
Joint liquidators' progress report
from 28 November 2017 to
27 November 2018

Lloyds British Testing Limited
(in liquidation)

24 January 2019

www.pwc.co.uk/lloydsbritishtesting



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Abbreviations and definitions

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

Abbreviation or definition	Meaning
Company	Lloyds British Testing Limited – in creditors’ voluntary liquidation
Liquidators	Michael Denny, David Baxendale and Matthew Hammond
firm	PricewaterhouseCoopers LLP
IR16	Insolvency (England and Wales) Rules 2016
IA86	Insolvency Act 1986
CVL	Creditors’ voluntary liquidation
HMRC	HM Revenue & Customs
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
preferential creditors	Generally, claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
secured creditors	Creditors with security in respect of their debt, in accordance with Section 248 IA86
the Lenders	RBS Invoice Finance Limited and Royal Bank of Scotland Plc
RBSIF	RBS Invoice Finance Limited
Alfandari	Alfandari Private Equities Limited
Speedy	Speedy Asset Services Limited
TUPE	Transfer of Undertakings Protection of Employment Regulations 2006
unsecured creditors	Creditors who are neither secured nor preferential

Key messages

Why we've sent you this report

I'm writing to update you on the progress of the liquidation of Lloyds British Testing Limited in the 12 month period from 28 November 2017 to 27 November 2018. This is our first report on the liquidation following the move from administration to liquidation on 28 November 2017.

You can still view our earlier reports from the prior administration on our website at www.pwc.co.uk/lloydsbritishtesting. Please email lee.panther@pwc.com if you need the password to access the reports.

In this report we provide;

- a brief recap on the position at the time we last reported to creditors;
- our current view on the outcome for the various classes of creditor;
- our report on the progress of the liquidation in the first year since its commencement; and
- details on the receipts and payments made in the short period between our last report as joint administrators of the Company and the commencement of the liquidation

How much creditors may receive

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

Class of creditor	Current estimate (p in £)	Previous estimate (p in £)	Forecast Timing
Secured creditors	Paid in full	n/a	Paid
Preferential creditors	Paid in full	n/a	Paid
Unsecured creditors	35 - 45	35 - 45	Paid 20p / £ in September 2018 We are aiming to pay a further interim distribution within the next six months

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

What you need to do

We've asked for outstanding claims from unsecured creditors so that we can agree them for dividend purposes.

If you haven't already done so, please send your claim to us so that we can agree it. A claim form can be downloaded from our website at www.pwc.co.uk/lloydsbritishtesting, or you can get one by telephoning Lee Panther on 0113 289 4804.

All creditors wishing to receive the anticipated dividend payment must submit a proof of debt.

As part of our first communication with you (as joint liquidators), we are required to inform you about your right to opt out of receiving further documents relating to these proceedings. Appendix E contains further details on this right and how you may elect to opt out.

Summary of the preceding administration

On 24 November 2016, we were appointed joint administrators of the Company. The business continued for a short period whilst a buyer could be found, resulting in a sale of the business and assets (and a transfer of employees) to Speedy for the sum of £3.75m.

The administration ended on 28 November 2017, when the Company went into CVL and we were appointed as liquidators. This is now our first report to members and creditors on the progress of the liquidation.

The Company entered liquidation as a dividend for unsecured creditors was expected and it was considered most appropriate to continue managing the Company's affairs in a liquidation process rather than seek an extension to the statutory one year period of an administration.

As liquidators, we would also have wider powers to deal with some of the outstanding issues more effectively.

At the end of the administration, the key outstanding matters were as follows:

- continued collection of book debts and trading sales;
- payment of a dividend to preferential creditors;
- payment of one or more dividends to unsecured creditors;
- resolution of the pension scheme issue;
- disclaiming or surrendering the remaining leasehold property;
- collection of sums due from sub-tenants;
- ongoing enquiries into the Company's insolvency;
- submission of corporation tax returns;
- submission of VAT returns and a VAT bad debt relief claim; and
- closure of the Indian branch.

Since our appointment as liquidators we have been progressing all the outstanding issues above, and in particular have paid both a preferential and unsecured dividend.

More details on the actions we have taken in the period can be found in the next section of our report.

Please see our previous reports on www.pwc.co.uk/lloydsbritishtesting for further details on the administration.

Progress in the period

Realisation of assets

Recovery of outstanding sums due

Our total recoveries in the period are £86k, comprising book debts of £57k, trading sales of £13k and £16k from a former subtenant of the Company's head office.

We instructed solicitors in August 2017 to assist with the recovery of both book debts and trading sales that remained unpaid. In the period, with our solicitors' assistance, we have collected further book debts of £56,997, and a further £13,305 in relation to sales made whilst the Company traded in the administration. This is incremental to recoveries of over £150k during the administration, as a result of our solicitors' involvement.

There remains £147k of book debts and £74k of trading sales that are overdue for payment. It is likely that legal proceedings will now ensue to enable collection of remaining debts, and we have instructed solicitors in this regard.

