

AM10

Notice of administrator's progress report



Companies House

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COMPANIES HOUSE

1 Company details

Company number 03195445
Company name in full Tesla Exploration International Limited (In Administration)

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Samuel James
Surname Woodward

3 Administrator's address

Building name/number Ernst & Young LLP
Street 2 St Peters Square
Post town Manchester
County/Region
Postcode M23DF
Country UK

4 Administrator's name ①

Full forename(s) Colin Peter
Surname Dempster

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address ②

Building name/number Ernst & Young LLP
Street 144 Morrison Street
Post town Edinburgh
County/Region
Postcode EH38EX
Country UK

② Other administrator
Use this section to tell us about
another administrator.

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Period of progress report

From date

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To date

d 2 d 0 m 0 m 9 y 2 y 0 y 1 y 9

7

Progress report

☒ I attach a copy of the progress report


8

Sign and date

Administrator's
signature

Signature

X



X

Signature date

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Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Jack Lavery**

Company name **Ernst & Young LLP**

Address **No.1 Colmore Square**

Post town **Birmingham**

County/Region

Postcode **B 4 6 H Q**

Country

DX

Telephone



Checklist

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Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.



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Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



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This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse



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Ernst & Young LLP
No.1 Colmore Square
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B4 6HQ

Tel: + 44 121 535 2000
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ey.com

TO ALL KNOWN CREDITORS

14 October 2019

Ref: TEIL/SW/KP/JL/23/D16.1
Direct line: 0121 535 2456
Direct Fax: 0121 535 2001
Jack Lavery

Dear Sirs

Tesla Exploration International Limited (In Administration) (“the Company”)

High Court of Justice, Number 8326 of 2016

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the Administration. This report covers the period from 21 March 2019 to 20 September 2019 (“the Period”) and should be read in conjunction with the Joint Administrators’ Proposals dated 8 November 2016 and our previous progress reports dated 17 April 2019, 11 October 2018, 18 April 2018, 16 October 2017 and 18 April 2017.

Statutory information about the Company, the Administration and the office holders is given at Appendix 1.

Receipts and Payments Account

A receipts and payments account for the period from 21 March 2019 to 20 September 2019 is attached at Appendix 2. This does not reflect estimated future realisations or costs.

Extension of administration

On 9 September 2019 the Administrators extended the period of Administration, through application to the court, for a period of 6 months to 21 March 2020 in accordance with paragraph 76(2)(a) of Schedule B1 to the Insolvency Act 1986. The purpose for extending the administration is to enable the completion of the outstanding matters outlined below.

Summary of progress since our previous report dated 17 April 2019

Asset realisations

Accounts Receivable (excluding contingent assets)

As previously reported, the Company is due an outstanding balance of c.£1.6m from an overseas trade debtor. We understand that the debtor is subject to court proceedings and we do not anticipate realisation of this balance.



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Contingent assets

Demobilisation fee

A demobilisation fee of c. \$800k (c.£656k) (net of VAT) is due to the Company following the exportation of the Ethiopian plant and machinery and transfer of the assets off the Profit Sharing Agreement ("PSA") to which they are currently attached. We received an initial payment on account from the PSA holder of \$435,652 (c.£324k).

The export of the Ethiopian plant and machinery has been completed and the majority of relevant paperwork has been provided to the PSA holder. However, there are significant administrative challenges to realise the remainder of the demobilisation fee (c.£332k).

The remaining outstanding balance is subject to the satisfactory completion of a number of matters, which include:

- ▶ Provision to the PSA holder of export documentation in relation to certain assets;
- ▶ Tax clearance from the Ethiopian Inland Revenue and Customs Authority;
- ▶ Closure of the Company branch office in Ethiopia.

We previously engaged a local agent ("the Agent") to assist in the matters above. However, due to the complexity in achieving the remaining milestones we now do not anticipate any further realisations in respect to the demobilisation fee.

Provision to the PSA holder of export documentation

As stated, the majority of relevant paperwork relating to the exportation of the Ethiopian plant and machinery has been provided to the PSA Holder. However, the PSA holder requires further proof of exportation and these documents are currently being held at the Ethiopian border.

