

# AM10

## Notice of administrator's progress report



Companies House

SATURDAY



\*A858TGR5\*  
A17 11/05/2019 #315  
COMPANIES HOUSE

### 1 Company details

Company number 0 3 7 6 2 8 7 9

Company name in full Exosect Limited

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Paul

Surname Masters

### 3 Administrator's address

Building name/number Leonard Curtis

Street Bamfords Trust House

85-89 Colmore Row

Post town Birmingham

County/Region

Postcode B 3 2 B B

Country

### 4 Administrator's name ①

Full forename(s) Conrad

Surname Beighton

#### ① Other administrator

Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number Leonard Curtis

Street Bamfords Trust House

85-89 Colmore Row

Post town Birmingham

County/Region

Postcode B 3 2 B B

Country

#### ② Other administrator

Use this section to tell us about  
another administrator.

AM10

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**6** Period of progress report

From date	d	1	d	8	m	1	m	0	y	2	y	0	y	1	y	8
To date	d	1	d	7	m	0	m	4	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

d		d		m		m		y		y		y		y	
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# AM10

## Notice of administrator's progress report



### 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 **Thomas Madden**

Company name **Leonard Curtis**

Address  
**Bamfords Trust House**  
**85-89 Colmore Row**  
**Birmingham**

Post town

County/Region

Postcode **B** **3** **2** **B** **B**

Country

DX

Telephone **0121 200 2111**



### Checklist

**We may return forms completed incorrectly or with information missing.**

**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.



### Important information

**All information on this form will appear on the public record.**



### Where to send

**You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:**

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.



### Further information

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

**This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)**



**LEONARD CURTIS**  
BUSINESS RESCUE & RECOVERY

**EXOSECT LIMITED**  
**(IN ADMINISTRATION)**

Registered Number: 03762879

Court Ref: 8283 of 2018

High Court of Justice Business and Property Courts in Birmingham - Company & Insolvency List (CHD)

**Joint Administrators' first progress report in accordance with  
Rule 18.3 of the Insolvency (England and Wales) Rules 2016 (as amended)**

**Report period**  
**18 October 2018 to 17 April 2019**

**10 May 2019**

**Paul Masters and Conrad Beighton - Joint Administrators**  
**Leonard Curtis**  
**Bamfords Trust House, 85-89 Colmore Row, Birmingham B3 2BB**  
**Tel: 0121 200 2111 Fax: 0121 200 2122**  
**General email: [recovery@leonardcurtis.co.uk](mailto:recovery@leonardcurtis.co.uk)**  
**Ref: B/24/TM/E791C/1010**

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**STRICTLY PRIVATE AND CONFIDENTIAL  
NOT FOR PUBLICATION**

**TO: THE REGISTRAR OF COMPANIES  
ALL CREDITORS  
ALL MEMBERS**

**1 INTRODUCTION**

- 1.1 This report has been produced in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016 (as amended) ("the Rules") to provide creditors with an update on the progress of the administration of Exosect Limited ("the Company") for the period from 18 October 2018 to 17 April 2019. This is the Joint Administrators' first progress report to creditors.

**2 STATUTORY INFORMATION**

- 2.1 Paul Masters (IP No 8262) and Conrad Beighton (IP No 9556) were appointed as Joint Administrators of the Company in the jurisdiction of High Court of Justice Business and Property Courts in Birmingham - Company & Insolvency List (CHD), number 8283 of 2018 on 18 October 2018. The administration appointment was made by the court. The Joint Administrators can confirm that there has been no change in office-holder since the date of administration.
- 2.2 The administration is being handled by the Birmingham office of Leonard Curtis, which is situated at Bamfords Trust House, 85-89 Colmore Row, Birmingham B3 2BB.
- 2.3 The principal trading address of the Company was Leylands Business Park, Colden Common, Hampshire SO21 1TH. The Company also operated from a site near its principal trading address, which was Boyes Lane, Colden Common, Winchester SO21 1TA. The Company traded under the name "Exosect".
- 2.4 The registered office address of the Company at the date of the appointment of the Joint Administrators was Leylands Business Park, Colden Common, Hampshire SO21 1TH. Following the appointment of the Joint Administrators, this was changed to Bamfords Trust House, 85-89 Colmore Row, Birmingham B3 2BB. The registered number of the Company is 03762879.
- 2.5 For the purposes of paragraph 100(2) of Schedule B1 to the Insolvency Act 1986 (as amended), it should be noted that during the period of administration, any act or function required or authorised under any enactment to be done by the Joint Administrators may be exercised by all or any of the persons holding that office.
- 2.6 The Company's main centre of operations is based in the UK. The EC Regulation on Insolvency Proceedings applies and the proceedings are main proceedings under the Regulation.

**3 JOINT ADMINISTRATORS' PROPOSALS**

- 3.1 Attached at Appendix A is a summary of the Joint Administrators' approved proposals for achieving one of the three statutory purposes of administration ("the Proposals").
- 3.2 The Proposals were approved on 4 December 2018.
- 3.3 There have been no major amendments to, or deviations from, the Proposals during the course of the administration to date.

- 3.4 Whilst the first objective had not been discounted, it is no longer capable of being achieved given the extent of historic liabilities.
- 3.5 The second objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were to be wound up (without first being in administration). In the opinion of the Joint Administrators, it is considered that this objective has been achieved as the prompt appointment of the Joint Administrators has allowed immediate control of the Company's assets (thereby preserving their integrity), rather than there being a hiatus period before a liquidator was appointed.
- 3.6 The third objective is to realise property in order to make a distribution to secured and / or preferential creditors. This objective is likely to be achieved as the realisation of the Company's intellectual property may result in a distribution being made to the secured creditor. Based on the information available, it is unlikely that there will be sufficient funds available to make a distribution to preferential creditors.

#### **4 PROGRESS OF THE ADMINISTRATION**

- 4.1 Attached at Appendix B is the Joint Administrators' receipts and payments account for the period from 18 October 2018 to 17 April 2019, together with the Joint Administrators' trading receipts and payments account for the period 18 October 2018 to 14 December 2018.

##### **Sale of Business**

- 4.2 In the period leading up to their appointment, the Joint Administrators undertook a thorough review of the information and documentation available in respect of the Company, in order to determine the viability of completing a sale of the Company's business and assets. This included significant correspondence and meetings with the Company's directors, company secretary and the instruction of independent agents and valuers from Hilco Appraisal Limited ("Hilco"), to review and provide valuations of the Company's intangible and tangible assets, which includes the Company's patent portfolio. Hilco's valuation report was included as part of the Joint Administrators' witness statement and the directors' application to court for the administration order.
- 4.3 Prior to the administration, the Company's directors had been in discussions with a variety of potential new investors with a view of securing additional funding and, ultimately, saving the business. In this regard, and whilst it was considered unlikely, the first purpose of the administration had not been discounted. Furthermore, given the market in which the Company operates and potential interest from a number of investors prior to the appointment of the Joint Administrators, it was considered that there was potential for a sale of the Company's business and assets.
- 4.4 Accordingly, and upon the appointment of the Joint Administrators, Hilco was instructed to assist in the marketing and sale of the Company's business and assets. This included the assistance of director, Andrew MacNaughton ("AM"), who had specific knowledge and strong relationships with a number of potential investors who had previously expressed interest, and who held a database of interested parties within the market in which the Company operates. AM was considered integral in assisting the Joint Administrators in achieving any sale.
- 4.5 The marketing process commenced on 19 October 2018 and a mailshot, advertising the Company's business and assets for sale, was issued to approximately 10,070 potentially acquisitive parties. These parties included a database of contacts known to AM, a database of parties held by Hilco and a database of parties held by Leonard Curtis. The date set for best and final offers was 16 November 2018.
- 4.6 As a result of the marketing process, 17 interested parties signed and returned Non-Disclosure Agreements ("NDA"). Of the 17 parties who returned signed NDAs, four offers were subsequently received by the deadline of 16 November 2018, with two further parties showing continued interest, but which had not submitted an offer by the deadline.

