

MP & Silva Limited - in liquidation

Remuneration Report: Information to creditors
including Fees Estimate

4 December 2020

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1. Abbreviations and definitions

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

Abbreviation or definition	Meaning
Advance Payments	Payments made by customers for sports rights in advance of the actual tournament concerned, some of these payment's ownership status is currently being disputed
Advance Payers	Customers who made Advance Payments
Company	MP & Silva Limited - in Compulsory Liquidation
HMRC	HM Revenue & Customs, the UK government's agency concerned with collecting taxes
Insolvency Service	An executive agency of the Department for Business, Energy and Industrial Strategy responsible for administering compulsory liquidations
IR16	Insolvency (England and Wales) Rules 2016
IA 86	The Insolvency Act 1986
ISA	Insolvency Services Accounts – a bank account maintained with the Bank of England typically used for all receipts and payments of Company assets in a compulsory liquidation.
Joint Liquidators/we	Zelf Hussain and Michael John Andrew Jervis
Official Receiver	A civil servant of the Insolvency Service and officer of the court, who manages at least the initial stages of a compulsory liquidation and undertakes an investigation into the conduct of its directors
Preferential Creditors	Creditors with claims for: <ol style="list-style-type: none">1. unpaid wages for the whole or any part of the period of four months before 17 October 2018 (up to a maximum of £800);2. accrued holiday pay for any period before 17 October 2018; and3. unpaid pension contributions in certain circumstances
PwC	PricewaterhouseCoopers LLP
the Group	MP and Silva Limited was the UK based subsidiary of a world wide group of companies that bought and sold media rights
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
Unsecured Creditors	Creditors who are neither secured nor preferential

This report has been prepared by Zelf Hussain and Michael Jervis as Joint Liquidators of the Company, solely to comply with the Joint Liquidators' statutory duty to report to creditors under IR16 on the progress of the liquidation, 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 Liquidators 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 Liquidators' previous reports issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/mpsilva>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Zelf Hussain and Michael Jervis have been appointed as Joint Liquidators by the High Court to manage the affairs, business and property of the Company. The Joint Liquidators act in the capacity of agents of the Company, without personal liability. Both are licensed in the United Kingdom to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Liquidators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>.

The Joint Liquidators may act as Data 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 Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidators' appointment. Further details are available in the privacy statement on the [PwC.co.uk](https://www.pwc.co.uk) website or by contacting the Joint Liquidators.

2. Background

2.1 Purpose of this advice to creditors

Creditors will be aware from our previous correspondence that Michael Jervis and Zelf Hussain were appointed as Joint Liquidators of the Company on 19 October 2018. We are now writing to provide creditors with an updated remuneration report. This is because the liquidation is now expected to take longer and be more complex than originally forecast and, as described later in this report, we are expecting to have to engage in litigation over the status of the Advance Payment funds.

The Liquidation Committee has previously approved the basis of our fees to be drawn on a time cost basis, up to the fee estimate in our initial remuneration report of £1,529,390. This report includes a revised higher fee estimate. We intend to request the Liquidation Committee's agreement to draw our time costs up to this new fee estimate.

When considering this report, you may wish to refer to our initial remuneration report dated 7 June 2019 and our progress reports to creditors dated 12 December 2019 and [4] December 2020, copies of these reports can be found on our website at <https://www.pwc.co.uk/mpsilva>.

As a Liquidation Committee has been elected by the creditors, it is for the Liquidation Committee to determine the basis and amount of our fees. This report provides information to creditors concerning our fees prior to us making a formal request to the Liquidation Committee. The Liquidation Committee comprises:

Angela Gandy

Fédération Internationale de Football Association ("FIFA")

Grant Thornton UK LLP

HM Revenue and Customs

2.2 Estimated outcome for creditors

The following table gives our current estimates on the likely return for Unsecured 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 Company's assets.

Table 1 – Dividend prospects

Class of creditor	Forecast return	Timing
Preferential Creditors (paid)	Paid 100 p/£	July 2019
Unsecured Creditors	0.4 -7.4 p/£	Uncertain

As we have previously reported, there are two matters which materially impact the level of dividend that will eventually be paid to the unsecured creditors:

- Whether the Advance Payment funds form part of the liquidation estate, or are held on a valid trust for the Advance Payers; and
- the final level of claims received and the extent to which certain contingent claims are mitigated.

We had previously hoped that the Advance Payments matter could be dealt with through agreement. Although two of the Advance Payers have agreed that they do not have a trust claim, we have been unable to reach agreement with the advance Payer with the largest single claim, representing most of the Advance Payments funds.

