

TO ALL KNOWN CREDITORS AND MEMBERS

17 March 2023

Ref: CGJK/AMH/KH/NH/JB
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Dear Sir or Madam

Interserve Plc (in Compulsory Liquidation) (formerly in Administration) (“the Company”)

**High Court of Justice Business and Property Courts of England and Wales
Insolvency and Companies List (ChD), Number BR-2019-000339**

On 21 January 2022 (“the Date of Appointment”), a winding up order was made in respect of the Company in the High Court of Justice, Business and Property Courts of England and Wales, with Alan Michael Hudson and Robert Hunter Kelly being appointed as joint liquidators (“the Joint Liquidators”), pursuant to paragraph 79 of Schedule B1 to the Insolvency Act 1986 (“the Act”) (the “Liquidation”).

The preceding administration ceased on the Date of Appointment and the former joint administrators, being Robert Hunter Kelly and Alan Michael Hudson (“the former Joint Administrators”), were formally discharged from liability in respect to the preceding administration on this date.

Subsequently, in accordance with a Court Order dated 27 June 2022 (“the Order”), Robert Hunter Kelly was replaced as Joint Liquidator by Charles Graham John King, an Insolvency Practitioner licenced by the Institute of Chartered Accountants in England and Wales. In compliance with the terms of the Order, a block advertisement was placed in the London Gazette on 7 July 2022.

This report covers the period from 21 January 2022 to 20 January 2023 (“the Reporting Period”) and should be read in conjunction with the former Joint Administrators’ Statement of Proposals dated 21 March 2019 (the “Proposals”), the former Joint Administrators’ Statement of Revised Proposals dated 1 December 2021 (the “Revised Proposals”), and previous Progress Reports issued by the former Joint Administrators dated 14 October 2019, 8 April 2020, 14 October 2020, 13 April 2021 and 14 October 2021.

Background on the preceding administration of the Company

On 15 March 2019 (“the Date of Administration Appointment”), the Court, following an application by the directors of the Company, appointed the former Joint Administrators pursuant to the provisions of paragraph 12 of Schedule B1 to the Act (the “Administration”).

Immediately following their appointment, the former Joint Administrators completed a sale of substantially all of the Company's business and assets and certain liabilities to a specially formed company, Montana 1 Limited, which was subsequently renamed Interserve Group Limited ("IGL" or "the Purchaser") ("the Sale").

The former Joint Administrators proposed the achievement of objective (b) of paragraph 3 of Schedule B1 to the Act, namely to achieve a better result for the Company's creditors as a whole than would be likely if the Company was wound up (without first being in administration). This was achieved through completion of the Sale, as the financial benefits of the Sale included the release of secured, unsecured and contingent liabilities of the Company exceeding £1.2bn, which otherwise would not have been achieved.

Additional tasks that were stated in the Proposals included selling the shares held by the Company in Al Binaa Contracting Company W.L.L. ("Al Binaa") (the "Al Binaa Shares"), for the benefit of the Purchaser under the sale agreement.

Events leading up to the appointment of the Joint Liquidators

The Administration was subsequently extended by two years, from the statutory maximum one year, on 4 March 2020, following an application to Court by the former Joint Administrators and was due to end, unless further extended, on 14 March 2022.

It became apparent during late 2021 that a sale of the Al Binaa Shares would not be completed by 14 March 2022 (when the preceding Administration was due to end), because of reasons outside of the former Joint Administrators' control. As the purpose of the Administration was considered to have been achieved and the sale of Al Binaa Shares would not benefit the general body of creditors of the Company, there was deemed to be no viable reason to continue the Administration and, therefore, the Court would have been unlikely to consent to a further extension of the Administration. After consideration of the options available, a liquidation of the Company was deemed the most appropriate next step and route forward.

The Proposals, however, noted dissolution as the only exit route from the Administration. Exiting the Administration through dissolution would have resulted in uncertainty for recovery of the value for the Purchaser in relation to the Al Binaa Shares. This would have meant that potential returns from any sale of the Al Binaa Shares may not have been received by the Purchaser.