- 4.7 As outlined in the Joint Administrators' previous report dated 22 November 2018, having regard to the offers received, it was not possible to rescue the Company as a going concern and achieve the first objective of the administration.
- 4.8 Subsequent to the deadline for offers, the Joint Administrators, with the assistance of Hilco and AM, where appropriate, corresponded with the various offerors in respect of the offers received. As a result of these discussions, the Joint Administrators proceeded with two offerors, both interested in specific and separate parts of the Company's business and assets.

**Sale One - International Pheromone Systems Limited ("IPS")**

- 4.9 The first offeror, being an unconnected third party and limited company in the UK, IPS, was solely interested in the element of the Company's business relating to the pheromone application for use on the stored commodity sector ("Pheromone Business"). This included the sale of two products, via two UK based distributors, and in accordance with various licences and regulations. One product specifically relates to various pest control applications and chemicals for indoor and outdoor use against rodents, birds and insects. The second product relates to various moth repellents used in the storage of clothes, shoes and garments.
- 4.10 The sale of the Pheromone Business and associated assets to IPS ("Agreement 1") was concluded, in part, on 21 December 2018 for a total consideration of £68,000 plus VAT. The consideration of £68,000 payable by IPS in respect of Agreement 1 is apportioned as follows:

	£
Aeraxon licence	1
Permitted records	1
Contracts	1
Equipment	25,000
Stock	9,000
Intellectual property rights	33,995
Goodwill	1
Authorisation notification	1
	<u>68,000</u>

- 4.11 Whilst the sale was concluded on 21 December 2018, the business and assets could not transfer to IPS until confirmation was received from a UK Government agency, Health and Safety Executive ("HSE"), that IPS was officially authorised to manufacture and sell the two products, and that IPS was reflected in this capacity within its database. In the event this confirmation was not received, there was potential for serious ramifications to IPS and the Joint Administrators, including criminal liability.
- 4.12 As a result of the above, the sale could not fully complete and consideration was not payable to the Joint Administrators until receipt of the required confirmation from HSE.
- 4.13 Following protracted correspondence between the Joint Administrators' solicitors, Squire Patton Boggs LLP ("SPB"), Hilco, IPS's solicitors, IPS's agents, the Company's landlord and HSE, the sale was finally concluded subsequent to the period of this report on 26 April 2019.
- 4.14 It should be noted, however, that due to the unforeseen delay in receiving the required confirmation from HSE, during the period between 21 December 2018 and the sale finally completing on 26 April 2019, a number of issues were encountered, which included, but were not limited to, the following:
- Two extensions were agreed between the parties to extend the terms of Agreement 1, in the absence of the confirmation from HSE in the timescale which had been previously anticipated;



- As a result of increasing storage costs imposed by the Company's former landlord, various correspondence and discussions were held between the Joint Administrators' professional advisors, including SPB and Hilco, in respect of uplifting and removal of assets from the Company's trading premises; and
- A deed of variation was agreed between the parties in order to complete the sale following receipt of written endorsement from HSE confirming IPS as the authorisation holder, as opposed to waiting for HSE's database to be updated to reflect the same.

4.15 As a result of the sale concluding, in accordance with Agreement 1, the business and assets in respect of the Pheromone Business were transferred to IPS and the total consideration of £68,000 plus VAT was received in full. Consideration is currently held by the Joint Administrators' solicitors, SPB, and will be transferred to the administration bank account in due course.

#### **Sale Two – In Progress**

4.16 The second offeror, being an unconnected third party and a company registered in Canada ('the Canadian company'), was solely interested in all of the Company's intellectual property ("IP"), excluding that which was included in the sale to IPS. The Company's IP includes, but is not limited to, designs, patents, trademarks, domain names, databases and technical records.

4.17 An offer for the Company's IP was accepted by the Joint Administrators in early January 2019, however, the Joint Administrators' solicitors, SPB, and both the Canadian company's Canadian and UK solicitors entered into protracted correspondence to agree the terms of the agreement ('Agreement 2') and various issues have been encountered throughout the process. This includes, but is not limited to, the following:

- Conference calls between the parties to discuss and agree the assets included within the sale;
- Various initial revisions of the assignment of IP documentation due to differences between UK and Canadian law;
- Protection of the Company and the Joint Administrators in respect of various international patent laws and complexities surrounding the assignment of the Company's IP;
- Further revisions of the assignment to reflect the sale of the Pheromone Business to IPS and the excluded assets as a result of this sale; and
- Practical discussions in respect of delivery of physical and electronic Company records held by the Joint Administrators and delivery of this upon and following completion of the sale.

4.18 Agreement 2 is expected to be completed shortly, creditors will be updated further in this regard in due course.

#### **Trading Period**

4.19 The Joint Administrators' trading receipts and payments account for the period 18 October 2018 to 14 December 2018 is enclosed at Appendix C.

4.20 As outlined in the Joint Administrators' previous report dated 22 November 2018, the Joint Administrators traded the business immediately upon their appointment in order to facilitate a potential sale of the Company's business and assets. However, having regard to the offers received following the deadline on 16 November 2018 and discussions with offerors subsequent to the deadline, it was determined that it was no longer feasible to continue trading the Company's business. Accordingly, the Company's remaining staff were made redundant on 14 December 2018 and the Joint Administrators' trading period was ceased on the same day.

- 4.21 In the period leading up to their appointment, the Joint Administrators and their staff corresponded with the directors, the Company's secretary and Company staff in order to prepare for the trading period. This included the preparation of cashflow forecasts to determine the extent of income and expenditure during the trading period, and whilst the Company's business and assets were being marketed for sale.
- 4.22 The trading period was funded by way of administration sales and the Company's cash at bank received from HSBC Bank Plc ("HSBC") immediately following the Joint Administrators' appointment. As outlined earlier in the Joint Administrators' previous report dated 22 November 2018, six of the Company's 12 employees were retained by the Joint Administrators to ensure the viability of the business during the administration trading period. The remaining six staff were made redundant on 14 December 2018.
- 4.23 Furthermore, and in respect of material trading expenditure during this period:
- *Boyes Lane, Colden Common, Winchester SO21 1TA ("Boyes Lane")*

In addition to the Company's head office at Leylands Business Park, the Company traded from Boyes Lane, which is located near to head office. This site was specifically used in research and development and consists of various portable units housing laboratory and testing equipment. Prior to the appointment, the directors issued instructions to remove the equipment from the site, decommission the units and hand back the premises to the landlord before December 2018.

Following their appointment, the Joint Administrators requested advice from Hilco in order to determine the benefit of recovering these assets and decommissioning the units. Given the value of the tangible assets in question and the potential issues with leaving hazardous biological material and pesticides at the units, Hilco advised that it was necessary for the Joint Administrators to incur the costs of recovering the assets in question and decommissioning these units. The costs in this regard are to be paid as an expense of the administration.
  - *Patent costs*

The Company's intangible assets consist of licences, software, trademarks, website, brands and a patent portfolio. Immediately upon their appointment, the Joint Administrators corresponded with the Company's patent attorneys, Schlich Ltd ("Schlich"), to establish the estimated cost of maintaining the Company's existing patent portfolio and trademarks during the trading period. This included the instruction of new patent attorneys, Forresters IP LLP ("Forresters"), to review the forecasts on behalf of the Joint Administrators and information provided by Schlich and to advise the Joint Administrators, accordingly.

Following various correspondence, a cost schedule was agreed by the Joint Administrators, Schlich and Forresters in order to maintain the Company's patent portfolio during the trading period. However, as outlined above, due to the level of interest and offers received in the Company's business and assets, it was no longer feasible to continue settling the respective costs to maintain and keep the Company's patent portfolio intact, pending a sale of the Company's business and assets. Nonetheless, the costs in respect of the patents are to be paid as an expense of the administration.
- 4.24 Creditors should note that the trading receipts and payments account is not a profit and loss account, nor is it the final receipts and payments accounts for the trading period.
- 4.25 The Joint Administrators are aware that there may be a number of trading expenses yet to be paid for the period of trading. Accordingly, a final trading receipts and payments account will be made available in due course.

