

Joint Administrators' progress report from 5 November 2023 to 4 May 2024

F (Realisations) 2023 Limited
- formerly Flowline Limited
(in administration)

High Court of Justice Business and Property Courts of England
and Wales Insolvency & Companies List (ChD)

Case no. CR-2023-002330

29 May 2024

Table of contents

| | |
|--|-----------|
| Abbreviations and definitions | 3 |
| Key messages | 6 |
| Overview of what we've done to date | 9 |
| Appendix A: Receipts and payments | 14 |
| Appendix B: Expenses | 17 |
| Appendix C: Remuneration update | 20 |
| Appendix D: Other information | 39 |

Abbreviations and definitions

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

| Abbreviation or definition | Meaning |
|--|---|
| Administrators/Joint Administrators/we/us/our | Jane Steer, Mark James Tobias Banfield and Zelf Hussain |
| Administrators-in-waiting | Jane Steer, Mark James Tobias Banfield and Zelf Hussain |
| BGF | BGF Investments LP, secured by fixed and floating debentures created on 13 June 2016 and 18 July 2016 |
| Company | F (Realisations) 2023 Limited (formerly Flowline Limited) |
| HMRC | HM Revenue and Customs |
| IA86 | Insolvency Act 1986 |
| IGF | IGF Business Credit Limited, secured by a fixed and floating charge debenture created on 25 April 2022 |
| IP | Intellectual Property |
| IR16 | Insolvency (England and Wales) Rules 2016 |
| LtO | Licence to Occupy dated 5 May 2023, between F (Realisations) 2023 Limited, the Joint Administrators of the Company and FM Conway Limited |
| Moratorium debt | As defined by section sA53 Insolvency Act 1986; the definition is on the statement of claim form: https://www.pwc.co.uk/business-recovery/administrations/assets/f-(realisations)-2023-limited/pod.pdf |
| NOID | Notice of intention to declare a dividend |
| Ordinary preferential creditors/ First ranking preferential creditors | Creditors with claims defined in IA86 as ordinary preferential debts: These include claims for: <ul style="list-style-type: none">• unpaid remuneration earned in the four months before, 5 May 2023, the date of the insolvency up to a maximum of £800, an unlimited amount of accrued holiday pay, unpaid pension contributions in certain circumstances |
| Part A1 Moratorium | A stand-alone moratorium process introduced by Corporate Insolvency and Governance Act 2020 designed to allow a breathing space from enforcement action by certain creditors whilst a solvent solution is sought. The directors remain in control of the company but are subject to oversight by an insolvency practitioner (the monitor) |
| 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 |
| Priority Pre-Moratorium debt | As defined by section s174A Insolvency Act 1986; the definition is on the statement of claim form: https://www.pwc.co.uk/business-recovery/administrations/assets/f-(realisations)-2023-limited/pod.pdf |
| Proposals | Joint Administrators' proposals for achieving the purpose of administration in accordance with Paragraph 49 of Schedule B1 to the IA86 and rule 3.35 of the IR16 dated 12 May 2023 |

| | |
|---|--|
| Purchaser/Conway | FM Conway Limited |
| PwC/Firm | PricewaterhouseCoopers LLP |
| Reporting Period | 5 November 2023 to 4 May 2024 |
| Sale | Pre-packaged sale of a substantial part of the business and assets of F (Realisations) 2023 Limited to FM Conway Limited on 5 May 2023 |
| Sch B1 IA86 | Schedule B1 to the Insolvency Act 1986 |
| Secondary preferential creditors | Creditors with claims defined in IA86 as secondary preferential debts to be paid after ordinary preferential debts, if there are sufficient funds. These include claims for: <ul style="list-style-type: none"> • certain HMRC debts owed at the date of insolvency, consisting of VAT and relevant amounts deducted by the Company from payments due to another taxpayer and due to be paid over to HMRC (e.g. PAYE, employee NICs and Construction Industry Scheme deductions). Penalties and interest do not form part of HMRC's preferential claim. |
| Secured creditor | A creditor with security in respect of their debt, in accordance with section 248 IA86 |
| Shoosmiths | Shoosmiths LLP |
| SIP | Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply |
| SIP 9 | Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates |
| SIP 16 | Statement of Insolvency Practice 16: Pre-packaged sales in administrations |
| Subsidiary | Clearway Drainage Services Limited |
| TUPE | Transfer of Undertakings (Protection of Employment) Regulations 2006 |
| Unsecured Creditors | Creditors who are neither secured nor preferential |
| WIP | Work in progress |

This report has been prepared by Jane Steer, Mark James Tobias Banfield and Zelf Hussain as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at www.pwc.co.uk/frealisations. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Jane Steer, Mark James Tobias Banfield and Zelf Hussain have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint 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 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.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Key messages

Why we've sent you this report

We're writing to update you on the progress of the administration of F (Realisations) 2023 Limited in the six month period since our last report dated 1 December 2023.

You can still view our earlier reports on our website at www.pwc.co.uk/frealisations. Please get in touch with Josh Liburd at uk_frealisations_enquiries@pwc.com if you need the password to access the reports.

How much creditors may receive

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

| Class of creditor | Paid to date (p in the £) | Estimated total (p in the £) | Previous estimate (p in the £) | Timing |
|--------------------------------------|------------------------------|---------------------------------|-----------------------------------|----------------|
| IGF Business Credit Limited | 100p | 100p | 100p | Paid |
| BGF Investments LP | 30.6p | Up to 70p | Up to 86p | 6 - 9 months |
| Moratorium creditors | Nil | 100p | 100p | Up to 3 months |
| First ranking preferential creditors | N/A | N/A | N/A | N/A |
| Secondary preferential creditors * | Nil | Nil | 0-3p | N/A |
| Unsecured creditors | N/A | N/A | N/A | N/A |

**In our Proposals we provided a broad range in respect of the Secondary Preferential return to HMRC of between 0-20p in the £. This was due to uncertainty around the final level of HMRC's Secondary preferential claim and uncertainty around the total realisations that would be achieved in the administration so early into the appointment. In this report we are now able to provide more certainty that there is unlikely to be a return to HMRC in respect of their Secondary Preferential claim.*

Moratorium creditors

The Company obtained a Part A1 Moratorium. The Part A1 Moratorium came into force from 29 December 2022 and ran until 24 February 2023.

A Part A1 Moratorium is a legal protection which can be utilised by a company in times of financial distress whereby the Company is afforded formal protection from creditor action while they seek to organise their affairs to make their rescue viable at the end of the Moratorium period.

Creditors with a Moratorium debt or Priority Pre-Moratorium debts are afforded priority for payment over other debts and expenses in respect of the distribution of a company's property should a company subsequently enter an insolvency process within 12 weeks of the end of the Part A1 Moratorium. As the Company entered administration on 5 May 2023, within 12 weeks of the Part A1 Moratorium ending, this priority will be afforded to those creditors.

To date, total claims received for Moratorium debts or Priority Pre-Moratorium debts amount to £1.4m, which is higher than reported in the Company records, which was £868k. Upon adjudication of the claims received we identified that some claims were incorrectly classified; this resulted in £46.6k of claims being withdrawn as Priority Pre-Moratorium debts admitted as Moratorium debts instead. Additionally, six Moratorium debt claims totalling £28k have been rejected and one Moratorium debt claim has been reduced by £72k.

Following this exercise, claims total £1.199m in respect of Moratorium debts and £136k for Priority Pre-Moratorium debts; these figures include claims received in the Reporting Period. These figures may change as any further claims are received. All claims received to date have been adjudicated.

In the prior reporting period, on 9 November 2023, we issued a letter to all potential awaited Part A1 Moratorium creditors in order to ensure creditors with a Moratorium debt or Priority Pre-Moratorium debt had a further opportunity

to submit a claim for adjudication prior to the Administrators formally issuing a formal NOID to settle claims received and admitted. In our last report we estimated that we would be in a position to issue a NOID to start the distribution process to all Part A1 Moratorium creditors by the end of March 2024.

