
The Joint administrators' final
progress report
from 28 May 2018 to 27 November
2018

P & H Direct Limited
(in administration)

CR-2017-008966

27 November 2018

In the High Court of Justice, Business and Property
Courts of England and Wales, Insolvency and
Companies List (ChD)

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Abbreviations and definitions

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

Abbreviation or definition	Meaning
ABLs	Asset Based Lenders, namely Barclays Bank Plc, HSBC Invoice Finance (UK) Limited, PNC Business Credit (a trading name of PNC Financial Services UK Limited), RBS Invoice Finance Limited and Santander UK Plc
Administrators/we/us/our	Matthew Boyd Callaghan, Ian David Green and Zelf Hussain
Company	P & H Direct Limited
Companies / P&H / Palmer & Harvey Group	Palmer & Harvey (Holdings) Plc "Plc" Palmer & Harvey McLane (Holdings) Limited "Holdings" Palmer & Harvey McLane Limited "PHML" P & H (1925) Limited "1925" P & H Direct Limited "Direct" P & H Direct Van Sales Limited "DVS" P&H Snacksdirect Limited "Snacksdirect" P&H Sweetdirect Limited "Sweetdirect"
Group	The above Companies, WS Retail Limited and all other companies in the wider group
HMRC	HM Revenue & Customs
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
preferential creditors	Primarily employee claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
prescribed part	The amount set aside for unsecured creditors from floating charge funds in accordance with Section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
PwC	PricewaterhouseCoopers LLP
Sch B1 IA86	Schedule B1 to the Insolvency Act 1986
secured creditor	A creditor with security in respect of their debt, in accordance with Section 248 IA86
Security Agent	Barclays Bank Plc, a secured creditor
SIP	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply.
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
SIP 13	Statement of Insolvency Practice 13: Disposal of assets to connected parties in an insolvency process
Tobacco Companies or TCs	Imperial Brands Finance Plc and Gallaher Limited
unsecured creditors	Creditors who are neither secured nor preferential
Vans business or Vans	Direct, DVS, Snacksdirect and Sweetdirect collectively
Wholesale	The principal business of PHML

Key messages

Why we've sent you this report

We're pleased to let you know that our work in the administration of the Company is now complete and so, we set out below our final report.

You can still view our earlier reports on our website at www.pwc.co.uk/palmerandharvey.

How much creditors have received

The following table summarises the estimated final outcome for creditors across the group*.

Class of creditor	Estimated outcome (p in £)	Previous estimate (p in £)
Secured creditors – shown on a Group basis	ABLs 100p TCs 90-100p	ABLs 73-100p TCs 0-58p
Preferential creditors	N/A	N/A
Unsecured creditors	Nil	N/A

**The recovery for the secured creditors is across the Group as a whole as the debts are secured by cross guarantees across the Group. The secured creditors' returns also include funds which may be available from WS Retail Limited, which is included in the cross guarantee security.*

In line with our earlier forecasts, we don't think the secured creditors will be fully repaid their lending of c£253.5m, plus accrued interest out of their security over the Groups assets. The secured debt was cross guaranteed across the Group. At the date of appointment, the debt due to the ABLs was £187.4m, secured by way of fixed and floating charges over the Group's assets and the Tobacco Companies held second ranking security over the Companies' assets and were owed £66.1m. The total amount owing to the secured creditors across the Group now exceeds £266.7m because of the ongoing accrual of interest.

To date there have been no distributions from the Company, however, across the Group the return to the ABLs has been 100%, and we currently anticipate a return of 90-100% to the Tobacco Companies, based on the amount owing on appointment. The timing of distribution to the Tobacco Companies is currently 6-12 months.

The Company was set up as a holding company and therefore had no employees, consequently we do not envisage that there are any preferential creditors in the administration of the Company.

As previously reported, there are no funds available for distribution to non-preferential unsecured creditors.

What you need to do

This report is for your information and you don't need to do anything.

What happens next

The administration ended on 27 November 2018 in line with our proposals approved by creditors, on 27 November 2018 we filed notice of move from administration to dissolution. The Company will be dissolved three months after the notice has been registered by the Registrar of Companies. We ceased to act on 27 November 2018. As resolved by the the secured creditors, we were discharged from liability in respect of any of our actions as joint administrators when we cease to act.

The administrations of other Companies in the Group are ongoing.

Overview of our work

Why we were appointed

You may remember that when we were appointed, the position was as follows:

The Palmer & Harvey Group was the UK's largest wholesaler and distributor of grocery products, offering a range of chilled, frozen, ambient, alcohol, non-food, confectionery and tobacco products to retail multiples, convenience stores and petrol station forecourts. The business of the Palmer & Harvey Group was split into two divisions, the Wholesale division and the Vans division. The Company, was the holding company for the Vans business.