**Tangible assets**

- 4.26 Other than the tangible assets included in the sale to IPS and the pending sale to the Canadian company, the Company owned various unencumbered items of office furniture and computer equipment.
- 4.27 Upon vacating the Company's former trading premises and uplifting the Company's physical records, Hilco uplifted these assets and advised that they be placed into auction for the benefit of the administration.
- 4.28 The assets were placed into auction by Hilco on 9 April 2019 and a total of £1,872 plus VAT was realised. These funds are currently held by Hilco and will be transferred into the administration bank account in due course.

**Debtors**

- 4.29 The Company's debtor balance totalling £18,507 represents amounts owing from its customers (£11,668), an overpayment of rent in respect of Boyes Lane (£1,118) and a prorated business rates credit (£5,721).
- 4.30 To date, debtor payments totalling £11,668 have been received by the Joint Administrators, which represents a full recovery of the amounts owing from the Company's customers. Furthermore, the prorated business rates credit of £5,721 has been received, in full, and is detailed separately below.
- 4.31 The remaining balance of £1,118 is due from the Company's former landlord of Boyes Lane. However, it was determined that this amount was not due to the Company and rent was paid, in full, up to and including the date the Company vacated the premises on 3 December 2018.
- 4.32 Accordingly, it is estimated that no further amounts will be recovered by the Joint Administrators in respect of the Company's debtors.

**Cash at Bank**

- 4.33 The Company operated several bank accounts with HSBC, which include bank accounts held in GBP (£), Euro (€) and USD (\$).
- 4.34 Following their appointment, the Joint Administrators requested HSBC to transfer the combined credit balance to the administration and close the Company's bank accounts. The bank accounts were subsequently closed and the combined credit balance totalling £138,511 was received into the administration.

**Rates refund**

- 4.35 As outlined above, a refund of £5,721 has been received from Winchester City Council in respect of a prepayment of business rates for the year 2018/2019.

**Deposit interest**

- 4.36 All funds received into the administration are deposited into an interest bearing bank account. To date, deposit interest totalling £140 has been received.

**5 ASSETS STILL TO BE REALISED**

- 5.1 The only assets remaining to be realised are those included within the pending sale to the Canadian company, as detailed above. Creditors will be updated further in this regard in due course.

**6 INVESTIGATIONS**

- 6.1 Following their appointment, the Joint Administrators considered the information acquired in the course of appraising and realising the business and assets of the Company, together with information provided by the Company's directors and its creditors, to identify any further possible realisations for the estate and what further investigations, if any, might be appropriate.
- 6.2 That assessment did not identify any possible further realisations. In addition, the Joint Administrators concluded that no further investigations were required. If, however, any creditor is aware of any particular matters which they consider require investigation, they should please send full details to this office at the address given at the front of this report.
- 6.3 Regardless of the above, the Joint Administrators have complied with their statutory obligations under the Company Directors Disqualification Act 1986 and the appropriate report has been submitted to the relevant authority.

**7 JOINT ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS****Pre-Administration Costs**

- 7.1 The pre-administration costs in this case are summarised below:

Charged by	Services provided	Total amount charged £	Amount paid £	Who payments made by	Amount unpaid £
Leonard Curtis Recovery Limited	Please refer to paragraph 7.4	39,824.00	-	n/a	39,824.00
Squire Patton Boggs (UK) LLP	Please refer to paragraph 7.4	38,423.11	-	n/a	38,423.11
Hilco Appraisal Limited	Please refer to paragraph 7.4	12,000.00	-	n/a	12,000.00
		<b>90,247.11</b>	<b>-</b>		<b>90,247.11</b>

- 7.2 In conjunction with issuing the Joint Administrators' previous report dated 22 November 2018, and as the Joint Administrators anticipated that there may be funds available to allow a dividend to be paid to the secured creditor, and potentially, to preferential creditors, the secured creditor was requested to approve that the pre-administration costs above may be paid as an expense of the administration.
- 7.3 At the date of this report, whilst the Joint Administrators' proposals were deemed approved on 4 December 2018, the secured creditor has not yet approved the payment of pre-administration costs, the Joint Administrators' Fee Estimate nor the settlement of category 2 disbursements.
- 7.4 The pre-administration costs incurred by Leonard Curtis, SPB and Hilco were detailed substantively in the Joint Administrators' previous report dated 22 November 2018
- 7.5 Subject to the secured creditor approving that the pre-administration costs above may be paid as an expense of the administration, and subject to there being sufficient funds available to do so, the pre-administration costs above will be settled in due course.

**Joint Administrators' Remuneration**

- 7.6 In conjunction with issuing the Joint Administrators' previous report dated 22 November 2018, and as the Joint Administrators anticipated that there may be funds available to allow a dividend to be paid to the secured creditor, and potentially, to preferential creditors, the secured creditor was requested to approve the Joint Administrators' Fees Estimate.
- 7.7 At the date of this report, whilst the Joint Administrators' proposals were deemed approved on 4 December 2018, the secured creditor has not yet approved the payment of pre-administration costs, the Joint Administrators' Fees Estimate nor the settlement of category 2 disbursements.
- 7.8 The time charged by the Joint Administrators for the period of this report amounts to £125,877. This represents 415.3 hours at an average rate of £303.10 per hour. A summary of time costs incurred in the period is set out at Appendix C, together with a detailed description of work undertaken in the period, attributable to each category of time costs, and an explanation of why it was necessary for that work to be performed.
- 7.9 Attached, at Appendix D, is a summary of time costs incurred to date compared with time costs as set out in the Joint Administrators original Fees Estimate.
- 7.10 You will note that time costs incurred to date do significantly exceed the time as set out in the Fees Estimate. The areas where significant variance has occurred relate to the following:

**Receipts and Payments**

Additional timecosts have been incurred particularly in relation to the monitoring and payment of additional and a number of unforeseen expenses which have been incurred during the period since appointment, including rental and storage costs.

**Insurance, Bonding and Pensions**

Additional timecosts have been incurred in dealing with pension schemes, assessment and payment of various pension contributions owed and dealing with employees in relation to the same.

**Assets**

The timecosts are substantially more following large volumes of correspondence over a protracted period of time in relation to the sale of assets to IPS (including the unforeseen delays regarding HSE authority) and in dealing with the pending sale of assets to the Canadian company. Time included in this category also includes correspondence with the Joint Administrators' professional advisors in relation to the Company's assets, and in the maintenance of the Company's patent portfolio.

**Liabilities**

Timecosts have been incurred in dealing with a large volume of employee and creditor queries and the redundancy payments service, particularly following the cessation of the period of the Joint Administrators' trading.

**Landlords**

Due to the requirement for assets to be stored at the Company's former trading site during the period prior to the completion of the sale of assets to IPS, further timecosts were incurred in liaising with the landlord in this regard.

**Trading**

Additional timecosts have been incurred in relation to dealing with various trading matters and expenses, following the cessation of the period of trading.

**General Administration**

Further timecosts have been incurred in dealing with the Company's books and records, including the electronic records contained on the Company's servers.

**Planning and Strategy**

Additional timecosts within this category relate to significant correspondence which has been required with the Joint Administrators' professional advisors during both of the protracted sales of assets, Agreement 1 and Agreement 2, as well as advice required in respect of the patent portfolios, storage and movement of the Company's assets.

- 7.11 The administration is not yet complete and it is therefore anticipated that further time costs will be incurred in dealing with this matter. The Joint Administrators anticipate that the Fees Estimate will be further exceeded, however, it is not anticipated that a revised Fees Estimate will be issued to creditors. The information provided above is therefore for information purposes only.
- 7.12 Further guidance may be found in "A Creditors' Guide to Administrators' Fees" which may be downloaded from:  
<https://www.r3.org.uk/what-we-do/publications/professional/fees>
- 7.13 If you would prefer this to be sent to you in hard copy please contact Thomas Madden of this office on 0121 200 2111.
- 7.14 No remuneration has been drawn in respect of the Joint Administrators' remuneration to date.

