

P&H (1925) Limited - in Administration

Remuneration Report: Information to creditors

In the High Court of Justice, Business and Property
Courts of England and Wales, Insolvency and
Companies List (ChD)
CR-2017-008978

25 January 2021

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1. Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used during 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 to 10 May 2019 Ian David Green and Zelf Hussain from 10 May 2019 to 19 December 2019 Zelf Hussain and Mark James Tobias Banfield from 19 December 2019
Company	P & H (1925) Limited
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
PPF	Pension Protection Fund
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
RPS	Redundancy Payments Service, part of the Insolvency Service, which is an executive agency sponsored by BEIS, and which authorises and pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996
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
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
Tobacco Companies / TCs	Imperial Brands Finance Plc and Gallaher Limited
unsecured creditors	Creditors who are neither secured nor preferential

This report has been prepared by Zelf Hussain and Mark James Tobias Banfield as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at www.pwc.co.uk/palmerandharvey.

*Zelf Hussain and Mark James Tobias Banfield have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. Both 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.

2. Background

2.1 Purpose of this initial advice to creditors

If a company or individual is facing financial difficulty they may enter a formal insolvency process under the control of an independent external person (an insolvency practitioner). The costs of the proceedings are paid out of the assets of the company or the individual's estate and include the insolvency practitioner's remuneration, which in this case would be our fees for acting as joint administrators.

We must seek approval on the basis of our remuneration before it is paid and provide the fee approving body with sufficient information for them to make a decision. Insolvency law determines who the fee approving body is (and it depends on the circumstances of the case), but it's usually those creditors who have a direct interest in the amount paid because it impacts on how much those creditors recover.

Changes to insolvency legislation on 1 October 2015 also now require us to give all known creditors details of the work we expect to carry out during the case and the expenses that are likely to be incurred. Also, if our fees are proposed to include remuneration calculated on a time costs basis, we must provide an estimate of those fees. This report provides all this information and details of where further information can be obtained.

2.2 Action required by you

The following table gives our current estimates on the likely return for the various classes of creditors. We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets.

Table 1 – Dividend prospects

Class of creditor	Forecast return	Timing
Secured creditors *		
PPF	100p in the £	Paid
ABLs	100p in the £	Paid
TCs	80-100p in the £	Overall outcome is 9-12 months
Preferential creditors	N/A	N/A
Unsecured creditors	Nil p/£	N/A

*Figures above are shown as the forecasted returns based on a cross guarantee basis, and may not reflect the actual realisations and distributions from the Company.

We have stated in our proposals that we did not think there will be funds to distribute to unsecured creditors (including by virtue of the prescribed part). There are no preferential creditors in this case, as the Company did not have any employees.

Therefore as no committee has been appointed, the secured creditors have the responsibility for fixing the basis of our fees and Category 2 disbursements (as defined in Section 4.1). The secured creditors are the PPF, ABLs and TCs.

This Remuneration Report is therefore for information purposes only and no action is required.

Creditors' rights

You can find information on administrators' fees and your rights at

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

2.3 How fees are calculated

Insolvency law currently allows fees to be calculated in three ways:

- As a percentage of the value of the property which we deal with;
- By reference to the time properly given by us and our staff attending to the matters arising (“time costs basis”); or
- A set amount (a fixed fee).

The basis of our fees can be a combination of the above and different bases can be used for different parts of our work. The fee approving body decides which basis (or combination of bases) should be used to calculate fees, once it is satisfied that the fee basis proposed represents the most appropriate mechanism in the circumstances of the case.

Insolvency law says that in determining the basis of our remuneration, regard must be had to the following:

- The complexity (or otherwise) of the case;
- Any exceptional responsibility falling on us;
- The effectiveness with which we are carrying out, or to have carried out, our duties; and
- The value and nature of the property with which we have to deal.

2.4 The proposed basis of fees

We are proposing that our remuneration is on a fixed fee basis and in the next section we include details of the work likely to be included. In proposing this fee basis, we have taken account of the following:

- the majority of our work has been completed;
- the only class of creditor impacted by our remuneration is the secured creditors, due to the high level of debt they are owed;
- a fixed fee avoids the additional costs associated with a time cost basis (specifically the requirements for detailed fee reporting to classes of creditors that have no financial interest in the matter); and
- a fixed fee provides certainty on the outcome to secured creditors;

We will be proposing a fixed fee of £350,000 (net of VAT), in relation to the Company.

3. Work we propose to undertake

The following table provides details of the work:

- we propose to do (indicated by ☐)
- have already done (✓); or
- which is in progress (□).

It provides a brief summary for each category rather than an exhaustive list of all possible tasks.