It has taken slightly longer to issue the NOID than we previously estimated. This is predominantly due to the complexity of some of the larger claims and the need to seek legal advice as part of the adjudication process. However, creditors should be aware that following this process and shortly after the end of the current reporting period, on 15 May 2024, we issued a formal NOID to pay a distribution of 100p in the £ to the Part A1 Moratorium creditors whose claims have been received by the last date for proving set by the NOID of 7 June 2024 and subsequently admitted. Following the expiry of this NOID we then have two months from the last date for proving to declare and subsequently pay the amounts due on the admitted Moratorium debts or Priority Pre-Moratorium debts.

Given the settlement of Moratorium debts or Priority Pre-Moratorium debts takes priority over the settlement of costs and expenses of the administration and distributions to other classes of creditor, should any Moratorium debt or Priority Pre-Moratorium debt claims be received in the future, these will be adjudicated and settled where applicable.

Secured creditors

As per a deed of priority entered into between the Company, IGF and BGF dated 5 April 2022, IGF has priority over BGF for repayments under its security.

In the previous reporting period, IGF recovered its indebtedness of £2.189m in full under its fixed charge via the collection of book debts pursuant to an asset-based facilities agreement (the final redemption figure was lower than the estimate of £2.39m estimated in our Proposals).

At the date of appointment BGF was owed c.£1.8m secured by way of fixed and floating charge security. The value outstanding to BGF may be higher given accrued interest and termination costs but given likely returns these costs have not been fully quantified by BGF. However during the current Reporting Period an interim distribution was made to BGF of £552k under its fixed charge. In addition, BGF has claimed an amount of £41k as a claim for Moratorium debt relating to loan note interest and annual fees that fell due during the moratorium period. This Moratorium claim has been adjudicated upon and agreed and will be paid as a Part A1 Moratorium debt.

Based on the information we hold, we expect BGF will receive a further distribution under its fixed charge, however total fixed charge realisations will not be sufficient to repay BGF in full. There will be no floating charge realisations available to be distributed to BGF given the level of prior ranking debts (Moratorium debts and Priority Pre-Moratorium debts). As a result we estimate that BGF will suffer a shortfall overall in respect of its lending.

First ranking preferential creditors

As we mentioned in our last report, all employees were transferred to the Purchaser under TUPE, thereby mitigating claims from employees. We therefore do not expect there to be any First ranking preferential creditors.

Secondary preferential creditors

As we reported previously, the directors' statement of affairs estimated HMRC's Secondary preferential creditor claim to be £2.5m. The Secondary preferential creditor claim received from HMRC was £3.019m, however in the current reporting period, it transpired there were additional VAT amounts due to HMRC of £c.400k. Having liaised with HMRC extensively in the Reporting Period, we have established that the element of their claim to be admitted as a Moratorium debt is, c.£675k (higher than previously estimated), and will be paid in full, alongside the other Moratorium creditors whose claims are admitted.

This results in HMRC's expected remaining Secondary preferential claim to be c.£3m as the Secondary preferential element; this excludes the Moratorium debt element.

At the time of our first progress report we believed that HMRC may receive a distribution of 0p-3p/£ for its Secondary preferential claim. The outcome for the Secondary preferential creditor was contingent on the level of asset realisations achieved in the administration, primarily the final level of book debt realisations achieved. As we explain later in this report, as the expected book debt realisations is currently less than originally estimated, we no longer anticipate that HMRC will receive any distribution as a Secondary preferential creditor.

Unsecured creditors

We do not expect the Company to have sufficient property to enable a distribution to the Unsecured creditors via the Prescribed part or otherwise after taking into account the expenses and level of realisations within the administration, and the extent of the Company's indebtedness to the prior ranking creditors. This is in line with what we said in our first progress report and Proposals.

What you need to do

If you haven't already done so, please send your claim to us so that to the extent part or all of your claim relates to a Moratorium debt or Priority Pre-Moratorium debt we can agree to it in principle as we anticipate that these claims will be paid in full. A claim form can be downloaded from our website at www.pwc.co.uk/frealisations or by emailing uk_frealisations_enquiries@pwc.com.

As stated above we do not expect to realise sufficient property to enable any other distribution to the Unsecured creditors via the Prescribed part or otherwise. Other than the above, this report is for your information only and you do not need to take any action.

Overview of what we've done to date

As explained in our earlier report, on our appointment, a substantial part of the Company's business and assets were sold to the Purchaser. Further information on the Sale is provided in our Proposals and in our SIP16 disclosure within the Proposals (www.pwc.co.uk/frealisations). We completed the Sale to the Purchaser for consideration of £2,000,000 (excluding VAT), which was paid in full upon completion.

We remain in office to:

- Realise final outstanding book debts which are being received intermittently;
- Make a final distribution to the Company's Secured creditor under their fixed charge;
- Make distributions (interim and final) to the Company's creditors who have Part A1 Insolvency Act 1986 Moratorium claims or Priority Pre-Moratorium claims;
- Conclude investigation matters regarding potential asset recoveries; and
- Finalise the Company's tax and VAT affairs (which typically requires all other substantive matters to have been concluded prior to finalising).

When we last reported, the key outstanding matters in the administration were as follows:

- Monitor the collections of the debtor ledger surplus and deal with the associated receipts;
- Finalise our work in relation to ongoing insurance claims;
- Complete all work required under the LtO and to the extent properties are vacated liaise with the landlords of these properties to agree a surrender of the lease;
- Agree and adjudicate the Part A1 Moratorium debts and Priority Pre-Moratorium debts and distribute to the appropriate creditors;
- Distribute funds to BGF under the terms of its fixed charge;
- Make a distribution to the Secondary ranking preferential creditors;
- Seek an extension of the administration to finalise investigation and debt recovery matters (if deemed necessary);
- Obtain approval to the basis of our remuneration;
- Submit periodic and final VAT and corporation tax returns; and
- Deal with closure matters including drafting and issuing the final progress report, closure of our internal systems, obtaining clearances from third parties and release of the Administrators' bond.

Due to the time we expected the above matters to take to complete, we sought an extension to the administration term during the Period via the consent of the Secured and preferential creditors. Further information regarding the extension is provided later in this report.

During the Reporting Period, we have:

- Monitored the collections of the debtor ledger surplus and processed the associated receipts;
- Directly corresponded with debtors and insurance providers to have funds remitted to the estate;
- Finalised matters in relation to the LtO;
- Adjudicated on received Part A1 Moratorium debts and Priority Pre-Moratorium debts and prepared to issue a NOID to commence the distribution process;
- Directly corresponded with creditors owed monies in respect of Part A1 Moratorium debts or Priority Pre-Moratorium debts;
- Furthered our analysis of investigatory matters;
- Sought and obtained an extension of the administration term;
- Obtained approval for the basis of our remuneration from our fee approving body;
- Submitted the relevant VAT returns; and
- Prepared two corporation tax returns and paid the associated tax liability.

Progress since we last reported

Realisation of assets (excluding sale of business as previously reported)

Book debts/ Completed WIP / Pre-Certified WIP

As at the date of our appointment, the estimated total value of the debtor balance due to the company was c.£3.399m. The final position for the debtor ledger was c.£3.971m (following completion of all post appointment billing of WIP) and to date, total collections are £3.038m, representing 76% of the value of the book debts as at our appointment date.

Following the repayment of IGF's balance due under their fixed charge security of £2.189m, the remaining debtor surplus, after costs, was remitted to the Company. As the majority of the book debts have now been collected, the remaining debtors have been handed back to the Company from Leslie Keats in order for us to collect.

During the Reporting Period, a surplus of £238k has been remitted to the estate bringing total surplus recoveries to £737k, as shown on the R&P at Appendix A.

