

In accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016

18 January 2018

Anticipated to be delivered on:
22 January 2018

Joint administrators' proposals for achieving the purpose of administration

Palmer & Harvey (Holdings) Plc
CR-2017-008977

Palmer & Harvey McLane (Holdings) Limited
CR-2017-008968

Palmer & Harvey McLane Limited
CR-2017-008976

P&H (1925) Limited
CR-2017-008978

P & H Direct Limited
CR-2017-008966

P & H Direct Van Sales Limited
CR-2017-008975

P&H Sweetdirect Limited
CR-2017-008972

P&H Snacksdirect Limited
CR-2017-008979

All in administration

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

Contents

Abbreviations and definitions	1
Key messages	3
Why we've prepared this document	6
Summary of possible outcomes for creditors	7
Brief history of the Companies and why they're in administration	9
What we've done so far and what's next if our proposals are approved	14
Statement of affairs	30
Statutory and other information	31
Receipts and payments accounts	32
Appendix A: Group structure	34
Appendix B: Pre-administration costs	35
Appendix C: Copies of the statements of affairs	36

Abbreviations and definitions

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

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
BEIS	Department for Business, Energy & Industrial Strategy
CVL	Creditors' voluntary liquidation
Companies / P&H	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"
FLAG	The Fleet Auction Group
Group	The above Companies, WS Retail Limited and all other companies in the same group
GVA	GVA Grimley
Hilco	Hilco Valuation Services
HMRC	HM Revenue & Customs
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
RoT	Retention of title
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
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	Imperial Brands Finance Plc and Gallaher Limited
unsecured creditors	Creditors who are neither secured nor preferential
Vans business or Vans	Collectively Direct, DVS, Snacksdirect and Sweetdirect
Wholesale	The principal business of PHML

Key messages

As required by legislation, this document and its appendices form our statement of proposals for achieving the purpose of each administration. Given the large and complex nature of this assignment, it only provides a high-level overview of the key matters in each case and does not attempt to report fully on the detail and extent of our work.

We have produced one report covering several companies in order to minimise costs and for the convenience of any creditors common to each estate. Accordingly, we discuss matters in general terms, but make reference to specific companies where relevant and necessary to do so.

What's included in this report

We explain in this report why the Companies entered administration, what the purpose of each administration is, how we propose to achieve it and the progress so far. We also give an indication of the likely outcome for the various classes of creditors.

You will note that the Companies entered administration after attempts to either sell and/or restructure them failed. We explain why the Companies could not continue to trade during the administration and that the principal focus of our work has been dealing with the large volume of creditor and stakeholder interests in what was previously the UK's largest delivered wholesaler.

There is a prospect of a dividend being paid to unsecured creditors in certain (but not all) of the Companies from the prescribed part funds only. However, due to the estimated total level of claims, which is expected to be significant, any dividend is likely to be negligible and unlikely to become available for some time. We give further details later in this report.

The key messages for the various stakeholders are set out below.

Employees

If you are an employee or former employee, you have received this report because you may be owed money in respect of your employment or (where applicable) your redundancy.

We continue to communicate with existing employees using the Companies' normal procedures and to direct contact where necessary or appropriate. Retained employees can contact their line manager or HR in the first instance if they have any questions or require advice.

Further information is available on our website at: www.pwc.co.uk/palmerandharvey or by contacting us using the details below.

Creditors/suppliers

We wrote to all known creditors on 5 December 2017 to give notice of our appointment as administrators and invite creditors to submit claims for amounts owed. In this report (page 8) we provide an indication of the possible dividend prospects for creditors and therefore which of the Companies need creditors to submit their claims for dividend purposes.

For those companies where no dividend is expected, creditors do not need to submit a claim.

A claim form can be downloaded from the Supplier page at: www.pwc.co.uk/palmerandharvey

Completed forms should be returned to: Palmer & Harvey, c/o PwC, Level 8, Central Square, 29 Wellington Street, Leeds, LS1 4DL

Retention of title

Wholesale: On 21 December 2017, a letter was sent to all known trade suppliers to PHML (after the letter of 5 December 2017 which was circulated to all known creditors). The letter reconfirmed to suppliers the requirements for making a claim if they believed their goods were subject to RoT. All suppliers were asked to make any RoT claim by 1pm on Friday 5 January 2018.

Where RoT claims have been submitted, a commercial assessment has been/will be made as described later in this document and suppliers have been contacted by members of the operations team to arrange collection of their goods from the various distribution centres.

Where no RoT claim is made, the RoT claim is not deemed to be valid or a supplier declines to collect their goods, the Administrators are seeking to realise value for the stock, or where this is not possible, arrange that goods are collected by known food waste charities.

Further letters were issued on 5 and 10 January 2018, requesting suppliers claiming RoT to arrange a collection slot with the Administrators, for goods to be collected by 19 January 2018, or to confirm that they did not wish to collect their goods.

Vans: We wrote to suppliers on 19 December 2017 to advise the location of their stock and request this to be collected. In cases where collection was not possible before depots were handed back to landlords, landlord contact details were provided so that suppliers could make direct contact.

Landlords

We wrote to all landlords on 4 December 2017 for the purpose of explaining the current situation and requesting their assistance towards vacating the property in an orderly manner and to the extent possible in the limited time available. Discussions with landlords are ongoing in relation to the handing back of leasehold properties.

Secured creditors

Since our appointment, we have provided written and oral updates to the secured creditors regarding the progress of the administrations and case strategies. We will continue to communicate with the secured creditors in this manner and therefore this report is for information purposes only.

Customers

If you were a customer of one of the Companies, you have received this report because you may also be a creditor. This may arise if you supplied goods to P&H but were also charged a distribution fee for the service by P&H. Any claims of this nature should be made against the relevant company. Please note that you may not be shown as a creditor on the directors' statement of affairs - this does not necessarily mean you are not a creditor or affect your ability to claim. All claims will be checked to the company records if and when appropriate.

We have been contacting customers with unpaid invoices with regard to settlement of their accounts. If you have any questions, please contact us using the details below, otherwise please arrange for invoices to be paid as soon as possible as they are now overdue.

Shareholders

As a result of the insolvency of P&H, shares held in the Companies, including ordinary shares in Plc, are highly unlikely to have any value. We do not expect that there will be any funds left over to return to shareholders, once the costs of the administrations have been discharged and creditors have been paid and therefore these shareholdings should be valued accordingly.

Useful contact details

Employees only

Email: ph.employee.queries@uk.pwc.com

Helpline: 020 7804 7202

Suppliers, landlords and other

Email: phqueries@uk.pwc.com

Helpline: 020 7804 7202

Why we've prepared this document

As we've explained previously, on 28 November 2017, the Companies went into administration and Matthew Callaghan, Ian Green, and I were appointed as joint administrators.

We tell you in this document why the Companies were put into administration. We give you a brief history and set out our proposals for achieving the purpose of the administration of each company. We include details of the Companies' assets and liabilities, and say how likely we are to be able to pay each class of creditor.

According to IA86, the purpose of an administration is to achieve one of these objectives:

- (a) rescuing the company as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a)
- (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), or finally, if that is not possible
- (c) realising the company's assets to pay a dividend to secured or preferential creditors.

We are pursuing objective (b) for each company as it was not reasonably practical to rescue any of them as a going concern. We will move to objective (c) for any of the Companies in which objective (b) is considered not to be achievable.

Our job is to manage the Companies until creditors agree our proposals for achieving the purpose of administration and we've implemented them so far as possible. After that the administrations will end. The whole of this document and its appendices form our statement of proposals for achieving the purpose of administration.

We're not seeking a decision from the creditors to approve our proposals because we do not think any of the Companies have enough assets to pay a dividend to unsecured creditors (other than potentially from the prescribed part in certain of the Companies).

So, our proposals will be treated as approved unless enough creditors ask us to seek a decision to approve them. This would happen if at least 10% in value of the total creditors ask us to do so (in line with Rule 15.18 IR16) within eight business days of the date we deliver the proposals to you.

If you've got any questions, please email phqueries@uk.pwc.com or call our dedicated helpline on 020 7804 7202.



Zelf Hussain
Joint administrator of the Companies

Matthew Callaghan, Ian Green and Zelf Hussain have been appointed as joint administrators of Palmer & Harvey (Holdings) PLC; Palmer & Harvey McLane Limited; Palmer & Harvey McLane (Holdings) Limited; P&H (1925) Limited; P&H Direct Van Sales Limited; P&H Sweetdirect Limited; P&H Direct Limited; and P&H Snacksdirect Limited, to manage their affairs, business and property as agents and act 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 are Data Controllers of personal data as defined by the Data Protection Act 1998. PricewaterhouseCoopers LLP will act as Data Processor on their instructions. Personal data will be kept secure and processed only for matters relating to the administration.

Summary of possible outcomes for creditors

This is a brief summary of the possible outcome for creditors based on what we know so far. You shouldn't use it as the main basis of any bad debt provision or debt trading. Please read the rest of this document.

Estimated outcome for secured creditors

We explain the security structure for the Companies later in this document.