**8 JOINT ADMINISTRATORS' EXPENSES**

- 8.1 Creditors will recall that the Joint Administrators have previously circulated a 'Statement of Likely Expenses' in this matter.
- 8.2 Expenses are separated into the following categories:
- (i) Standard Expenses: this category includes expenses payable by virtue of the nature of the administration process and / or payable in order to comply with legal or regulatory requirements.
  - (ii) Case Specific Expenses: this category includes expenses likely to be payable by the Joint Administrators in carrying out their duties in dealing with issues arising in a particular case. Also included within this category are costs that are directly referable to the administration but are not paid to an independent third party (and which may include an element of allocated costs).
- 8.3 In conjunction with issuing the Joint Administrators' previous report dated 22 November 2018, and as the Joint Administrators anticipated that there may be funds available to allow a dividend to be paid to the secured creditor, and potentially, to preferential creditors, the secured creditor was requested to approve the drawing of category 2 disbursements.
- 8.4 As stated above, the secured creditor has not yet approved the settlement of category 2 disbursements.

## EXOSECT LIMITED – IN ADMINISTRATION

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- 8.5 A copy of the Joint Administrators' statement of likely expenses, together with comparative details of expenses incurred during the current reporting period and confirmation as to whether those amounts are paid or unpaid is set out at Appendix E.
- 8.6 You will note that expenses incurred to date greatly exceed what was initially anticipated. This is due to a large number of unforeseen costs incurred in respect of the following:
- Costs involved in site clearance, particularly in relation to hazardous chemicals, which had to be properly dealt with.
  - Costs involved with additional and increasing rent in relation to storage of the Company's assets at the former trading site, together with removal of the assets to try and minimise future costs.
  - Additional legal costs involved in maintenance of the Company's patents in order to preserve the assets and maximise future realisations in the sale of the intellectual property
  - Additional agents' costs in relation to ad hoc advice re the Company's patent portfolio, and assistance provided in relation to the two prospective, separate asset sales.
  - Additional legal costs involved in protracted correspondence with IPS and its professional advisors due to unforeseen delays in obtaining the relevant HSE authority, which subsequently delayed the completion of a sale by several months.
  - Additional legal costs involved in protracted correspondence with the Canadian company due to various changes to documentation, and issues arising with respect to Canadian law. This remains ongoing.
  - Additional employee and consulting expenses including pension costs, due to the uncertainty in prospective business sales which resulted in a longer trading period whilst offers were reviewed.
  - Additional trading costs including IT costs, heat, telephones etc due to the extended period of trading, and dealing with matters as they arose.
- 8.6 Attached at Appendix F is additional information in relation to Leonard Curtis' policy on staffing, the use of sub-contractors, disbursements and details of current charge-out rates by staff grade.
- 8.7 Under Rule 18.9 of the Rules, within 21 days of receipt of this report, a secured creditor, or an unsecured creditor with either the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or with the permission of the court, may make a written request to the Joint Administrators for further information about remuneration or expenses set out in this report.
- 8.8 Under Rule 18.34 of the Rules, any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court, on the grounds that the basis fixed for the Joint Administrators' remuneration is inappropriate, or the remuneration or expenses charged by the Joint Administrators are, in all the circumstances, excessive.
- 8.9 The application must be made no later than eight weeks after receipt of the progress report that first reports the fee basis, the charging of the remuneration or the incurring of the expenses in question.
- 8.10 Unless the court orders otherwise, the costs of the application shall be paid by the applicant and are not payable as an expense of the administration.

**9 ESTIMATED OUTCOME FOR CREDITORS**

- 9.1 In order to assist the various classes of creditors in assessing the quantum of any dividend which may or may not be payable to them, we have produced an Estimated Outcome Statement. This is attached at Appendix G.

**Secured Creditor**

**The late Mr George Pinto, as security trustee for investors (“the Secured Creditor”)**

- 9.2 The Company has outstanding loans from the Secured Creditor, which are secured by a debenture conferring fixed and floating charges over the Company's assets dated 26 September 2016 and registered at Companies House on 7 October 2016. These loans were provided by a group of investors, led by an individual, Mr George Pinto, who acted as security trustee for all investors.
- 9.3 At the date of administration it was understood that the total amount due to the Secured Creditor in respect of these loans totalled £3,352,257, including interest accrued to the date of administration.
- 9.4 As a result of the sale of the Company's business and assets to IPS and the pending sale to the Canadian company, as outlined earlier in this regard, it is anticipated that a distribution will be made to the Secured Creditor pursuant to its fixed charge.
- 9.5 At the date of this report, however, the quantum and timing of this distribution has not yet been determined and will be discussed with the Secured Creditor's personal representatives in due course.

**Prescribed Part**

- 9.6 The Insolvency Act 1986 (as amended) provides that, where a company has created a floating charge after 15 September 2003, the administrator must make a *prescribed part* of the company's net property available to the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction
- 9.7 As there is not expected to be any net property available, it is not anticipated that there will be a prescribed part in this case.

**Preferential Claims**

- 9.8 The only categories of claims which have preferential status are those of employees in respect of wages and accrued holiday pay and certain pension contributions.
- 9.9 Following the Joint Administrators' appointment, six of the Company's 12 employees were made redundant. In the period leading up to appointment, it was determined that the six retained employees would be integral for the purpose of a potential sale of the Company's business and assets. These employees had specific knowledge and valuable expertise, who would benefit a potential purchaser and assist in the sale of the Company's intangible assets.
- 9.10 As outlined above, the remaining six employees were made redundant by the Joint Administrators on 14 December 2018 and immediately upon the conclusion of the Joint Administrators' trading period.
- 9.11 Based on the information currently available, it is unlikely that there will be sufficient funds available with which to make a distribution to preferential creditors.



**Unsecured Claims**

- 9.12 At the date of administration, it was anticipated that unsecured creditor claims in the administration would total £187,966. To date, claims totalling £282,874 have been received in the administration.
- 9.13 Based on the information available, it is considered unlikely that there will be sufficient funds available with which to make a distribution to unsecured creditors in this case.
- 9.14 If you have not already done so, please submit details of your claim to my office. A proof of debt form is attached at Appendix H for your ease of use.

**10 MATTERS STILL TO BE DEALT WITH**

- 10.1 Matters still to be dealt with before conclusion of the administration include the following:
- Completion of the sale of assets to the Canadian company;
  - Settlement of remaining trading expenses;
  - A distribution, if any, to the Secured Creditor pursuant to its fixed charge security; and
  - Agreement and settlement of the costs and expenses of the administration, where funds permit.

**11 EXTENSIONS TO THE ADMINISTRATION**

- 11.1 The appointment of administrators ordinarily ceases to have effect at the end of the period of one year from the date of their appointment.
- 11.2 In certain circumstances it may be necessary to extend the Joint Administrators' term of office. In the context of this case, this may be done for a specified period not exceeding twelve months, with the consent of the Secured Creditor.
- 11.3 Based on the information currently available, the Joint Administrators do not believe that an extension to the administration will be necessary in this case.

**12 NEXT REPORT**

- 12.1 The Joint Administrators are required to provide a progress report which must be delivered within one month of the end of the next six months of the administration or earlier if the administration has been finalised.

**13 DATA PROTECTION**


- 13.1 Finally, when submitting details of your claim in the administration, you may disclose personal data to the Joint Administrators. The processing of personal data is regulated in the UK by the General Data Protection Regulation EU 2016/679 as supplemented by the Data Protection Act 2018, together with other laws which relate to privacy and electronic communications. The Joint Administrators act as Data Controllers in respect of personal data they obtain in relation to this administration and are therefore responsible for complying with Data Protection Law in respect of any personal data they process. The Joint Administrators' privacy notice, which is attached to this report at Appendix I, explains how they process your personal data. Terms used in this clause bear the same meanings as are ascribed to them in Data Protection Law.

## **EXOSECT LIMITED – IN ADMINISTRATION**

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If you wish to discuss the issues raised in this report or require any additional information, please contact this office.