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 realise and/or distribute (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. As noted above, the Liquidation Committee has previously approved us to draw fees on a time costs basis, up to the amount of our previous fee estimate.

2.4 Action required by you

As a Liquidation Committee has been appointed any variation to the fee basis and Category 2 disbursements will be determined by this body, and then shared with the wider creditor base. This report is therefore for your information only and you do not have to do anything.

To date the Liquidation Committee approved an estimated total time cost budget of £1,529,390. As we have now exceeded this budget, we are now seeking the Liquidation Committee’s approval to extend the total time costs budget from £1,529,390 to £2,479,346.05.

As noted above, we are expecting to have to engage in litigation over the status of the Advance Payment funds and, as a result, the liquidation is now expected to take longer and be more complex than originally forecast. We set out more detail on the reasons for the increases in estimated costs in section 3.1 of this report.

Creditors’ rights

You can find information on liquidator fees and your rights at :

<http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/creditors-guide-to-liquidators-fees-england-and-wales.ashx>

3. Our fees estimate

3.1 Summary

This section provides the following information:

- Details of the work we have and still need 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
- Permission to extend the total time costs budget from £1,529,390 to £2,479,346.

Table 2 – Revised fee estimate

Category of work	Current Fees Estimate			Previous Fees Estimate (June 2019)		
	Hours	£	Av. £	Hours	£	Av. £
Accounting and treasury	369.90	111,767.75	302.16	161.00	64,365.00	399.78
Assets	274.85	93,425.25	339.91	380.00	133,125.00	350.33
Book debt realisations	92.10	25,771.75	279.82	150.00	54,400.00	362.67
Creditors	443.45	150,376.50	339.11	526.00	193,785.00	368.41
Committee	252.95	92,299.75	364.89	-	-	-
Employees & pensions	85.10	23,133.00	271.83	92.00	37,080.00	403.04
Group companies	414.05	195,103.75	471.21	435.00	225,625.00	518.68
Investigations	977.90	372,771.75	381.20	470.00	188,950.00	402.02
Property	146.37	64,278.30	439.15	130.00	60,635.00	466.42
Litigation	1020.80	441,287.50	432.30	-	-	-
Statutory and compliance	709.20	269,330.25	379.77	325.00	157,225.00	483.77
Strategy and planning	891.35	458,409.75	514.29	606.00	312,295.00	515.34
Tax	249.26	124,531.00	499.60	140.00	58,800.00	420.00
VAT	106.15	56,859.75	535.65	100.00	43,075.00	430.75
Total hours and costs	6,033.43	2,479,346.05	410.93	3,515.00	1,529,360.00	435.10

This table shows our revised fee estimate taking into account the additional work that we now estimate is required to wind up the Company's affairs, realise assets and settle liabilities. The "Previous Fees Estimate" represents our fee estimate in our first remuneration report which was published in June 2019 and is shown for comparison.

Table 3 – Time costs to date

Category of work	19 October 2018 - 18 October 2020		
	Hours	£	Av. £
Accounting and treasury	265.90	74,902.75	281.70
Assets	249.85	85,000.25	340.21
Book debt realisations	77.10	20,946.75	271.68
Creditors	219.45	66,966.50	305.16
Committee	192.95	73,299.75	379.89
Employees & pensions	78.10	20,958.00	268.35
Group companies	385.05	186,498.75	484.35
Investigations	877.90	337,021.75	383.90
Property	146.37	64,278.30	439.15
Litigation	92.80	41,052.50	442.38
Statutory and compliance	487.20	174,420.25	358.01
Strategy and planning	744.35	386,809.75	519.66
Tax	190.26	95,931.00	504.21
VAT	66.15	39,109.75	591.23
Total hours and costs	4,073.43	1,667,196.05	409.29

This table shows the time costs we have incurred from our appointment to 18 October 2020, for the different categories of work we have undertaken on the liquidation.

This fees estimate covers the period from our appointment to the revised prediction for the end of the liquidation. The conclusion of the liquidation will depend on how quickly the Advanced Payments issue is resolved. For the purposes of this remuneration report, we have assumed the liquidation will finish in October 2022.

In the period since our appointment to 18 October 2020, we have incurred time costs of £1,672,196.05, representing 109% of the original fees estimate. The first remuneration report to all creditors dated 7 June 2019 estimated total time costs would be incurred of £1,529,390.

Although we have exceeded our fee estimate, this has not affected the proper conduct of the liquidation and we have continued in our efforts to maximise the funds available to creditors and ensure compliance with statutory obligations.