Exiting the Administration and moving to compulsory liquidation would, however, enable a completion of the sale of the Al Binaa Shares to occur after the end of the Administration. An exit via a creditors' voluntary liquidation ("CVL") was considered, but the former Joint Administrators were unable to transition to CVL as the Company had insufficient property to enable a distribution to be made to unsecured creditors, other than by virtue of the Prescribed Part, which is a statutory requirement to transition from administration to CVL. As the statutory requirements to transition to a CVL could not be met, compulsory liquidation was the only viable option to protect the value of the Al Binaa Shares for the Purchaser.

Approval was therefore sought from creditors, via deemed consent, on 1 December 2021, to amend section 2.7 of the Proposals to include compulsory liquidation as an exit route from the Administration, with Robert Hunter Kelly and Alan Michael Hudson proposed to be appointed as Joint Liquidators. On 15 December 2021, being 14 days following delivery of our Revised Proposals, no objections had been received and the Revised Proposals were considered to have been approved by deemed consent.

On 15 December 2021, notice was given by the former Joint Administrators that a first and final dividend to unsecured creditors of 2.03p in the pound had been declared in the Administration. The

amount distributed to unsecured creditors totalled £549,426.36, representing the maximum Prescribed Part value of £600,000 less associated costs and expenses in adjudicating creditor claims and paying the dividend. No further distributions to the unsecured creditors of the Company are expected.

Appointment of Liquidators

As noted above, the Joint Liquidators were appointed to the Company by the Court on 21 January 2022. Robert Hunter Kelly was subsequently replaced as Joint Liquidator by Charles John Graham King, in accordance with a Court Order dated 27 June 2022.

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

Progress during the period of the report

Al Binaa Shares

The Joint Liquidators continue to be involved with the Purchaser in the detailed negotiations to progress the sale of the Al Binaa Shares, which is the primary outstanding matter in the Liquidation.

As at the date of this report, IGL remain in negotiations, on behalf of the Company, regarding a sale of the Al Binaa Shares in order to realise value from this asset, with the economic interest from any sale of the Al Binaa Shares ultimately accruing to IGL. Given the confidentiality and commercial sensitivity surrounding these negotiations, we are unable to provide any further details within this report. Once these negotiations and a sale are finalised, we will provide an update in the following progress report.

In order for the sale of the Al Binaa Shares to be completed once negotiations have been concluded, tax clearance from the Qatari tax authorities will need to be obtained. This could be a very complex and time consuming process. To manage this process, tax specialists based in the Middle East have been engaged to advise the Joint Liquidators.

Other matters

Investigations

Liquidators have a duty on appointment to investigate the conduct of directors of an insolvent company under the Statement of Insolvency Practice 2 (Investigations by Office Holders) ("SIP 2"). During the preceding Administration, the Joint Administrators complied with the office holder duties under SIP 2 and the Company Directors' Disqualification Act 1986 ("CDDA"), therefore no additional reporting was required by the Joint Liquidators on their appointment.

As previously reported in the media and the former Joint Administrators' Progress Reports, the Company continues to be subject to investigations by certain regulatory bodies, which commenced prior to the Date of Administration Appointment. The Joint Liquidators will continue to cooperate with information requests received from these regulatory bodies, as and if required.

VAT

The Joint Liquidators have continued to submit the required VAT returns since the Date of Appointment and have made payments or claimed refunds accordingly.

Corporation tax

Corporation tax returns for the periods to the end of the Administration (1 January 2021 to 31 December 2021 and 1 January 2022 to 21 January 2022) have been submitted to HMRC during the Reporting Period. To date, HMRC has not raised any enquiries, but the enquiry window remains open.

The next corporation tax return, for the period 22 January 2022 to 31 December 2022 is due for submission to HMRC by 31 December 2023.

Tax related fees are included within our time costs, set out at Appendix 3.

Receipts and payments account

A summary of the Joint Liquidators' receipts and payments for the Reporting Period is attached at Appendix 2.

This account does not reflect future estimated realisations or costs, including remuneration and disbursements.

Joint Liquidators' remuneration

During the preceding Administration, the basis of the office holders' remuneration was approved by the secured creditors on a time cost basis, which has carried forward to the Liquidation, in accordance with Rule 18.20(5) of the Rules.

During the Reporting Period, the Joint Liquidators have incurred time costs of £252,704.40. Of this sum, £179,609.30 had been paid to date.

Appendix 3 of this report provides an analysis of the time spent in comparison with the fee estimate provided to creditors on 17 February 2022 ("the Fee Estimate") and provides details of the work completed and expected to be undertaken during the remainder of the Liquidation.

