

TO ALL KNOWN CREDITORS

14 February 2024

Ref: TRS/LW/MW/CL/ADM09G02
Email: pittardsadministration@uk.ey.com

Dear Sir or Madam

Pittards plc (in Administration) ('the Company') **Joint Administrators' remuneration**

I write further to my letter dated 14 September 2023 notifying you of my appointment and the Joint Administrators' statement of proposals dated 26 October 2023, which is available to view on the Administration website: https://www.ey.com/en_uk/pittards-plc

Pursuant to Rule 18.16(4) of the Insolvency Rules 2016 ('the Rules'), as creditors did not requisition a decision on the proposals for achieving the objective of the Administration and a creditors' committee has not been formed, the Joint Administrators are required to deliver to the creditors a fee estimate and details of the expenses that they consider will be, or are likely to be, incurred.

I enclose, for your records, a copy of our original fee estimate dated 12 December 2023, together with details of our expenses and a summary of our receipts and payments, also as at 12 December 2023.

Please note that, pursuant to Rule 18.18(4) of the Rules, the Joint Administrators have received consent from the Company's secured creditor and a decision from the Company's preferential creditors for the basis of our remuneration and Category 2 expenses. We have also received approval to draw unpaid pre-Administration costs incurred with a view to the Company entering Administration.

The basis of our remuneration and Category 2 expenses have been agreed and fixed by the secured and preferential creditors as follows:

1. The Joint Administrators' remuneration has been fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration as set out in the fee estimate dated 12 December 2023;
2. In accordance with the provisions of Rule 3.52 of the Rules, the payment of unpaid pre-Administration costs as disclosed in the Joint Administrators' fee estimate can be met as an expense of the administration; and
3. The Category 2 expenses disclosed in the Joint Administrators' fee estimate are permitted to be drawn by the Joint Administrators.

To date, I can confirm that the Joint Administrators have not drawn any fees or expenses in relation to either the pre-appointment or post-appointment periods.

Should any creditor wish to raise any comments or questions with regards to the Joint Administrators' remuneration or relating to the enclosed documents, please contact us at pittardsadministration@uk.ey.com within 14 days of the date of this letter.

This letter is deemed to be delivered to creditors on the date it is uploaded to this website, which is on 14 February 2024.

Furthermore, should you have any queries relating to any other aspect of the Administration, please do not hesitate to contact us at pittardsadministration@uk.ey.com.

Yours faithfully
for the Company



Lucy Winterborne
Joint Administrator

Enc: Fees estimate and details of expenses
Receipts and payments account

Lucy Winterborne is licensed in the United Kingdom to act as an Insolvency Practitioner by The Insolvency Practitioners Association. Daniel Christopher Hurd is licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants in England and Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators, Lucy Winterborne and Daniel Christopher Hurd, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Pittards Plc
(In Administration)

Joint Administrators' Summary of Receipts and Payments to 12 December 2023

Total (£)

RECEIPTS

Sundry Income	11.24
Rental Income	15,600.00
Debtors not subj to Fx Ch	558,930.38
Bank Interest	1,693.18
Stock	524,218.39
Flt VAT Payable	94,626.05
	1,195,079.24

PAYMENTS

Telephone, telex, fax etc	2,674.03
Packaging Costs	6,800.20
Sundry Expenses	249.98
Utilities	5,765.43
Insurance	680.28
Property Holding Costs	7,646.21
Health & Safety	3,329.10
Public Notices	94.00
Statement of Affairs costs	2,000.00
Bank charges	101.60
Motor Vehicles	138.08
Employers Pension	1,800.37
Gross Wages	86,515.16
Employers NIC	8,736.28
Employee Benefits	4,560.21
Flt VAT Receivable	4,170.28
Fixed VAT Receivable	1,278.76

136,539.97

Net Receipts/(Payments)

1,058,539.27

MADE UP AS FOLLOWS

RBS-GBP-32882482-Floating Current	1,073,405.84
PAYE/NIC	(9,835.07)
Pension Control Account	(5,031.50)
	1,058,539.27

Lucy Winterborne
Joint Administrator

**Fees estimate and details of expenses
Pittards plc – in Administration (“the Company”)**

Estimate of remuneration to be charged

The Joint Administrators are seeking approval for their remuneration to be fixed on a time cost basis. In accordance with Rule 18.16(4) of the Insolvency (England and Wales) Rules 2016, they set out below their estimate of remuneration to be charged.