The reasons for exceeding our initial fee estimate include:

- we have been unable to reach agreement with the main Advanced Monies creditors, meaning that we need to prepare for litigation on the matter;
- the liquidation will therefore take longer to conclude;
- research in relation to the background factual position on the Advanced Monies has proved more complex and time consuming than anticipated;
- the state of the Company's records has made it more difficult to find and extract all the information we require to support the litigation process and other investigations;
- the collection of book debts has the potential to prove more successful than first anticipated. As most of these debtors are abroad, we have engaged specialist agents and continue to support them with information and assistance in the expectation of significant recoveries;
- there have been investigations and regulatory matters which we have had to deal with, such as the EU investigation, which we were not aware of at the time of the initial fee estimate;
- HMRC enquiries are continuing in respect of the Company's recent trading activities, as well as specific information relating to targeted transactions; and
- further research has been needed to prove the Company's claims in Group company insolvencies.

As before, we are proposing that our remuneration is on a time costs basis only, 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 such as reporting to creditors, and distributing funds to unsecured creditors; and
- we are unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the liquidation.

Our total remuneration cannot exceed the total amount of this revised fees estimate of £2,479,346 without prior consent from the Liquidation Committee and notification to the creditors.

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 18 October 2020.

Table 4 – Work we propose to do

Category of work	General description	Work included
Accounting and treasury Estimate: 369.90 hours £111.7k Incurred to date: 265.95 hours £74.9k	Bank account management, including trust accounts Accounting and statutory receipts & payments accounts	<ul style="list-style-type: none"> Opening new accounts, closing trading bank accounts and arranging facilities ☐ Dealing with receipts payments and journals ☐ Carrying out bank reconciliations and managing investment of funds ☐ Corresponding with banks to undergo a complicated and prolonged process to transfer pre appointment balances to accounts under our control, resulting in £5.7m transferred into the ISA and c.\$17m transferred into currency accounts under the liquidators' control ✓ Obtaining bank account statements for periods before our appointment ✓ Corresponding with bank regarding specific transfers ☐ paying one or more dividends out to multiple creditors in multiple jurisdictions ☐ sanction checking all payments including dividends ☐ Arranging for the closure of all Company accounts ☐
Assets Estimate: 274.85 hours £93.4k Incurred to date: £249.85 hours £85k	Post Petition Refunds	<ul style="list-style-type: none"> Reviewed post petition payments made from Company accounts ✓ Investigated post petition payments to ascertain whether there was any benefit if any of post petition payments by working with third parties and banks ✓ Write to party that received two improper post petition payment to request refund ✓ Appoint solicitor to assist with recovery post petition payments and obtain recovery of £71k ✓
	Other assets	<ul style="list-style-type: none"> Liaising with valuers, auctioneers and interested parties ✓ Reviewing asset listings ✓ investigating other claims or refunds that the Company may have and chasing accordingly ☐ Liaised with the Swiss Chambers' Arbitration Institution to ensure refund of deposit of £132k ✓
	Insurance	<ul style="list-style-type: none"> Identifying potential issues requiring attention of insurance specialists ✓ Reviewing insurance policies ✓ Corresponding with insurer regarding initial and ongoing insurance requirements ✓ Realising any value within policies and obtaining insurance refund ✓
	Third party assets	<ul style="list-style-type: none"> Reviewing leasing documents ✓ Liaising with owners/lessors for return of assets ✓

Creditors Estimate: 443.45 hours £150.3k Incurred to date: 219.45 hours £67k	Creditor enquiries	<ul style="list-style-type: none"> • Setting up a dedicated website for delivery of initial and ongoing communications and reports ✓ • Receiving and following up creditor enquiries via telephone, email and post ☐ • Reviewing and preparing correspondence to creditors and their representatives ☐
	Preferential claims	<ul style="list-style-type: none"> • Corresponding with employees regarding dividend ✓ • Preparing, issuing and receiving employee preferential claim agreement forms ✓ • Corresponding with the RPS regarding proof of debt ✓ • Calculating dividend rate and preparing dividend file ✓ • Preparing and paying distribution ✓ • Ensuring PAYE/NIC is deducted and remitted to HMRC ✓
	Unsecured claims	<ul style="list-style-type: none"> • Dealing with proofs of debt for dividend purposes ☐ • Preparing correspondence to potential creditors inviting lodgment of proof of debt ☐ • Receiving proofs of debt and maintaining register ☐ • Adjudicating claims, including requesting further information from claimants, and where necessary, seeking legal or other professional advice ☐ • Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend ☐ • Advertising intention to declare dividend ☐ • Calculating dividend rate and preparing dividend file ☐ • Preparing correspondence to creditors announcing declaration of dividend ☐ • Preparing and paying one or more distributions ☐
	Shareholder enquiries	<ul style="list-style-type: none"> • Responding to any shareholder queries ☐
Employees and pensions Estimate: 85.10 hours £23.1k Incurred to date: 78.10 hours £21k	Communications with employees	<ul style="list-style-type: none"> • Drafting, issuing and delivering initial communications and announcements ✓ • Preparing letters to employees advising of their entitlements and options available ✓ • Receiving and following up employee enquiries via telephone, post and email ☐
	Payroll	<ul style="list-style-type: none"> • Reviewing employee files and Company's books and records ✓ • Reviewing awards and payroll structure ✓ • Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties ✓
	Pensions	<ul style="list-style-type: none"> • Reviewing insurance policies ✓ • Contacting the Pension company ✓
Investigations Estimate: 977.90 hours £372.8k Incurred to date: 877.90 hours	PwC Forensics work and HMRC Tax enquiry	<ul style="list-style-type: none"> • Collecting Company books and records where related to investigatory work ✓ • Assisted our lawyers in locating specific Company records such as email communications ☐ • Downloading Company information, and preservation and capture of information systems used by the Company ✓ • Maintain access to Company data including finance systems, emails, network storage, computer servers and accounting systems. ☐