To date the Joint Liquidators have not exceeded the Liquidation Fee Estimate of £295,992. However, it is now expected that the Fee Estimate will be exceeded during the course of the Liquidation for the reasons set out below:

- Changes in the proposed form of the sale of the AI Binna Shares, which required additional negotiation with the interested party and were therefore not anticipated when the Fee Estimate was drafted and communicated at the start of the Liquidation;
- Expected extension to the originally assumed two year period of the Liquidation. Based on the Joint Liquidators' latest understanding of tax clearance processes in Qatar, it is anticipated that the Liquidation will extend beyond 2024; and
- Return of funds held by the former Joint Administrators, which transferred to the Joint Liquidators, earlier than the end of the statute of limitation period, in agreement with the Purchaser. Time incurred (included in Other Matters in Appendix 3) to ensure that this return of funds was in the best interests of the Company.

The Joint Liquidators will only draw remuneration in excess of the estimate with the prior agreement of the secured creditors, who approved the basis of remuneration, in accordance with Rule 18.30 of the Rules. An update in this matter will be provided to the creditors in the form of an updated fee estimate in due course.

Joint Liquidators' statement of expenses incurred

During the Reporting Period, we have incurred expenses and disbursements of £121,853.31 plus VAT. A detailed breakdown of expenses and disbursements incurred is included at Appendix 4.

Expenses and disbursements have exceeded the original estimate of £64,000 by £57,853.31, driven by:

- £48,645.01 of higher legal fees and disbursements than included in the Fee Estimate due to the complexities of progressing the sale of the AI Binaa Shares; and
- £10,000 of Ocorian Trust Account fees, which were not included in the Fee Estimate. These fees relate to an account holding additional Administration funding, provided by the Purchaser to be used under certain specific and agreed circumstances during the preceding Administration. Under the agreement with the Purchaser, these funds were due to be returned. However, the Purchaser agreed to transfer £70,066.22 to the Joint Liquidators to fund the Liquidation, £10,000 of which covered the remaining Ocorian Trust account fees of £10,000.

An update on the expected expenses and disbursements to complete the Liquidation will be communicated to creditors, alongside the updated fee estimate noted above, in due course.

Creditors' rights to further information about and challenge of, remuneration and expenses

The statutory provisions relating to remuneration are set out in Chapter 4 of Part 18 of the Insolvency (England and Wales) Rules 2016 (the "Rules"). Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Liquidators' 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 the Joint Liquidators.

In certain circumstances, creditors are entitled to request further information about an office holder's remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Rules). Further information is provided in 'A Creditor's Guide to Liquidators' Fees' referred to above.

Distributions to creditors

As mentioned above, it is not anticipated that any further distributions will be made to the Company's secured or unsecured creditors, as the proceeds of a sale of the AI Binaa Shares will be paid to the Purchaser in respect to the Sale, which completed shortly following the commencement of the preceding Administration of the Company.

Work which remains to be done

The Joint Liquidators will continue to deal with the Liquidation in line with statutory requirements. Future tasks include the following:

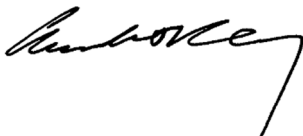
- progressing and concluding the sale of the Al Binaa Shares;
- preparing and filing corporation tax and VAT returns;
- fulfilling statutory and reporting requirements of the Liquidation;
- dealing with enquiries from creditors, members and other stakeholders, as required; and
- any other actions required by the Joint Liquidators to wind down and close the Liquidation.

Next report

The next progress report, which will include an update on the progress of the Liquidation, will be delivered in twelve months' time.

Should you have any queries regarding any of the matters outlined in this report, please contact my colleague, Jai Bhalla, on the contact details above.

Yours faithfully
for the Company



C G J King
Joint Liquidator

Charles Graham John King is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants of England & Wales and Alan Michael Hudson is licensed in the United Kingdom to act as an insolvency practitioner by The Insolvency Practitioners Association.