Other issues

Property

Prior to the Company's move to CVL there remained one lease which had yet to be surrendered to its landlord. Following our appointment as liquidators, we were able to formally disclaim any leases that remained. This leverage enabled us to effect a surrender of the remaining property in December 2017.

The Company no longer holds an interest in any of the 13 properties for which leases were held at the date of our appointment as administrators.

Ongoing enquiries

Throughout the period, we have continued to investigate the circumstances giving rise to the Company's insolvency and its former directors and members of senior management continue to assist us with our enquiries.

Due to the sensitive and confidential nature of these enquiries, we are unable to provide any further details at this stage. We continue to consult and discuss our approach with the creditors' committee in this regard.

Pension scheme

Following our appointment as administrators the independent trustees of the Company's pension scheme resigned from their roles and as such left the pension scheme members unable to access their benefits.

Following liaison with The Pensions Regulator we requested that they use their regulatory powers to appoint a new trustee to oversee the scheme. Subsequently, they issued a determination notice to appoint a new, independent trustee of the pension scheme, Open Trustees Limited, on 19 December 2017. Following this appointment, the scheme is now able to operate for the benefit of its members.

In addition to the above, we have continued to deal with ad hoc member queries that have arisen in relation to scheme benefits and have issued all the relevant statutory notices following the move to liquidation.

Distributions to creditors

Preferential dividend

Following the issuing of the notice of intended dividend, on 16 January 2018 we distributed £18,296 to the preferential creditors of the Company, paying them in full.

Unsecured dividend

In the period, we began the process of adjudicating unsecured claims received to date in preparation for paying an interim distribution. As part of this process we also invited any potential creditors to submit claims if they had not yet done so, in order to facilitate payment to as many creditors as possible.

A total of 242 claims were received by the statutory deadline of 31 July 2018, with a combined value of £3,530,882.

Following an adjudication process, in which we reviewed these claims and liaised with creditors for further information where necessary, 236 claims totalling £3,261,627 were admitted for dividend.

Subsequently, a first interim distribution of £652,325 (equivalent to 20 pence in the £) was paid on 7 September 2018.

There are three claims heldover that remain to be adjudicated upon, and there still remains a large number of potential creditors who have yet to submit any claim in the insolvency.

It is currently envisaged that the total distribution payable will be in the range of 35 – 45 pence in the £. The final level of this dividend will depend not only on asset realisations, but also on whether those creditors who have yet to submit claims do so.

As mentioned above, we are aiming to pay a second interim distribution within the next six months and will be communicating separately with creditors in this regard.

Statutory and compliance

Tax

During the period we submitted corporation tax returns for the short trading period and to the end of the administration. No tax liability was due for either period.

We have explored the possibility of a terminal loss relief claim to utilise the losses made in the trading period. Whilst this will not result in any further recoveries, it will reduce HMRC's overall claim against the Company.

We will continue to liaise with HMRC regarding this claim and will update creditors in due course.

VAT

We have continued to submit quarterly VAT returns on behalf of the Company. We will also shortly submit a bad debt relief claim to recover VAT paid over to HMRC on trading sales made during our trading period but for which payment has never been received. This should result in a refund of over £15k.

Indian overseas branch

You may recall that the Company had an Indian branch, responsible for marketing the Company's activities in India, and following the sale of the business to Speedy the branch was no longer required. Consequently, we have been seeking to finalise the branch's remaining obligations in order to close it.

We have liaised with our colleagues in India for advice and assistance in fulfilling the necessary Indian formalities and have fulfilled the requirements needed in the UK, such as arranging for the relevant board resolutions and documentation to be notarised, legalised and apostilled by a notary, the Foreign Office and the Indian High Commission, before being sent to India.

We now require the authorised representative of the branch to fulfil their requirements, before the documents can be filed in India and the matter concluded.

The process of dealing with a different legal jurisdiction has been complex and protracted. However, it is important that this is closed out appropriately to mitigate the risk of any increased claims or liabilities crystallising on the Company or the administrators.

Liquidation committee

On appointment as liquidators, the creditors' committee formed in the preceding administration became the liquidation committee.

We're continuing to speak with the liquidation committee to discuss issues and outline key decisions. We last met with the committee on 17 May 2018 and will meet with it again shortly to discuss the remaining matters outstanding, including our ongoing enquiries into the Company's affairs, the payment of a further interim distribution and the approval of a fees estimate for our work in the CVL.

Investigations and actions

We continue to review the Company's affairs and taken into account any points raised by creditors in discharging our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

Our receipts and payments account

We set out in Appendix A a final receipts and payment account for the administration, incorporating transactions between the date of our final administration report (14 November 2017) to the date of the filing at Companies House which moved the Company into CVL (28 November 2017). The cumulative position to 27 November 2017 represents the administrators final receipts and payments account.

We set out in Appendix B an account of our receipts and payments in the liquidation from 28 November 2017 to 27 November 2018.

Our expenses

We set out in 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 a liquidation expense in due course because amounts due will depend on the position at the end of the tax accounting period.

Our fees

We set out in Appendix C an update on our fees, disbursements and other related matters.