£337k

- All data provided has been verified for completeness against the source systems and where appropriate, we have liaised further with the external providers to fill any gaps ✓
 - Electronic books and records have been preserved in line with our requirements as part of the liquidation, utilising existing third parties to undertake this work where appropriate ✓
 - Third parties' work has been overseen to ensure that any data captured as part of the legal requirements is complete, and in a format that is easy to provide to the Joint Liquidators if necessary ✓
 - Conducted analysis on invoicing and booking systems to validate creditor claims, as well as uncovering any potential pots of money for the liquidation ✓
 - Met a HMRC Data Auditor at our London office to provide access to key Company digital records ✓
 - Reviewing physical books and records ✓
 - Preparing comparative financial statements ✓
 - Reviewing specific transactions and liaised with former employees and banks regarding certain transactions ✓
 - Ensuring our compliance with a inquiry into the pre appointment tax affairs of the Company by HMRC □
 - Responding to statutory requests made under a European Commission investigation into potential anti competitive behavior in the group ✓
 - Carrying out a high number and detailed searches for underlying transaction documents, bank statements and email correspondence to understand the factual and contractual background to the Advance Payments. □
 - Seek assistance from a number of former employees, technology providers and former accountants to obtain documentation to help us analyse and understand the factual context of the Advance Payments. □
 - Investigate intercompany transactions and the background records to intercompany balances □
 - Engaged in a protracted and lengthy process of obtaining access to Company emails stored by a third party technology provider ✓
-

Statutory and compliance

Estimate:

709.20 hours

£269.3k

Incurred to date:

487.20 hours

£174.4k

Initial letters and notifications

- Preparing and issuing all necessary initial letters and notices regarding the liquidation and our appointment ✓

Remuneration report

- 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. ✓
- Preparing and circulating to creditors a second and revised remuneration report giving details of the work we expect to carry out during the case, following progress in key case matters and better understanding of outstanding issues and the expenses that are likely to be incurred □