At the date of appointment, the debt due to the ABLs was £187.4m, secured by way of fixed and floating charges over the Companies' assets. This security is first-ranking, subject to the fixed charge security in 1925 which is noted below. The return to the ABLs is uncertain as it is materially dependent upon the final level of asset realisations and the costs of the administrations. However, we currently anticipate the return to the ABLs will be between 35% and 100%, from the fixed charge realisations. The timing of distributions are currently uncertain.

The Tobacco Companies held second ranking security over the Companies' assets (subject to the security in 1925) and were owed £66.1m on appointment. Funds will be available for distribution to the Tobacco Companies in the event that the ABLs' debt (and pension scheme debt in the case of 1925) is discharged in full. We currently anticipate a return of 0-9% to the Tobacco Companies. The timing of any distributions are currently uncertain.

Note that the above information regarding potential returns to the ABLs and Tobacco Companies excludes any funds which may be available from WS Retail Limited, which is also included in this security.

We understand that the Group's defined benefit pension scheme holds first ranking security over certain assets in 1925. As such, any realisations from these assets would be due first to the pension scheme (once costs have been discharged). We are currently liaising with the pension scheme and PPF to establish the level of the pension scheme debt and the proportion secured on the assets of 1925. The timing of any distribution under this security is dependent upon the sale of the assets covered by the charge. Further details will be provided in future reports.

Estimated dividend prospects

Preferential creditors

According to the Companies' books and records (including the directors' statements of affairs), staff were employed in PHML, Snacksdirect, Sweetdirect and DVS, which is therefore where preferential claims are expected to arise. In addition, we understand that there are some unpaid pension contributions, part of which may be preferential.

The dividend prospects for preferential creditors in each of these companies are as follows:

- PHML – no funds available for preferential creditors
- Snacksdirect – dividend prospects uncertain
- Sweetdirect – dividend prospects uncertain
- DVS - dividend prospects uncertain

We explain in more detail later in this report why this is the case.

Unsecured creditors

Dividends for creditors are only available for the following three companies from the ring-fenced prescribed part fund. We comment later on the factors that affect the outcome for creditors.

- Snacksdirect;
- Sweetdirect; and
- DVS.

If you are a creditor of any of these companies and have not already submitted a claim, you should do so by downloading and completing a Statement of Claim form from the supplier section of our website www.pwc.co.uk/palmerandharvey. At the moment, it is uncertain whether there will be funds available for a distribution to creditors of these companies.

We do not think there will be funds available to make a distribution (even under the prescribed part) to the unsecured creditors in any of the other companies, i.e. Plc, Holdings, PHML, 1925 or Direct.

Brief history of the Companies and why they're in administration

Background

The Palmer & Harvey group of companies was the UK's largest wholesaler and distributor of grocery products, offering a range of chilled, frozen, ambient, alcohol, non-food, confectionary and tobacco products to retail multiples, convenience stores and petrol station forecourts.

The trading activity in the group was split into three divisions:

- **Wholesale (PHML):** At the time of our appointment, PHML was the UK's largest delivered wholesaler to the UK convenience market. It had around 90,000 customers ranging from small local corner stores to the UK's largest supermarkets. It operated from a head office in Hove and a delivery network of 16 regional distribution centres which supplied up to 12,000 product lines.

The Wholesale business accounted for around 96% of the Group's revenue, with tobacco sales accounting for 74% of Wholesale sales in the year ended March 2017. However, non-tobacco sales generated 85% of Wholesale gross profit.

- **Vans (Direct, DVS, Sweetdirect and Snacksdirect):** 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 Vans business was linked to the Wholesale division of the Group as a number of its depots were based within larger properties which were also occupied by Wholesale, a number of supplier contracts were in the name of other Group companies and it was largely reliant on the Group's distribution network to replenish its stock levels.

In the year ended March 2017, the Vans business achieved a combined turnover of c.£100m with a marginally positive EBITDA.

- **Retail (WS Retail Limited).** WS Retail Limited operated a chain of over 100 convenience stores in the South and South West of England, trading under the 'Central Convenience' brand. WS Retail Limited (with around 1,300 employees) did not enter administration at this time; instead an accelerated sale process was conducted in an attempt to rescue the business. WS Retail Limited was subsequently placed into administration on 15 December 2017 and a separate statement of proposals has recently been issued to the creditors of that company, giving notice of the administration and details of an immediate sale of its business and assets to Bargain Booze Limited.

Plc and Holdings were ultimate and intermediate holding companies in the Group respectively. A Group structure is shown at Appendix A. Their only known assets are investments in subsidiary companies and inter-company receivable balances. Both of these companies are included within the ABLs' security net. In addition, Plc had provided guarantees on certain operating contracts.

1925 was primarily a property holding company for the Group. It owns the freehold to 10 sites. This company is also included in the ABLs' security net, although we understand that this security ranks behind other fixed charge security in favour of the pension scheme in respect of certain of these properties.

Historically, the Group has undergone several management buy outs, with the most recent being in 2008. At this time, we understand that the existing shareholders were provided with preference shares which provided

for a twice-yearly cash payment to the holders and were redeemable at the earliest in 2023, subject to there being the necessary reserves available. The equity of the Group is held by c.2,100 current and former employees.

The circumstances leading to our appointment

The Group had failed to deliver budget for a number of years. Poor financial results, along with cash management challenges, resulted in the Group facing increasing cash flow pressures in the early part of 2017. The following table shows the financial performance of the Group per the 2017 unaudited annual accounts.

£m	52 weeks ended 2 April 2016 (audited)	52 weeks ended 2 April 2016 (restated)	53 weeks ended 8 April 2017
Turnover	4,435.1	4,435.1	4,520.7
Gross profit	211.4	201.1	190.1
EBITDA*	21.4	3.3	(21.0)
Profit / (Loss) Before Tax	(16.4)	(28.5)	(63.8)

*Earnings before interest, taxes, depreciation, and amortisation. Excluding exceptional items.

Source: Palmer & Harvey (Holdings) Plc, Draft Annual Report and Accounts, 8 April 2017. Unaudited.

It should be noted that it was management's intention to restate prior periods' financial statements in the FY17 accounts, which were unaudited at the date of appointment.

We understand in preparing the FY17 accounts, management undertook a review of the prior periods' financial statements and certain transactions within them. This review identified additional information indicating a number of omissions from, and misstatements in, the financial statements for one or more prior periods, which led to the prior period adjustments. The nature of these items can be broadly categorised as follows:

- Incorrect capitalisation of costs and other unsupported debit balances
- Incorrect accounting for royalty payments to customers
- Incorrect recognition of supplier income from certain suppliers
- Incorrect accounting for stock valuation for a category of stock
- Incorrect application of the Group's accounting policy to release unsupported credit balances

In April 2017, the Group agreed terms with its existing lenders, as well as its two significant suppliers (the Tobacco Companies) 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 scheduled debt repayments, covenants and other obligations. The revised financing arrangement saw the Tobacco Companies inject significant capital into the business to help manage the working capital pressures the Group was facing.

In conjunction with this agreement, the Group undertook a number of actions to try and stabilise the business, including:

- Introducing an independent third party to act as Chief Restructuring Officer to the business;
- Introducing debt advisors to work closely with the Group's lenders;
- Approaching suppliers and customers for formal support;
- Working with a major customer to secure a three year contract;
- Working with another major customer to access their supplier finance trading platform;
- Restructuring senior management, including a number of new strategic hires;
- Developing a business plan; and
- Starting a sale process in July 2017 for the Group, with the intention of achieving long term stability for the Group through a consensual solvent sale.

PwC was engaged in May 2017 to undertake a valuation of the Group and assist with the sale process. As part of this work, assistance was provided to the Group in an operational restructuring role to support management to develop their business plan.

A number of interested parties were approached and following indicative offers and initial due diligence, the Group's stakeholders entered negotiations with two parties. During this process, indicative offers were received for parts of the business, such as WS Retail and the Vans business, however, these were not pursued further at this time as the primary focus was a sale of the Group as a whole. These offers were revisited following the administration appointments.

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. In conjunction with the proposed investment, a significant proportion of the Group's existing financial indebtedness was to be written-off or refinanced on a long term basis.

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.

On 28 November 2017, Matthew Callaghan, Ian Green and I were appointed as administrators over the eight Companies, being Plc, Holdings, PHML, 1925, Direct, DVS, Snacksdirect and Sweetdirect.

The appointments were made by the directors of the Companies in the London High Court.

Plc, Holdings and 1925 were insolvent by virtue of being jointly and severally liable for the Group's borrowing. It was necessary for these companies to be placed into administration to ensure control over the Group and due to uncertainty over ownership of assets within the Group. In the case of 1925, it was essential to ensure that sites could be secured quickly and that there was access to stock, records etc at the various premises.

At the time of our appointment, the Companies employed in the region of 3,400 employees, including 424 people at the head office in Hove.

WS Retail Limited (with around 1,300 employees) did not enter administration at this time; instead an accelerated sale process was conducted in an attempt to rescue the business. WS Retail Limited was subsequently placed into administration on 15 December 2017 and a separate statement of proposals has recently been issued to the creditors of that company, giving notice of the administration and details of an immediate sale of its business and assets to Bargain Booze Limited. Whilst these proposals do not cover WS Retail Limited, it is important to note that this entity had its own standalone operations and cash resource which enabled its directors to conclude that they could continue to trade and maximise returns for creditors through the exploration of a going concern sale.