Outcome for creditors

Secured creditors

All secured creditors, with a combined indebtedness of over £2.5m, were repaid in full in the prior administration. A summary of all the secured creditors claims may be found below.

The Lenders

At the commencement of the prior administration, the Company owed the Lenders £1,853,893 in respect of the invoice discounting facility and £387,898 in relation to an overdraft and loan. The invoice discounting facility was secured by a fixed charge dated 2 June 2016 and the loan and overdraft were secured by a floating charge dated 26 May 2016.

The Lenders have now been paid their indebtedness in full from a combination of book debt recoveries paid directly to RBSIF and from the distribution shown on the enclosed receipts and payments accounts.

The Trustees of Lloyds British SSAS

The Trustees of Lloyds British SSAS held a chattel mortgage over some test weights, with the estimated value of the security being £100k according to the directors' statement of affairs. Lloyds British SSAS is a pension fund for the benefit of one of the directors. The assets subject to the fixed charge have been realised and the amount of £102k has been paid to the secured creditor as detailed on our receipts and payments account.

Alfandari Private Equities Limited

Prior to the administration, Alfandari advanced an amount of c.£200k to the Company, purportedly in relation to a sale and lease back agreement of certain fixed assets. Alfandari was granted security over the assets of the Company as part of this transaction.

Prior to the commencement of administration, the Company had already repaid a total of c.£35k.

Following our appointment, Alfandari submitted a claim for £319k, being the amount realised from the assets purportedly subject to Alfandari's security. However, after investigating the matter and obtaining legal advice we negotiated a significant reduction in the amount of security claimed and paid Alfandari £156k in full and final settlement of their claim.

It therefore has no further claim in the estate and cannot participate in any unsecured distributions in respect of the remaining balance claimed by them.

Preferential creditors (mainly employees)

In their statement of affairs dated 22 December 2016, the directors thought that preferential claims would total around £90,000.

However, following the sale of the business to Speedy, 193 employees transferred to Speedy under TUPE, securing their ongoing employment and significantly reducing the number of preferential creditors.

Preferential creditor claims totalled £18,297 and were paid in full on 16 January 2018.

Unsecured creditors

Dividends become available for unsecured creditors when there are sufficient funds (after costs of the liquidation) to pay the secured and preferential creditors in full, with an amount left over. In certain circumstances, part of the amount available for secured creditors may be ring-fenced for the benefit of unsecured creditors. This prescribed part is paid out of 'net property', which is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003.

The amount of the prescribed part is:

- 50% of net property up to £10,000;
- 20% of net property above £10,000; and
- Subject to a maximum of £600,000.

Whilst the prescribed part applies in this case as there is a floating charge created after 15 September 2003, all secured debt was repaid from fixed charge realisations and book debts (as appropriate) such that there is no secured debt remaining that would be payable from any floating charge surplus.

Therefore, all funds held (after repayment of secured and preferential creditors) are available, after expenses of the liquidation, for unsecured creditors.

As previously reported, the level of asset realisations have been sufficient to enable an amount of £652k to be distributed to unsecured creditors so far.

This interim distribution represents a recovery of 20 pence in the £. More details on which may be found below.

We still anticipate that the overall return to unsecured creditors will be in the range of 35 -45 pence in the £.

We expect to pay a further interim dividend in the next six months. We will discuss this with the creditors' committee at the next committee meeting.

If you haven't already done so, please send your claim to us so that we can agree it for dividend purposes. A claim form can be downloaded from our website www.pwc.co.uk/lloydsbritishtesting.

Other matters

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 our fees and expenses within eight weeks of receiving this report as set out in Rule 18.34 IR16. This information can also be found in the guide to fees at: http://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2015/guide_to_liquidators_fees_oct_2015.ashx?la=en

You can also get a copy free of charge by telephoning Lee Panther on 0113 289 4804.

What we still need to do

There remain a number of tasks that we need to complete before we conclude the liquidation. These include:

- realising the remaining debts outstanding;
- concluding the closure of the Indian branch;
- concluding our ongoing enquiries (having taken any actions as required or appropriate);
- distributing further monies to unsecured creditors; and
- completing the necessary ongoing statutory tasks and other matters in the wind-down of the Company's affairs.

We are presently unable to estimate the length of time it will take to conclude the above matters as certain of the matters are outside of our control. However, we are focused on returning additional funds to unsecured creditors and to that end are aiming to make a further interim dividend to creditors ahead of eventual closure of the case and payment of final dividend.

Next report

We expect to send our next report to creditors and members at the end of the liquidation or in about 12 months, whichever is the sooner.

If you've got any questions, please get in touch with Lee Panther on 0113 289 4804.

Yours faithfully



Mike Denny
Joint liquidator

Michael Thomas Denny, David Robert Baxendale and Matthew David Hammond have been appointed as joint liquidators of Lloyds British Testing Limited. Michael Thomas Denny, David Robert Baxendale and Matthew David Hammond 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 website or by contacting the Joint Liquidation.