Case reviews

- Conducting case reviews after the first month, then every six months □

Progress reports and extensions

- Preparing and issuing annual progress reports to creditors and the Registrar □

Books and records

- Collecting Company books and records both digital and physical ✓
-

	<ul style="list-style-type: none"> Dealing with records in storage <input type="checkbox"/> Sending job files to storage <input type="checkbox"/>
Other statutory and compliance	<ul style="list-style-type: none"> Filing of documents <input type="checkbox"/> Updating checklists and diary management system <input type="checkbox"/> Dealing with ad hoc enquiries from stakeholders and statutory bodies, including, for example, initial responses to EU investigations <input type="checkbox"/>
Strategy & Planning Estimate: 891.35 hours £458.4k Incurred to date: 744.35 hours £386.8	<ul style="list-style-type: none"> Completing tasks relating to job acceptance ✓ Preparing fee budgets & monitoring cost <input type="checkbox"/> Holding regular meetings to review case progress and consider key decisions, as required given the complexity of the liquidation <input type="checkbox"/> Considering timings for key milestones and key strategic decisions <input type="checkbox"/> Arranging and holding regular telephone conferences with our lawyers <input type="checkbox"/> reviewing future work to be undertaken <input type="checkbox"/> Corresponding with PwC forensic specialists regarding ongoing requests for data and review of ongoing workstreams <input type="checkbox"/>
Book debt realisations Estimate: 92.10 hours £25.8k Incurred to date: 77.10 hours £20.94k	<ul style="list-style-type: none"> Notify all debtors of our appointment and request repayment of outstanding balances ✓ Liaise with former accountants and staff of the Company to understand the debtor ledgers of the Company and obtain supporting documentation ✓ Reviewing and assessing debtors ledgers ✓ Appointing debt collection agents on contingent basis to deal with outstanding substantial claims ✓ Liaising with overseas advisors to understand the prospects of pursuing claims against overseas debtors <input type="checkbox"/> Liaising with debt collectors and solicitors to ensure recovery of outstanding balances <input type="checkbox"/>
Liquidation Committee Estimate: 252.95 hours £92.3k Incurred to date: 192.95 hours £73.3k	<ul style="list-style-type: none"> Planned, organised and held the first liquidation committee meeting ✓ Prepared committee report for first meeting ✓ Corresponded with committee members by phone and email <input type="checkbox"/> Prepared and circulated regular updates to committee <input type="checkbox"/> Preparing documents and information for the purpose of obtaining approval to fees, Category 2 disbursements and other matters in the administration ✓ Issuing notices and associated documentation for seeking decisions from committee members <input type="checkbox"/> Holding a second committee meeting and further meetings as required to update members with the progress of the liquidation and agree strategy for key matters <input type="checkbox"/> Liaise with Committee regarding the strategic options in relation to the Advanced Payments litigation and consult with Committee on any changes in circumstances <input type="checkbox"/>
Litigation Estimate: 1020.80 hours £441.3k Incurred to date: 92.8 hours £41k	<ul style="list-style-type: none"> Carried out extensive and detailed review of Company records for underlying transaction documents, bank statements and email correspondence to understand the factual and contractual background to the Advance Payments <input type="checkbox"/> Hold meetings with our lawyers to discuss progress and strategy on the Advance Payments matter <input type="checkbox"/> Input into and review draft witness statements to support court application <input type="checkbox"/> Instruct overseas agents to effect legal service on the non-responding overseas Advance Payers <input type="checkbox"/>

- Make an application to the court to seek direction on ownership of Advance Payment should this be necessary
- Review filing papers, applications and notices prepared by our lawyers
- Deal with any court orders regarding general or specific disclosure of Company records
- Liaise with legal counsel on preparation and review of legal submissions
- Attend merits hearing
- Should an appeal against an initial judgement be made by any of the Advance Payers, we would take all necessary steps to defend our position on ownership of the Advance Payments

Group companies

Estimate:

414.05 hours

£195.1k

Incurred to date:

385.05 hours

£186.5k

- Receiving and following up on overseas entity enquiries via telephone, email and post
- Investigate what value can be recovered for the benefit of the Company from overseas entities ✓
- Contacted directors or insolvency practitioners of all entities which owed money to the Company. Submitted claims to the liquidators where relevant. ✓
- Petitioned for the winding up of the Irish group entity to prevent dissipation of all funds to another creditor ✓
- Liaise closely with PwC Luxembourg and local bailiff to put MP & Silva Holding S.A. into an insolvency procedure ✓
- Review and investigate supporting documentation for the balances claimed, including review of bank statements. Challenge the rejection of elements of our claim where appropriate
- Hold conference calls with liquidators/bankruptcy administrators of overseas entities
- Provide limited and query specific access to books and records of the group's finances to overseas liquidators/bankruptcy administrators as requested to assist with asset realisation ✓
- Review reports and other correspondence received regarding dividend prospects
- Arrange for correspondence received in foreign languages to be translated into English
- Monitored the insolvency status of overseas entities and requested regular updates on dividend prospects and insolvency strategy
- Liaised with former employees of the group to understand nature of intra group balances ✓
- Sought technical and legal advice from PwC Ireland on Irish insolvency rules
- Hold regular strategy meetings with our lawyers and local insolvency specialist to discuss strategy to recover maximum value from insolvent entities in the group ✓
- Liaise with PwC forensics and banks to review books and records relating to outstanding intra group balances

Property

Estimate:

146.37 hours

£64.3k

Incurred to date:

146.37 hours

£64.3k

- Carrying out title searches and securing relevant property records ✓
 - Securing possession of property ✓
 - Liaising with valuers and agents in an attempt to reassign our lease ✓
 - Negotiate extensively with the landlord to obtain more information of deduction to the rent deposit ✓
 - Correspond with the landlord by email, letter and calls regarding our lease ✓
-