Table 2 – Work we propose to do

Category of work	General description	Work included
Assets	Property	<ul style="list-style-type: none"> • Carrying out title searches and securing relevant property records ✓ • Securing possession of property ✓ • Arranging for the properties to be appropriately secured and for appropriate inspections to be carried out ✓ • Arranging valuations of the Company's freehold properties and instructing agents to market them for sale ✓ • Liaising with agents and negotiating in relation to sale of the properties ✓ • Liaising with solicitors in relation to sale of the properties ✓ • Instructing auctioneers to sell freehold land and concluding on the sale of this ✓ • Liaising with the pension scheme trustees regarding ring fencing of the net property sale proceeds and agreeing this ✓ • Reviewing leasing documents ✓ • Liaising with landlords in relation to leasehold property □ • Agreeing surrender of leasehold interests □
	Other chattel assets	<ul style="list-style-type: none"> • Liaising with valuers, auctioneers and interested parties ✓ • Reviewing asset listings ✓
	Insurance	<ul style="list-style-type: none"> • Identifying potential issues requiring attention of insurance specialists ✓ • Reviewing insurance policies ✓ • Corresponding with insurer regarding initial and ongoing insurance requirements □
Creditors	Creditor enquiries	<ul style="list-style-type: none"> • Setting up a dedicated website for delivery of initial and ongoing communications and reports ✓ • Receiving and following up creditor enquiries via telephone, email and post □
	Secured creditors	<ul style="list-style-type: none"> • Notifying secured creditors of appointment ✓ • Responding to secured creditors' queries □ • Detailed correspondence with the PPF and pension trustees regarding security granted over the Company's freehold properties ✓ • Reviewing and understanding information provided and making further enquiries ✓ • Seeking legal advice, including from counsel, and attending calls and meetings in this regard ✓

		<ul style="list-style-type: none"> Detailed work to agree the quantum of the s75 pension debt covered by the security, including dialogue with the PPF and pension trustees ✓ Agreeing legal documentation to finalise agreement of the position ✓ Liaising with the TCs regarding the agreed approach ✓ Making distributions in accordance with security entitlements □
	Proprietary claims	<ul style="list-style-type: none"> Dealing with correspondence in relation to a claim over cash at bank on appointment ✓ Seeking legal advice on the Company's position and responding to the claimant ✓ Liaising with the Company's bankers regarding the claim ✓
Employees & pensions	Pensions	<ul style="list-style-type: none"> Reviewing insurance policies ✓ Issuing statutory notices ✓ Dealing with general pension scheme issues and the Pension Protection Fund ✓
Statutory and compliance	Initial letters and notifications	<ul style="list-style-type: none"> Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment ✓
	Remuneration report	<ul style="list-style-type: none"> Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case, and the expenses that are likely to be incurred. ✓
	Case reviews	<ul style="list-style-type: none"> Conducting case reviews after the first month, then every six months □
	Proposals and initial meeting of creditors	<ul style="list-style-type: none"> Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information. ✓ Circulating notice of the proposals to creditors, members and the Registrar of Companies ✓ Preparing a record of the decision and issuing a report on the outcome to creditors ✓
	Progress reports and extensions	<ul style="list-style-type: none"> Preparing and issuing periodic progress reports to creditors and the Registrar □ Making applications to creditors or court for the extension of the administration and filing relevant notices ✓
	Other meetings / resolutions	<ul style="list-style-type: none"> Preparing documents and information for the purpose of obtaining approval to fees, Category 2 disbursements and other matters in the administration ✓ Issuing notices and associated documentation for seeking decisions/consent from relevant creditors □
	Books and records	<ul style="list-style-type: none"> Collecting company books and records where not related to investigatory work ✓ Dealing with records in storage ✓ Sending job files to storage □
	Other statutory and compliance	<ul style="list-style-type: none"> Filing of documents ✓ Updating checklists and diary management system ✓
Tax & VAT	Tax	<ul style="list-style-type: none"> Gathering information for the initial tax review ✓ Carrying out tax review and subsequent enquiries ✓

		<ul style="list-style-type: none"> • Preparing tax computations ✓ • Paying corporation tax due ✓ • Liaising with HMRC ✓ • Obtaining tax clearance ✓
	VAT	<ul style="list-style-type: none"> • Gathering information for the initial VAT review ✓ • Carrying out VAT review and subsequent enquiries ✓ • Preparing VAT returns □ • Liaising with HMRC □
Administration	Strategy and planning	<ul style="list-style-type: none"> • Completing tasks relating to job acceptance ✓ • Preparing fee budgets & monitoring cost □ • Holding team meetings not relating to trading and discussions regarding status of administration □
	Accounting and treasury	<ul style="list-style-type: none"> • Opening and closing bank accounts and arranging facilities ✓ • Dealing with receipts, payments and journals not relating to trading □ • Carrying out bank reconciliations and managing investment of funds □ • Corresponding with bank regarding specific transfers □
	Closure procedures	<ul style="list-style-type: none"> • Withdrawing undertakings not relating to trading and obtaining clearances from third parties □ • Completing checklists and diary management system □ • Closing down internal systems □

Included in the above table are tasks that we must perform that may not directly benefit creditors financially. These typically relate to fulfilling obligations imposed by statute or regulatory bodies; or are tasks necessary or incidental in the orderly winding up of the Company's affairs.