We have sought assistance from a former employee of the Company to retrieve the remaining documents. However, our attempts to engage with the former employee have been unsuccessful due to excessive payment demands.

Tax Clearance from Ethiopian Inland Revenue and Customs Authority

Prior to our appointment, the Company was involved in a tax dispute with the Ethiopian Inland Revenue and Customs Authorities ("the Ethiopian Tax Authorities"). As a result, the Company's Ethiopian bank account and Ethiopian VAT registration have been blocked. For the PSA holder to remit a further payment of the demobilization fee, the Company needs to address these matters. The Agent has been in contact with the Ethiopian Tax Authorities and informed us that the Ethiopian Tax Authorities require a further review of the case. We have also been informed that a compulsory tax audit from the Ethiopian Tax Authorities may be required before closure of the branch office in Ethiopia.

We have requested updates from the Agent in respect to the above however they have been unable to confirm how long the tax clearance process would last, nor have they provided any tangible evidence that this process would be successful. We have requested a final update, however at the time of writing this report, unfortunately this has not been forthcoming by the Agent.

Closure of Company branch office in Ethiopia

In order to close the Company's branch office, we require tax clearance from the Ethiopian Tax Authorities. The Agent is assisting with the closure of the Ethiopian branch office, however this is also dependent on assistance from the previous employee of the Company. As discussed, our attempts to engage with the former employee have been unsuccessful due to excessive payment demands.

Due to the complexity of the outstanding conditions, particularly those relating to tax, and the fact that no further updates have been provided by the Agent despite our continued efforts up until the time of writing this report, the Administrators have now concluded that it would not be in the best interest of creditors to continue to pursue the remaining debtor balance.

Joint Administrators' remuneration and expenses

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

The Administrators' remuneration was fixed on a time-cost basis by a resolution of the creditors passed on 8 February 2017 by the secured creditor and the preferential creditors.

During the Period, the Administrators have incurred time costs of £22,162. Total time costs incurred since the beginning of the administration are £420,315. Of this sum, £210,000 has been billed and paid. The Administrators' time costs exceed the amount provided for in the original fee estimate, however, we currently do not expect to charge remuneration in excess of the fee estimate. At Appendix 3 to this report there is an analysis and narrative explanation of the time spent.



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Joint administrators' statement of expenses incurred

During the Period, the Administrators have incurred and paid expenses totalling £2,476 plus VAT. The expenses can be summarised as follows:

| Type of Expense | Per Estimate Dated 8 November 2016 (£) | Paid as at 20 March 2019 (£) | Paid in Period (£) | Outstanding (£) | Total (£) |
|---|--|------------------------------|--------------------|-----------------|---------------|
| Payments made by the estate (see notes 1 and 2 at the end of this table) | | | | | |
| Insurance | 20,000 | 2,067 | - | - | 2,067 |
| Advertising | 200 | 85 | - | - | 85 |
| Company staff costs | 10,632 | 10,563 | - | - | 10,563 |
| Agent's costs | 5,000 | 13,368 | 240 ³ | - | 13,608 |
| Legal costs | 5,000 | 40,804 | - | 3,050 | 43,854 |
| Rent, rates and utilities | 4,500 | 5,915 | - | - | 5,915 |
| Books and records storage and /or destruction | 5,000 | 5,786 | 2,193 | 1,827 | 9,806 |
| Statement of affairs fee | - | - | - | - | - |
| Bank charges and interest | 1,000 | 755 | 43 | - | 799 |
| Category 1 disbursements | | | | | |
| Travel and accommodation costs | 5,000 | 4,421 | - | 81 | 4,502 |
| Specific penalty bond | 420 | 220 | - | - | 220 |
| Document verification | - | - | - | 46 | 46 |
| Category 2 disbursements | | | | | |
| Mileage | 1,000 | 846 | - | - | 846 |
| Internal bulk copying, printing and postage | 550 | 711 | - | 681 | 1,392 |
| Total | 58,302 | 85,542 | 2,476 | 5,683 | 93,702 |

Notes

- Statement of Insolvency Practice 9 (SIP 9) defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.

2. SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
 3. Agent's fees of £240 "Paid in Period" were incurred in the previous reporting period and relate to an exchange rate difference on fees paid to the Agent in USD.
- Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

Pre-administration costs

As previously reported, unpaid pre-Administration costs were approved for payment and have been drawn.

Distributions to creditors

Preferential Creditors

As previously reported, a first and final payment of £60k has been made to preferential creditors. No further contingency is required to be held in this regard.

Secured Creditor

HSBC Bank PLC had a total indebtedness estimated at c. £1.4m in the Directors' Statement of Affairs as at 21 September 2016 which is secured against the assets of the Company. Distributions totalling £75k have been paid to the Secured Creditor. A further final distribution of £264k was distributed after the Period.

The Prescribed Part

The prescribed part is a proportion of floating charge assets set aside for the non-preferential creditors pursuant to section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003. The charge in respect of the Company is dated 31 October 2007 and as such the provisions of the Prescribed Part will apply.

On 9 October 2019, the Joint Administrators sent a notice of intention to declare a dividend to all known unsecured creditors. The last day for proving claims is 1 November 2019 and the Joint Administrators intend to declare a final dividend within 2 months of this date. The value of the prescribed part is £88,573.

Unsecured non-preferential Creditors

We do not currently estimate that there will be sufficient funds to enable a distribution to the respective non-preferential creditors other than by virtue of the Prescribed Part.

Remaining work



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- Agreeing and paying distributions to unsecured creditors by virtue of the prescribed part.
- Settlement of all Administration costs.
- Completing statutory returns to HM Revenue & Customs, including those in relation to VAT, corporation tax.
- Closure of the Administration.

Next report

I will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner.

Yours faithfully
For the Company

A handwritten signature in black ink, appearing to be 'S Woodward'.

S Woodward
Joint Administrator

S Woodward is licensed in the United Kingdom to act as insolvency practitioners by The Institute of Chartered Accountants in England and Wales. C Dempster is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, C Dempster and S Woodward, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix 1

Information about the proceedings, the company and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

| | |
|---|---|
| Name of court: | High Court of Justice |
| Court reference: | 8326 of 2016 |
| Registered name of the company: | Tesla Exploration International Limited (In Administration) ("the Company") |
| Registered office address of the company: | c/o Ernst & Young LLP, No. 1 Colmore Square, Birmingham, B4 6HQ |
| Registered number: | 03195445 |
| Country of incorporation (for a company incorporated outside the United Kingdom): | N/A |
| Date of appointment of the joint administrators: | 21 September 2016 |
| Details of any changes of administrator: | On 7 April 2017 Tomislav Lukic resigned and was replaced by Colin Peter Dempster. |
| Full names of the administrators: | Samuel James Woodward and Colin Peter Dempster |
| Office holder number(s): | Samuel James Woodward (12030) Colin Peter Dempster (8908) |



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Administrators' address(es):

Colin Peter Dempster c/o Ernst & Young LLP,
144 Morrison Street, Edinburgh EH3 8EX

Samuel James Woodward c/o Ernst & Young LLP,
2 St Peter's Square, Manchester M2 3DF

Telephone number:

+44(0) 121 535 2456

Name of alternative person to contact with
enquiries about the case:

Jack Lavery



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Appendix 2

Tesla Exploration International Limited (In Administration) ("the Company")

Joint Administrators' Abstract of Receipts and Payments from 21 September 2016 to 20 September 2019