Appendix A: Information relating to the administration for the period after the administrators' final report

Fixed charge

Directors' statement of affairs (£)	Notes	Reported to 12 November 2017 (£)	From 13 November 2017 to 27 November 2017 (£)	Total to 27 November 2017 (£)
<i>Receipts</i>				
2,679,753	Book debts*	1,152,321.20	10,781.38	1,163,102.58
-	Plant & Machinery	424,426.96		424,426.96
-	Sale of business / Goodwill	2,430,406.73		2,430,406.73
	Sub-tenants	18,716.41		18,716.41
-	Third Party funds	471,060.14		471,060.14
2,679,753	Total receipts	4,496,931.44	10,781.38	4,507,712.82
<i>Payments</i>				
	Bank / Finance Charges	1,451.24	-	1,451.24
	Book debt collection agents	7,000.00	-	7,000.00
	Insurance	328.51	-	328.51
	Third party funds	441,024.94		441,024.94
	Total payments	449,804.69	-	449,804.69
Fixed Charge Creditors				
165,000	Alfandari	156,135.16	-	156,135.16
2,386,522	Lender Distribution	1,425,987.59	-	1,425,987.59
100,000	Lloyds British SSAS (pension scheme)	102,228.81	-	102,228.81
	Total distributions	1,684,351.56	-	1,684,351.56
2,679,753	Net fixed charge surplus	2,362,775.19	10,781.38	2,373,556.57

1. Total book debts of c. £2.5m were collected in the administration, with £1.4m being paid directly to the Lender and taken against its outstanding debt.
2. Some of the plant and machinery realised was subject to fixed charges. See corresponding payments to secured creditors.
3. Monies received into the our account and the RBS pre-appointment account which related to invoices issued after the sale of the business to Speedy and therefore due to them.

Floating charge

<i>Directors' statement of affairs</i> (£)	Notes	Reported to 12 November 2017 (£)	From 13 November 2017 to 27 November 2017 (£)	Total to 27 November 2017 (£)
<i>Receipts</i>				
	Bank Interest Gross	1,334.56	-	1,334.56
-	Motor Vehicles	50,478.29	-	50,478.29
1,058,403	Plant & Machinery	555,357.57	-	555,357.57
100,000	Stock	339,808.74	-	339,808.74
-	Sundry debts & refunds	16,645.49	-	16,645.49
	Third Party Funds	484.60	-	484.60
	Trading Surplus / (Defecit)	(213,245.15)	21,190.00	(192,055.15)
1,158,403	Total receipts	750,864.10	21,190.00	772,054.10
<i>Payments</i>				
	Agents' Fees (business rates)	602.98	-	602.98
	Agents' Fees (utilities)	3,000.00	-	3,000.00
	Bank / Finance Charges	965.00	-	965.00
	Insurance	2,310.00	-	2,310.00
	Legal fees & Expenses	121,605.13	-	121,605.13
	Office holders' fees	650,000.00	-	650,000.00
	Office holders pre-appointment expenses	103,720.75	-	103,720.75
	Professional Fees (vehicles)	8,275.00	-	8,275.00
	Professional Fees (P&M)	750.00	-	750.00
	Statutory advertising	143.22	-	143.22
	Storage Costs	581.16	-	581.16
	Sundry Appointment Related Costs	175.00	-	175.00
	Total payments	892,128.24	-	892,128.24
1,158,403	Net floating charge realisations	(141,264.14)	21,190.00	(120,074.14)
3,838,156	Total receipts and payments	2,221,511.05	31,971.38	2,253,482.43
	VAT Control Account	(84,671.83)	4,238.00	(80,433.83)
	Balance at Bank	2,136,839.22	36,209.38	2,173,048.60

Categories marked with an * on these final administration receipts and payments accounts have been retrospectively amended following a reconciliation. These amounts are the transactions relating to the £90,613 net settlement with Speedy previously reported.

Trading account

	Notes	Reported to 12 November 2017 (£)	From 13 November 2017 to 27 November 2017 (£)	Total to 27 November 2017 (£)
Trading Receipts				
Contribution to wages from Buyer		270,868.83		270,868.83
Leasehold Property		151,117.37		151,117.37
Monies advanced by RBS IF		663,568.12		663,568.12
Sales receipts*		410,384.21	2,090.00	412,474.21
Total trading receipts		1,495,938.53	2,090.00	1,498,028.53
Trading Payments				
Employee/Subcontractor Costs & Expenses		23,059.59		23,059.59
Insurance		90,150.49		90,150.49
Lease/Hire/HP Payments		4,466.27		4,466.27
Licenses, trade marks, royalties etc		15,998.07		15,998.07
Motor & travel expenses	4	111,215.21	(19,100.00)	92,115.21
Office costs, Stationery & Postage		10,214.22		10,214.22
PAYE/NIC and Pension Deductions		305,496.56		305,496.56
Purchases		58,950.88		58,950.88
Rates		2,101.11		2,101.11
Rent		182,076.21		182,076.21
Repairs & Maintenance		2,000.00		2,000.00
ROT Costs		18,627.84		18,627.84
Sales commission	5	98,894.90		98,894.90
Sub Contractors		39,828.14		39,828.14
Sundry Expenses		1,520.25		1,520.25
Telephone		1,426.93		1,426.93
Transport Costs		9,852.50		9,852.50
Utilities		29,105.76		29,105.76
Wages & Salaries	6	783,064.42		783,064.42
Total payments		1,788,049.35	(19,100.00)	1,768,949.35
Trading Profit / (Loss)		(292,110.82)	21,190.00	(270,920.82)

4. The receipt of £19.1k relates to a reimbursement by Speedy for payments made in relation to fuel cards following detailed final reconciliations of amounts owed.