We are continuing to correspond with the remaining debtors and the extent of further recoveries are currently uncertain. A further update will be provided to creditors in our next report.

Prepayments

As explained in our previous report, due to the complexities associated with offset clauses, the significant costs that would need to be invested to pursue these prepayments meant that any recoveries would likely be outweighed by the costs to realise them.

In addition to the £6.1k in prepayment refunds in the prior reporting period we have realised a further £14.6k in relation to a rental prepayment, bringing total recoveries to £20.8k. We do not anticipate any further recoveries in this regard.

Sundry debts & refunds and insurance claims

During the Reporting Period, we have realised £2,224 in sundry debts and refunds made up of £1,946 from in respect of a legal credit due to the Company and £278 from the Environment Agency in relation to a credit for a subsistence charge as a permit was transferred to the Purchaser.

We also recovered £72,948 in amounts relating to insurance claims and refunds from pre-appointment insurance claims in the current Reporting Period.

In total we have recovered £4,139 for sundry debts and refunds and £74,244 for insurance claims and refunds respectively. We do not expect that any further realisations will be made.

Additionally, during the Reporting Period we were contacted by Shawbrook Bank Limited following the sale of two Scania trucks in which the Company had some equity. The equity remitted to the estate totalled £8,598.

Bank interest gross

During the Reporting Period, bank interest has been received totalling £55,783 with £29,216 being allocated to fixed charge realisations and £26,566 being allocated to floating charge realisations. Due to the bank interest received, the Company was liable to pay corporation tax liability. £2,466 was paid in the Period in relation to corporation tax, as shown on the R&P at Appendix A.

We expect to receive further bank interest until we're in a position to distribute all available funds to the relevant classes of creditors.

Connected party transactions

To date, no assets have been disposed of by the Administrators to a party (person or company) with a connection to the directors, shareholders or secured creditors of the Company or their associates and the Administrators are not seeking approval from creditors to make a substantial disposal to a connected person.

Administration extension

The administration was due to expire on 4 May 2024. Due to the ongoing matters referred to earlier in this report, particularly surrounding the distributions to the various classes of creditors and the conclusion of investigation matters (see below), we did not think we would have fulfilled our duties as Administrators prior to the expiry and therefore concluded it was necessary to seek an extension to the administration for a period of 12 months to 4 May 2025.

The extension was obtained via the consent of the Secured creditors and decision of the Preferential creditors of the Company in line with insolvency legislation and was granted on 10 April 2024. The extension should allow for the remaining matters to be concluded.

Other issues

Part A1 Moratorium

Throughout the Reporting Period, we have continued to adjudicate the claims which qualify as Moratorium and Priority Pre-Moratorium debts. Further detail was included in our previous progress report along with the letter we sent to creditors in October 2023.

To date we have received moratorium debt claims of £1,199,483.30 which includes a final figure from HMRC for c.£675k. Priority Pre-Moratorium claims received to date total £136,104.56.

Leasehold properties

As detailed in our previous report, the Company operated out of four premises with attached formal lease agreements. PHD Property were instructed to assist with the management of the LtO portfolio on a fixed fee basis which enabled the costs to be lower than if our staff managed the portfolio on a time costs basis.

As of 4 December 2023, the LtO work was concluded. The property at Plot 2B Roman Way was surrendered to the relevant landlord and the other three properties were assigned to the Purchaser. We are currently liaising with the Purchaser in order to return the surplus funds that have arisen from the LtO funding and then this matter will be completed.

Investigations and actions

Following our appointment, we undertook an information gathering exercise in order to fulfil the Administrators' statutory obligations to fulfil our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2. We can confirm that we have complied with our obligations in this regard.

We have continued with the ongoing investigations which may lead to potential recoveries for the administration estate. As reported previously, the Company's electronic records were captured, primarily consisting of the documents on the Company's storage platform, email data for key personnel and a backup of the Company's financial accounting data.

A proportionate and targeted review of this information is in the process of being undertaken, the outcome of which will inform our further work in the investigations. Based on current information, further enquiries are likely to be required to gain a complete understanding of the circumstances which led to the Company's insolvency and fulfil the Administrators' statutory obligations.

At present, our investigations remain confidential. No further comments or disclosures can be made so as not to prejudice any actions that could lead to potential future recoveries to the estate. Further details will be provided to creditors as appropriate in due course.

Statutory and compliance

During the Reporting Period we have continued to comply with our statutory duties which have included:

- Seeking consent of Secured and Preferential creditors in order to extend the administration term, and the subsequent filing of the extension document to Companies House and the Court;
- Filing VAT returns for the relevant periods;
- Delivering our first progress report and associated filing at Companies House;
- Seeking approval on the basis of our remuneration from the Secured and Preferential creditors, including issuing a remuneration report and convening relevant decision procedures;
- Preparing and filing corporation tax returns and paying the associated liability; and
- Commencing the process for drawing Administrators' fees following the approval of our fee basis.

Further details of the statutory and compliance work completed in the Reporting Period can be found in our remuneration update at Appendix C.

Our receipts and payments account

We set out at Appendix A an account of our receipts and payments in the administration from 5 November 2023 to 4 May 2024.

Our expenses

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

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/regulations/insolvency/creditors-guides/2021/administration-creditor-fee-guide-1-april-2021.ashx?la=en>

You can also get a copy free of charge by emailing Josh Liburd at uk_frealisations_enquiries@pwc.com.

What we still need to do

We remain in office to deal with the following matters:

- To realise any further outstanding book debts;
- To make a further, final distribution to the Company's fixed charge holder, which requires finalisation of the above matter, prior to the distribution being made;
- Make distributions (interim and final) to the Company's creditors who have Part A1 Insolvency Act 1986 moratorium claims;
- Conclude investigation matters regarding potential asset recoveries;
- Finalise the Company's tax and VAT affairs which typically requires all other substantive matters to have been concluded; and
- After the conclusion of the above matters we must also deal with closure matters including but not limited to obtaining third party clearances, preparation and filing of a final progress report to move the Company to dissolution.

Future dividends for creditors

We have provided an estimate of the amount and likely timing of the payment to creditors with Moratorium debts and Priority Pre-Moratorium debts in the Key Messages section at the beginning of this report, as well as providing an overview of the outcome for all other classes of creditor.

Next steps

Once we have concluded the outstanding matters list above, we will take steps to conclude the administration and we expect this to be prior to the administration expiry on 4 May 2025.

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 with Joshua Liburd on 0113 289 4000.

Yours faithfully
For and on behalf of



Jane Steer
Joint Administrator

Appendix A: Receipts and payments

| Statement of Affairs | Notes | 5 May 2023 to 4 November 2023 | 5 November 2023 to 4 May 2024 | Total to 4 May 2024 |
|--|-------|-------------------------------|-------------------------------|-----------------------|
| £ | | £ | £ | £ |
| Fixed charge assets | | | | |
| | 1 | 1.00 | - | 1.00 |
| 1,544,000.00 | 1 | 1,544,000.00 | - | 1,544,000.00 |
| | 1 | 1.00 | - | 1.00 |
| | 1 | 1.00 | - | 1.00 |
| | | 25,976.22 | 29,216.48 | 55,192.70 |
| 3,579,442.06 | 2 | 2,300,533.37 | - | 2,300,533.37 |
| | | 3,870,512.59 | 29,216.48 | 3,899,729.07 |
| Fixed charge costs of realisation | | | | |
| | 2 | (88,769.50) | - | (88,769.50) |
| | 2 | (22,556.56) | - | (22,556.56) |
| | | (111,326.06) | - | (111,326.06) |
| Fixed charge creditors | | | | |
| | 2 | (2,189,207.31) | - | (2,189,207.31) |
| | 3 | - | (552,000.00) | (552,000.00) |
| | | (2,189,207.31) | (552,000.00) | (2,741,207.31) |
| | | 1,569,979.22 | (522,783.52) | 1,047,195.70 |
| Floating charge assets | | | | |
| | | 18,261.32 | 26,566.42 | 44,827.74 |
| | 5 | 38,469.16 | (32,797.58) | 5,671.58 |
| | | - | 8,598.25 | 8,598.25 |
| 1,390,234.75 | 2 | 499,340.60 | 237,775.41 | 737,116.01 |
| 47,997.00 | 1 | 47,997.00 | - | 47,997.00 |
| 50,000.00 | | 1,315.85 | 72,927.69 | 74,243.54 |
| 367,000.00 | 1 | 367,000.00 | - | 367,000.00 |
| 25,000.00 | | 6,152.25 | 14,619.45 | 20,771.70 |
| 135,305.48 | | 100,000.00 | - | 100,000.00 |
| | | 1,914.97 | 2,224.29 | 4,139.26 |
| | 10 | - | 6,016.32 | 6,016.32 |
| 41,000.00 | 1 | 41,000.00 | - | 41,000.00 |
| | | 1,121,451.15 | 335,930.25 | 1,457,381.40 |