The estimate of remuneration based upon full time costs is £2.56m plus VAT. An explanation of how this sum has been arrived at is set out below and a breakdown of the expected costs is attached on the following pages. However, the amount that will be available to the Administrators to draw as fees will be restricted by the level of fixed and floating charge realisations after deducting appropriate expenses. Based on current realisations and estimated future realisations, it’s unlikely that our remuneration in this regard will exceed £1.2m.

Explanation of the work proposed to be undertaken

The work undertaken can be categorised as either related to Statutory work or Asset Realisations. Statutory work is required by the Joint Administrators to fulfil their statutory duties pursuant to the Insolvency Act 1986 and Insolvency (England and Wales) Rules 2016. Asset realisation work is in respect of the Joint Administrators’ actions to realise assets for the benefit of the creditors.

Basis of work	Category of work	Description of work to be completed	Work done / in progress / to be performed
Statutory	Accounting & treasury	<ul style="list-style-type: none"> Overall management of the case, statutory compliance diaries and time cost reporting. Cashiering, treasury and accounting functions. 	<ul style="list-style-type: none"> In progress In progress
Statutory	Creditors	<ul style="list-style-type: none"> Receipt of and recording creditor claims. Correspondence with creditors. Processing distributions to preferential and unsecured creditors (as applicable). 	<ul style="list-style-type: none"> In progress In progress To be performed
Asset realisation	Debtors	<ul style="list-style-type: none"> Dealing directly with certain customers over the realisation of book debts and collection of goods from the Company’s premises. Liaising with Hilton Baird regarding the collection of the Company’s book debts. 	<ul style="list-style-type: none"> In progress In progress
Statutory	Employees	<ul style="list-style-type: none"> Assessing staffing requirements and making redundancies. Assisting redundant employees with their claims to the Redundancy Payments Service or the Company. Dealing with employee enquiries. Making statutory submissions to the relevant government departments. Administering the Company’s payroll for the employees retained following appointment including taxation and other deductions. 	<ul style="list-style-type: none"> In progress In progress In progress In progress In progress
Statutory	Environmental issues	<ul style="list-style-type: none"> Assessing position regarding chemicals onsite and discharging of effluent, as well as liaising with licensing authorities. 	<ul style="list-style-type: none"> Work done
Statutory	Immediate Tasks	<ul style="list-style-type: none"> Completion of work streams requiring immediate attention following the appointment as required by statute. 	<ul style="list-style-type: none"> Work done

Statutory	Investigations & CDDA	<ul style="list-style-type: none"> Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". The Joint Administrators' report on the conduct of the directors under the Company Directors Disqualification Act 1986. 	<ul style="list-style-type: none"> In progress In progress
Asset realisation	Job Acceptance & Strategy	<ul style="list-style-type: none"> Matters relating to the appointment and initial planning of the Administration strategy, including formulating and executing the strategy adopted. Considering exit routes from Administration and implementing the most appropriate route. 	<ul style="list-style-type: none"> Work done In progress
Statutory	Legal Issues	<ul style="list-style-type: none"> Dealing with any ad hoc legal issues and liaising with TLT LLP on these matters. 	<ul style="list-style-type: none"> In progress
Statutory	Members	<ul style="list-style-type: none"> Liaising with the Company's shareholders (as required). 	<ul style="list-style-type: none"> In progress
Asset realisations	Other Assets	<ul style="list-style-type: none"> Assessing, quantifying and seeking to realise value from assets as at the date of appointment. Negotiating inventory sales to third parties and managing collections from the Company's premises. Liaising with Lambert Smith Hampton regarding the sale of the Company's plant and machinery. 	<ul style="list-style-type: none"> In progress In progress In progress
Statutory	Other Matters	<ul style="list-style-type: none"> Dealing with assets owned by third parties. Recovery of the Company's physical books and records, and electronic records (including a back-up of the Company's servers and systems). 	<ul style="list-style-type: none"> In progress In progress
Asset realisation	Property	<ul style="list-style-type: none"> Reviewing documentation of the freehold property owned by the Company. Liaising with Avison Young LLP over the marketing and sale of the freehold property. Dealing with the security of the freehold property site. Managing and overseeing the clearance of the site for a vacant possession sale of the property. 	<ul style="list-style-type: none"> In progress In progress In progress In progress
Statutory	Public relations issues	<ul style="list-style-type: none"> Agreeing and issuing statements to the press as required in pursuit of the Administration strategy. 	<ul style="list-style-type: none"> Work done
Statutory	Reporting	<ul style="list-style-type: none"> Preparing the Joint Administrators' Statement of Proposals, six monthly progress reports and final report. Reporting to Lloyds Banking Group as secured creditor. 	<ul style="list-style-type: none"> In progress
Asset realisation	Retention of title	<ul style="list-style-type: none"> Assessment and settlement of claims for retention of title from the Company's 	<ul style="list-style-type: none"> In progress