The Vans business was a distributor and seller of snacks, confectionery and soft drinks via a nationwide network of 42 depots serviced by c.320 vans and employing 416 people, with a head office in Sheffield. Its customer base consisted of c.23,000 convenience stores, group accounts and cash and carry stores, spread nationally and serviced by the depot and van network. The Company was a holding company within the Vans division and at the date of appointment did not hold any employees.

As detailed in our proposals, the Palmer & Harvey Group had failed to deliver budget for a number of years. Following a poor financial performance and cash management challenges, the Group faced increasing financial pressure in early 2017.

In April 2017 the Palmer & Harvey Group agreed terms with its existing lenders, as well as its two significant suppliers to support the business and agreed to a revised financing arrangement. This allowed the Group to meet a debt repayment in April 2017 as well as making amendments to future debt repayments, covenants and other obligations. In conjunction with this agreement the Palmer & Harvey Group undertook several other actions, including starting a sales process in July 2017. A number of interested parties were approached and following indicative offers and initial due diligence, the Group's stakeholders entered negotiations with two parties.

On 27 October 2017, a non-binding memorandum of understanding was agreed between the Tobacco Companies and the prospective purchaser which would introduce significant funding into the Group. A period of exclusivity was granted by the Group during which it was hoped the transaction could be completed.

Unfortunately, the Group continued to face challenging trading conditions and uncertainty around the transaction, as well as associated adverse publicity during the autumn, which resulted in a number of the Group's suppliers applying standard payment terms to reduce their credit exposure. This created additional cash needs which were both sizeable and unsustainable. Despite lengthy and constructive discussions with stakeholders, efforts to restructure the Group and mitigate the significant cash flow pressures ultimately proved unsuccessful.

The Group faced an immediate liquidity need, which the Group's stakeholders were not prepared to fund. As such, the Companies were no longer able to meet their liabilities as and when they fell due. In the absence of securing additional committed ongoing funding or a sale to a third party, and in light of the ongoing poor financial performance, the directors of the Companies had no reasonable prospects of delivering a solvent solution for the Group. With no reasonable prospects of a solvent solution and the immediate cash need, the directors had no alternative but to appoint administrators to protect the interests of creditors. As a result, we were appointed as joint administrators of the Companies on 28 November 2017.

Asset realisation

The Company was put into administration as part of the wider Group. The Company was set up as a holding company and therefore following investigations it was established that the Company did not have any realisable assets. As a result of the Group structure it was agreed that the ABLs would fund the costs of the administration.

Connected party transactions

We have a duty (under SIP13) to disclose any disposal of assets in the administration to a director or other connected party, regardless of the nature or value of the assets concerned. We can confirm that no such transactions have occurred.

Other issues

During the period, we have prepared and circulated the administrators' progress report for the administration of the Company. We have also prepared the group VAT returns for the periods, and confirmed that the Company will be removed from the VAT group as part of the current return.

Approval of our proposals

We issued to creditors our proposals for achieving the purpose of administration dated 18 January 2018.

We said in our proposals that we thought the Company did not have enough assets to pay a dividend to unsecured creditors via the prescribed part or otherwise.

This meant that we did not have to seek a decision from creditors regarding the approval of our proposals and our proposals would be treated as approved if creditors did not request a decision in the required manner. As creditors did not request a decision to be sought, our proposals were treated as approved on 1 February 2018.

We stated in our proposals that the purpose of the administration was objective (b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), as it was not reasonably practical to rescue the Company as a going concern. It was also stated that in the event we were unable to achieve objective (b) we would pursue objective (c) realising the company's assets to pay a dividend to secured or preferential creditors. We have achieved objective (b) as it was necessary for the benefit of the Group for the Company to enter an insolvency process to enable investigations into assets and to aid the wider Group strategy. After identifying no recoverable assets steps were taken to bring the administration to a close whilst focusing on the other areas of the Group.

We attach a summary of our proposals at Appendix A.

Investigations and actions

Nothing came to our attention during the administration to suggest that we needed to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

Tax clearance

The Company was a dormant non-trading entity and as such, we have not prepared or submitted tax returns on behalf of the Company during the administration.

Our final receipts and payments account

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

Our expenses

We set out in Appendix C a statement of the final expenses that we incurred to the date covered by this report.

Our fees

We set out in Appendix D an update on our remuneration which covers our fees, disbursements and other related matters.

Pre-administration costs

We will not be recovering the unpaid pre-administration costs previously detailed in our proposals.

Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34 IR16. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditorsguides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

You can also get a copy free of charge by telephoning Adam Thompson on 0113 289 4983.

Discharge from liability

As stated in our proposals we sought approval for our discharge from liability from the secured creditors. We will be discharged when we cease to act.

Yours faithfully
For and on behalf of the Company



Zelf Hussain
Joint administrator

Matthew Boyd Callaghan, Ian David Green and Zelf Hussain have been appointed as joint administrators of the Company to manage its affairs, business and property as its agents without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The joint administrators are bound by the Insolvency Code of Ethics which can be found at:

<https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The joint administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the joint administrators. Personal data will be kept secure and processed only for matters relating to the joint administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the joint administrators.