| Cost of realisations | | | | |
|---|---|----------------------------|----------------------------|----------------------------|
| Corporation tax / Income tax | | - | (2,465.66) | (2,465.66) |
| Damage deposit arrangement for employees | 6 | (59,241.53) | - | (59,241.53) |
| Duress payments | 7 | (3,759.50) | - | (3,759.50) |
| Finance / Bank interest & charges | | - | (1,500.00) | (1,500.00) |
| Insurance | | (484.22) | (242.11) | (726.33) |
| Irrecoverable VAT | | (1,999.99) | (0.20) | (2,000.19) |
| Legal fees & expenses | 9 | (58,855.00) | (15,661.00) | (74,516.00) |
| PAYE/NIC and Pension Deductions | 3 | (3,924.87) | - | (3,924.87) |
| Payment on behalf of Secured Creditor | 4 | (33,452.98) | - | (33,452.98) |
| Professional fees | 8 | (16,504.57) | (4,200.00) | (20,704.57) |
| Statutory advertising | | (95.00) | | (95.00) |
| | | (178,317.66) | (24,068.77) | (202,386.63) |
| Balance under the floating charge | | <u>943,133.49</u> | <u>311,861.48</u> | <u>1,254,994.77</u> |
| Net receipts/payments | | 2,513,112.71 | (210,922.04) | 2,302,190.47 |
| VAT Control | | (21,018.31) | 17,057.71 | (3,960.40) |
| Barclays Bank Plc - interest bearing | 4 | <u>2,492,094.40</u> | <u>(193,864.33)</u> | <u>2,298,230.07</u> |

Notes to the receipts and payments account

1. These assets were sold as part of the Sale.
2. These amounts relate to the book debt and WIP ledger where IGF held a fixed charge and priority over collections. Total collections during the previous period were £2,799,874. After discharging the associated collection costs of £111,326 and IGF receiving repayment of its £2,189,207 indebtedness in full the surplus remitted to the estate totalled £499,340.60. During the Reporting Period of this report a further £237,775 has been remitted to the estate and forms part of the Company's floating charge realisations.
3. As IGF has been repaid in full under their fixed charge, the final balance on the fixed charge account will be available to BGF under their fixed charge security. During the Reporting Period a fixed charge distribution of £552,000 was paid to BGF under their fixed charge.
4. This payment, made in a prior period, was made on behalf of BGF based on the terms of a settlement agreement and related to a severance payment to a former director. This amount will be recharged to BGF and will not be a direct cost of the administration.
5. The LtO account is made up of funding that passes through the estate for the rents of the properties in the LtO portfolio and an amount that was paid by the Purchaser up front at the time of the Sale. There were also legal costs associated with the extension of the LtO which were paid for by the Purchaser. The LtO work concluded in December 2023 and we are completing a full reconciliation of all LtO associated receipts and payments and will shortly be paying any surplus funds held back to the Purchaser. We are currently working with the Purchaser to ascertain the amounts surplus to the LtO which will be paid shortly.

| | | 5 May 2023 to 4 November 2023 | 5 November 2023 to 4 May 2024 | Total to 4 May 2024 |
|------------------------------|---|----------------------------------|----------------------------------|------------------------|
| LtO Account | | £ | | |
| Licence to Occupy receipts | | 98,131.33 | 9,750.35 | 107,881.68 |
| Licence to Occupy payments | | (59,662.17) | (42,547.93) | (102,210.10) |
| LtO Surplus/(deficit) | 4 | 38,469.16 | (32,797.58) | 5,671.58 |

6. This payment formed part of the Sale and relates to deposits made by employees in relation to using work equipment.
7. The duress payment made was to Taiga Associates who worked as an outsourced finance function for the Company pre-appointment and this payment had to be made in order for Taiga Associates to continue assisting us with matters early in the administration.
8. On page 36 of this report we set out what work has been subcontracted out which would otherwise have been done by us. The amounts paid for those services during the Reporting Period totalled £4,200 and are included as Professional Fees on the receipts and payments account above.
9. Legal fees have been incurred and paid during the administration. This is primarily for work performed in respect of completing a security review of the BGF and IGF security and also providing various pieces of legal advice in relation to the Part A1 Moratorium, including reviewing specific claims and obtaining Counsels' opinion where required.
10. The third party contribution costs are made up of irrecoverable VAT which was paid by the Company and reimbursed by the Purchaser and the legal costs associated with the short LtO extension.
11. Amounts shown exclude VAT. Funds currently held may include monies due to HMRC or exclude monies which will be received in due course from HMRC.
12. We set out in our previous report where any material differences between the value of actual realisations compared to estimated to realise values that were included in the directors' statement of affairs.
13. The realisation of equity from the Shawbrook contract was not previously known about and therefore was not included on the directors' statement of affairs.

Appendix B: Expenses

Expenses are amounts properly payable by us as administrators from the estate, but excludes our fees and distributions to creditors.

These include disbursements which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment.

Expenses fall into two categories:

| Expense | SIP 9 definition |
|------------|---|
| Category 1 | Payments to persons providing the service to which the expense relates who are not an associate of the office holder. |
| Category 2 | Payments to our firm or our associates or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates). |

We don't need approval from creditors to draw Category 1 expenses as these have all been provided by third parties but we do need approval to draw Category 2 expenses. The body of creditors who approve our fees (in this case the Secured and preferential creditors) also has the responsibility for agreeing the basis for payment of Category 2 expenses.

The rate for services provided by the Administrators' own firm (Category 2 expenses) may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. All other disbursements to be charged at cost.

The following table provides a breakdown of the Category 2 expenses incurred in the period, together with details of the Category 1 expenses that have been incurred as disbursements by PwC and will be recharged to the case.

| Category | Provided by | Basis of cost | Costs incurred (£) |
|-----------------------------|-------------|--|--------------------|
| 2 | PwC | Photocopying - up to 10 pence per side copied, only charged for circulars to creditors and other bulk copying. | 175.55 |
| Total for the period | | | 175.55 |
| Brought forward total | | | 2,379.70 |
| Cumulative total | | | 2,555.25 |

The expense policy set out above has been approved by the Secured and Preferential creditors in accordance with insolvency legislation. No category 1 or category 2 expenses have been drawn during the current reporting period or to date.