<p>Tax</p> <p>Estimate: 249.26 hours £124.5k</p> <p>Incurred to date: 190.26 hours £95.9k</p>	<p>Tax</p>	<ul style="list-style-type: none"> ● Gathering information for the initial tax review ✓ ● Arrange for tax computations of Company to be brought up to the date of our appointment by pre appointment accountants ✓ ● Carrying out tax review and subsequent enquiries ✓ ● Preparing tax computations □ ● Liaising with HMRC on agreeing tax liability and information for years before our appointment □ ● Respond to and deal with any enquiries from HMRC in relation to its ongoing investigations into the Company and the Group □
<p>VAT</p> <p>Estimate: 106.15 hours £56.9k</p> <p>Incurred to date: 66.15 hours £39.1k</p>	<p>VAT</p>	<ul style="list-style-type: none"> ● Gathering information for the initial VAT review ✓ ● Carrying out VAT review and subsequent enquiries with HMRC ✓ ● Submitting VAT returns for the period before our appointment to bring VAT returns up to date ✓ ● Deregistering the Company for VAT purposes ✓ ● Preparing VAT returns ✓ ● Submit periodic VAT 426 forms to HMRC ● Respond to and deal with any enquiries from HMRC □

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

3.3 Our time charging policy and hourly rates

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

It is our policy to delegate tasks to the 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 Joint Liquidators 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.

Table 6 – Charge-out rates for PwC UK

Grade	Maximum rate per hour to 30 June 2020 (£)	Maximum rate per hour from 1 July 2020 (£)	Specialist maximum rate per hour (£)
Partner	910	955	1,600
Director	800	840	1,465
Senior Manager	695	665	1,355
Manager	525	575	815
Senior Associate	435	465	605
Associate	270	297	325
Support staff	140	155	230

In common with all professional firms, hourly rates increase from time to time over the period of the liquidation (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.

Table 5 – Charge-out rates for PwC Luxembourg

Grade	Maximum rate per hour (€)
Partner	535
Counsel	460
Senior Associate	345
Associate	280
Junior Associate	210
Paralegal	165

Table 7 – Charge-out rates for PwC France

Grade	Maximum rate per hour (€)
Partner	595
Senior Manager	406

Table 8 – Charge-out rates for PwC Hungary

Grade	Maximum rate per hour (€)
Partner	350
Director (financial services)	270
Manager	200
Senior consultant (financial services)	140
Consultant (financial services)	115

Table 9 – Charge-out rates for PwC Eire

Grade	Maximum rate per hour (€)
Partner	600
Senior Manager	425

Roles and grades of staff

The following descriptions of each grade of BRS staff are a general guide only. From time to time there may be persons working on this assignment who, because of their skills and experience, are employed in positions where they may not necessarily meet all of these qualifications.

Title	Description
Partner	A licensed insolvency practitioner with extensive experience of insolvencies. A partner in PwC and senior member of management with ultimate responsibility (along with joint appointees) for the conduct of the insolvency and decisions on a case. If not an office-holder in relation to the appointment (usually only on large and complex appointments), may be qualified to accept appointments in their own right. Alternatively, may have specialist business or industry skills, and management experience at a senior level, or a combination of skills.
Director	Individuals highly experienced in insolvency matters at a senior level, including managing complex insolvencies and supervising teams. Usually a licensed insolvency practitioner and an office-holder in relation to the appointment with similar decision-making responsibilities. If not an office-holder in relation to the appointment (usually only on large and complex appointments), may be qualified to accept appointments in their own right. Alternatively, may have specialist business or industry skills, and management experience at a senior level, or a combination of skills.
Senior Manager	Experienced in insolvency matters with strong technical knowledge and commercial skills. Capable of supervising teams, often with a project management role on larger cases and/or responsibility for complex aspects of larger matters. Alternatively, may have specialist business or industry skills, and management experience at a senior level, or a combination of skills. Grades of Senior Manager and below have delegated authority to make decisions on behalf of the appointed office-holders in certain aspects of a case.

Manager	Experienced in insolvency matters with well-developed technical and commercial skills. Capable of supervising smaller teams, and can take day-to-day responsibility for smaller to medium matters, or aspects of more complex matters. Alternatively, may have management, business, or industry skills, or a combination of skills.
Senior Associate	Generally has an insolvency qualification or accounting qualification. Assists with planning and control of various aspects of the insolvency, but is primarily responsible for completing fieldwork and/or compliance related matters under the supervision of more senior staff.
Associate	Has appropriate skills to provide administrative support to the team including efficient document preparation and data entry, records management, and general data analytics. Often a part-qualified accountant or works regularly on insolvency matters.
Offshore professionals	Generally a qualified or trainee accountant, depending on the nature of the work. Assists with planning and control of various aspects of the insolvency, but is primarily responsible for completing office work under the supervision of more senior staff.
Support staff	Has appropriate skills to provide administrative support to the team.