Statement of prior professional relationships

In accordance with insolvency legislation and as part of confirming our consent to act as joint administrators, we explained to the Court the extent and nature of our prior involvement with the Companies. This is summarised below.

- The Group instructed PwC on 2 May 2017 to undertake a valuation of the Group and assist with a sale process. As part of this project, PwC also assisted the Group in an operational restructuring role to support management in developing their business plan.
- As the Group's financial position continued to deteriorate, PwC was engaged on 29 June 2017 to undertake a contingency planning exercise, in order to explore and prepare for an eventuality where a sale was not achieved. The work also included the provision of associated advice to the Board as required. Contingency planning work had been undertaken previously by KPMG, the Group's auditors.
- Separate to the above, PwC has provided tax consulting and compliance advice to the Group under an engagement letter dated 5 August 2017.

After careful consideration, we concluded that there were no threats to the fundamental principles set out in the Code of Ethics for Insolvency Practitioners issued by the Institute of Chartered Accountants in England and Wales.

As we confirm later, the parties with the primary financial interest in the progress and outcome of the administrations are the Group's secured creditors, who consented to our appointment.

Pre-administration costs

We explained above that PwC had been engaged to assist the Group's management in exploring a sale of the Group and to provide contingency planning advice in the event an insolvency process was required.

The contingency planning work focussed on the necessary preparatory steps ahead of an insolvency appointment that would ensure the Group entered the process in an orderly manner and one in which the sites could be secured in the immediacy after an appointment in order to preserve value in the Group's assets and safeguard stock and other assets belonging to third parties.

We produced a strategy for quickly and effectively communicating with key stakeholders, including customers, suppliers, creditors, employees and landlords. The plan also identified key initial steps, cashflow predictions, temporary controls required to secure the sites under our supervision, potential areas of risk and options to mitigate them.

We are confident that (having now entered administration) this planning work has protected assets and third party owned property compared to what would likely have occurred in an unplanned and uncontrolled appointment of administrators. In turn, we believe this has contributed significantly towards achieving the purpose of the administrations.

Our work also included the requisite considerations, review, liaison with our solicitors and internal compliance steps such that we could consent to the appointments and make the statutory declarations that the purpose of administrations was likely to be achieved.

Pre-administration costs are those incurred prior to entering administration, but with a view to it doing so. Our unpaid pre-administration fees and expenses were £123k and £0.3k respectively, as summarised at Appendix B, together with further information regarding the work undertaken.

To the best of our knowledge and belief, no fees or expenses have been incurred by any other person qualified to act as an insolvency practitioner.

We also show at Appendix B the amounts paid in respect of these costs and therefore the amounts currently unpaid. The payment of unpaid pre-administration costs as an expense of the administrations is subject to approval under Rule 3.52 IR16 and doesn't form part of our proposals, which are subject to approval under Paragraph 53 Sch B1 IA86. Should a creditors' committee be elected, it will be up to the committee to give this approval under Rule 3.52 IR16.

If there is no committee and we think the Companies don't have enough assets to pay anything to unsecured creditors, it will be for the secured creditors and (if applicable) preferential creditors to give approval.

What we've done so far and what's next if our proposals are approved

Management and financing of the Companies' affairs and business

The decision not to trade

The work performed prior to our appointment, in particular the contingency planning exercise, demonstrated that the Companies would not be able to trade subsequent to entering an insolvency process, because:

- Trading can only continue where the outcome for creditors is expected to be improved by continuing to do so (often by securing a sale as a going concern or an orderly wind-down).
- Ongoing trading would have required the support of the majority of major suppliers and customers. Significant suppliers to the Companies confirmed that they would not support a continuation of trade in administration. Other trade creditors were expected to immediately exert retention of title claims which would further limit any ability to operate as normal and fulfil customer orders.
- In addition to this, the majority of PHML's operational assets (including property, vehicles and MHE) were not owned by PHML and therefore limited floating charge realisations were expected to be realised for the benefit of creditors from the operational assets, compared with the ongoing costs of continuing to trade.
- Attempts to sell the businesses had been conducted in the months leading up to our appointment and it was considered highly unlikely that new interested parties would be forthcoming, or would be able to complete a transaction following an insolvency given the impact on key supplier and customer contracts.
- Trading could therefore only continue with external support and for the reasons explained above, considering the considerable funding that would have been required, there was no justification or benefit to creditors in continuing to trade and adequate funding would unlikely have been available for this purpose.

Our strategy and its funding

Our strategy is principally to mitigate the losses to the various classes of creditors, by:

- Collecting debts owed by customers;
- Securing and safeguarding large volumes of stock and facilitating its return to suppliers based on a commercial assessment of RoT claims;
- Locating, securing and arranging for the return of leased vehicles and other third party assets to their owners;
- Supporting redundant employees with processing claims against the RPS and engaging with Job Centre Plus and alternative employers looking to hire former employees;
- Selling any stock or other assets that are identified to be owned by the Companies, the proceeds of which will firstly be used to discharge the expenses of the administrations, with any amounts remaining being available to the creditors of the Companies in accordance with the statutory order of priority; and

- Quickly assessing the likelihood of any premium value in the leasehold estate and returning leasehold properties to their landlords as soon as possible where no premium value is expected.

We comment later on an unsuccessful attempt to achieve a sale of the Vans business.

Since our appointment, we have continued to manage the business as cost effectively as possible in the circumstances, through a combination of:

- a number of employees retained to assist us at the head offices and across the network;
- the appointment of specialist agents in certain areas; and
- experienced insolvency staff within our firm.

However, the cost of retaining sufficient employees, operational assets and infrastructure across the network (and for the time necessary) to implement the above strategy, together with our remuneration and other professional costs, was estimated to be significant and funding was known to be required. Therefore, immediately on appointment we entered into an agreement with the ABLs that would provide a loan of up to £13.65m, repayable from any floating charge assets (as an expense of the administrations) or from the realisation of any asset subject to the ABLs' fixed charges.

1925 was not a party to the ABL funding agreement as it was understood that the pension scheme had first ranking security over certain assets owned by that company.

As administrators, we manage the business, affairs and property of the Companies as their agents and without personal liability. We will implement our strategy to the extent possible using this finite level of repayable funding and will take such steps as are necessary to mitigate the level of ongoing costs.

The receipts and payments accounts included later show the level of funding that has been drawn down and the payments made to date. We also comment on the types of commitments we've made on the Companies' behalf, regardless of whether payment has yet been made.

We explain later in this section the work we've done since our appointment and the purpose of this. In most areas, work is still ongoing and we provide details of what we still need to do.

In relation to Plc and Holdings, our strategy is to ascertain whether these companies hold any other assets, to investigate these further, and to deal with any issues arising.

In the case of 1925, our strategy is to deal with this company's realisable assets, being primarily the property it owns, to liaise with the pension scheme and the PPF in relation to the security the scheme holds over certain assets, and to ascertain whether 1925 holds any other assets, to investigate these further, and to deal with any issues arising.

Immediate actions

In the lead up to our appointment, we prepared a team of people to attend each of the 60 locations across the UK, plus the head office locations, from the moment our appointments took effect. This included roaming oversight and support to our on-site teams provided by more experienced colleagues, covering the various regional geographies. At all locations, the immediate key tasks were to:

- confirm the appointment of the Administrators to all employees and explain the meaning and implications of this;
- make a large number of redundancies and confirm the retention of a reduced workforce (working one standard shift);
- assess the security of the premises (additional temporary manned guarding was arranged at all depot locations as a precautionary measure and subsequently phased out where appropriate);

- secure stock on sites, some of which was small and of high value, making it vulnerable to theft;
- secure the Companies' vehicles;
- ensure no further deliveries were made or received without our approval;
- implement additional controls around the limited purchase ordering for services that may be required;
- identify any areas of risk (including health, safety and environmental matters); and
- gather information that would be required for the administrations and to enable us to continue managing the Companies' affairs.

Our teams returned to many of the locations in the subsequent days for the purposes of dealing with key issues, which are described in more detail in the sections below. P&H Distribution Centre Managers were retained to control and monitor the premises and operations under our supervision. Our team was then reduced and in some cases our staff were re-distributed according to the needs of the various workstreams, explained in more detail in the sections below.

We also launched a dedicated website, helpline and email addresses to allow creditors and third parties different ways to receive information and contact us.

The consequences of the Companies entering administration also gives rise to many other areas of work, including:

- statutory obligations to give notice of our appointment to creditors, the Registrar of Companies and various other parties (including requests for the provision of information);
- locating and identifying the Companies' books and records whilst P&H staff were still available to assist us and commencing the process for the cataloguing, boxing and removing to storage (or destruction if appropriate) of the books and records;
- capturing electronic data, books and records by specialist (forensics technology) staff from PwC;
- collecting records for use in debtor recoveries, including paper and electronic records held at depots;
- commencement of 'open cover' insurance whilst a review of existing policies is conducted, resulting in either a continuation of those policies or their termination and replacement with new ones; and
- a review into the Companies' VAT and tax affairs in order to allow us (now the Companies' 'proper officer' for tax purposes) to make informed decisions and comply with ongoing filing requirements.