The table below provides details of all the expenses incurred in the administration:

| Nature of expenses | Unpaid pre-appointment expenses (£) | Brought forward from preceding period (£) | Incurred in the period under review (£) | Cumulative (£) | Estimated future (£) | Anticipated total (£) | Initial estimate (£) | Variance (£) |
|---|-------------------------------------|---|---|-------------------|----------------------|-----------------------|----------------------|------------------|
| Leslie Keats Debt Collection Costs | - | 95,907.00 | - | 95,907.00 | - | 95,907.00 | 107,907.00 | (12,000.00) |
| Other charges relating to debt collection | - | 22,556.56 | 29,000.00 | 51,556.56 | - | 51,556.56 | 22,556.56 | 29,000.00 |
| Damage deposit arrangement for employees | - | 59,241.53 | - | 59,241.53 | - | 59,241.53 | 59,241.53 | 0.00 |
| Duress payments | - | 3,759.50 | - | 3,759.50 | - | 3,759.50 | 3,759.50 | 0.00 |
| Insurance | - | 484.22 | 242.11 | 726.33 | - | 726.33 | 484.22 | 242.11 |
| Irrecoverable VAT | - | 1,999.99 | - | 1,999.99 | - | 1,999.99 | 1,999.99 | 0.00 |
| Legal fees & expenses | - | 65,518.00 | 31,880.50 | 97,398.50 | 10,000.00 | 107,398.50 | 78,760.00 | 28,638.50 |
| PAYE/NIC and Pension Deductions | - | 3,924.87 | - | 3,924.87 | - | 3,924.87 | 3,924.87 | 0.00 |
| Payment on behalf of Secured Creditor | - | 33,452.98 | - | 33,452.98 | - | 33,452.98 | 33,452.98 | 0.00 |
| Professional fees | - | 16,504.57 | 4,200.00 | 20,704.57 | - | 20,704.57 | 16,504.57 | 4,200.00 |
| Statutory advertising | - | 95.00 | - | 95.00 | 190.00 | 285.00 | 285.00 | 0.00 |
| Pre-appointment Administrators' fees | 168,107.00 | - | - | 168,107.00 | - | 168,107.00 | 168,107.00 | 0.00 |
| Administrators' category 2 expenses | - | 1,646.74 | 175.55 | 1,822.29 | 600.00 | 2,422.29 | 1,646.74 | 775.55 |
| Administrators' category 1 expenses | - | 732.96 | - | 732.96 | 800.00 | 1,532.96 | 732.96 | 800.00 |
| Pre-appointment legal fees | 63,851.00 | - | - | 63,851.00 | - | 63,851.00 | 63,851.00 | 0.00 |
| Finance/ Bank charges | - | - | 1,500.00 | 1,500.00 | 50.00 | 1,550.00 | 50.00 | 1,500.00 |
| Total | 231,958.00 | 305,823.92 | 66,998.16 | 604,780.08 | 11,640.00 | 616,420.08 | 563,263.92 | 53,156.16 |

The table above excludes Moratorium debts and Priority Pre-Moratorium debts that will be paid as an expense of the administration.

The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the period and the total paid to date.

We have exceeded our legal fees and debt collection cost estimates. The legal fees have primarily been exceeded due to the complexities around the Part A1 Moratorium and the adjudication of specific claims. The debt collection costs have been exceeded due to strategy having to be revised for the collection of some of the later debtors with greater complexity in resolving the position around the possibility of collection. The costs for professional fees also slightly exceeded the initial estimate and relate to the final agents' fees for the management of the LtO and the extra work done in relation to the LtO extension.

Appendix C: Remuneration update

Our fees were approved on a time costs basis by the Secured and preferential creditors up to a limit of £1,020,986.45. As at the end of the reporting period we had not billed any fees. However, shortly following the Reporting Period end, we drew £153,000 in relation to Joint Administrators' fees. As this was drawn after the reporting period ended it is not shown on the receipts and payments account at Appendix A of this report.

The time cost charges incurred in the reporting period covered by this report are £343,971. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

In the first reporting period from 5 May 2023 to 4 November 2024, the time cost charges incurred were £669,639 and can be seen on the SIP 9 table below.

We think that our total time costs to the end of the administration will exceed our initial estimate of £1,020,986 for the following reasons:

- The volume and complexity of dealing with the claims relating to the Part A1 Moratorium claims including detailed reviews of each claim and assessing the exact period products/ services were provided to ensure the validity of the claim;
- Increased work in respect of finalising book debt recoveries; and
- The volume of work relating to potential additional asset recoveries from our ongoing investigations.

We will not be seeking approval to exceed the fees estimate as we do not expect to draw these costs in full due to insufficient asset realisations and an agreement with the fee approving body to limit the amount we draw to reflect the circumstances of the case.

We set out later in this Appendix details of our work to date, anticipated future work, subcontracted work and payments to associates.

Our hours and average rates

Time cost analysis covering the period 5 November 2023 to 4 May 2024

| Work type | Partner | Director | Senior Manager | Manager | Senior Associate | Associate/ Other | Support/ Overseas Professional | Hours (hrs) | Total Cost (£) | Average Hourly Cost (£) | Cumulative cost (£) | Initial estimate (£) | Variance (£) |
|--|-----------|-----------|----------------|------------|------------------|------------------|--------------------------------|--------------|------------------|-------------------------|---------------------|----------------------|--------------|
| Accounting and Treasury | - | - | 0.15 | 1.80 | 3.80 | 21.60 | - | 27.35 | 12,016 | 439 | 45,333 | 49,976 | 4,643 |
| Assets | - | - | 19.60 | 0.40 | 30.00 | 0.10 | - | 50.10 | 33,237 | 663 | 110,678 | 92,470 | (18,208) |
| Closure and exit routes | - | - | - | - | - | - | - | - | - | - | - | 12,139 | 12,139 |
| Creditors | 11.25 | - | 39.05 | 11.45 | 80.50 | 15.00 | - | 157.25 | 102,545 | 652 | 193,199 | 243,184 | 49,985 |
| Employees and Pensions | - | - | 0.75 | - | - | - | - | 0.75 | 825 | 1,100 | 15,012 | 17,344 | 2,332 |
| Investigations | 0.50 | - | 24.70 | 8.30 | - | 44.65 | - | 78.15 | 40,203 | 514 | 241,413 | 256,265 | 14,852 |
| Statutory and Compliance | 1.00 | - | 10.55 | 24.45 | 3.20 | 44.50 | 3.50 | 87.20 | 49,020 | 562 | 265,823 | 270,973 | 5,150 |
| Strategy and Planning | 3.25 | - | 19.20 | 6.95 | 18.75 | 17.65 | 1.50 | 67.30 | 42,486 | 631 | 58,352 | 44,166 | (14,186) |
| Tax and VAT | - | - | 14.95 | 6.90 | 43.00 | 10.30 | - | 75.15 | 63,639 | 847 | 83,801 | 34,470 | (49,331) |
| Total for the period | 16 | 0 | 129 | 60 | 179 | 154 | 5 | 543 | 343,971 | 691 | - | - | - |
| Total brought forward from prior periods | 24 | 16 | 387 | 121 | 237 | 161 | 24 | 970 | 669,639 | 691 | - | - | - |
| Total time costs as at 4 May 2024 | 40 | 16 | 516 | 181 | 416 | 315 | 29 | 1,513 | 1,013,610 | 1,382 | 1,013,610 | 1,020,986 | 7,376 |

The primary reasons for the variances in the assets, strategy and planning and tax and VAT categories above are as follows:

- The extension of the LtO meant more time was given to property matters than originally anticipated when our initial estimate was prepared;
- As noted above, the debtor ledger has now been passed back to us and more time than we originally anticipated has been spent in dealing with the debtors and pursuing book debt recoveries;
- The variance in strategy and planning has primarily arisen from more time being spent on planning the strategy of the Part A1 Moratorium distributions and working on associated timings for settling the related claims; and
- During the Reporting Period, we have had to prepare two tax returns including a full review of the pre-appointment tax records, to assist with bringing pre-administration records up to date.