Yours faithfully  
for and on behalf of  
**EXOSECT LIMITED**



**PAUL MASTERS**  
**JOINT ADMINISTRATOR**

Paul Masters and Conrad Beighton are authorised to act as insolvency practitioners in the UK by the Institute of Chartered Accountants in England and Wales under office holder numbers 8262 and 9556, respectively

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

**SUMMARY OF JOINT ADMINISTRATORS' APPROVED PROPOSALS**

It is proposed that:

1. The Joint Administrators continue to manage the business, affairs and property of the Company in such a manner as they consider expedient with a view to achieving the statutory purposes of the Administration.
2. If appropriate, the Joint Administrators take any action they consider necessary with a view to the approval of a Company Voluntary Arrangement ("CVA") or Scheme of Arrangement in relation to the Company.
3. If appropriate, the Joint Administrators file a notice with the Registrar of Companies in order that the Administration will cease and the Company will move automatically into Creditors' Voluntary Liquidation. It is further proposed that Paul Masters and/or Conrad Beighton be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them. NB. Creditors may nominate a different person as the proposed Liquidator, provided that the nomination is made after receipt of these proposals and before the proposals are approved.
4. Alternatively, if appropriate, the Joint Administrators apply to Court under Para 65 (3) of Schedule B1 to the Insolvency Act 1986 (as amended) for permission to make a distribution to the unsecured creditors within the Administration.
5. In the event that there are no monies remaining to be distributed to creditors and as soon as all matters relating to the Administration have been completed, the Joint Administrators file a Notice with the Registrar of Companies that the Company should be dissolved.
6. The Joint Administrators investigate and, if appropriate, pursue any claims that they or the Company may have against any directors or former directors, other third parties, officers or former officers, advisers or former advisers of the Company.
7. The Company may be placed into compulsory liquidation in circumstances where assets are still to be realised or investigations concluded yet there will be no return to unsecured creditors. In these circumstances it is further proposed that Paul Masters and/or Conrad Beighton be appointed (Joint) Liquidator(s) of the Company and that where Joint Liquidators are proposed any act required or authorised to be done by the Joint Liquidators may be exercised by both or either of them.
8. The Joint Administrators shall do all such other things and generally exercise all of their powers as contained in Schedule 1 of the Insolvency Act 1986, as they consider desirable or expedient to achieve the statutory purpose of the Administration.

**SUMMARY OF JOINT ADMINISTRATORS' RECEIPTS AND PAYMENTS ACCOUNT FOR THE PERIOD FROM  
18 OCTOBER 2018 TO 17 APRIL 2019**

	<b>18 October 2018 to 17 April 2019</b>	<b>Total</b>
	<b>£</b>	<b>£</b>
<b>RECEIPTS</b>		
Aeroxon licence	1.00	1.00 *
Permitted records	1.00	1.00 *
Contracts	1.00	1.00 *
Equipment	25,000.00	25,000.00 *
Stock	9,000.00	9,000.00 *
Goodwill	1.00	1.00 *
Authorisation notification	1.00	1.00 *
Intellectual property rights	33,995.00	33,995.00 *
Tangible assets	1,872.00	1,872.00 *
Debtors	11,667.69	11,667.69
Cash at bank	138,510.70	138,510.70
Deposit interest	140.20	140.20
Rates refund	5,720.88	5,720.88
	<u>225,911.47</u>	<u>225,911.47</u>
<b>PAYMENTS</b>		
Legal fees and expenses		4,016.91
Boyes Lane		15,823.40
Asset storage costs		5,527.77
Category 1 disbursements		888.40
Current trading loss		77,843.00
		<u>104,099.48</u>
<b>BALANCE IN HAND</b>		<u><u>121,811.99</u></u>

All figures above are provided in GBP (£) and are shown net of VAT.

\* The monies in respect of the receipts highlighted above are not held in the administration bank account but will be transferred in due course.

**SUMMARY OF JOINT ADMINISTRATORS' TRADING RECEIPTS AND PAYMENTS FROM  
18 OCTOBER 2018 TO 14 DECEMBER 2018**

<b>RECEIPTS</b>	<b>£</b>
Administration trading sales	30,106.00
	<u>30,106.00</u>
<b>PAYMENTS</b>	
Heat, light & telephone	3,032.42
Patent costs	17,914.75
Stock purchases	1,612.24
Internet/broadband	61.88
Software licences	270.00
Payroll cost	24,931.33
Staff expenses	194.45
Business rates	7,822.27
Rent	17,278.70
Staff pension contributions	8,203.76
Other professional costs	6,316.21
Category 1 disbursements	16,972.97
Service/maintenance	2,873.02
Bank charges	465.00
	<u>107,949.00</u>
<b>BALANCE IN HAND</b>	<u><u>(77,843.00)</u></u>

All figures above are provided in GBP (£) and are shown net of VAT.

Based on the information currently available, it is not anticipated that any further sales will be achieved in the administration trading period.

Creditors should note that the above trading receipts and payments is not a profit and loss account, nor is it the final receipts and payments accounts for the trading period. A final trading receipts and payments will be made available in due course.

APPENDIX C

SUMMARY OF JOINT ADMINISTRATORS' TIME COSTS FOR THE PERIOD FROM 18 OCTOBER 2018 TO 17 APRIL 2019

	Director		Senior Manager		Manager 1		Administrator 1		Administrator 3		Administrator 4		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review	-	-	-	-	16	584.00	72	1,872.00	-	-	3	45.00	91	2,501.00	274.84
Receipts & Payments	13	585.00	3	123.00	29	1,058.50	135	3,510.00	10	210.00	-	-	190	5,486.50	288.76
Insurance	-	-	-	-	22	803.00	83	2,158.00	1	21.00	-	-	106	2,982.00	281.32
Assets	192	8,640.00	1	41.00	508	18,542.00	742	19,292.00	-	-	-	-	1,443	46,515.00	322.35
Liabilities	-	-	1	41.00	62	2,263.00	198	5,148.00	15	315.00	-	-	276	7,767.00	281.41
Landlords	10	450.00	-	-	34	1,241.00	104	2,704.00	-	-	-	-	148	4,395.00	296.96
Trading	22	990.00	-	-	297	10,840.50	680	17,680.00	-	-	-	-	999	29,510.50	295.40
Debenture Holder	-	-	-	-	4	146.00	33	858.00	-	-	-	-	37	1,004.00	271.35
General Administration	24	1,080.00	-	-	15	547.50	96	2,496.00	-	-	3	45.00	138	4,168.50	302.07
Appointment	3	135.00	4	164.00	30	1,095.00	14	364.00	18	378.00	-	-	69	2,136.00	309.57
Planning & Strategy	25	1,125.00	-	-	120	4,380.00	305	7,930.00	-	-	-	-	450	13,435.00	298.56
Post Appointment Creds Mtngs	10	450.00	-	-	33	1,204.50	132	3,432.00	-	-	-	-	175	5,086.50	290.66
Investigations	-	-	-	-	8	292.00	23	598.00	-	-	-	-	31	890.00	287.10
Total	299	13,455.00	9	369.00	1,178	42,997.00	2,617	68,042.00	44	924.00	6	90.00	4,153	125,877.00	
Average Hourly Rate (£)		450.00		410.00		365.00		260.00		210.00		150.00		303.10	
All Units are 6 minutes															

## DESCRIPTION OF TIME SPENT BY CATEGORY

### Statutory and Review

This category of activity encompasses work undertaken for both statutory and case management purposes. Whilst this work will not directly result in any monetary value for creditors, it will ensure that the case is managed efficiently and resourced appropriately, which will be of benefit to all creditors. The work to be carried out under this category will comprise the following:

- Case management reviews. These will be carried out periodically throughout the life of the case. In the early stages of the case this will involve weekly team meetings to discuss and agree case strategy and a month 1 review by the firm's Compliance team to ensure that all statutory and best practice matters have been dealt with appropriately. As the case progresses we will as a minimum carry out one three month review and six monthly reviews to ensure that the case is progressing as planned;
- Allocation of staff, management of staff, case resourcing and budgeting;
- Review of time costs data to ensure accurate posting of time and to ensure compliance with Statement of Insolvency Practice 9;
- Review of work carried out by more junior members of staff to ensure quality of work and adherence to standards, legislation and best practice;
- The team is required under the Company Directors' Disqualification Act 1986 to review the Company's records and consider information provided by creditors on the conduct of the all directors involved in the Company during the three years leading up to the insolvency. This will result in the preparation and submission of statutory returns or reports on all directors to the Insolvency Service. Evidence of unfit conduct can result in directors being disqualified for periods of up to 15 years;
- Review of directors' sworn statement of affairs and filing of document at Companies House in accordance with statutory requirements; and
- Completion of case closing procedures at the end of the case.