The examples given above are an illustration only and are not an exhaustive list of all the work we've done. In the first three days alone, we needed to spend in excess of 2,000 hours attending to all immediate tasks.

Employees

An overview of the workforce reduction

At the date of our appointment, P&H employed 3,369 people across the many depot and head office locations in the UK. As the businesses did not continue to trade following our appointment, unfortunately it was necessary to make a large number of redundancies.

Transparent messages and communications with all affected employees to provide information and support quickly was one of our key priorities in the preparations for the administrations following the appointments. We continue to receive enquiries from redundant employees and will continue to provide timely support

The following table shows how the number of employees has reduced since appointment and the number of retained staff for winding-up the Companies' affairs.

Event	Number - Wholesale	Number - Vans
On the date of appointment	2,953	416
Redundancies – Day 1 (28 November 2017)	(2,533)	-
Subsequent wholesale redundancies – various dates and locations	(80)	-
Redundancies – Vans business (8 December 2017)	-	(406)
Redundancies – Vans business (22 December 2017)	-	(6)
Employees who resigned post-appointment	(5)	-
Retained employees as at 5 January 2018	335	4

As explained later, the roles of employees of the Vans business were not immediately redundant as there was potential interest in acquiring that business. Whilst negotiations for a sale moved to advanced stages in just a matter of days, unfortunately a sale could not be completed and the majority of the Vans business employees were made redundant on 8 December 2017. Four members of staff have been retained to assist the Administrators with the collection of book debts.

Payments to employees

November salaries, comprising basic pay for November 2017 and additional earnings accrued during October 2017 were paid prior to the appointment, to all employees. For employees not retained into December 2017 amounts for additional earnings, such as overtime or commission, accrued during November 2017, that would have been paid in December 2017 will be treated as a claim for unpaid wages and claimed from the RPS.

Any employees retained in December have received their salaries for December, including unpaid pre-appointment overtime. These payments are compliant with National Minimum Wage requirements.

Supporting redundant employees

We provided redundant employees with a variety of communications to assist with the claims process for statutory entitlements to the RPS.

Our specialist employment team worked closely with the RPS to accelerate the payments to employees for redundancy pay. This has resulted in a significant number of payments being made ahead of the Christmas period. However, the structure of the business has proven to be complex which has created delays in the information being provided to allow claims for unpaid wages and pay in lieu of holiday (accrued but not taken) to be made. Our employment team continues to provide support to ensure this delay is resolved as soon as practicably possible.

High levels of enquiries continue in respect of calculating a week's pay. Working closely with P&H staff and the RPS, statutory entitlements have been calculated by the RPS using the appropriate company payroll information.

On appointment, immediate contact was made with the Job Centre Plus Rapid Response Unit, this allowed a joint strategy to support those affected by redundancy. As a result of this collaboration, numerous employers contacted us with recruitment opportunities and additionally we were able to support the numerous national job fairs that were set up.

Retained employees

Retained employees have been invaluable in helping us progress the many areas of work, in unusual and difficult circumstances.

Throughout the administration we have engaged and consulted with employees and the union (USDAW). We continue to engage with operational management on a regular basis to provide them with information that is relevant to those retained in the business.

We are keeping the resourcing needs of the Companies under regular review whilst we work towards the objectives set out earlier. Further redundancies will be necessary, although likely at different times as the various matters are resolved.

Retention of title

On appointment, PHML held £44m of stock across 900 supplier lines. In broad terms, this was equivalent to 65,000 pallets of stock, albeit a large number of pallets had been broken down ready to be distributed to customers. In addition, there was c£2.1m of stock within the Vans business. This was held at depots across the country, as well as an element of the stock being kept in the vans, which had to be cleared and returned to depots, both to deal with the stock and to allow the vans to be sold or returned to lessors.

As at 5 January 2018, over 300 RoT claims had been received, with a potential value of around £40m.

In order to process this large number of claims quickly and efficiently, we set up a team dedicated to reviewing the claims, based on a set of agreed commercial criteria. The team had a core of seven PwC people to process the claims promptly, supported for operational purposes by P&H staff at head office and depots.

We immediately approved collection of stock in relation to small claims where the cost of reviewing (and potentially challenging) them would be disproportionate to the value of the stock. Larger claims were considered in more detail and the largest claims were subject to legal review. Most suppliers were able to provide information to allow their claims to be processed promptly, but there were two recurring issues which needed to be addressed for many suppliers:

1. Certain suppliers had signed annual contracts which incorporated PHML's terms and conditions. These had the potential to exclude retention of title claims and additional investigations were therefore required to understand whose title terms and conditions had been incorporated.
2. Certain stock lines had been bought from a number of different suppliers ("grey stock"). In order to manage counter claims, affected suppliers had to demonstrate a method of identifying that they had supplied that specific stock.

Both of these matters required significant input from P&H staff and systems to resolve.

The above process resulted in the names and contact details of suppliers regularly being passed to P&H staff in order to arrange collections. However, there were a number of logistical challenges that then had to be addressed by P&H staff in considering how to manage the collection process in a safe, orderly manner, including:

- Physically and logistically, it was not practical for everyone to turn up without a coordinated approach;
- Certain suppliers were unable to immediately mobilise the necessary storage and logistics given they were already working at peak capacity for Christmas sales;
- A large number of suppliers requested information on stock, e.g. stock quantum, to allow them to resell it, and stock temperatures for hygiene reasons. P&H staff were needed to provide this information, reducing the resource available to facilitate the collections themselves;
- Similarly, a number of suppliers requested access to count stock and again this reduced the P&H resource available to facilitate collections;
- The grey stock issue required input from P&H staff to help these suppliers in splitting the grey stock between them;

- Stock which had been unpacked immediately prior to our appointment for distribution to customers needed to be repacked for collection by suppliers;
- Several suppliers did not arrive at the allocated collection times, requiring stock to be moved several times;
- A number of suppliers demanded immediate access to sites and/or arrived without an allocated time slot (and had to be sent away), causing disruption by taking P&H staff from their duties;
- P&H's vehicles were not being used as the businesses had stopped trading. Housing these vehicles at sites limited the space available to access the properties; and
- P&H staff were working extremely hard but were doing so in an unusual environment, difficult circumstances and with understandable uncertainty about their future employment.

On 21 December 2017, a letter was sent to all known trade suppliers to PHML (after the letter of 5 December 2017 which was circulated to all known creditors). The letter reconfirmed to suppliers requirements for making a claim if they believed their goods were subject to RoT. All suppliers were asked to make any RoT claim by 1pm on Friday 5 January 2018.

Where RoT claims were submitted, a commercial assessment was made in light of the points described above, and suppliers have been contacted by members of the operations team to arrange collection of their goods from the various distribution centres.

Where no RoT claim is made, the RoT claim is not deemed to be valid, or a supplier declines to collect their goods, the Administrators are seeking to realise value for the stock, or where this is not possible, arrange that goods are collected by known food waste charities. For commercial reasons, the levels of stock and offers currently received are not detailed in this report.

Further letters were issued on 5 and 10 January 2018, requesting suppliers claiming RoT to arrange a collection slot with the Administrators as soon as possible. It was necessary that these collections be arranged to take place by 19 January, following which properties were due to be returned to their landlords. We also asked suppliers to confirm in cases where they did not wish to collect their goods, so that alternative arrangements could be made.

For the Vans business, we contacted RoT claimants on 19 December 2017, advising of the location of their stock, according to company records, and asked them to collect their stock. In cases where collection was not going to be possible before depots were handed back to landlords, a further letter was sent on 22 December 2017 where we provided contact details for landlords so that suppliers could liaise directly in relation to collection of stock.

The Vans business

At the time of our appointment, the Companies' vans (both owned and leased) were spread across the nationwide network of depots. There was a large amount of cash held that had been collected from customers prior to our appointment. A small number of owned vans and company cars with limited value were held by employees, along with mobile phones and other equipment, all with nil value, and we have spent some time dealing with these assets.

We explained earlier in this report the immediate actions we took at all of the Companies' locations following our appointment, including the cessation of trade.

Whilst the benefits of continuing to trade would be outweighed by the costs and risks, we were aware that the Vans business could be of interest to certain third parties, albeit for a nominal value, and we quickly explored this interest to see if any sale could be possible.

Employees of the Vans business were not made redundant immediately and were instead asked to temporarily stay at home whilst discussions with interested parties could be conducted. Staff had been paid up to the end of the month. Depot staff also ensured that cash and other assets were secured such that normal trading could be resumed at a later date, if possible.

Given the temporary suspension of trade, a rapid sale of the Vans business in its entirety was the primary objective of this team in the days following our appointment. This was considered to be the best strategy as it would generate value for creditors from the business itself, but also maximise the recovery of book debts with the potential assistance of an ongoing trading business, mitigate creditor claims by preserving jobs and could reduce the cost of the administrations (compared to a closure scenario) as there would be less depots, employees and assets to deal with.

A number of parties were contacted to discuss their intentions and there were 17 expressions of interest in some or all of the business. Some 13 non-disclosure agreements were signed by interested parties, three probable buyers were identified and within three days of our appointment, one party had made a firm offer for the Vans business.