Time cost analysis covering the period 5 May 2023 to 4 May 2024

| Work type | Partner | Director | Senior Manager | Manager | Senior Associate | Associate/ Other | Support/ Overseas Professional | Hours (hrs) | Total Cost (£) | Average Hourly Cost (£) |
|-----------------------------|----------------|-----------------|-----------------------|----------------|-------------------------|-------------------------|---------------------------------------|--------------------|-----------------------|--------------------------------|
| Accounting and Treasury | - | - | 7.35 | 4.50 | 26.60 | 16.75 | - | 55.20 | 33,317 | 604 |
| Assets | 1.00 | 0.10 | 50.20 | 5.45 | 54.40 | 2.10 | - | 113.25 | 77,441 | 684 |
| Creditors | 11.25 | 3.75 | 37.55 | 13.15 | 53.80 | 15.35 | - | 134.85 | 90,654 | 672 |
| Employees and Pensions | - | - | 7.45 | 5.05 | - | 8.35 | - | 20.85 | 14,187 | 680 |
| Investigations | 3.50 | - | 142.05 | 27.40 | 65.15 | 28.25 | 7.00 | 273.35 | 201,210 | 736 |
| Statutory and Compliance | 8.00 | 11.90 | 127.55 | 46.75 | 35.20 | 83.25 | 16.50 | 329.15 | 216,803 | 659 |
| Strategy and Planning | - | - | 2.10 | 14.10 | 2.00 | 7.00 | - | 25.20 | 15,866 | 630 |
| Tax and VAT | - | - | 12.85 | 4.20 | - | - | 0.80 | 17.85 | 20,162 | 1,129 |
| Total for the period | 23.75 | 15.75 | 387.10 | 120.60 | 237.15 | 161.05 | 24.30 | 969.70 | 669,639 | 691 |

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by our cashiers, support and secretarial staff is charged separately and isn't included in the hourly rates charged by partners or other staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the administration.

| Grade | Up to 30 June 2023 / £ | From 1 July 2023 / £ |
|------------------------------------|------------------------|----------------------|
| Partner | 980 | 995 |
| Appointment taking director | 960 | 960 |
| Director (not appointee) | 915 | 915 |
| Assistant director | 900 | 900 |
| Senior manager | 860 | 860 |
| Manager | 730 | 730 |
| Senior associate | 515 | 540 |
| Associate | 375 | 395 |
| Support staff | 160 | 160 |
| Offshore professionals | 375 - 515 | 395 - 540 |

Reflecting the increasingly mobile and flexible nature of the PwC workforce and the narrowing of our London and regional cost bases we have moved to one uniform rate card for our standard restructuring and insolvency services from 1 July 2022. This is in line with other parts of PwC, and is also consistent with wider insolvency market practice. We will continue to have a separate rate card for specialist services including our tax, data and technologist support.

Should an increase in charge out rates result in our time costs exceeding the fee estimate provided to creditors at the time we sought approval of the basis of our remuneration, we will need to seek approval from the relevant creditor body in order to draw fees in excess of that estimate.

We have a diverse range of experience and capability within our director and senior manager teams. We have created two further grades within this population to reflect different levels of experience. We have differentiated between those directors who take insolvency appointments and lead insolvency cases (thereby providing considerable leverage to our appointment taking partners and reducing overall costs to insolvent estates), and those directors who help to support the delivery of our insolvency strategy. We have also created differential rates in our senior manager team, acknowledging those insolvency qualified and long serving insolvency experienced senior managers separately from those who are not yet insolvency qualified.

Role descriptions applicable to the new rates are below. In addition, as the range of work that may be undertaken by our offshore professional colleagues increases, we also provide updated information for that role.

| Title | Description |
|------------------------------------|---|
| Appointment taking director | A licensed insolvency practitioner acting as an office holder on the insolvency appointment and subject to additional office-holder responsibilities compared to a Director who is not an appointed office-holder. Highly experienced in insolvency matters at a senior level, including managing complex insolvencies and supervising teams. |
| Assistant director | Individuals of Senior Manager title but who are highly experienced in insolvency matters and either with more than 10 years insolvency experience at Senior Manager level or are qualified to JIEB level. |
| Offshore professional | Offshore professional colleagues may provide assistance, albeit that the majority of the work on this case will be undertaken by the UK based team. An off-shore professional at the higher end of the fee bracket generally has appropriate insolvency experience or an accounting qualification, depending on the nature of the work and will assist with planning and control of various aspects of the insolvency. An off-shore professional at the lower end of the fee bracket will typically have a finance-related qualification and appropriate skills to complete basic insolvency related tasks and provide administrative support to the team including efficient document preparation and data entry, records management, and general data analytics. All work under the supervision of more senior staff. |

We call on colleagues such as those in our Tax, VAT, Real Estate and Pensions departments where we need their expert advice. We may also utilise Technology Specialists from the wider Business Restructuring Services team or other parts of our firm. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

| Grade | Up to 30 June 2023 / £ | From 1 July 2023 / £ |
|---------------------------------------|-------------------------------|-----------------------------|
| Partner | 1,810 | 1,905 |
| Director | 1,660 | 1,745 |
| Senior manager | 1,310 | 1,410 |
| Manager | 1,190 | 1,025 |
| Senior associate/consultant | 690 | 725 |
| Associate/assistant consultant | 375 | 470 |
| Support staff | 205 | 220 |
| Offshore professionals | 190 | 495 |

In common with many professional firms, our scale rates may rise eg to cover annual inflationary cost increases.

Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report. Relevant parties have been chosen due to their specific area of expertise or technical knowledge and payments to those parties based on standard commercial terms.

Our work in the period

Earlier in this section we have included an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work

| Work undertaken | Why the work was necessary | What, if any, financial benefit the work provided to creditors OR whether it was required by statute |
|--|--|---|
| Accounting and treasury | | |
| <ul style="list-style-type: none"> Performing independent verifications of suppliers' bank details in order to process payments Dealing with receipts, payments and journals Carrying out bank reconciliations and managing investment of funds Ensuring that invoices reflect the work undertaken VAT accounting Ensuring amount of bank interest is appropriately allocated to the fixed and floating charge accounts | <ul style="list-style-type: none"> Complying with statutory and regulatory duties regarding the holding and accounting of funds | <ul style="list-style-type: none"> Statutory and regulatory duties regarding the holding and accounting of funds |
| Assets | | |
| <p>Property</p> <ul style="list-style-type: none"> Finalising matters in relation to the LtO Liaising with the Purchaser in order to send the surplus which has arisen from the LtO funds Liaising with the appointed property agent to ensure all obligations in relation to the LtO have been settled | <ul style="list-style-type: none"> To realise funds for the benefit of creditors | <ul style="list-style-type: none"> To realise funds for the benefit of creditors |
| <p>Book debts</p> <ul style="list-style-type: none"> Correspondence with IGF regarding operation of the bank account and regular updates with Leslie Keats regarding progress of debt collection activities Dealing with the surplus from the book debt ledger Liaising with Leslie Keats regarding the continued collection of the book debt ledger Receipt of further surplus received from the book debt ledger Reviewing strategy for the collection of more complex debts | | |

Other assets

- Liaising with Shawbrook Bank in order to realise the equity owed to the Company from an asset sale
- Recovery of sundry refunds and prepayments

Insurance

- Ongoing discussions with insurance brokers and solicitors to determine the quantum of pre-appointment insurance claims and whether any value could be due back into the administration estate.
- Finalising obligations under our post appointment insurance policy

Creditors**Secured creditors**

- Monthly check ins with BGF as the Secured creditor
- Preparing reporting packs for BGF
- Distributing funds to BGF under their fixed charge

- Required by statute and for the proper management of the case

- Required by statute

Moratorium creditors

- Admitting and adjudicating the claims of the Part A1 Moratorium creditors
- Reviewing all claims received to ensure the claim is correctly classified where there is a potential Moratorium debt included
- Seeking legal advice on technical areas of adjudicating moratorium claims
- Further completion of complex reviews of all supporting documentation received to date to confirm dates that services/products were provided and ensure that this matches the nature of the claim i.e., Moratorium debt, Priority Pre-Moratorium debt or non-moratorium debt
- Contacting creditors, where necessary to obtain additional documentation or clarification regarding their claim values and dates

