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***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:

<b>Abbreviation or definition</b>	<b>Meaning</b>
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"><li>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);</li><li>2. accrued holiday pay for any period before 4 April 2019; and</li><li>3. unpaid pension contributions in certain circumstances.</li></ol>
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
<b>Total hours and fees estimate</b>	<b>3,506.40</b>	<b>1,242</b>	<b>354</b>	<b>2,962.80</b>	<b>1,040</b>	<b>351</b>

### **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
<b>Total hours and fees estimate</b>	<b>565.60</b>	<b>207</b>	<b>366</b>	<b>337.32</b>	<b>126</b>	<b>374</b>

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

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



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

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

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

## ***Dudson (Holdings) Limited - Work we propose to do***

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

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

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

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:

<b>Photocopying</b>	At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
<b>Mileage</b>	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***

<b><i>Nature of expenses</i></b>	<b><i>Incurred to date (£k)</i></b>	<b><i>Estimate of future expenses (£k)</i></b>
<b>Trading expenses</b>		
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
<b>Subtotal</b>	<b>948</b>	<b>52</b>
<b>Other expenses</b>		
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
<b>Total expenses</b>	<b>2,480</b>	<b>310</b>

### ***Dudson (Holdings) Limited – Expenses estimate***

<i>Nature of expenses</i>	<i>Incurred to date (£k)</i>	<i>Estimate of future expenses (£k)</i>
<b>Other expenses</b>		
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
<b>Total expenses</b>	<b>245</b>	<b>132</b>

## 5. Professionals and subcontractors

We have instructed the following third parties on this case:

### ***Dudson Limited***

<b><i>Service provided</i></b>	<b><i>Name of firm</i></b>	<b><i>Reason selected</i></b>	<b><i>Basis of fees</i></b>
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***

<b><i>Service provided</i></b>	<b><i>Name of firm</i></b>	<b><i>Reason selected</i></b>	<b><i>Basis of fees</i></b>
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.