As a condition of continuing the sale process and to protect the Vans administrations from the costs of keeping the business in a temporary holding position, the prospective purchaser agreed to make non-refundable payments of £60k per day, from the date of their offer until completion, or otherwise, of a sale. Unfortunately, the sale could not be completed as the prospective purchaser chose not to proceed and on 8 December 2017 we received formal confirmation that no deal would be agreed. A total of £300k was received in non-refundable deposits, which will be used to discharge the ongoing liabilities of the administrations while trading was suspended.

Due to the lack of any alternative and credible purchaser and the lack of funding available to continue to temporarily maintain the infrastructure of the business, it was necessary to make all depot-based employees redundant on 8 December 2017.

The strategy for the Vans business then followed that of the Wholesale business, focussing on the clearance of premises, handing back third party assets and realising value from any owned assets. All leased premises have now been vacated.

We have agreed to sell all the owned vans, IT software, equipment and other fixtures and fittings for a total consideration of £250k. We are in the process of finalising and completing the terms of the sale and have received consideration of £160k to date. We are expecting the sale to complete imminently.

Book debts outstanding on appointment totalled c.£7.8m, with c.£3.3m in accrued income relating to commission and rebates from suppliers (invoiced post appointment). We have retained a small number of employees who are working to collect the book debts and accrued income in an organised and prioritised manner. Debtors generally are discussed further in the following section.

Debtors

In accordance with the terms of the ABLs' security, following our appointment P&H's book debts were assigned to the Security Agent. On appointment, the total debtor balance was c.£264.4m, relating to goods sold and delivered prior to our appointment.

The debtors ledger comprises a "nationals" ledger totalling £243.7m across 70 accounts and an "independents" ledger totalling £20.7m across c.4,200 accounts.

Immediately on our appointment we took steps to protect and secure the sales ledger. This included:

- Obtaining copies of the detailed and summary ledgers;
- Locating and securing all invoices together with supporting documentation including signed delivery notes, contracts, purchase orders;

- Obtaining customer details including telephone numbers, contact names and email addresses; and
- Sending letters to all customers confirming that the bank account details remain the same as prior to our appointment and attaching the assignment notice from the Security Agent.

We have also updated and reconciled P&H's ledgers to reflect adjustments to the opening balances relating to:

- Direct Debit timing adjustments;
- Goods invoiced but not delivered; and
- P&H invoicing for distribution fees that had been accrued but not invoiced pre-appointment.

As at 11 January 2018, debtors totalling c.£45.2m had been collected for Wholesale and c.£1.1m for Vans..

We are continuing to work through account reconciliations and the contractual terms of the agreements in place with a number of debtors to resolve the outstanding balances due and payable.

Where appropriate, we are engaging agents to assist in debtor collections.

Third party and leased assets

As at the date of our appointment, the Companies held a wide range of leased assets in their possession. These ranged from company cars, trucks and vans through to fork lift trucks and IT equipment.

Immediately on appointment, we began the process of identifying which assets were leased and which parties held a legal or valid economic interest in these assets. As the assets were spread across the 60 distribution centres and depots around the country, it was necessary to 'lock down' all the depots for a short period whilst assets were identified and secured.

To date, we have received contact from over 50 parties seeking to recover their leased assets from within the depot network.

Repatriation of the leased assets began on 4 December 2017, initially focussing on the leased vehicles held at the various Wholesale depots. These depots were not designed to accommodate such a large number of vehicles and the space was required to enable RoT and other suppliers to uplift their goods from the depots. Only a small number of company cars have been retained for use by those retained employees who have a contractual entitlement to a company car.

The vehicles were supplied on a mixture of rental and lease agreements from asset based lenders and rental companies. Total leased vehicles within P&H on appointment consisted of 165 cars and 630 commercial and heavy goods vehicles.

Of the commercial vehicles, a total of 163 were utilised in the Vans business. These were initially retained with the support of the lessors whilst we explored a business and assets sale of that business. As confirmed above, this was ultimately unsuccessful and we have therefore commenced facilitating the return of these vehicles to lessors.

As at 31 December 2017, some 92 cars and 325 commercial and heavy goods vehicles have been returned, with further collections scheduled throughout January 2018.

In addition to road vehicles, the Companies operated a fleet of leased materials handling equipment such as fork lift trucks and associated items. In total there were 457 pieces of such equipment. We have identified the location of these assets and have started working with the respective leasing companies to facilitate collections. Around 50% of these assets have been made available for collection by lessors, whilst the other 50% remain in use as part of the destocking process. Due to the nature of the assets, collection is a timely exercise and is expected to continue throughout January 2018.

However, there is a need to retain some of this equipment within the business to facilitate the ongoing de-stocking exercise and site clearances.

In addition to the assets identified above, there are a wide range of other miscellaneous leased items of equipment within the depots. We have been working with those leasing providers who have come forward to confirm ownership and we are arranging for these assets to be collected by the lessors where possible.

The process of dealing with third party assets has required intensive support from both P&H staff and experienced members of our team and this process will continue throughout January whilst access to the depot locations is expected to be available.

Where relevant, our legal advisors have reviewed lease documentation to confirm the Companies do not have a financial interest or ownership right to any leased assets being returned. As part of the process of identifying leased assets, we have identified a number of formerly leased assets which the Companies now own, including cars and HGVs. The value in these will be realised in due course for the benefit of creditors.

Property

The Companies' properties

The Wholesale division operated predominantly from leasehold sites on a UK wide basis. Sites were owned by or leased to 1925 and PHML. In total, the Wholesale division operated from 18 locations, including the Head Office in Hove.

The Wholesale division operated a mixture of warehouse and coldstore accommodation, with units ranging from 30,000 sq.ft. to over 200,000 sq. ft. distribution centres.

The Vans business operated from 44 sites throughout England, Wales & Scotland, with the property estate comprising:

- 29 leasehold properties registered to the Vans business;
- 5 depots held under short term licence arrangements; and
- 10 depots within properties occupied by the Wholesale division.

These sites ranged from 2,000 sq.ft. to 15,000 sq. ft., with an average unit size of 6,000 sq. ft.

Initial tasks and future strategy

On appointment, the Administrators' staff attended the Companies' 60 distribution centres and depots, with the aim of briefing staff, gathering information and securing assets, as detailed elsewhere in this document. Initially, we arranged for 24 hour man-guarding of all sites, whilst the specific security needs of each were established. This provision has now been reduced, with security at specific sites only.

We immediately sought information on the properties, such as details of leases and licences, and instructed Land Registry searches to verify our understanding of the Companies' property portfolio.

Based on their nationwide network and their experience in these matters, we instructed GVA as our agents to provide property advice. GVA carried out an initial desktop appraisal of the Companies' leasehold estate to establish whether any of the leases were capable of achieving an assignment or surrender premium. As part of this process, GVA responded to all inbound property queries received by the Administrators and brought the availability of the Companies' leasehold estate to the attention of parties with a known need for similar accommodation, via their nationwide network of property agents.

We wrote to the Companies' landlords on appointment to provide them with an initial point of contact and to request submission of any claims. Since this time, we have been in continued dialogue with landlords to deal with queries and discuss their individual property arrangements.

Our strategy in relation to the leasehold properties has been to facilitate the return of third party stock and assets from these sites to their owners and then to return the premises to their respective landlords. This strategy benefits suppliers in terms of return of their goods, and landlords receiving their sites back with minimal stock/assets still in situ. In order to aid this process, we have negotiated rent free or reduced rent periods with some landlords, in order to allow extra time for sites to be cleared.

To date, we have handed back possession of the Vans business head office to its landlord and have exited a number of regional sites. We anticipate that most sites will have been vacated by the end of January 2018.

Once the exercise to hand back leasehold sites has been concluded, our focus will be to ascertain the value of the freehold and long leasehold properties, and to prepare and implement a marketing strategy for these, in order to maximise value.

Other assets

The Companies' assets (other than stock, debtors and property) can be categorised into vehicle fleet, fixed assets, materials handling equipment and chattels. Most of the assets were leased but a proportion of the older assets were owned. We commented earlier on the position and strategy with regard to leased assets.

Vehicles

The Companies had a fleet of c.700 vehicles, of which c.200 vehicles were owned. We have appointed Hilco as agents to provide a valuation and assist with the sales strategy for these assets. Until such time as the sales are complete, the valuations provided by Hilco are commercially sensitive and therefore we have not disclosed them in this document.

The majority of the fleet of owned vehicles were HGVs. Hilco are working with FLAG (auctioneers) to manage the collection of the vehicles and their subsequent sale through an auction process in January 2018. FLAG was identified as a suitable auctioneer due to its national coverage, having resource available to meet our collection requirements and the ability to store the vehicles at two secure sites in Doncaster and Leicester in advance of the auction process.

We are in discussions with third party maintenance providers to recover 20 vehicles which are located at their premises. There are also a small number of motor vehicles which are currently being used by retained members of staff who continue to be employed in the administration. Once these are no longer required, they will be collected by Hilco/FLAG and sold at auction.

Assets other than vehicles

This includes the racking, picking machinery and refrigeration units at the various sites. In many locations, this equipment is still being used to move and store stock; and therefore cannot yet be removed or sold.