5. This is commission due to Speedy for their collection of trading sales which belong to the Company following the sale of business.

6. Represents gross payroll costs for December 2016. The buyer contribution above offsets these amounts. Also included are the costs of arrears of wages for November 2016 totalling c.£500k, payment of what was necessary to ensure the construction of trade.

Appendix B: Receipts and payments

28 November 2017
to 27 November 2018
£

Receipts

Brought forward from administration	2,173,048.60
Bank Interest Gross	6,507.58
Book debts	56,996.44
Rent	15,833.34
Third Party funds	932.48
Trading Surplus / (Defecit)	8,026.77
Total receipts	2,261,345.21

Payments

Bank / Finance Charges	(62.00)
Book debt collection agents	(30,000.00) ¹
Legal fees & Expenses	(35,443.30)
Office holders' fees	(600,000.00)
Professional Fees (Indian sub.)	(7,916.37)
Statutory advertising	(73.00)
Storage Costs	(586.80)
Third party funds	(947.03)
Total payments	(675,028.50)

Total receipts and payments **1,586,316.71**

Preferential distribution (100p / £ paid on 16 January 2018) (18,296.47)

Unsecured creditors (20p / £ paid on 7 September 2018) (652,325.50)

Uncashed dividend cheques 42,706.29

VAT Control Account (liquidation) 4,852.92

VAT Control Account (administration) 38,011.64

Balance at Bank **1,001,265.59**

Notes:

1. Commission paid to our book debt collection agents in the period also includes amounts collected and accrued in the prior administration.

Trading Account

Receipts

Sales receipts	13,305.54
Total trading receipts	13,305.54

Trading Payments

Insurance	1,554.00
Rates	1,146.21
Telephone	2,569.99
Utilities	8.57
Total payments	5,278.77

Trading Profit / (Loss) **8,026.77**

Appendix C: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as liquidators from the estate and include our fees, but exclude distributions to creditors. The table also excludes any potential tax liabilities that we may need to pay as a liquidation expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Appendices A and B.

	Expenses outstanding from preceding period £	Incurred in the period under review £	Cumulative expenses £	Paid in the period £	Remaining expenses outstanding £
<i>Costs relating to the Administration</i>					
Administrators disbursements	10,000	-	10,000	-	10,000
Administrators fees *	928,000	-	928,000	(600,000)	328,000
Legal fees & expenses	31,000	-	31,000	(31,000)	-
Trading payments	5,279	-	5,279	(5,279)	-
Total	974,279	-	974,279	(636,279)	338,000
<i>Costs relating to the Liquidation</i>					
Bank / finance Charges	-	62	62	(62)	-
Book debt collection agents	-	30,000	30,000	(30,000)	-
Legal fees & Expenses	-	16,927	16,927	(4,443)	12,484
Liquidators' fees *	-	236,110	236,110	-	236,110
Liquidators' disbursements	-	1,510	1,510	-	1,510
Professional Fees (Indian sub.)	-	7,916	7,916	(7,916)	-
Statutory advertising	-	73	73	(73)	-
Storage Costs	-	734	734	(587)	147
Total	-	293,333	293,333	(43,081)	250,252

Notes:

*the figures provided for the officeholder's fees are based on the time costs we have incurred. Our fees are capped by the fees estimate agreed by the creditors committee (i.e. £1,378k in the administration). Therefore, the outstanding expenses figure is subject to change.

A remuneration report for the liquidation has not yet been provided to the creditors' committee and so an expenses estimate is not provided here. The most significant cost in the liquidation will be our remuneration and this has yet to be agreed with the creditors' committee. We will provide an updated expenses estimate as part of our remuneration report in due course.

In addition, any costs associated with our ongoing enquiries are unquantifiable and sensitive at this stage.

The costs of our book debt collection agents will be dependent upon the overall level of debts collected.

The other expenses of the liquidation should be minimal.

Appendix D: Remuneration update

During the administration, the creditors' committee fixed the basis of the administrators' fees by reference to time properly given by the administrators and their staff in dealing with the administration. The fee basis agreed in the administration continues to apply in the liquidation.

More details on our remuneration in the liquidation and the preceding administration are provided below.

Administrators' remuneration

You may recall that the creditors' committee approved our fees estimate of £1,378k.

Our total time costs for the administration were £1,578k and we have exceeded the fees estimate by £200k. Please refer to our final report on the administration for an explanation as to why the fee estimate was exceeded.