The Joint Liquidators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), 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 Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix 1

Interserve Plc (in Compulsory Liquidation) (formerly in Administration) ("the Company")

Information about the Company and the Joint Liquidators

Registered office address of the Company:	c/o Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Registered number:	00088456
Date of appointment of the Joint Liquidators:	21 January 2022
Details of any changes of Liquidator:	Charles Graham John King replaced Robert Hunter Kelly as Joint Liquidator on 27 June 2022
Full names of the Liquidators:	Charles Graham John King (from 27 June 2022) Alan Michael Hudson Robert Hunter Kelly (to 27 June 2022)
Current office holder number(s):	Charles Graham John King - 8985 Alan Michael Hudson - 9200
Liquidators' address(es):	Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Contact details:	+44 (0) 207 806 9465 jbhalla@parthenon.ey.com
Name of alternative person to contact with enquiries about the case:	Jai Bhalla

Appendix 2

Interserve Plc (in Compulsory Liquidation) ("the Company")

Joint Liquidators' Summary of Receipts and Payments from 21 January 2022 to 20 January 2023

	Notes	21 January 2022 to 20 January 2023
	1, 2	
RECEIPTS		
Bank interest		473.35
Transfers from preceding Administration bank accounts		300,782.69
Liquidation funding	3	70,066.22
Preceding Administration VAT refund	4	61,909.14
Total receipts		433,231.40
PAYMENTS		
Official Receiver's general fee and administration fee		11,000.00
ISA charges		88.00
Ocorian Trust Account fees		10,000.00
Joint Liquidators' fees		179,609.30
Legal Fees		93,177.51
Al Binaa		90,795.51
Non-Al Binaa		2,382.00
Joint Liquidators' disbursements and expenses		2,103.50
Bank charges		16.80
Input VAT		2,318.80
Total payments		298,313.91
Net receipts / (payments)		134,917.49
REPRESENTED BY:		
Cash at Bank	5	96,135.07
ISA Control Account		(11,088.00)
VAT control account		49,870.42
Total		134,917.49

Notes:

- 1 This receipts and payments account is shown net of VAT.
- 2 This receipts and payments account has been prepared on an cash basis and does not reflect future expected receipts and payments.
- 3 Represents funds provided by the Purchaser to the Joint Liquidators to fund the Liquidation.
- 4 Represents VAT in relation to costs incurred during the preceding Administration which had not been refunded prior to the Liquidation.
- 5 All funds are held in interest bearing accounts.

Appendix 3

Interserve Plc (in Compulsory Liquidation) ("the Company")

Joint Liquidators' time costs for the period 21 January 2022 to 20 January 2023

Actual costs in Reporting Period (21 January 2022 to 20 January 2023)											Fee estimate sent to all known creditors			Remaining balance of estimate sent to creditors	
	Staff Grade							Total Hours	Time Cost (£)	Average Hourly Rate (£)	Total hours	Time cost (£)	Average hourly rate (£)	Total hours	Time cost (£)
	Partner	Associate Partner	Director	Senior Manager	Manager	Executive	Analyst								
Administration & Planning	2.0	0.3	14.0	12.7	3.7	41.7	8.0	82.4	38,948	472.7	105.6	36,336	344.1	23.2	(2,612)
Al Binaa	11.0	20.1	106.5	10.6	5.3	23.2	-	176.7	122,317	692.2	196.0	131,654	671.7	19.3	9,337
Job acceptance & Strategy	-	-	2.5	-	-	7.8	-	10.3	4,525	439.3	12.0	5,171	430.9	1.7	646
Members	-	-	-	0.6	-	-	-	0.6	386	643.5	-	-	-	(0.6)	(386)
Other Matters	4.5	-	6.5	13.1	-	0.1	-	24.2	17,065	705.2	-	-	-	(24.2)	(17,065)
Out of Scope	1.0	-	3.5	0.3	-	1.8	-	6.6	4,296	650.8	-	-	-	(6.6)	(4,296)
Public Relations	-	-	-	0.2	-	-	-	0.2	129	643.5	-	-	-	(0.2)	(129)
Reporting & Statutory Duties	3.0	2.0	5.5	16.5	7.0	25.1	-	59.1	30,896	522.8	174.0	65,150	374.4	114.9	34,254
VAT & Taxation	-	3.8	8.6	12.6	3.2	26.4	17.5	72.1	34,143	473.5	101.4	57,681	568.8	29.3	23,538
Total Hours	21.5	26.2	147.1	66.6	19.2	126.1	25.5	432.2			589.0	295,992	502.5	156.8	43,287
Time Costs (£)	16,466	19,672	113,486	43,731	9,535	45,515	4,300		252,704						
Average Hourly Rate (£)	765.9	750.8	771.5	656.6	496.6	360.9	168.6		584.7						
Category 1 Disbursements (£)	1,383.50												2,280.00	Category 1	896.50
Category 2 Disbursements (£)	720.00												720.00	Category 2	-
	2,103.50												3,000.00		896.50

Notes

- Time is charged in 6 minute intervals.
- Specialists, such as tax professionals, have been engaged to provide advice, where required. Standard charge-out rates of these specialists are higher than the equivalent grade in the Restructuring team.
- Time costs include agreed 35% discount to all standard charge out rates (incl. specialist resource).