The materials handling equipment was mostly leased from third parties, but there are 65 pieces of equipment that were owned; including 25 forklifts and 23 reach trucks, amongst other assets. As above, the valuation of these assets remains commercially sensitive. As and when these assets are no longer required, we will arrange for Hilco to collect them in preparation for sale.

There are various other chattel assets, including the IT, office and warehouse equipment. The latter includes c.9,000 owned roll cages (in addition to a further 9,000 which are leased). Only half of the 18,000 roll cages were on a P&H site at the date of our appointment; the other half were at unspecified third party sites across the UK. We accepted an offer of £200k from the owner of the leased roll cages for all of the owned cages, which was in line with our agent's recommendations. The sale consideration was received in full by our solicitors prior to completion and the assets are in the process of being collected by their purchaser. The sale proceeds will be transferred to the administration shortly.

We are currently in negotiations with a number of interested parties for the sale of owned 'thermotainers'.

IT assets have been collected from all sites across the UK and are now held centrally in two locations and Hilco will arrange for the realisation of these assets in due course. The handheld devices and equipment that was used for inventory management will also be moved to a central location, prior to sale or return to lessors.

We are in the process of reviewing the Intellectual Property owned by the Companies and are working with Mettis Partners who are supporting us in the identification and marketing for the sale of Intellectual Property, including trademarks and licenses.

Pensions

The Group operated the following pension schemes:

- a defined benefit scheme, for which accrual of pensionable service ceased in 2013; and
- two defined contribution schemes, which were the “live” schemes at the time of our appointment.

There was also a separate scheme providing a benefit in the event of death in service, and some other insured employee benefit arrangements.

We understand that PHML, Holdings and Snacksdirect are employers under the defined benefit scheme.

Our specialist pensions team identified the schemes and, with the assistance of P&H staff, ascertained the main issues requiring attention. We issued the statutory notifications of the administration appointments where required, in accordance with pensions legislation, and added pensions information to our communications for employees.

The main areas in which we have been engaged in relation to the defined benefit scheme are summarised below:

- We have had considerable dialogue with the scheme’s trustee and with the PPF regarding the scheme’s creditor status in certain of the administration estates. In conjunction with our property team, this has extended to discussions on a property owned by the scheme and occupied by the Companies, and to security held by the scheme over certain properties owned by 1925.
- We cooperated closely with the trustee and PPF on arrangements to ensure that the pension scheme’s payroll operated successfully in December 2017 for c.1200 pensioners (the pension payroll having historically operated alongside P&H’s own payroll for employees). From January 2018, the pensioners’ payroll will be operated by the scheme’s own pension administrators.
- We have liaised with the scheme’s pension administrators on issues caused by the insolvency, relating to the transfer of functions from P&H to the pension administrators.
- We arranged to meet with the Pensions Regulator and the PPF to provide a briefing on the Companies and the events leading up to the appointment of the Administrators.

We have also liaised with the providers of the Group’s defined contribution pension arrangements and will arrange for claims for outstanding contributions to be submitted to the RPS in due course.

We have also arranged with the insurer of the death in service scheme for cover to remain in place for continuing employees. We have carried out initial work relating to death benefits which are payable from the scheme in respect of certain deceased employees.

Employee Benefit Trusts

We are aware that there are one or more Employee Benefit Trusts in existence, from which loans may have been made to assist in the purchase of shares in Group companies and/or which may jointly own shares in the Group. We are aware of the press coverage and interest from other sources in this matter. From our initial

investigations, it appears that these trusts do not form part of the administration estates. However, we continue to make further enquiries into these trusts, in line with our duties as administrators.

Directors' conduct and investigations

As we said in our initial letter to creditors, one of our duties is to look at the actions of anybody who has been a director of the Companies in the three years before our appointment. We have to submit our findings to BEIS within three months of our appointment.

We also have to decide whether any action should be taken against anyone to recover or contribute to the Companies' assets. If you think there is something we should know about and you haven't yet told us, please complete the relevant section of the proof of debt, which can be downloaded from the Supplier section of our website www.pwc.co.uk/palmerandharvey. This is part of our normal work and doesn't necessarily imply any criticism of the directors' actions.

Companies' books, records and IT systems

We have undertaken an exercise to locate and secure the Companies' books and records (electronic and hard copy), both in order to comply with our statutory duties and to ensure we have sufficient information to support the collect-out of the debtor book. Debtor information in particular was stored at the Companies' depots and we have enlisted the assistance of P&H staff to identify, collate and box up the vast quantity of records which need to be retained. This process has been supported by our outsourced records management specialists. In anticipation of the closure of the distribution centres, it was necessary to plan for and complete the consolidation of the Companies' IT systems into the head office. Previously individual distribution centres had their own servers and this work was necessary in order to ensure data was preserved, particularly to support the collection of debts, once we were no longer in occupation of these additional sites. As these were historic systems, this work took some time and required us to work with P&H staff and consult IT specialists to ensure that this consolidation was successful.

Connected party transactions

We have a duty (under SIP13) to disclose any disposal of assets in the administrations 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 and none are expected in future.

Objective of the administration

We are pursuing statutory objective (b) for all eight administrations, which is to achieve a better result for the Companies creditors as a whole than would likely if the Companies' were wound up (without first being in administration).

Please note that this objective is still achieved if it represents improving the outcome for the secured creditors only with no dividends to other classes of creditors. It would also be achieved by virtue of our ability as Administrators to assist creditors in mitigating their losses.

If we consider that the objective cannot be achieved in certain of the Companies, we will pursue objective (c), being to realise that company's assets to pay a dividend to secured or preferential creditors

We believe that these objectives will be achieved by the actions we're taking, as described in these proposals. Specifically:

- to assist the ABLs with collection of outstanding debts;
- identifying and realising stock and other assets owned by the Companies;
- supporting creditors in mitigating their losses to the extent possible (e.g. by the return of vehicles, property and RoT stock);
- retaining sufficient P&H employees for the appropriate duration to assist us.

The moratorium (prevention of legal action or enforcement of security) in administration is also supporting the conduct of an orderly administration of the Companies affairs.

As explained earlier, we'll continue to manage and finance the Companies' business, affairs and assets from the ABL funding. We may also investigate and, if appropriate, pursue any claims the Companies might have. We'll also do anything else we think appropriate, to achieve the purpose of the administrations or to protect and preserve the Companies' assets or to maximise realisations or for any other purpose incidental to these proposals.

Estimated outcome for creditors

Secured creditors

The Companies' security position is summarised in the following table:

Charge holder	Indebtedness on appointment (£m)	Nature of charge	Companies affected	Comments
ABLS	187.4	Fixed and floating charges over all assets and undertaking	All of the Companies	Debt excludes any accruing default interest and fees First ranking security, subject to charges in 1925
Tobacco Companies	66.1	Fixed and floating charges over all assets and undertaking	All of the Companies	Debt excludes any accruing default interest and fees Second ranking security, subject to charges in 1925
P&H Pensions Trustees Limited as Trustee of the Staff Superannuation Fund of Holdings	To be confirmed	Fixed charge over four freehold properties	1925	See comments below

In addition, the ABLs' and Tobacco Companies' security extended to certain other companies in the Group. Our solicitors have undertaken a review of all security and confirmed the validity of these secured creditors' security.

1925 owns a number of freehold properties and we understand the Group's defined benefit pension scheme holds first ranking security over some of these. We are in discussions with the pension scheme trustee and the PPF concerning the best way of handling this estate in the interests of the pension scheme and other creditors.

Based on current information, we anticipate that some or all of the secured creditors will suffer a shortfall in their respective lending.

At this stage we do not have visibility on the anticipated recovery by the secured creditors across the Companies overall but we hope to be in a position to provide an update in our six month progress report.

Preferential creditors (mainly employees)

As noted on page 7, preferential creditors are only expected in PHML, DVS, Sweetdirect and Snacksdirect, because these were the companies that employed the P&H staff. In addition, we understand that there are some unpaid pension contributions, part of which may be preferential.

Dividends to preferential creditors are paid from floating charge realisations, after taking out the costs of the administration, such as paying P&H staff to continue work during the administration, paying essential suppliers such as utilities, and agents' and other professional fees.

At this stage, due to the level of costs in the administration, compared to the expected floating charge realisations, we do not think there will be funds available for preferential creditors in PHML.

At the moment, it is uncertain whether there will be any funds available for the preferential creditors in DVS, Sweetdirect and Snacksdirect, as this will depend on the total realisations in these companies, as well as the final level of costs. We will provide a further update in our first progress report.

Unsecured creditors

Amounts become available for unsecured creditors if there are sufficient funds remaining after secured and preferential creditors have been paid in full and the expenses of the administration have been discharged. However in certain circumstances, insolvency legislation requires a fund to be set aside for unsecured creditors that would otherwise be paid to a secured creditor (under its floating charge).

This ring-fenced 'prescribed part' fund is paid out of a company's 'net property'. Net property is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003. The amount of the prescribed part is:

- 50% of net property up to £10,000; plus
- 20% of net property above £10,000; but is
- subject to a maximum of £600,000.