During the Liquidation we have drawn fees of £600k in relation to outstanding time costs from the administration. These can be seen on the receipts and payments account at Appendix A. This means we have drawn total remuneration in relation to the administration of £1,250k to date.

Liquidators' remuneration

The time cost charges incurred in the period covered by this report are £236,110. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

We will need to present to the creditors' committee for approval an updated fees estimate incorporating our time costs in the liquidation in due course.

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

Our hours and average rates from 28 November 2017 to 27 November 2018

Aspect of assignment	Partner (Hrs)	Director (Hrs)	Senior Manager (Hrs)	Manager (Hrs)	Senior Associate (Hrs)	Associate (Hrs)	Support (Hrs)	Total (Hrs)	Time cost £	Average hourly rate £
1 Accounting and treasury	-	-	0.10	9.80	40.00	27.18	-	77.08	17,656.00	229.06
2 Book debt realisations and assets	-	0.50	-	58.60	4.35	-	-	63.45	22,325.30	351.86
3 Creditors, claims and distributions	-	3.25	16.65	14.15	163.60	18.60	1.10	217.35	60,262.55	277.26
4 Creditors committee	-	1.50	0.50	14.80	15.05	-	-	31.85	10,314.90	323.86
5 Employees	-	-	-	3.85	14.60	-	-	18.45	4,774.45	258.78
6 Investigations / Enquiries	-	22.00	0.05	14.85	20.35	-	-	57.25	22,338.95	390.20
7 Pensions	-	0.20	0.60	5.80	7.45	4.00	-	18.05	7,809.30	432.65
8 Property	-	1.00	-	0.20	7.25	1.55	-	10.00	2,810.25	281.03
9 Statutory and compliance	-	4.50	0.70	16.50	41.85	10.05	2.50	76.10	21,707.85	285.25
10 Strategy and planning	4.00	11.00	5.10	21.90	29.25	-	0.60	71.85	26,310.65	366.19
11 Tax	1.00	-	5.15	27.50	4.25	2.50	-	40.40	20,979.35	519.29
12 VAT	-	-	13.00	3.95	25.40	1.60	-	43.95	18,820.40	428.22
Total for the period	5.00	43.95	41.85	191.90	373.40	65.48	4.20	725.78	236,109.95	325.32

Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the liquidation. 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 liquidation (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. For the avoidance of doubt, work carried out by our cashiers, support and secretarial staff is charged on a time costs basis and is included in the analysis of hourly rates charged by partners or other staff members. Time is charged in three minute units (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 liquidation.

We call on colleagues in our Tax, VAT, Real Estate and Pensions departments where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

Grade	Up to 30 June 2018 £	From 1 July 2018 £	Specialist staff £
Partner	620	640	1,315
Director	525	540	1,325
Senior manager	450	465	1230
Manager	355	365	675
Senior associate – qualified	268	275	495
Senior associate – unqualified	196	200	-
Associate	175	180	160
Support staff	92	95	

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

Payments to associates

We have paid £2,040 to PricewaterhouseCoopers Private Limited, which is the Indian branch of PwC network, in the period covered by this report. This payment was for assistance in relation to the closure of the Company's Indian branch. There remains an outstanding balance of £2,040 still to pay upon closure of the Indian branch. All payments will be ratified by the committee as a category 2 expense.

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.

Area of work	Work undertaken	Why the work was necessary and what, if any, financial benefit the work provided to creditors.
Accounting and treasury	<ul style="list-style-type: none"> • Closure of the administration bank account and the sweep of funds to the new liquidation account; • Management of funds held through bank reconciliations, payments, receipts and journals; and • Production of cheques and associated tasks for the payment of the preferential and unsecured distributions. 	<ul style="list-style-type: none"> • To enable the proper functioning of the liquidation bank account. • To enable the proper management of the liquidation.
Book debt realisations and assets	<ul style="list-style-type: none"> • Liaising with our solicitors regarding the collection of book debts; • Reviewing and providing supporting documentation to facilitate the collection of book debts; and • Submitting unsecured claims in other companies and receiving ad hoc dividend payments. 	<ul style="list-style-type: none"> • Realising assets for the benefit of creditors. • To ensure assets are realised for the maximum amount possible.
Creditors, claims and distributions	<ul style="list-style-type: none"> • Responding to unsecured creditor enquiries via email, telephone and post; • Sending correspondence inviting creditors to submit unsecured claims; • Sending notice of intended dividend to unsecured creditors; • Dealing with proof of debts received; • Adjudicating upon proofs of debt received and updating relevant systems; • Completing cash flow estimates and a dividend file to calculate dividend value; • Facilitating the payment of the unsecured distribution including the sending of dividend cheques; and • Dealing with uncashed cheques including the cancellation and re-issuing of replacement cheques. 	<ul style="list-style-type: none"> • To keep creditors informed of the progress of the liquidation. • For the proper administration of the insolvency. • To return money to creditors.
Creditors committee	<ul style="list-style-type: none"> • Liaising with the committee; 	<ul style="list-style-type: none"> • Statutory requirement and for the benefit of taking the views of creditors on key decisions.