3.4 Further approval

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

Our fees estimate is based on a number of assumptions, which are explained in Section 6. In broad terms the key issues likely to affect the level of costs are:

- whether a settlement can be reached on the Advance Payments matter without full litigation;
- the extent to which further investigations are required to support disclosure in any litigation, or to respond to enquiries by HMRC or other statutory bodies;
- whether there are any appeals to an initial decision in the Advance Payments litigation;
- Level of co-operation received, for example: from former employees, former accountants and technology vendors
- Duration of any litigation (which we have revised to October 2022);
- whether there are any disputes raised against our adjudication on significant creditor claims; and
- Any changes to our strategy that might be necessary as a result of the above.

At this stage, we do not think we will need to seek further approval (to increase the fee estimate above that in this report) because we are now more accurately able to assess and understand the time required to complete the outstanding matters in the liquidation. Specifically, we now know that we require litigation to settle the ownership of the Advance Payments, we had previously hoped to settle this matter out of court. However, in the event that the litigation proceeds to appeal and the process takes longer than currently anticipated, it may be necessary to return to creditors in due course. We will continue to consult with the Liquidation Committee on the key decisions as to the conduct of the liquidation, including the impact that these could have on the overall costs and outcomes for creditors.

In our periodic progress reports, we will keep creditors updated on how our fees are compared to the fees estimate.

4. Expenses

4.1 What is an expense?

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

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

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

Photocopying	At 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	At a maximum of 70 pence per mile (up to 2,000cc) or 91] pence per mile (over 2,000cc).

In some cases we have needed to engage our colleagues in overseas PwC practices in relation to Group entities. This has benefited from their local legal and practical knowledge. These costs have been reviewed and approved by the Liquidation Committee.

The following disbursements arose since our appointment:

Category	Policy	Costs incurred (£)
2	Overseas PwC practices	90,290.86
1	Travel expenses	2,966.90
1	Postage expenses	2,284.44
1	Archiving books and records expenses	215.29
1	Insurance	450
1	Subsistence	80.11
Total		96,287.60

4.2 Our expenses estimate

The following table shows expenses incurred from 19 October 2019 to 18 October 2020 and an estimate of further expenses we consider will be or are likely to be incurred. The preceding period refers to the period 19 October 2018 to 18 October 2019, and the variance is a comparison of how our current estimate for total expenses differs from our estimate in the preceding period. The total expenses estimate for the liquidation is £3,924,835.

The estimate excludes any potential tax liabilities that may be payable as an expense of the liquidation in due course because amounts due will depend on the position at the end of the tax accounting period.

Table 10 – Expenses estimate

	Brought forward from preceding period	Incurred in the period under review	Cumulative	Estimated future	Anticipated total	Initial Estimate	Variance
	£	£	£	£	£	£	£
Office holders' fees - Statutory work	1,276,409	390,788	1,667,197	411,944.05	2,079,141	1,529,390	(549,750.55)
Office holders' fees - Litigation	-	-	-	400,000	400,000	0	(400,000.00)
Office holders' expenses	949	1,420	2,369	4,000	6,369	5,114	(1,254.13)
Bank Charges	182	247	429	1,000	1,429	682	(746.90)
Contingency	-	-	-	-	-	30,000	30,000.00
ISA Debit Balance	11,000	-	11,000	-	11,000	11,000	-
Statutory advertising	75	-	75	-	75	0	(75.00)
Professional Fees	28,778	1,980	30,758	2,500	33,258	31,373	(1,885.00)
Legal fees & Expenses	280,440	314,388	594,828	30,000	624,828	710,032.77	85,204.71
Litigation legal fees	-	-	-	550,000	550,000	0	(550,000.00)
Corporation Tax	6,551	3,561	10,112	6,000	16,112	6,551	(9,560.82)
Data capture, review & Storage	50,900	-	50,900	-	50,900	53,539	2,639.34
Post Redirection	513	313	826	-	826	-	(826.33)
Insurance	2,416	-	2,416	-	2,416	3,416	1,000.00
Payroll and associated costs	47,474	-	47,474	-	47,474	47,379	(94.89)
Petitioner Costs refund	-	100,554	100,554	-	100,554	100,843	288.44
Liquidation committee expenses	-	205	205	250	455	0	(454.60)
Total	1,705,687	813,454	2,519,141	1,405,694	3,924,835	2,529,320	(1,395,515.73)

The majority of the anticipated future costs relate to the anticipated litigation over the Advanced Payments funds. If the litigation is successful, it is possible that some of these costs may be recoverable. However, if unsuccessful, there could potentially be further adverse costs incurred. The costs could also be higher if this litigation goes to an appeal.