Secondary preferential creditors

- Liaising with HMRC to receive their final claim in the administration
- Reviewing the claim received from HMRC to ensure that their claim has been split into the appropriate amounts for their Part A1 Moratorium claim, their Secondary preferential creditor claim and Unsecured creditor claim

Unsecured creditors

- Receiving proof of debt forms and maintaining register
-

Investigations

- Ongoing review work in relation to the information and documentation obtained from the Company's electronic records
- Considering further investigations and potential asset recoveries
- To meet the statutory duties of the Administrators. Due to the highly confidential nature of these matters, we are unable to explain further in order to not prejudice any investigations.
- Required by statute to investigate any avenues leading to potential asset realisations

Statutory and compliance

- Preparing and issuing our first progress report in administration
- Preparing and issuing our remuneration report
- Preparing and issuing notices and decision procedure for the approval of our remuneration
- Seeking consent of Secured creditors in order to extend the administration term
- Reviewing secured creditor consent forms as received
- Preparing and issuing a deemed consent notice to preferential creditors in order to extend the administration term
- Notifying creditors, Companies House and the Court of the extension to the period of administration
- Preparation of a 6 month review to monitor the progression of the case
- Review of time cost recording
- Commencing planning for payment of Administrators' fees
- Work is required by statute and for the proper management of the case
- Required by statute

Strategy and Planning

- Holding regular team meetings and discussions regarding status of the administration and progress of different work streams within the administration
- Completing checklists and diary management system
- Specific strategy meetings in relation to the progression of Moratorium related matters and timing of Moratorium payments to creditors
- To ensure efficient management of the administration
- Necessary for administrative purposes and/or complying with statutory requirements

Tax and VAT

- Preparing and filing tax returns for the 1 day period of 5 May 2023 and for the period 6 May 2023 to 31 July 2023
- To comply with statutory duties
- Necessary for administrative purposes and/or complying with statutory requirements

- Paying the tax liability owed to HMRC
- Maintaining VAT accounting records
- Preparing and submitting the VAT Return for period end 31.01.2024
- Preparing the VAT Return for period end 31.04.2024

Our previous work

As this progress report is the first to be issued following the approval of the basis of our fees, below are details of work done by the Administrators in the previous reporting period.

| Work undertaken | Work included | Why the work was necessary | What, if any, financial benefit the work provided to creditors OR whether it was required by statute |
|--------------------------------|--|--|---|
| Accounting and treasury | <ul style="list-style-type: none"> • Opened a bank account • Performing independent verifications of suppliers' bank details in order to process payments • Dealing with receipts, payments and journals • Carrying out bank reconciliations and managing investment of funds • Ensuring that invoices reflect the work undertaken • VAT accounting • Ensuring amount of bank interest is appropriately allocated to the fixed charge | <ul style="list-style-type: none"> • Complying with statutory and regulatory duties regarding the holding and accounting of funds | <ul style="list-style-type: none"> • Statutory and regulatory duties regarding the holding and accounting of funds |
| Assets | <p>Pre-Packaged sale of the Company's business and assets</p> <ul style="list-style-type: none"> • Completed the sale of a substantial proportion of the Company's business and assets to the Purchaser • Prepared our SIP 16 disclosure on the pre-packaged sale • Assisted the Purchaser with post sale requirements | <ul style="list-style-type: none"> • To realise funds for the benefit of creditors | <ul style="list-style-type: none"> • To realise funds for the benefit of creditors |

-
- Liaised with vehicle lessees to agree novations/ collections of their goods
 - Set up the LtO process

Property

- Managed the LtO granted to the Purchaser for a period of 3 months
- Granted a 1 month LtO extension to the Purchaser to facilitate the final lease assignments
- Instructed agent to manage LtO
- Dealing with agent regarding settlement of obligations regarding the LtO

Book debts

- Regular updates with IGF and Leslie Keats regarding progress of debt collection activities
- Obtained final redemption figure from IGF for our records
- Dealt with the surplus from the book debt ledger
- Liaising with Leslie Keats regarding the continued collection of the book debt ledger
- Receipting any further surplus received from the book debt ledger

Prepayments

- Contacted customers to understand the prepayment position
- Assessed likelihood of returns vs cost
- Managed the prepayments process including, monitoring refunds and correspondence with customers

Sale of supplier deposits

- Calculated the value of supplier deposits
 - Negotiated with the Purchaser to discuss the value and agree terms
-

-
- Completed the sale of the supplier deposits and receiving funds

Other assets

- Confirmed there was no cash at bank available for the administration estate on appointment
- Recovery of sundry refunds

Insurance

- Liaised with insurance brokers to terminate the pre administration insurance policies as required
- Putting in place and reviewing post appointment insurance and updating brokers in relation to ongoing requirements
- Ongoing discussions with insurance brokers and solicitors to determine the quantum of claims and whether any value could be due back into the administration estate.

Creditors

Creditor enquiries

- Set up a dedicated website for delivery of initial and ongoing communications and reports
- Notified all creditors of our appointment
- Inviting all creditors to submit their claims into the estate
- Responding to all queries from creditors via telephone, email and post
- Lodging all creditor claims received and dealing with creditor queries via post, email and telephone

- Required by statute and for the proper management of the case

- Required by statute

Secured creditors

- Liaised with IGF regarding the collection of the book debts
-

-
- Monthly check ins with BGF as the Secured creditor
 - Preparing reporting packs for BGF, as the Secured creditor of the Company

Moratorium creditors

- Requested files of Moratorium debts and Priority Pre-Moratorium debts from the former monitor of the Part A1 Moratorium
- Admitting and adjudicating the claims of the Part A1 Moratorium creditors
- Reviewing all claims received to ensure the claim is correctly classified where there is a potential Moratorium debt included
- Discussions with lawyers and counsel in order to assess the validity of moratorium claims
- Complex review completed on all supporting documentation received to date to confirm dates that services/products were provided and ensure that this matches the nature of the claim i.e., Moratorium debt, Priority Pre-Moratorium debt or non-moratorium debt
- Contacting creditors, where necessary to obtain additional documentation or clarification regarding their claim values and dates

Secondary preferential creditors

- Liaising with HMRC to receive their final claim in the administration
- Reviewing the claim received from HMRC to ensure that their claim has been split into the appropriate amounts for their moratorium claim, their Secondary preferential creditor claim and Unsecured creditor claim

Unsecured creditors

- Receiving proof of debt forms and maintaining register
-

Employees and Pensions

- Drafted and sending initial notices
 - Sent initial notice to NEST
 - Drafted and issuing statutory notice for GLAS Scheme
 - Notified Scottish Widows of the insolvency
 - Reviewed auto enrolments
 - Reviewed liabilities in relation to pension costs
- Required by statute
 - Required by statute

Investigations

- Conducted an initial assessment as to whether there could be any matters that might lead to potential recoveries for the estate
 - Attended site to secure and catalogue the Company's hard copy records
 - Collected Company records where related to investigatory work
 - Conducted a data capture process of the Company's electronic records, including email data for key personnel and a backup of the Company's financial accounting data
 - Obtaining information from a number of third parties to assist with the progression of investigations
 - Ongoing review work in relation to the information and documentation obtained
 - Seeking legal advice and taking appropriate steps to protect the Administrators' position relating to the Company's D&O policy
 - Prepared investigation file and reporting findings to the Director Conduct Reporting Service
 - Review of financial statements, board minutes and other key documentation
 - Prepared investigation file and lodging findings with the Department for Business, Innovation and Skills
- Required by statute
 - Required by statute