Area of work	Work undertaken	Why the work was necessary and what, if any, financial benefit the work provided to creditors.
Employees	<ul style="list-style-type: none"> • Preparation for, and attendance at, the committee meeting on 17 May 2018; • Completing minutes of committee meetings; and • Filing statutory notices at Companies House. 	<ul style="list-style-type: none"> • To return money to creditors.
Investigations / Enquiries	<ul style="list-style-type: none"> • Facilitating the payment of the preferential distribution including the sending of cheques and correspondence; and • Liaising with the Redundancy Payments Office and HMRC regarding National Insurance and PAYE. 	<ul style="list-style-type: none"> • To fulfil our statutory obligations. • To potentially realise additional recoveries for the benefit of the estate.
Pensions	<ul style="list-style-type: none"> • Dealing with correspondence received from pension provider; and • Facilitating the appointment of a new trustee. 	<ul style="list-style-type: none"> • For the proper administration of the insolvency and Company affairs. • To enable the pensions scheme to properly function a new trustee needed to be appointed by the Pension Regulator.
Property	<ul style="list-style-type: none"> • Dealing with remaining surrender of leasehold property; and • Oversight of utilities and rates position on properties. 	<ul style="list-style-type: none"> • To mitigate landlords unsecured claims which will reduce the level of unsecured claims and increase the amount available for unsecured creditors.
Statutory and compliance	<ul style="list-style-type: none"> • Completing and sending initial letters and notifications on move to CVL; • Filing relevant notices at Companies House; • Liaising with contacts and authorities in India regarding formal closure of the branch office; • Maintaining internal job management systems; • Ongoing filing of documents and records; and • Dealing with postal correspondence received. 	<ul style="list-style-type: none"> • To comply with the Company's obligations in India. • For the proper administration of the insolvency.
Strategy and planning	<ul style="list-style-type: none"> • Periodic review of the case by appointment takers; • Team strategy calls and discussions; and • Preparing and reviewing budgets and monitoring costs. 	<ul style="list-style-type: none"> • Regulatory requirement for the purpose of ensuring adequate progression and supervision of the case. • Effective project management is important for the control of costs.

Area of work	Work undertaken	Why the work was necessary and what, if any, financial benefit the work provided to creditors.
Tax	<ul style="list-style-type: none"> • Submission of corporation tax returns for trading and administration periods; and • Submission of terminal loss relief claim. 	<ul style="list-style-type: none"> • The Liquidators are ‘proper officers’ of the Company for tax and VAT purposes and must ensure all ongoing returns and compliance matters are adhered to. • To reduce HMRC’s unsecured claim which would result in a larger dividend percentage to unsecured creditors.
VAT	<ul style="list-style-type: none"> • Ongoing completion and submission of quarterly VAT returns; • Reconciliation of VAT position to accounting systems; and • Exploring VAT bad debt relief opportunities. 	<ul style="list-style-type: none"> • The Liquidators are ‘proper officers’ of the Company for tax and VAT purposes and must ensure all ongoing returns and compliance matters are adhered to. • A VAT bad debt relief claim would result in additional recoveries for liquidation estate.

Our future work

We still need to do the following work in the liquidation.

Area of work	Work we need to do	Whether or not the work will provide a financial benefit to creditors
Accounting and treasury	<ul style="list-style-type: none"> • Effecting payments and receipts and maintaining CVL bank account. 	<ul style="list-style-type: none"> • Necessary as a bank account needed to pay distributions to unsecured and preferential creditors and funds must be subject to proper stewardship and controls.
Book debt realisations and assets	<ul style="list-style-type: none"> • Continued collection of outstanding book debt ledger; • Liaising with book debt collection agents; and • Issuing legal proceedings to outstanding debtors 	<ul style="list-style-type: none"> • Financial benefit as further book debt recoveries will increase future distributions.
Creditors, claims and distributions	<ul style="list-style-type: none"> • Responding to creditors enquiries. • Dealing with uncashed dividend cheques; • Agreement of any further claims received; and • Calculation and payment of further unsecured distribution(s). 	<ul style="list-style-type: none"> • Necessary to enable proper function of the CVL and to assist creditors. • Financial benefit as will return monies to creditors.
Closure procedures	<ul style="list-style-type: none"> • Obtaining clearances in advance of ceasing to act; • Completing closure checks; and • Submitting notices to dissolve the Company. 	<ul style="list-style-type: none"> • Necessary to formally finalise the CVL and dissolve the Company.