The prescribed part provisions apply in relation to all the Companies as there are floating charges created on or after 15 September 2003. Where dividends are possible, please note that this is only by virtue of a prescribed part fund, due to the considerable amounts owed to the Companies' secured creditors and the expectation that secured creditors will suffer a shortfall on their lending.

The current forecast of dividend prospects is as follows:

- *PHML*: Due to the level of costs which will need to be deducted from floating charge realisations, as noted in the section above, we do not think there will be sufficient funds available to make a distribution to unsecured creditors, including under the prescribed part.
- *Direct, Plc, Holdings and 1925*: We do not think there will be funds available for unsecured creditors in these companies as there are no anticipated floating charge realisations. The net property for each of these companies is therefore expect to the nil.
- *DVS, Snacksdirect and Sweetdirect*: The dividend prospects are currently uncertain and depends on the total realisations in these companies, as well as the final level of costs (and preferential claims where applicable). We will provide a further update in our first progress report. It is not possible at this stage to give an estimate of the net property in these companies.

In any case where a dividend may be likely, if we think the costs of agreeing claims and paying a prescribed part dividend will be disproportionate to the benefits, we can apply for a court order not to pay the prescribed part to unsecured creditors. At the moment we don't plan to make any such applications.

Where prescribed part funds do become available, we will distribute them before ending the administration, unless there are unconnected reasons why the company or companies should be placed into liquidation sooner. At the present time, we would advise creditors not to expect any distributions (where available) within the next 12 months. We will provide an update on dividend prospects and timing in our first progress report to creditors in June 2018.

Our fees and disbursements

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

1. As a percentage of the value of the property which we deal with (often referred to as a “percentage basis”);
2. By reference to the time properly given by us and our staff attending to the matters arising (a “time cost basis”); or
3. 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 appropriate class(es) of creditor decides which basis (or combination of bases) should be used to calculate fees, usually once it is satisfied that the fee basis proposed represents the most appropriate mechanism in the circumstances of the case.

In accordance with legislation and obtaining formal approval in due course, it will be up to any creditors’ committee to formally fix the basis of our fees and certain categories of disbursements. But if there’s no committee, because we’ve said we think the Companies don’t have enough assets to pay anything to unsecured creditors, we’ll ask the secured creditors – and preferential creditors where appropriate - to do so instead. If these classes of creditors or any committee do not fix the basis of our fees and disbursements, we may apply to the court to fix them no later than 18 months after the date of our appointment.

For information purposes only, to 5 January 2018 we spent in excess of 8,000 hours, or over £3m of time costs dealing with all the matters arising since our appointment, as described in this report. We will be writing to all creditors in due course, providing further information on our fees, expenses and our work, before requesting formal approval in the manner described above.

Ending the administration

Extending the period of the administration

If necessary to achieve the objective of the administrations and complete our work, we may seek an extension to the period of some or all of the administrations (beyond the statutory period of one year), by consent of the appropriate class(es) of creditor – most likely to be the secured creditor (and preferential creditors where appropriate) – or by an order of the court.

We will continue to monitor the progress of our appointments and will ask for extensions as appropriate.

How the administrations might end

The administrations may end at different times and in different ways, depending on when the objectives are achieved, when our work is complete and what the outcomes for creditors are.

As we don’t think there will be any dividend for unsecured creditors, we are expecting to file notices with the Registrar of Companies to end the administrations at the appropriate time, with the respective Companies being dissolved three months later. If there were any prescribed part dividends, these would be distributed before ending that administration.

In the very unlikely event that a dividend does become available in any of the Companies other than from the prescribed parts, we may put the relevant company into creditors’ voluntary liquidation so that the liquidator can pay the dividend. If this happens, we propose that Matthew Boyd Callaghan, Ian David Green and Zelf Hussain are appointed as joint liquidators and that any act required or authorised to be done by the joint liquidators can be done by any or all of them. Creditors may, before these proposals are approved, nominate a different person or persons as liquidator(s), in accordance with Paragraph 83(7)(a) Sch B1 IA86 and Rule 3.60(6) IR16.

In any case, if we think that there are matters that should be conducted or investigated in a liquidation rather than in the administration, we may instead apply for a court order ending the administration and for the company to be wound up.

Our discharge from liability

We'll be discharged from liability in respect of any of our actions as Administrators at a time set by the secured creditors, or if a dividend has been or may be paid to the preferential creditors, at a time set by the secured and preferential creditors; or at a time set by the court.

Statement of affairs

We were given a statements of affairs of the Companies on 4 January 2018 for Snacksdirect, Sweetdirect, DVS and Direct, which were signed by Edward Friel. For Plc, Holdings and 1925, we were provided with statements of affairs on 10 January 2018, signed by Anthony Reed. Finally, the statement of affairs for PHML was signed by Andrew Leeser and provided on 9 January 2018.

Copies of the statements of affairs are attached at Appendix C. When this report is viewed on our website, the statements of affairs are in a separate document available to download.

As required by law, they include details of the names, addresses and debts of creditors (including details of any security held), other than, if applicable, employees and former employees of the Companies and consumers claiming amounts paid in advance for the supply of goods and services.

Here are our comments on the statements:

- As is normal in a statement of affairs, there is no provision for the costs of realising the Companies assets or the costs of the administration. In this case, given the complexities of the administrations, as described above, these costs are expected to be significant.
- We haven't audited the information.
- To avoid disclosing commercially sensitive information, we make no comment on what the directors have put for the potential realisable values for the Companies assets, particularly with regards to the value of debtors and freehold properties.
- The signature page of statements of affairs for 1925 and Holdings are incorrectly dated 18 January 2018. We confirm that both were received on 10 January 2018.

Statutory and other information

Company specific information

	<i>Plc</i>	<i>Holdings</i>	<i>PHML</i>	<i>1925</i>	<i>Direct</i>	<i>DVS</i>	<i>Snacksdirect</i>	<i>Sweetdirect</i>
Court references	<i>CR-2017-008977</i>	<i>CR-2017-008968</i>	<i>CR-2017-008976</i>	<i>CR-2017-008978</i>	<i>CR-2017-008966</i>	<i>CR-2017-008975</i>	<i>CR-2017-008979</i>	<i>CR-2017-008972</i>
Registered number:	06470058	02274812	01874153	00207555	02068930	08003983	01852968	06705682
Company directors	Alistair Darby	Anthony Reed	Paula Byrne	Anthony Reed	Edward Friel	Edward Friel	Edward Friel	Edward Friel
	Richard Grainger	Martyn Ward	Derek Elphick	Martyn Ward	Anthony Reed	Anthony Reed	Anthony Reed	Anthony Reed
	Martin Healy		Paul Hagon		Noel Robinson	Noel Robinson	Noel Robinson	Noel Robinson
	Stephen Knight		Andrew Leeser		Martyn Ward	Martyn Ward	Martyn Ward	Martyn Ward
	Andrew Leeser		Anthony Reed					
	Anthony Reed		Martyn Ward					
Company secretary	David Scudder							
Shareholdings held by the directors and secretary	None							

Information applicable to all of the Companies

Court details:	In the High Court of Justice, Business and Property Courts of England and Wales, Insolvency and Companies List (ChD)
Trading name:	Palmer & Harvey, P&H, P&H Snacksdirect, P&H Sweetdirect
Registered address:	<i>Current:</i> Central Square, 8 th Floor, 29 Wellington Street, Leeds, LS1 4DL <i>Former:</i> P&H House, Davigdor Road, Hove, East Sussex, BN3 1RE
Date of the administration appointment:	28 November 2017
Administrators' names and addresses:	Matthew Boyd Callaghan, Ian David Green and Zelf Hussain, 7 More London Riverside, London, SE1 2RT
Appointer's/applicant's name and address:	The directors of the Companies P&H House, Davigdor Road, Hove, East Sussex, BN3 1RE
Objective being pursued by the Administrators:	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), or failing that, objective (c) realising the company's assets to pay a dividend to secured or preferential creditors
Division of the Administrators' responsibilities:	The administrators may exercise any of the powers conferred on them by IA 1986 jointly or individually
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

Receipts and payments accounts

Receipts

As is common in insolvency situations, all of the Companies' accounts were blocked by the banks upon administration. This is done principally for two reasons:

- To avoid payments being paid in respect of pre-appointment liabilities (for example by direct debit or standing order) that now rank as unsecured claims in the administration and should be treated equally with other creditors; and
- To safeguard cash in the accounts for the benefit of the Companies or any other parties with a proprietary interest in it.

In this case, accounts were operated by the ABLs and all cash balances were captured by their facilities. Therefore, the Companies commenced the administration without any cash balances and new accounts were opened for the purposes of the administration.

As confirmed earlier, an agreement was entered into with the ABLs, whereby up to £13.65m will be released from these accounts as a loan to fund the expenses of the administrations. The following receipts and payments accounts show how much of this funding has been drawn down and what other amounts have been received.

Payments

We assessed early in the administration the types of services the Companies needed and gave undertakings only in respect of those services that we considered were required in the very different circumstances the Companies were now in and that were necessary for the purposes of achieving the purpose of the administrations. A number of ransom payments were necessary after careful consideration of the necessity of the supply and alternative options.

We have made a number of payments in respect of these commitments and further payments will be made. We give some examples below of the types of undertakings we have given to continue vital services.