5. Professionals and subcontractors

We instructed the following professionals on this case:

Service provided	Name of firm /organisation	Reason selected	Basis of fees
Accounting services, including:			
<ul style="list-style-type: none"> Assistance with bringing the Company's Tax and VAT position up to date Assistance with book debt collection Obtaining payee details for unfamiliar bank transactions Compliance with ongoing HMRC tax enquiry 	Charter Tax	Pre - liquidation accountancy provider with knowledge of and easier access to certain of the accounting records of the Company	Combination of time costs, fixed fee and disbursements
Legal services, including:			
<ul style="list-style-type: none"> General advice regarding advance monies issues General advice regarding matters arising in the liquidation as required Lease forfeiture/surrender 	Herbert Smith Freehills	Insolvency expertise	Time costs and disbursements
Pre appointment service provider assisting with access to Company records	TSG	Existing commercial relationship with Company, and more efficient access to certain records	A mixture of fixed fee, time costs and disbursements
Pre appointment service provider assisting with access to Company records	Xytech Systems	Existing commercial relationship with Company, and more efficient access to certain records	Time costs
Insurance	JLT	Industry knowledge and expertise	Agreed premiums
Data storage	Iron Mountain	Industry knowledge and expertise	Calculated by applicable rates per unit
Legal advice, including: <ul style="list-style-type: none"> preparing the petition paper for MP & SILVA HOLDING S.A Presenting the petition to the local court Registering our the claim of the Company with the court General advice on local insolvency procedures 	PwC Luxembourg	Industry knowledge and expertise	Time costs and disbursements
Assistance with representation on Irish entity liquidation committee	PwC Eire	Industry knowledge and expertise	Time costs and disbursements
Property consulting services, including: <ul style="list-style-type: none"> Potential disposal of leasehold interests Potential disposal of office furniture and equipment 	Lambert Smith Hampton	Industry knowledge and expertise	Time costs and disbursements
Recovery of post petition payments	Schofield Sweeney LLP	Industry knowledge and expertise	No win no fee basis and percentage of realisations

Third party book debt collection	Pythagoras Capital Ltd	Industry knowledge and expertise	No win no fee basis and percentage of realisations
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We require all third party professionals to submit time costs analysis and/or narrative in support of invoices rendered. We undertake the following steps to review professional firms' costs:

- Review amounts charged against the description of work undertaken and the circumstances of the case
- Seek further breakdown of costs and detail of work undertaken where necessary
- Comparisons with upfront budgets
- Review of disbursements claimed
- Ongoing dialogues with regards to the work being performed

We are satisfied that the amounts incurred to date are reasonable in the circumstances of the case

6. Notes and assumptions

6.1 Fees estimate

In estimating the Liquidators' likely time costs, we have made the following assumptions:

- The liquidation will last up to October 2022.
- There will be dividends paid to Unsecured Creditors.
- Court directions will be required to resolve the ownership of Advance Payments, but this does not go to appeal.
- Agreement of creditor claims will incur additional costs due to their location around the world.
- There will continue to be substantial additional costs in complying with the HMRC tax enquiry.
- VAT will be fully recoverable in respect of costs and other expenses related to the liquidation.
- There will be only limited future involvement with the Official Receiver.
- The estimate excludes any potential tax liabilities that may be payable as an expense of the liquidation in due course given the tax positions will be determined at the end of each tax accounting period.
- There could be significant costs incurred in agreeing claims with office holders of insolvency overseas entities.

6.2 Expenses

In preparing our expenses estimate, we have made the following assumptions:

- Future legal fees are based on estimates on likely time required to deal with the Advanced Payments matter
- We have assumed legal action will not be required to agree our claims with overseas office holders of insolvent entities within the group
- We have assumed there will be minimal costs of maintaining access to IT systems and books and records of the Company
- We have assumed the expenses of the liquidation committee will be minimal over the course of the liquidation.

6.3 Associates

The Joint Liquidators have no business or personal relationships with parties responsible for approving remuneration to the Joint Liquidators in respect of the appointment where the relationship could give rise to a conflict of interest. However, the liquidators have instructed fellow PwC firms in Luxembourg, France, Hungary and Eire to assist with enquiries into the group companies. Such costs have already been approved by the liquidation committee. In section 3.3 we provide more information on the rates to be charged by fellow PwC firms that have assisted us with carrying out our duties.

7. Group Structure