Area of work	Work we need to do	Whether or not the work will provide a financial benefit to creditors
Creditors committee	<ul style="list-style-type: none"> • Periodic updates and meetings with the creditors committee; and • Agreement of fees estimate. 	<ul style="list-style-type: none"> • Necessary under insolvency legislation and progression of the investigatory work.
Investigations	<ul style="list-style-type: none"> • Ongoing enquiries into the insolvency of the Company and potential asset recoveries; and • Reporting findings to creditors committee. 	<ul style="list-style-type: none"> • Potential financial benefit if investigatory work is successful.
Statutory and compliance	<ul style="list-style-type: none"> • Preparation and circulation of annual reports to creditors; • Filing of appropriate notices at Companies House; • Finalising the closure of the Indian branch; and • Maintenance of internal filing systems. 	<ul style="list-style-type: none"> • Necessary to comply with insolvency legislation and industry best practice.
Strategy and planning	<ul style="list-style-type: none"> • Ongoing team meetings; • Ongoing appointment taker review of case progression; and • Preparation and review of budgets and monitoring costs. 	<ul style="list-style-type: none"> • Necessary to ensure the efficient oversight of the CVL. • Necessary to comply with insolvency regulations and industry best practice.
Tax and VAT	<ul style="list-style-type: none"> • Continued submission of corporation tax returns; • Finalising the terminal loss relief claim; • Submission of VAT returns; • Submission of bad debt relief claim; and • Deregistration for VAT purposes. 	<ul style="list-style-type: none"> • Necessary to fulfil duties as proper officers of the Company for tax and VAT purposes. • Potential financial benefit if tax liability may be reduced. • Financial benefit to reclaim VAT from HMRC.

We will be discussing this future work (and its estimated costs) with the creditors committee and will update creditors in our next report.

Disbursements

We don't need to get approval to draw expenses or disbursements unless they are for shared or allocated services provided by our own firm, including room hire, document storage, photocopying, communication facilities. These types of expenses are called "Category 2" disbursements and they must be directly incurred on the case, subject to a reasonable method of calculation and allocation and approved by the same party who approves our fees.

Our expenses policy allows for all properly incurred expenses to be recharged to the liquidation and has been approved by creditors' committee in the prior administration, where required.

The following disbursements arose in the period of this report.

Category	Policy	Costs incurred (£)
2	Photocopying - at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	179.91
2	Mileage - At a maximum of 67 pence per mile (up to 2,000cc) or 81 pence per mile (over 2,000cc)	131.47
	All other disbursements reimbursed at cost	
1	Postage	1,150.08
	Other	48.78
	Total	1,510.24

Our relationships

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

Details of subcontracted work

The only work, which our staff or we would normally do and has been done by subcontractors is the collection of the book debts by Shakespeare Martineau. This work was subcontracted for resourcing and efficiency purposes and to save costs.

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
Legal services, including: <ul style="list-style-type: none">disclaiming lease; andgeneral legal advice.	Addleshaw Goddard LLP	Industry knowledge / insolvency expertise	Time costs and disbursements
Collection of outstanding book debts and trading sales	Shakespeare Martineau LLP	Industry knowledge / insolvency expertise	20% of realisations

Appendix E: Other information

Company's registered name:	Lloyds British Testing Limited
Trading name:	Lloyds British Testing Limited
Registered number:	04444099
Registered address:	Central Square, 29Wellington Street, Leeds, Ls1 4DL
Date of the Liquidators' appointment:	28 November 2017
Liquidators' names, addresses and contact details:	Michael Thomas Denny and David Matthew Hammond of PricewaterhouseCoopers LLP, Cornwall Court, 19 Cornwall Street, Birmingham, B3 2DT and David Robert Baxendale of PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT Contact email: lee.panther@pwc.com

Appendix F: Creditors' rights to opt out of receiving certain communications

The Insolvency (England and Wales) Rules 2016 ("IR16")

Information provided to creditors on opting out in accordance with Rule 1.39

As part of our first communication with you, we are required to inform you about your right to elect to opt out of receiving further documents relating to these proceedings as follows:

You have the right to elect to opt out of receiving further documents about these proceedings unless:

- (a) the Insolvency Act 1986 requires a document to be delivered to all creditors without expressly excluding opted-out creditors;
- (b) it is a notice relating to a change in the office-holder or the office-holder's contact details, or;
- (c) it is a notice of a dividend or proposed dividend or a notice which the court orders to be sent to all creditors or all creditors of a particular category to which the creditor belongs.

Any election to opt out will not affect a creditor's entitlement to receive dividends, should any be paid to creditors. Similarly, unless IR16 provide to the contrary, opting-out will not affect any right the creditor may have to vote in a decision procedure or participate in a deemed consent procedure in these proceedings, although the creditor will not receive notice of it.

If a creditor opts out, they will be treated as having opted out in respect of any consecutive insolvency proceedings of a different kind in respect of the same company.

A creditor can opt out at any time by delivering written notice to the office holder at the postal address noted in the covering correspondence or by e-mail to: creditorsenquiries@uk.pwc.com. The notice must be authenticated in accordance with rule 1.5 IR16 and dated by the creditor. A creditor will be treated as an opted-out creditor as soon as reasonably practicable after delivery of the creditor's election to opt out.

An election to opt out can be revoked at any time by delivering a further notice to the office-holder in writing, authenticated and dated by the creditor. A creditor ceases to be an opted-out creditor from the date the notice is received by the office holder.

Should you have any questions on this process, please use the contact details in the covering correspondence.