Tesla Exploration International Limited (In Administration)
Receipts and Payments account as at 20 September 2019

| | | Fixed charge | Floating charge | Fixed charge | Floating charge | Total |
|------------------------------------|--|--|--|--|--|--|
| | Realisable value as per Statement of Affairs | 21 September 2016 to 20 March 2019 | 21 September 2016 to 20 March 2019 | 21 March 2019 to 20 September 2019 | 21 March 2019 to 20 September 2019 | 21 September 2016 to 20 September 2019 |
| | £ | £ | £ | £ | £ | £ |
| Receipts | | | | | | |
| Cash and cash equivalents | - | - | 3,045.93 | - | - | 3,045.93 |
| Accounts Receivable | 429,303.91 | - | 27,709.46 | - | - | 27,709.46 |
| Property, Plant and Equipment | 500,000.00 | - | 350,000.00 | - | - | 350,000.00 |
| Contingent assets | - | - | 148,826.58 | - | - | 148,826.58 |
| Demobilisation fee | - | - | 324,384.78 | - | - | 324,384.78 |
| Other income | - | - | 45,973.87 | - | 2,431.92 | 48,405.79 |
| VAT Payable | - | - | - | - | - | - |
| | 929,303.91 | - | 899,940.62 | - | 2,431.92 | 902,372.54 |
| Payments | | | | | | |
| Direct Labour | - | - | (10,562.81) | - | - | (10,562.81) |
| Trading | - | - | (5,915.00) | - | - | (5,915.00) |
| Agents Fees | - | - | (20,296.62) | - | (2,433.05) | (22,729.67) |
| Other Expenses | - | - | (1,764.91) | - | (43.40) | (1,808.31) |
| VAT Receivable | - | - | (1,894.00) | - | 1,286.03 | (607.97) |
| Corporation Tax | - | - | - | - | (53.20) | (53.20) |
| Preferential Creditor Distribution | - | - | (59,776.77) | - | - | (59,776.77) |
| Secured Creditor Distribution | - | - | (75,000.00) | - | - | (75,000.00) |
| Joint Administrators Fees | - | - | (216,198.02) | - | - | (216,198.02) |
| Legal Fees | - | - | (40,803.93) | - | - | (40,803.93) |
| | | - | (432,212.06) | - | (1,243.62) | (433,455.68) |
| Balance in hand | | - | 467,728.56 | - | 1,188.30 | 468,916.86 |

Notes

1. Receipts and payments are stated net of VAT.
2. The Directors included costs lodged at court of £149k within Accounts Receivable. In line with previous reports, we have presented this in the 'Contingent assets' row.
3. Funds were held in interest bearing accounts until the 17 September 2019.



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Appendix 3

Joint Administrators' time costs for the period from 21 September 2016 to 20 September 2019 and a comparison with the fee estimate dated 8 November 2016.

Tesla Exploration International Limited (In Administration)
Time Cost Summary as at 20 September 2019

| Activity | Actual to 20 September 2019 | | | Time costs incurred from 21 March 2019 to 20 September 2019 | | | Per Fee Estimate dated 8 November 2016 | | |
|-------------------------------|-----------------------------|---------------------|-------------------------|---|---------------------|-------------------------|--|---------------------|-------------------------|
| | Total hours | Total time cost (£) | Average hourly rate (£) | Total hours | Total time cost (£) | Average hourly rate (£) | Total hours | Total time cost (£) | Average hourly rate (£) |
| Accounting and administration | 234.5 | 54,500 | 232 | 6.9 | 1,664.5 | 241 | 177.0 | 40,270 | 228 |
| Bank and statutory reporting | 237.4 | 60,797 | 256 | 40.9 | 10,632 | 260 | 100.0 | 28,250 | 283 |
| Creditors | 207.1 | 51,676 | 250 | - | - | - | 150.0 | 34,425 | 230 |
| Debtors | 56.7 | 14,599 | 257 | - | - | - | 22.0 | 5,670 | 258 |
| Employee matters | 204.0 | 50,671 | 248 | 7.5 | 1,725 | 230 | 104.0 | 27,510 | 265 |
| Immediate tasks | 53.5 | 13,407 | 251 | - | - | - | 57.0 | 14,320 | 251 |
| Investigations | 29.0 | 6,934 | 239 | - | - | - | 52.0 | 13,250 | 255 |
| Job acceptance & strategy | 11.6 | 4,156 | 358 | - | - | - | 24.0 | 7,310 | 305 |
| Legal issues | 5.6 | 1,288 | 230 | - | - | - | 120.0 | 33,325 | 278 |
| Other assets | 137.9 | 39,616 | 287 | 6.0 | 1,923 | 320 | 90.0 | 26,550 | 295 |
| Other matters | 21.5 | 6,100 | 284 | - | - | - | 20.0 | 5,675 | 284 |
| Pre-appointment | 75.9 | 19,557 | 258 | - | - | - | 75.9 | 19,557 | 258 |
| Property | 26.1 | 6,033 | 231 | - | - | - | 35.0 | 9,125 | 261 |
| Retention of title | 7.0 | 1,610 | 230 | - | - | - | 15.0 | 3,750 | 250 |
| Sale of Business | 74.3 | 17,089 | 230 | - | - | - | 210.0 | 56,775 | 270 |
| Statutory duties | 162.9 | 38,744 | 238 | 10.8 | 2,918 | 270 | 165.0 | 42,550 | 258 |
| Trading | 27.3 | 6,822 | 250 | - | - | - | 25.0 | 6,825 | 273 |
| VAT & taxation | 121.4 | 26,720 | 220 | 13.0 | 3,300 | 254 | 80.0 | 22,350 | 279 |
| Total Hours | 1,693.7 | 420,315 | 248 | 85.1 | 22,162 | 260 | 1,521.9 | 397,487 | 261 |

