbursements |

We require all third party professionals to submit time costs analyses and narrative or a schedule of realisations achieved, dependent on their fee basis, in support of invoices rendered. All invoices are reviewed before being approved for payment. We are satisfied that the level of legal and professional costs is appropriate.

6. Notes and assumptions

6.1. Fees estimate

- We have assumed the administration will last between one and two years and will move to liquidation for the purpose of agreeing creditor claims and distributing surplus funds (if any) to unsecured creditors.
- If required, a maximum of one extension will be required to the statutory one year period of the administration, which can be granted by the appropriate class of creditors.
- We have assumed that our hourly charge out rates will increase by up to 5% per year, with increases likely to happen on 1 July 2020.

6.2. Expenses

- We have assumed that the majority of trading costs have been paid in the period, with the exception of utilities which are subject to continuing discussions.

6.3. Relationships

The administrators have no business or personal relationships with parties responsible for approving remuneration or who provide services to the administrators in respect of the appointment where the relationship could give rise to a conflict of interest.

6.4. Payments to associates

No payments have been made to associates in the period.

6.5. Details of subcontracted work

No work has been subcontracted out in the period.