All of the above, bar the review of the directors' statement of affairs and case closing procedures has been completed to date.

### Receipts and Payments

This category of work will not result in a direct financial benefit for creditors. However, close monitoring of case bank accounts is essential to ensure that bank interest is maximised where possible, estate expenses are properly managed and kept to a minimum and amounts payable to creditors are identified and distributed promptly.

- Opening of case bank accounts;
- Management of case bank account(s) to ensure compliance with relevant risk management procedures;
- Regular review of case bank account by senior member of staff to ensure that fixed and floating charge assets have been properly identified and prescribed part funds have been set aside where appropriate;
- Preparation of periodic receipts and payments accounts for inclusion in statutory reports. In this case, it is anticipated that three reports will be issued to creditors, being the Joint Administrators' report and proposals (this report), the Joint Administrators' first progress report and the Joint Administrators' final progress report;
- Timely completion of all post appointment tax and VAT returns; and
- Managing estate expenses.

All of the above has been completed to date.

### Insurance

Insolvency Practitioners are obliged to comply with certain statutory requirements when conducting their cases. Some of these requirements are in place to protect company assets (see insurance and bonding matters below), whilst requirements in respect of company pension schemes are there to protect the pension funds of Company employees. Whilst there is no direct financial benefit to Company creditors in dealing with these, close control of case expenditure is crucial to delivering maximum returns to the appropriate class of creditor.

- Periodic review of insurance requirements over company assets, to minimise costs to the estate;
- Calculation and request of joint administrators' bond in accordance with the Insolvency Practitioners' Regulations 2005. A Bond is a legal requirement on all administrations and is essentially an insurance policy to protect creditors against the fraud or dishonesty of the Insolvency Practitioner. The bond is calculated by reference to the value of assets which are estimated before costs to be available to unsecured creditors;
- Periodic review of bonding requirements to ensure that creditors are appropriately protected. The bond is reviewed upon each large receipt of monies into the case and also at three month intervals in accordance with best practice;
- Completion and submission of statutory notifications under the Pensions Act 2004. This includes liaising with the Company directors and staff to establish the existence of Company pension schemes, making the statutory notifications under s22 and s120 of the pensions legislation; liaising with pensions providers to understand the nature of the scheme, and submitting claims to the Redundancy Payments Service for reimbursement of unpaid contributions to the scheme.
- Liaising with pension companies to arrange for prompt wind up of schemes. This may involve the instruction of an independent agent to liaise with the pension provider on behalf of the Joint Administrators, discharge the Joint Administrators' statutory obligations and wind up the scheme, accordingly.
- Dealing with and corresponding with insurers and the directors in respect of various queries raised by the directors in respect of the cancellation of Company insurance policies.

All of the above has been completed to date, or is ongoing.

### Assets

This category relates to, but is not limited to, the following:

- Immediate meetings on appointment with AM, the Company's secretary and key staff members to ascertain the position in respect of various Company assets, both intangible and tangible;
- Various correspondence, telephone conference calls and substantive discussions with Hilco in respect of the mailshot issued to various parties upon appointment of the Joint Administrators, including review and comments on various documents, where appropriate;
- Initial telephone calls with AM and potentially interested parties in respect of the sale of the Company's business and assets, addressing any relevant queries;
- Substantive correspondence with Hilco in respect of the sale of the Company's business and assets, including attendance in various conference calls with interested parties;
- Further correspondence with potential purchaser(s) and progressing matters to the stage of sale contract(s), corresponding with Hilco, Squire and other parties where appropriate to complete any sale of the Company's business and assets;
- Various correspondence, conference calls and discussions in respect of the Company's IP. This includes correspondence with Schlich in order to maintain the Company's patent and trademark portfolio, Forresters and relevant staff, together with periodic updates and costs schedule reviews in respect of the patent maintenance costs for the benefit of the administration;
- Securing various tangible assets, including discussions and correspondence in respect of Boyes Lane;
- Correspondence with Hilco and relevant staff in respect of the Company's stock;
- Correspondence with HSBC and securing the credit balance into the administration;
- Correspondence with the various debtors to secure payments into the administration estate.



## **EXOSECT LIMITED – IN ADMINISTRATION**

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- Substantial and protracted correspondence with Hilco, Squires and both IPS and the Canadian company, plus their professional advisors, in relation to completing two separate sales of the Company's assets, as detailed earlier in this report.

All of the above has been completed to date, or is ongoing.

### **Liabilities**

This category of time includes both statutory and non-statutory matters.

#### *Statutory*

- Processing of claims from the Company's creditors;
- Processing of claims from the Company's redundant employees;
- Preparation, review and submission of pre-appointment tax and VAT returns; and
- Preparation and submission of periodic progress reports to creditors.

#### *Non-statutory*

- Dealing with enquiries from the Company's creditors, which includes various telephone calls and correspondence with creditors and maintaining the Joint Administrators' records of creditor claims;
- Dealing with enquiries from the Company's employees, which includes addressing the redundant employees upon the appointment of the Joint Administrators and dealing with subsequent queries from redundant staff, and retained staff.

All of the above has been completed to date, or is ongoing.

### **Landlords**

- Review of current leases in respect of Company premises. This includes both of the Company's premises, being head office located at Leylands Business Park and Boyes Lane; and
- Liaising with landlords in respect of premises. This includes telephone calls and substantive correspondence with the two landlords upon and following the appointment of the Joint Administrators.
- Significant timecosts have also been spent in liaising with the landlord, agreeing and paying costs in respect of storage of assets at the Company's trading premises following appointment.

### **Trading**

This category relates to, but is not limited to, the following:

- Immediate attendance at the Company's head office upon the appointment of the Joint Administrators, including initial discussions with directors and key staff;
- Attending to immediate day one issues, including securing Company assets, dealing with management of operations and retained staff functions, meter readings, correspondence issued by retained staff, notifying key suppliers in respect of the administration trading period;
- Dealing with various issues by retained staff and third parties, including suppliers, and resolving accordingly;
- Undertaking a review of the Company's trading income for the period of administration, meetings and discussions with key staff and AM to clarify position, initial discussions with the Company's customers and securing advanced payments in respect of trading sales;
- Periodic review and monitoring trading expenditure, including the maintenance of administration trading forecasts, payments to suppliers, energy providers, service/maintenance costs, solicitors in respect of patent/trademark costs, staff salaries, sub-contractor payments, landlords and associated matters.

### **Debenture Holder**

This category relates to correspondence with the Secured Creditor and resolving any associated matters.

### **General Administration**

- General planning matters;
- Setting up and maintaining the Joint Administrators' records;
- Arranging collection and storage of company records. and
- Dealing with general correspondence and communicating with directors and shareholders.

### **Appointment**

- Statutory notifications to creditors and other interested parties following the administrators' appointment;
- Preparation of case plan; and
- Formulation of case strategy, including recording of any strategic decisions.

### **Planning & Strategy**

- Internal discussions in respect of case progression, case related matters and discussing strategy in respect of the administration;
- Correspondence with various instructed professional advisors, including Squires, Hilco, Forresters and Schlich.

### **Post Appointment Creditors' Decisions**

- Preparation of Joint Administrators' Proposals for achieving a statutory purpose of the administration;
- Preparation of Fees Estimate and Statement of Expenses in accordance with Insolvency (Amendment) Rules 2015; and
- Convening a decision by correspondence to agree Fees Estimate with appropriate body of creditors;
- Reporting on outcome of voting.

### **Investigations**

- Collecting and reviewing the Company's records;
- Conducting initial investigations into the Company's affairs/records to identify the possibility of further realisations and enable the submission of returns due under the Company Directors Disqualification Act 1986.