* Expenses communicated in Liquidation fees estimate of £61,000, covering legal fees and disbursements and the official receivers general and administration fees, not reported here.

Category of work	Description of work completed / to be completed
Accounting & Planning	<ul style="list-style-type: none"> • Overall management of the case, treasury and accounting functions, statutory compliance diaries and time cost monitoring and reporting. • Monitoring internal systems and records in line with statutory requirements.
Al Binaa	<ul style="list-style-type: none"> • Obtaining required consents, clearances and transferring ownership / managing the sale of the Al Binaa Shares.
Immediate Tasks	<ul style="list-style-type: none"> • Completion of workstreams requiring immediate attention following appointment.
Job Acceptance and Strategy	<ul style="list-style-type: none"> • Matters relating to the Liquidation appointment and initial planning.
Members	<ul style="list-style-type: none"> • Corresponding and dealing with shareholder queries.
Other Matters	<ul style="list-style-type: none"> • Managing general queries and correspondence on behalf of the Company. • Dealing with general compliance obligations of the Liquidation. • Other ad hoc matters that arise in the course of the Liquidation.
Out of scope	<ul style="list-style-type: none"> • Assistance provided to the Purchaser in relation to a rebate due to the Company, which under the sale agreement transferred to the Purchaser. The Purchaser is to cover the costs in relation to this matter.
Public Relations	<ul style="list-style-type: none"> • Agreeing and issuing statements to the press, as required, and dealing with enquiries from the media.
Reporting	<ul style="list-style-type: none"> • Preparing the Joint Liquidators' first twelve month progress report. • Reporting to the Purchaser.
Statutory Duties	<ul style="list-style-type: none"> • Completion of statutory requirements of the Liquidation, including notifications to the creditors and members, advertising the appointment, and filing documents at Companies House.
VAT and Taxation	<ul style="list-style-type: none"> • Preparing corporation tax and VAT returns, with input from EY VAT and tax specialists

Appendix 4

Interserve Plc (in Compulsory Liquidation) ("the Company")

Summary of Joint Liquidators' expenses incurred

Type of Expense	Per Joint Liquidators' fee estimate (£)	Total incurred from 21 January 2022 to 20 January 2023 (£)	Remaining balance / (overrun) of estimate (£)
Payments made from the estate which are not disbursements^{1, 2}			
Legal fees and disbursements ³	50,000.00		(48,645.01)
Al Binaa		96,263.01	
Non-Al Binaa		2,382.00	
Official Receiver's general fee and administration fee	11,000.00	11,000.00	-
Ocorian Trust Account fees ⁴	-	10,000.00	(10,000.00)
ISA charges	-	88.00	(88.00)
Bank charges	-	16.80	(16.80)
Category 1 disbursements²			
Specific penalty bond	1,280.00	1,280.00	-
Advertising	1,000.00	103.50	896.50
Category 2 disbursements²			
Copying, printing and postage	720.00	720.00	-
Total	64,000.00	121,853.31	(57,853.31)

Notes:

- 1 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.
 - a. Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment.
 - b. 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.
- 3 As at 20 January 2023, £5,467.50 of legal fees had been incurred and not yet paid. Please refer to the main body of this report for further information on the overrun of legal fees and disbursements and expected costs going forwards.
- 4 Ocorian Trust Account fees relate to an account which held additional funding on trust for the preceding Administration, should it have been required for specific purposes. This funding was provided by the secured creditors, through the Purchaser, at the start of the preceding Administration and was due to be released to the Purchaser in the event that the funds were not utilised. During the Reporting Period, the Purchaser agreed to release £70,066.22 to the Joint Liquidators to fund the Liquidation, £10,000 of which paid for the final account fees.