Statutory and compliance

- Prepared and issued all necessary initial letters and notices regarding the administration and our appointment
- Requested completion of the directors' Statement of Affairs
- Filed the directors' Statement of Affairs at Companies House
- Drafted and reviewed a statement of Proposals to creditors including preparing a receipts and payments account, estimated financial position and statutory information
- Prepared and issued our SIP16 disclosure on the pre-packaged sale
- Circulated notice of the Proposals to creditors, members and the Registrar of Companies
- Updated creditors and the Registrar of Companies on the deemed approval of the Proposals
- Retrieved Company books and records including taking a back up of electronic data, segregating out any data related to the Subsidiary company over which we are not appointed
- Prepared a progress report giving details of the work we expect to carry out during the case together with our fees estimate and the expenses that are likely to be incurred
- Prepared our remuneration report and convening a decision procedure amongst the secured and preferential creditors to seek approval of our remuneration and other case related matters
- Filing of documents
- Dealing with records in storage
- Required by statute
- Required by statute

Strategy and Planning

- Completed tasks relating to job acceptance
- Preparing fee budgets and monitoring costs
- Holding regular team meetings and discussions regarding status of the administration and progress of different work streams within the administration
- Sought initial legal advice on the moratorium position and timing of dividend
- Completing checklists and diary management system
- To ensure efficient management of the administration
- Necessary for administrative purposes and/or complying with statutory requirements

Tax and VAT

- Notified HMRC of the appointment
- Gathered information for the initial VAT review
- Conducted VAT review
- Preparing for submission of the first VAT return
- Understanding the Company's tax position
- Deal with tax matters and file the tax returns
- To comply with statutory duties
- Necessary for administrative purposes and/or complying with statutory requirements

Our future work

We still need to do the following work to achieve the purpose of administration.

| Work undertaken | Estimated cost (£) | What, if any, financial benefit the work provided to creditors OR whether it was required by statute |
|---|--|---|
| Accounting and treasury | | |
| <ul style="list-style-type: none"> Deal with receipts, payments and journals Draw final remuneration Close bank accounts upon finalisation of the administration Carry out bank reconciliations and manage investment of funds | <ul style="list-style-type: none"> 10,000 | <ul style="list-style-type: none"> Statutory and regulatory duties regarding the holding and accounting of funds |
| Assets | | |
| <ul style="list-style-type: none"> Realise final amounts of the surplus from the debtor ledger Ensure that all monies from any pre-appointment insurance claims have been received | <ul style="list-style-type: none"> 2,000 | <ul style="list-style-type: none"> To realise funds for the benefit of creditors |
| Creditors | | |
| <ul style="list-style-type: none"> Issuing an interim and a final NOID to the moratorium creditors Advertise the intention to declare dividends Adjudicate claims, including requesting further information from claimants Prepare correspondence to claimants advising outcome of adjudication Deal with any rejected claims Calculate dividend rate and prepare dividend file Prepare correspondence to creditors announcing declaration of dividend Pay an interim and final distribution to the Moratorium creditors Deal with any uncashed payments | <ul style="list-style-type: none"> 30,000 | <ul style="list-style-type: none"> Required by statute |
| Employees and Pensions | | |
| <ul style="list-style-type: none"> Further liaising with NEST regarding outstanding contributions Issue cease to act notices to TPR, PPF and NEST | <ul style="list-style-type: none"> 1,000 | <ul style="list-style-type: none"> Required by statute |
| Investigations | | |
| <ul style="list-style-type: none"> Ongoing review work in relation to the information and documentation obtained from the Company's electronic records | <ul style="list-style-type: none"> 25,000 (dependent on future investigatory actions taken) | <ul style="list-style-type: none"> Required by statute |

- Further enquiries of third parties in relation to the circumstances leading to the Company's insolvency
- Consider potential asset recoveries
- Review any new information that comes to light
- Finalise investigation related matters

Statutory and compliance

- Prepare 6 monthly case reviews • 30,000 • Required by statute
- Preparing and issuing future/final progress reports in line with our statutory requirements
- Deal with records in storage
- File documents in relation to the administration
- Move the Company to dissolution and file the relevant notices

Strategy and Planning

- Strategy meetings with case staff to discuss distribution and closure strategies • 4,000 • For the efficient running of the case
- Complete checklists and diary management system
- Close down internal systems

Tax and VAT

- Liaise with HMRC and ensure all obligations have been fulfilled • 9,000 • Necessary for administrative purposes and/or complying with statutory requirements
- Complete post deregistration VAT returns (where applicable)
- Liaise with HMRC regarding any refunds due into the estate

Closure and exit routes

- Planning the closure strategy • 8,000 • Required by statute
- Closing the bank account
- Shutting down internal systems
- Final review of the case
- Obtaining clearances from third parties
- Completing checklists and diary management system

Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

Details of subcontracted work

The following work, which we or our staff would normally do, has been done by subcontractors:

Management of the LtO Portfolio

We instructed PHD Property Advisory Limited to manage the LtO process between the Joint Administrators and the Purchaser, and liaise directly with the landlords. This work was subcontracted as PHD's expertise at dealing with these matters and the competitive rates that were offered, and the time saving, meant that they were able to carry out this workstream at a lower cost than would have been possible if our insolvency specialists had dealt with this workstream.

Legal and other professional firms

We've instructed the following professionals on this case:

| Service provided | Name of firm / organisation | Reason selected | Basis of fees |
|---|-------------------------------------|---|--|
| Debt recovery Collection of book debts | Leslie Keats | Originally instructed by IGF to collect out the debtor book and with their knowledge of the Company's receivables, we decided to instruct them to carry on collections for the debtor surplus | Time costs <i>Not expected to exceed more than 5% of realisations</i> |
| Insurance services, including: Insurance over properties in the LtO portfolio | Specialist Risk Insurance Solutions | Industry knowledge and insolvency expertise | Insurance premiums |
| Legal services, including: Appointment related matters; Advice from Counsel; Advice on ROT claims; Advice on the Moratorium claims and Sale of business contracts. | Shoosmiths | Industry knowledge and insolvency expertise | Time costs |
| Legal services, including: Advising on the Joint Administrators' investigations | Stephenson Harwood LLP | Insolvency expertise | Time costs basis |
| Property agents, including: Dealing directly with the Landlords of the LtO properties | PHD Property Advisory Limited | Industry knowledge and expertise | Fixed fee |

We require all third party professionals to submit time costs analyses (where their fee basis is time cost) 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.

The below professionals were instructed by the Company or the Secured creditor pre-appointment and carried out some post-appointment work but we did not directly instruct, or have an engagement letter with the below parties:

Evolve Business Consulting Limited - Assisted the directors with general accounting services.

Numerus Payroll Services - This relates to the payment made on behalf of the Secured creditor, BGF to one of the former directors and be recharged during the administration.

Taiga Associates - Assisted the directors with general accounting services.

Appendix D: Other information

| | |
|---|--|
| Court details for the administration: | In the High Court of Justice Business and Property Courts of England and Wales Insolvency & Companies List (ChD) Case No. CR-2023-002330 |
| Company's registered name: | F (Realisations) 2023 Limited (formerly Flowline Limited) |
| Trading name: | F (Realisations) 2023 Limited (formerly Flowline Limited) |
| Registered number: | 02619447 |
| Registered address: | Rawreth Industrial Estate, Rawreth Lane, Rayleigh, Essex, United Kingdom, SS6 9RL |
| Date of the joint administrators' appointment: | 5 May 2023 |
| Has there been a moratorium under Part A1 IA86 in force within the 2 years prior to the Company entering administration? | As per Companies House a Part A1 Moratorium was registered on 29 December 2022 and ended on 24 February 2023. |
| Joint administrators' names, addresses and contact details: | Jane Steer of Level 8, Central Square, 29 Wellington Street, Leeds, LS1 4DL Mark James Tobias Banfield and Zelf Hussain of 7 More London Riverside, London, SE1 2RT |
| Extension to the initial period of appointment: | The period of the administration has been extended by 12 months to 4 May 2025. |