**SUMMARY OF JOINT ADMINISTRATORS' TOTAL TIME COSTS TO DATE  
INCORPORATING A COMPARISON WITH THE JOINT ADMINISTRATORS' APPROVED FEES ESTIMATE**

	FEES ESTIMATE			INCURRED TO DATE		
	Total			Total		
	Units	Cost	Average hourly rate	Units	Cost	Average hourly rate
	No	£	£	No	£	£
Statutory and review	85	2,757.50	324.41	91	2,501.00	274.84
Receipts and payments	70	2,117.50	302.50	190	5,486.50	288.76
Insurance, bonding and pensions	60	1,812.50	302.08	106	2,982.00	281.32
Assets	800	26,697.50	333.72	1,443	46,515.00	322.35
Liabilities	175	5,475.00	312.86	276	7,767.00	281.41
Landlords	50	1,647.50	329.50	148	4,395.00	296.96
Trading	745	22,637.50	303.86	999	29,510.50	295.40
Debenture Holder	30	980.00	326.67	37	1,004.00	271.35
General administration	80	2,627.50	328.44	138	4,168.50	302.07
Appointment	69	2,136.00	309.57	69	2,136.00	309.57
Planning and strategy	175	5,887.50	336.43	450	13,435.00	298.56
Post appointment creditors' decisions	160	4,892.50	305.78	175	5,086.50	290.66
Investigations	35	1,110.00	317.14	31	890.00	287.10
	2,534	80,778.50	318.78	4,153	125,877.00	303.10
						45,098.50

**SUMMARY OF JOINT ADMINISTRATORS' EXPENSES  
FROM 18 OCTOBER 2018 TO 17 APRIL 2019  
INCORPORATING A COMPARISON OF THE JOINT ADMINISTRATORS'  
STATEMENT OF LIKELY EXPENSES**

**Standard Expenses**

Type	Charged by	Description	Estimated Amount £	Total Amount Incurred to Date £	Amount Incurred in This Period £	Amount Paid £	Amount Unpaid £
AML Checks	Business Tax Centre	Electronic client verification	20.00	20.00	20.00	20.00	-
Bond Fee	AUA Insolvency Risk Services	Insurance bond	135.00	135.00	135.00	135.00	-
Document Hosting	Pelstar Computing	Hosting of documents for creditors	56.00	28.00	28.00	28.00	-
Software Licence Fee	Pelstar Computing	Case management system licence fee	87.00	87.00	87.00	87.00	-
Statutory Advertising	Courts Advertising	Advertising	83.02	83.02	83.02	83.02	-
Storage Costs	Charles Taylor	Storage of books and records	500.00	70.61	70.61	-	70.61
Miscellaneous Expenses 1	Various	Boyes Lane clearance costs, heat, light, water, IT and telephone services	16,810.45	67,186.96	67,186.96	67,186.96	-
Miscellaneous Expenses 2	Various	Subsistence and travel costs	500.00	535.38	535.38	535.38	-
Category 1 Disbursements – Trading Period	Various	Employees' salaries	-	15,995.75	15,995.75	15,995.75	-
	Ace Liftaway	Waste management	-	474.00	474.00	474.00	-
	Philspace Ltd	Provision of storage units	-	217.92	217.92	217.92	-
	Crown Water	Water services to trading premises	-	213.30	213.30	213.30	-
	Gamma Business	IT Services	-	71.99	71.99	71.99	-
		<b>Total standard expenses</b>	<b>18,191.47</b>	<b>85,118.93</b>	<b>85,118.93</b>	<b>85,047.82</b>	<b>70.61</b>

# EXOSECT LIMITED – IN ADMINISTRATION

## Case Specific Expenses

Type	Charged by	Description	Estimated Amount £	Total Amount Incurred to Date £	Amount Incurred in This Period £	Amount Paid £	Amount Unpaid £
Courier Costs	City Today Couriers	Collection of books and records	-	234.00	234.00	-	234.00
Agents' Fees and Expenses	Hilco Appraisals Ltd	Valuation of assets, ad hoc advice, marketing of assets for sale, dealing with interested parties etc	37,500.00	59,413.87	59,413.87	-	59,413.87
Legal Fees and Expenses	Squire Patton Boggs (UK) LLP	Ad hoc legal advice, dealing with sales of business and assets to two separate parties, all relevant formalities and negotiations	17,500.00	69,387.50	69,387.50	-	69,387.50
Legal Fees and Expenses	Schlich Limited	Administering IP portfolio and various payments to preserve patent registrations	4,200.00	17,914.75	17,914.75	17,914.75	-
Legal Fees and Expenses	Forresters IP LLP	Review of patents costs schedule	600.00	600.00	600.00	600.00	-
Legal Fees and Expenses	Borden Ladner Gervais LLP	Advice on Canadian law required for Agreement 2	2,400.00	3,416.91	3,416.91	3,416.91	-
Consultancy Fees	Andrew MacNaughton	Assistance with attempted business sale, marketing and dealing with interested parties	-	34,796.00	34,796.00	-	34,796.00
Staff Mileage	Leonard Curtis	Category 2 disbursement requiring specific creditor approval	750.00	505.13	505.13	-	505.13
Insurance	AUA Insolvency Risk Services	Insurance of all assets and trading premises	2,500.00	2,500.00	2,500.00	-	2,500.00
Agents' Fees and Expenses	Insol Group (HR) Limited	Pension review	-	275.00	275.00	275.00	-
Rent / Asset Storage	Leyland Business Park, Philspace Ltd	Rent and storage costs	-	23,294.87	23,294.87	23,294.87	-
Business Rates	Winchester City Council	Rates payable	-	7,822.27	7,822.27	7,822.27	-
Bank Charges		CHAPS Fee	-	472.50	472.50	472.50	-
		<b>Total case specific expenses</b>	65,450.00	220,632.80	220,632.80	53,796.30	166,836.50

### LEONARD CURTIS POLICY REGARDING FEES, EXPENSES AND DISBURSEMENTS

The following Leonard Curtis policy information is considered to be relevant to creditors:

#### Staff Allocation and Charge Out Rates

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters as set out in a fees estimate, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rate given below.

With effect from 6 January 2014 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis:

6 Jan 2014 onwards	Standard	Complex
	£	£
Director	450	562
Senior Manager	410	512
Manager 1	365	456
Manager 2	320	400
Administrator 1	260	325
Administrator 2	230	287
Administrator 3	210	262
Administrator 4	150	187
Support	0	0

Office holders' remuneration may include costs incurred by the firm's in-house legal team, who may be used for non-contentious matters pertaining to the insolvency appointment.

#### Subcontractors

Where we subcontract out work that could otherwise be carried out by the office holder or his/her staff, this will be drawn to the attention of creditors in any report which incorporates a request for approval of the basis upon which remuneration may be charged. An explanation of why the work has been subcontracted out will also be provided.

#### Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements.

The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

#### Expenses

We are required to provide creditors with an estimate of the expenses we expect to be incurred in respect of an assignment and report back to them on actual expenses incurred and paid in our periodic progress reports. There are two broad categories of expenses: standard expenses and case specific expenses. These are explained in more detail below:

- Standard Expenses – this category includes expenses which are payable in order to comply with legal or regulatory requirements and therefore will generally be incurred on every case. They will include:

Type	Description	Amount
------	-------------	--------

## EXOSECT LIMITED – IN ADMINISTRATION

AML checks	Electronic client verification in compliance with the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017	£5.00 plus VAT per individual																								
Bond / Bordereau fee	Insurance bond to protect the insolvent entity against and losses suffered as a result of the fraud or dishonesty of the IP	£10.00 to £1,200.00 dependent on value of assets within case																								
Company searches	Extraction of company information from Companies House	£1.00 per document unless document can be accessed via the free service																								
Document hosting	Hosting of documents for creditors/shareholders	<table border="1"> <thead> <tr> <th>Type</th><th>First 100</th><th>Every addtl 10</th></tr> </thead> <tbody> <tr> <td>ADM</td><td>£14.00</td><td>£1.40</td></tr> <tr> <td>CVL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>MVL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>CPL</td><td>£7.00</td><td>£0.70</td></tr> <tr> <td>CVA</td><td>£10.00</td><td>£1.00</td></tr> <tr> <td>BKY</td><td>£10.00</td><td>£1.00</td></tr> <tr> <td>IVA</td><td>£10 p.a. or £25 for life of case</td><td></td></tr> </tbody> </table>	Type	First 100	Every addtl 10	ADM	£14.00	£1.40	CVL	£7.00	£0.70	MVL	£7.00	£0.70	CPL	£7.00	£0.70	CVA	£10.00	£1.00	BKY	£10.00	£1.00	IVA	£10 p.a. or £25 for life of case	
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Post re-direction	Redirection of post from Company's premises to office-holders' address	0-3 months £204.00 3-6 months £303.00 6-12 months £490.00																								
Software Licence fee	Payable to software provider for use of case management system	£87.00 plus VAT per case																								
Statutory advertising	Advertising of appointment, notice of meetings etc. - London Gazette - Other	£83.02 plus VAT per advert Dependent upon advert and publication																								
Storage costs	Costs of storage of case books and records	£5.07 plus VAT per box per annum plus handling charges																								