4. Expenses

4.1 What is an expense?

Expenses are defined in SIP9 as amounts properly payable by the office holder from the estate which are not office holders' remuneration or a distribution to creditors. These include disbursements, which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. They fall into two categories: Category 1 and Category 2:

Disbursement	SIP9 definition
Category 1	Payments to independent third parties where there is specific expenditure directly referable to the appointment in question.
Category 2	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 may be incurred by the office holder or their firm, and that can be allocated to the appointment on a proper and reasonable basis.

Our firm's disbursements policy allows for all properly incurred expenses to be recharged to the case. We don't need approval from creditors to draw Category 1 disbursements as these have all been provided by third parties, but we do need approval to draw Category 2 disbursements as these are for services provided by our firm. The body of creditors who approve our fees also have responsibility for agreeing the policies for the payment of Category 2 disbursements, which in this case are as follows:

Photocopying	At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc).

4.2 Our expenses estimate

The following table shows expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred.

The total expenses estimate for the case is £883,525.

Table 3 – Expense estimate

Nature of expenses	Purpose of expense	Incurred to 30 December 2020 (£)	Estimate of future expenses (£)	Total Anticipated (£)
Bank Charges	Bank charges	59	30	89
Office holders' fees	Administrators' fees - based on a fixed fee basis	350,000	-	350,000
Office holders' expenses	Expenses incurred by the administrators directly and recharged to the company	542	200	742
Insurance	Insurance cover for assets and public liability cover for properties	48,641	-	48,641
Corporate tax	Corporation tax payable on recoveries achieved during the administration	10,696	-	10,696
Legal Fees	Costs for dealing with variety of issues in the administration (including but not limited to) the property sales and security over the properties	266,292	7,500	273,792
Agents' fees and disbursements	Agents' costs for realising assets through property sales, marketing properties, auctions etc	145,903	2,500	148,403
Security and site maintenance	Security of sites following appointment and up to the date of sale / surrender	58,000	-	58,000
Rent	Rent payable on certain properties during the administration	15,681	-	15,681
Pre administrations costs	Contingency planning work undertaken with a view to the insolvency appointment	2,481	-	2,481
Total expenses		898,295	10,230	908,525

Our expenses estimate includes pre-administration costs that would, if approved, be payable as an expense of the administration and which are explained in more detail separately in these proposals. Whilst pre-administration costs are subject to approval in the same manner as our remuneration, they do not form part of our remuneration in relation to our work as joint administrators following our appointment.

Furth details of our pre-appointment work can be found in the proposals at: www.pwc.co.uk/palmerandharvey

5. Professionals and subcontractors

Table 4 – Professionals and subcontractors

Service provided	Name of firm(s)	Reason selected	Basis of fees
Legal services, including: <ul style="list-style-type: none"> • Legal advice in relation to the sale of property • Legal advice in relation to the security held by the Pension Scheme • Legal advice in relation to the surrender of leasehold property • General advice in relation to the administration 	<ul style="list-style-type: none"> • Dentons UK and Middle East LLP • DLA Piper UK LLP • Hogan Lovells LLP 	Industry knowledge, expertise and previous company knowledge	Time costs and disbursements
Property agents, services including: <ul style="list-style-type: none"> • Security • Waste collection/skip hire • Site clearance • Auctioneers 	<ul style="list-style-type: none"> • Moorcroft Vacant Property Management • GLAS Trust Corporation Limited • ACM Environmental Plc • Triton Securities and Facilities Management Limited • Avison Young Limited (formerly GVA Grimley Ltd) • Austin Gray LLP 	Expertise and ability to perform services	Time costs and disbursements Percentage realisations
Agents, services including: <ul style="list-style-type: none"> • Rates refunds 	<ul style="list-style-type: none"> • CAPA UK 	Expertise	Percentage of realisations

We require all third party professionals to submit time costs analyses and narrative in support of their invoices rendered which will be reviewed by us prior to approval and payment. We undertake the following steps to review professional firms' costs:

- Review invoices to the terms agreed at the outset; and
- Where fees are charged on a time cost basis, a breakdown of such costs is requested and reviewed before payment.

6. Notes and assumptions

6.1 Fees

When fixing our fee we have made the following assumptions:

- We have assumed the administration will end no later than 27 February 2021.
- There are no additional asset realisations anticipated prior to the closure of the administration.

6.2 Expenses

When estimating expenses we have made the following assumptions:

- We have assumed that VAT will be fully recoverable in respect of costs and other expenses related to the administrations.
- We have estimated future legal costs based on dealing with matters which we are currently aware of. These costs may increase if new matters come to light.

6.3 Associates

The administrators have no business or personal relationships with parties responsible for approving remuneration or who provide services to the administrators in respect of the appointment where the relationship could give rise to a conflict of interest.