Appendix A: Summary of our proposals

A summary of our proposals and actions taken are set out above. There were no revisions to our proposals dated 18 January 2018 a copy of which can be downloaded from the website www.pwc.co.uk/palmerandharvey

Appendix B: Receipts and payments

Direct			
Statement of affairs	28 November 2017 to 27 May 2018 (£)	28 May 2018 to 27 November 2018 (£)	28 November 2017 to 27 November 2018 (£)
Fixed Charge realisations	-		-
Fixed Charge cost of realisations	-		-
Fixed balance	-		-
Floating Charge realisations			
Bank Interest Gross	0.51	0.33	0.84
	0.51	0.33	0.84
Floating Charge cost of realisations			
Bank charges	-	(15.00)	(15.00)
Lease & Hire Purchase payments	(1,591.49)	(76.05)	(1,667.54)
Legal fees	-	(7,000.00)	(7,000.00)
Other commitments	-	(524.95)	(524.95)
Office holders' fees	-	(15,296.00)	(15,296.00)
Office holders' disbursements	-	(250.75)	(250.75)
Pre-appointment fees	-	-	-
Rent and rates	-	(2,222.25)	(2,222.25)
Repairs & Maintenance	(5,885.00)	-	(5,885.00)
Security	-	(4,490.20)	(4,490.20)
Utilities	-	(750.00)	(750.00)
	(7,476.49)	(30,625.20)	(38,101.69)
Floating charge balance excluding ABL funding	(7,475.98)	(30,624.87)	(38,100.85)
Funding from ABLs	8,971.79	29,129.06	38,100.85
VAT control account	(1,495.30)	1,495.30	-
Funds held in interest bearing Barclays account	0.51	-0.51	-
<i>All items are stated net of VAT</i>			

Appendix C: Expenses

The following table provides details of our expenses. Expenses are amounts properly payable by us as administrators from the estate.

The table should be read in conjunction with the receipts and payments account at Appendix B, which shows expenses actually paid during the period and the total paid to date.

	Brought forward (£)	Incurred in period under review (£)	Cumulative (£)	Initial estimate (£)	Variance (£)
Bank charges	-	15.00	15.00	15.00	-
Office holders fees (on a fixed fee basis)	-	15,296.00	15,296.00	15,296.00	-
Office holders expenses	195.74	55.01	250.75	346.00	95.25
Legals	-	7,000.00	7,000.00	7,000.00	-
Lease/Hire payments	1,591.49	76.05	1,667.54	1,667.54	-
Repairs and maintenance	5,885.00	-	5,885.00	5,885.00	-
Rent and rates	-	2,222.25	2,222.25	2,222.25	-
Security	-	4,490.20	4,490.20	4,490.20	-
Utilities	-	750.00	750.00	750.00	-
Other commitments	-	524.95	524.95	524.95	-
Pre administration costs	2,356.48	-	2,356.48	2,356.48	-
Total	10,028.97	30,429.46	40,458.17	40,553.42	95.25

Appendix D: Remuneration update

Our fees were approved on fixed fee basis by the secured creditors following the issuing of our remuneration report on 14 June 2018 and receipt of all of the signed resolution forms on 2 August 2018. We've drawn fees of £15,296.00 in line with the approval given, as shown on the enclosed receipts and payments account.

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

Payments to associates

We did not make any payments to our associates in the period covered by this report.

Disbursements

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

Our expenses policy allows for all properly incurred expenses to be recharged to the administration but has not yet been approved where required. The following disbursements arose in the period of this report.

The following disbursements arose in the period of this report.

Category	Policy	Costs incurred £
2	Photocopying – at 5 pence per sheet copied, only charged for circulars to creditors and other bulk copying.	-
2	Mileage - At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc)	-
1	Postage	55.01
	Total	55.01

We have drawn disbursements of £250.75 for the administration since appointment in line with the approval given, any further disbursements will be written off.

Our relationships

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

Legal and other professional firms

We instructed the following professionals on this case:

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services, including: • appointment related matters,	<ul style="list-style-type: none">• Ashurts LLP• Hogan Lovells LLP	<ul style="list-style-type: none">• Industry knowledge• Previous company knowledge	<ul style="list-style-type: none">• Time costs and disbursements

Appendix E: Other information

Court details for the administration:	In the High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)
Company's registered name:	P & H Direct Limited
Trading name:	N/A holding company
Registered number:	02068930
Registered address:	Current: Central Square, 8 th Floor, 29 Wellington Street, Leeds, LS1 4DL Former: P&H House, Davigdor Road, Hove, East Sussex, BN3 1RE
Date of the joint administrators' appointment:	28 November 2017
Joint administrators' names, addresses and contact details:	Matthew Boyd Callaghan, Ian David Green and Zelf Hussain, 7 More London Riverside, London, SE1 2RT 0113 289 4983
Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast) :	The Regulation applies to this administration and the proceedings are main proceedings.