- b) Case-specific expenses – this category includes expenses (other than office-holders' fees) which are likely to be payable on every case but which will vary depending upon the nature and complexity of the case and the assets to be realised. They will include:

Type	Description	Amount
Agents' fees	Costs of appointed agents in valuing and realising assets	Time costs plus disbursements plus VAT
Debt Collection fees	Costs of appointed debt collectors in realising debts	Generally agreed as a % of realisations plus disbursements plus VAT
Legal fees	Costs of externally appointed solicitors. Will generally comprise advice on validity of appointment, drafting of sale contracts, advice on retention of title issues and advice on any reviewable transactions.	Time costs plus disbursements plus VAT
Other disbursements	See <b>disbursements</b> section below	See <b>disbursements</b> section below

### Disbursements

Included within both of the above categories of expenses are disbursements, being amounts paid firstly by Leonard Curtis on behalf of the insolvent entity and then recovered from the entity at a later stage. These are described as Category 1 and Category 2 disbursements.

- a) Category 1 disbursements: These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses (excl. mileage), and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) Category 2 disbursements: These are 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 can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision:

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£81.25 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.

## ESTIMATED OUTCOME STATEMENT

<b>Assets Specifically Pledged</b>	<b>£</b>
Aeroxon licence	1.00
Permitted records	1.00
Contracts	1.00
Goodwill	1.00
Authorisation notification	1.00
Intellectual property rights	33,995.00
	<u>34,000</u>
Less: Mr George R Pinto, as Security Trustee for investors	(3,352,257)
(Shortfall) to Mr George R Pinto, as Security Trustee for investors	<u>(3,318,257)</u>
<b>Assets Not Specifically Pledged</b>	<b>£</b>
Plant & equipment	25,000
Tangible assets	1,872
Stock	9,000
Debtors	11,667.69
Cash at bank	138,510.70
Deposit interest	140.20
Rates refund	5,720.88
	<u>191,911</u>
Less: Pre-administration costs and expenses	(90,247)
Less: Joint Administrators' Fee Estimate	(80,779)
Less: Joint Administrators' Standard Expenses	(85,119)
Less: Joint Administrators' Case Specific Expenses	(220,633)
	<u>(476,778)</u>
Funds available for distribution to preferential creditors	<u>(284,867)</u>
<b>Preferential creditors - dividend rate</b>	<b>Nil</b>
<b>Unsecured creditors - dividend rate</b>	<b>Nil</b>

The above estimated outcome statement has been prepared based on the information and documentation currently available and is subject to change following the pending sale of assets to the Canadian company.



**Proof of Debt – General Form**  
**Relevant date: 18 October 2018**

**Name of Company in Administration:**

Exosect Limited

**Company registered number:**

03762879

1. Name of creditor (if a company, provide registration number)

2. Correspondence address of creditor (including email address)

3. Total amount of claim (£) at relevant date (include any Value Added Tax)

4. If amount in 3 above includes outstanding uncapitalised interest, state amount (£)

5. Details of how and when the debt was incurred (if you need more space attach a continuation sheet to this form)

6. Details of any security held, the value of the security and the date it was given

APPENDIX H (cont)

7. Details of any reservation of title claimed in respect of goods supplied to which the debt relates

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8. Details of any document by reference to which the debt relates

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9. Signature of creditor (or person authorised to act on the creditor's behalf)

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10. Date of signing:

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11. Address of person signing (if different from 2 above)

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12. Name in BLOCK LETTERS

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13. Position with, or relation to, creditor

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Notes:

1. There is no need to attach them now but the office-holder may ask you to produce any document or other evidence which is considered necessary to substantiate the whole or any part of the claim, as may the chairman or convenor of any qualifying decision procedure.
2. This form can be authenticated for submission by email by entering your name in block capitals and sending the form as an attachment from an email address which clearly identifies you or has been previously notified to the office-holder. If completing on behalf of the company, please state your relationship to the company.

**PRIVACY NOTICE**

**Information we collect and hold about you**

By requesting details of your claim in this insolvency, we may collect Personal Data from you, particularly if you are a consumer creditor, a sole trader or are lodging a claim in your personal capacity.

Personal Data is information relating to a living individual. Whenever Personal Data is processed, collected, recorded, stored or disposed of it must be done within the terms of the General Data Protection Regulation ("the GDPR"). Examples of Personal Data include but may not be limited to your name, address, telephone number and email contact details.

If you do not provide us with the information we require, this may adversely affect our ability to deal with your claim, but we would ask you not to submit more Personal Data than we request from you.

**Legal justification for processing your Personal Data**

The processing of your Personal Data by us is necessary to enable us to comply with legal obligations under the Insolvency Act 1986 and associated legislation which we are subject to as Insolvency Practitioners.

**How we use your information**

All information you supply to us is required to enable us to comply with our duties under the Insolvency Act 1986 and associated legislation. It will be used to enable us to assess the extent of the insolvent entity's liabilities, to allow you to vote on any decision procedures, to enable us to communicate with you, to process your claim and to pay any dividends which may be due to you from the insolvent estate.

**Who we share your information with**

We may be required to share some of your Personal Data with other creditors. The data which will be shared with other creditors will be limited to that specifically required to be disclosed under insolvency legislation.

We may share some of your information with our Data Processors. Data Processors include solicitors, accountants and employment law specialists who assist us with our duties where required. We will only share your information with our Data Processors if we require their specialist advice. All of our Data Processors are subject to written contracts with us to ensure that your Personal Data is processed only in accordance with the GDPR.

**How long will we hold your Personal Data for?**

We will need to hold your Personal Data for a period of time after the insolvency has been concluded. This is to enable us to deal with any queries which might arise. Our Records Management Policy requires us to destroy our physical files 6 years after closure of the case. Electronic data files will be removed from our Case Management System 6 years after conclusion of the case but may be held on our server for a longer period of time but with restricted access.

**Your rights in respect of your Personal Data**

You have the right to request access to your Personal Data and to require it to be corrected or erased. You also have the right to request a restriction in the way we process your Personal Data or to object to its processing. You should be aware however that we may not be able to comply with your request if this would affect our ability to comply with our legal obligations.

You have the right to Data Portability. This is a right to have the Personal Data we hold about you to be provided to you in a commonly used and machine-readable format so that you can transfer that Data to another organisation in a way that is not too onerous to upload the Data.

**Your right to complain**

You have the right to be confident that we are handling your Personal Data responsibly and in line with good practice. If you have a concern about the way we are handling your Personal Data you should contact our Privacy Manager in the first instance.

If you are unable to resolve your concerns with us, you have the right to complain to the Information Commissioners' Office. The Information Commissioner can be contacted at Wycliffe House, Water Lane, Wilmslow, Cheshire SK6 5AF or on 0303 123 1113.

**Contacting us**

If you have any questions relating to the processing of your Personal Data, please write to our Privacy Manager at Leonard Curtis, 5<sup>th</sup> Floor, Grove House, 248A Marylebone Road, London NW1 6BB Alternatively our Privacy Manager can be contacted by telephone on 0207 535 7000 or by email: [privacy@leonardcurtis.co.uk](mailto:privacy@leonardcurtis.co.uk).

**Data Controller: LEONARD CURTIS**