- Certain contractors were retained to provide services essential to the administration, predominantly within supply chain.
- Additional temporary security arrangements made whilst the adequacy of existing security was assessed in respect of the high value of stock in situ at branches.
- IT systems were required to support the debtor collection process and the stock systems.
- Forklifts (leased or hired) were needed for the movement of stock.
- Waste removal demands increased due to the increase in items going beyond their shelf life.
- Ongoing repairs and maintenance (predominantly to the warehouses) have been required in order to comply with health, safety and other statutory requirements.
- Some undertakings were made to facilitate the return of vehicles to their registered branch.
- Utilities are required for the running of the branches and head office – including telephones, electricity, water and gas.

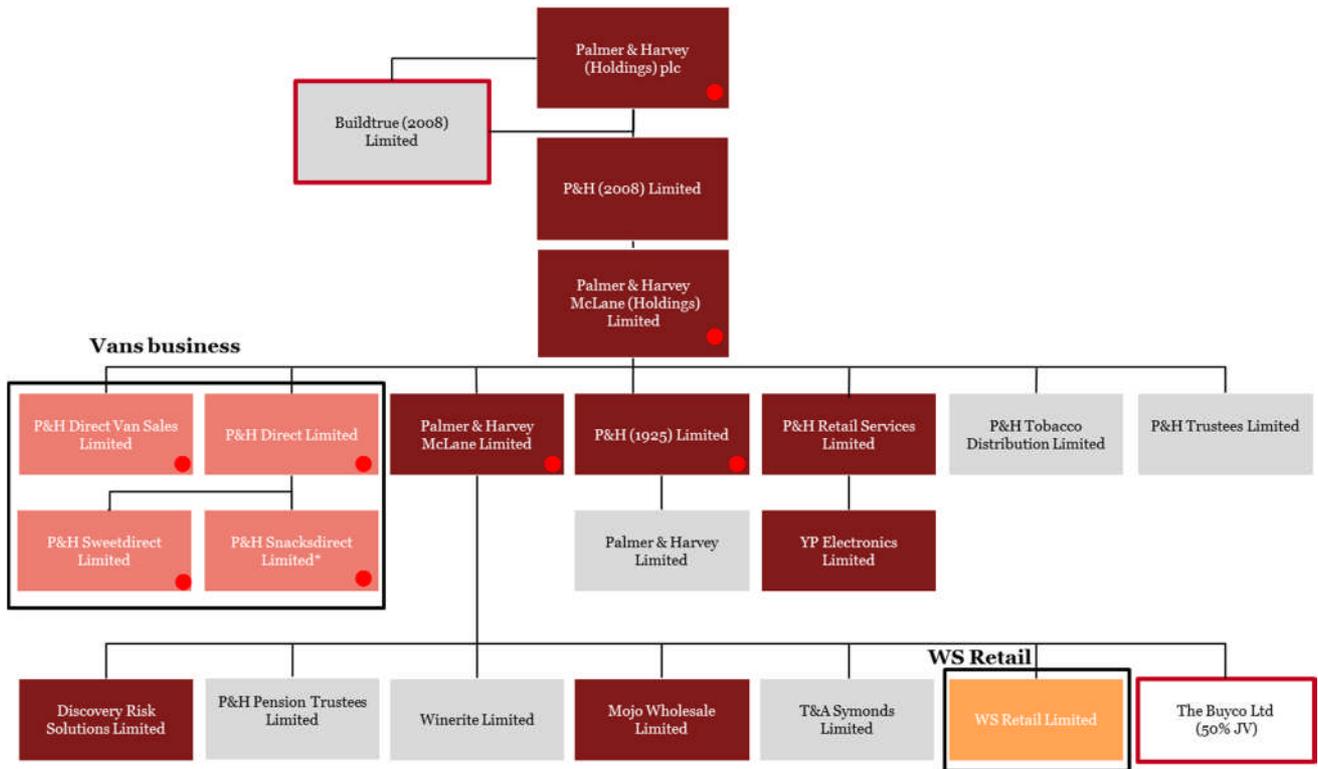
Receipts and payments accounts as at 12 January 2018

Notes	Statement of affairs (£)	Receipts	Ple £	Holdings £	PHML £	1925 £	Direct £	DVS £	Snacksdirect £	Sweetdirect £
		Funding from third parties/chargeholder	14,000.00	-	6,901,000.00	-	6,936.00	-	300,000.00	-
1	350,000.00	Motor vehicles	-	-	20,838.00	-	-	-	160,000.00	-
		Refunds	-	-	119,080.86	-	-	-	-	-
	44,296,740.00	Stock	-	-	67,518.89	-	-	-	-	-
Total receipts			14,000.00	-	7,108,437.75	-	6,936.00	-	460,000.00	-
Payments			£	£	£	£	£	£	£	£
		Agents' Fees - Property & Assets	-	-	(6,305.20)	-	-	-	-	-
		Allocation of third party funding to group companies	-	-	(20,936.00)	-	-	-	-	-
		Bank charges	-	-	(105.00)	-	-	-	-	-
		Duress Payments	-	-	(32,097.00)	-	-	-	-	-
		Employee/Subcontractor Costs & Expenses	-	-	(8,261.48)	-	-	-	243.36	-
		Haulage	-	-	(17,000.00)	-	-	-	-	-
		Insurance	(14,000.00)	-	-	-	-	-	-	-
		Irrecoverable VAT	-	-	(13.00)	-	-	-	-	-
		IT costs	-	-	(10,500.00)	-	-	-	-	-
		Motor vehicles	-	-	(72.32)	-	-	-	-	-
		Office costs, Stationery & Postage	-	-	(8,638.91)	-	-	-	-	-
		PAYE/NIC and Pension Deductions	-	-	(406,757.66)	-	-	-	-	-
		Postage & Stationery	-	-	(408.00)	-	-	-	-	-
		Professional Fees	-	-	(18,342.57)	-	-	-	-	-
		Property / Asset expenses	-	-	(130.00)	-	-	-	-	-
		Repairs & Maintenance	-	-	(16,280.55)	-	(630.00)	-	(135.00)	-
		Sub Contractors	-	-	(32,838.20)	-	-	-	-	-
		Telephone & fax	-	-	-	-	-	-	(1,954.81)	-
		Wages & Salaries	-	-	(696,138.38)	-	-	-	-	-
Total payments			(14,000.00)	-	(1,274,824.27)	-	(630.00)	-	(2,333.17)	-
		VAT control account	-	-	(23,340.25)	-	(126.00)	-	31,582.04	-
Balance held			-	-	5,810,273.23	-	6,180.00	-	489,248.87	-

Notes:

1. The statement of affairs figure of motor vehicles comprises £190,000 for PHML and £160,000 for Snacksdirect.
2. Book debt recoveries have been banked into the Companies' pre-appointment bank accounts and are not shown above.
3. Funds are held in interest bearing accounts

Appendix A: Group structure



- Administration appointments
- Trading / holding company
- Dormant company

Please note that WS Retail Limited entered administration on 15 December 2017, but is not included in this statement of proposals.

Appendix B: Pre-administration costs

The table below provides details of costs which were incurred before our appointment as administrators but with a view to the Companies entering administration. Details of the work done and expenses incurred follow.

	Paid amount (£)	Unpaid amount (£)
Our fees as administrators-in-waiting	548,478.68	124,025.00
Expenses incurred by us as administrators-in-waiting	13,917.13	316.00
Fees charged by other persons qualified to act as an insolvency practitioner	-	-
Expenses incurred by other persons qualified to act as an insolvency practitioner	-	-
Total	562,395.81	124,025.00

Our fees and expenses were incurred under a letter of engagement dated 29 June 2017 with Plc and PHML. The scope of our services was to prepare for an orderly administration appointment in the event that restructuring negotiations with third parties were unsuccessful. Payments were made by PHML.

The above fees (paid and unpaid) exclude work that was not performed with a view to the Companies entering administration. These included the valuation exercise, operational restructuring support and tax services. At the time of our appointment, an amount of more than £150k was unpaid in respect of these services and will rank as an unsecured claim against the company, alongside other creditors.

The pre-administration contingency planning work we carried out in the lead up to the administration appointments included the following areas:

- Developing a day one strategy for securing sites on appointment, including resourcing requirements, timings and considering any operational challenges;
- Developing a strategy for an orderly wind down of the business, together with the P&H operations team. This included devising processes, understanding practical challenges and how to overcome these, and considering the resourcing requirements;
- Identifying key areas of risk and how these could be mitigated;
- Analysing the associated costs and cash flows, based on the strategy;
- Considering the funding requirements for the administrations and liaising with the ABLs to negotiate and agree the funding agreement, based on approval of the administration strategy;
- Liaising with the secured creditors generally;
- Developing a strategy for liaising with different stakeholder groups and drafting communications;
- Liaising with our legal advisors in relation to the contingency planning;
- Preparing statutory documentation and declarations required for effecting the administration appointments and liaising with our legal advisors in this regard;
- Completing internal procedures in preparation for accepting the appointment; and
- Preparing, briefing and mobilising a large number of PwC staff in advance of the appointment.

Please note that the above is indicative of the key areas of work performed and is not an exhaustive list.

Appendix C: Copies of the statements of affairs