Note: Time is charged in 6 minute intervals

Accounting & Administration: this includes general administrative duties, preparation for the Company entering Administration, processing receipts and payments and maintaining the Joint Administrators' accounting records.

Bank & Statutory Reporting: this includes statutory reporting to all classes of creditors. Reports include the Joint Administrators Proposals to creditors, six monthly progress reports, report for change in the office holder, matters relating to the extension of Administration and filing of documents with the Registrar of Companies.

Creditors: this relates to correspondence with creditors and specific creditor matters. There were c.120 trade creditors of the Company per the Statement of Affairs.

Debtors: this relates to time spent in collecting the outstanding debtor book which is due to the Company.

Employee Matters: this relates to correspondence and calls with employees, answering queries, filing forms, liaising with the Redundancy Payments Office and processing claims. There were 13 employees who were made redundant prior to the Joint Administrators' appointment with all remaining employees made redundant during the administration period. Time spent also relates to the investigation of the employment status of certain individuals.

Immediate Tasks: this relates to carrying out tasks and duties on appointment, for example, business stabilization, matters in relation to physical security of Company assets, placing Company documentation in storage, notifying the insurance broker of the Administration.



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Investigation & CDDA: time spent carrying out Administrators' investigations into the directors' conduct and any issues which the Administrators were made aware by creditors or other parties.

Job Acceptance & Strategy: time spent in complying with our firm's internal compliance, job acceptance procedures prior to accepting an appointment and the strategy pursued in the Administration.

Legal Issues: time spent in relation to realisations of the contingent asset as well as the £1.6m receivable balance. Details of these issues can be found in the report above.

Other Assets: relates to assets other than debtors and plant and machinery of the business. This includes matters relating to the demobilization fee.

Other Matters: time spent on other matters arising in the Administration, for example, matters in relation to the subsidiary and immediate parent of the Company which are not in Administration.

Pre-Appointment: time spent prior to the appointment of the Joint Administrators in relation to preparation for the insolvency, planning for employee matters and negotiations with interested parties for potential sale of the business and/or assets of the Company.

Property: time spent conducting site visits, arranging for third parties to collect assets and arranging vacation of the property, including negotiations with landlords.

Retention of Title: relates to adjudicating Retention of Title claims made against the Company and claims made by third parties that the Company is controlling plant and machinery which belongs to the third party.

Sale of Business: time spent in relation of sale of assets of the business.

Statutory Duties: time spent in complying with statutory matters including filing letters and forms advising of the Joint Administrators' appointment.

Trading: time spent in relation to the wind down of the business during the period for which employees were retained.

VAT & Taxation: investigating the Company's VAT and corporation tax position up to the date of appointment, preparation and submission of VAT and corporation tax returns for the post appointment period.