suppliers (if applicable).			
Statutory	Statutory Duties	<ul style="list-style-type: none"> • Completion of statutory requirements of the Administration, including notifications to creditors and members, advertising the appointment, and sending to creditors and filing at Companies House. 	<ul style="list-style-type: none"> • In progress
Statutory	Trading	<ul style="list-style-type: none"> • Formulating the strategy to ensure orderly winddown of the business. • Dealing with a number of suppliers required to support the business during the Administration. • Liaising with the Company's Health & Safety specialist to ensure insurance and security is in place 	<ul style="list-style-type: none"> • Work done • Work done • Work done
Statutory	VAT & Taxation	<ul style="list-style-type: none"> • Preparing corporation tax and VAT returns, with input from EY VAT and tax specialists. • Submitting relevant notifications to HMRC. • Preparing claims for VAT bad debt relief (if applicable). • Assessment of the VAT and tax treatments of transactions and agreements entered into during the Administration. 	<ul style="list-style-type: none"> • In progress • In progress • In progress • In progress

Estimate of the Joint Administrators' remuneration

Total estimated hours to be incurred									
Type of work	Partner	Manager	Other Senior Professional	Assistants & support staff	Total hours	Time cost £	Average hourly rate £	Hours incurred to date	Total time cost incurred to 24 November 2023 £
Administration & Planning	5.0	12.0	60.0	80.0	157.0	100,175.0	559.0	389.2	205,136.0
Creditors	2.0	5.0	30.0	60.0	97.0	56,555.0	583.0	79.1	44,210.5
Debtors	5.0	5.0	90.0	65.0	165.0	112,612.5	682.5	213.7	123,296.5
Employees	5.0	5.0	90.0	90.0	190.0	122,675.0	645.7	270.9	209,796.5
Environmental issues	-	-	-	-	-	-	704.1	6.2	4,365.5
Immediate tasks	-	-	-	-	-	-	493.0	84.9	41,858.5
Investigations and CDDA	4.0	5.0	25.0	50.0	84.0	50,872.5	605.6	167.3	41,362.0
Job acceptance and strategy	5.0	5.0	10.0	10.0	30.0	23,475.0	782.5	44.3	8,502.0
Legal issues	5.0	10.0	43.0	10.0	68.0	55,862.5	821.5	93.7	13,878.0
Members	1.0	1.0	13.0	5.0	20.0	15,115.0	755.8	22.4	1,913.5
Other assets	5.0	10.0	110.0	80.0	205.0	140,150.0	683.7	484.2	244,543.5
Other matters	5.0	10.0	30.0	65.0	110.0	67,112.5	610.1	181.0	31,373.0
Property	8.0	10.0	105.0	90.0	213.0	143,782.5	675.0	270.3	42,733.0
Public Relations Issues	-	-	-	-	-	-	950.0	1.5	1,425.0
Reporting	10.0	15.0	90.0	85.0	200.0	136,487.5	682.4	346.1	108,459.0
Retention of Title	1.0	1.0	12.0	25.0	39.0	22,327.5	572.5	93.2	30,327.5
Statutory duties	15.0	20.0	58.0	40.0	133.0	102,650.0	771.8	213.7	116,541.0
Trading	-	-	-	-	-	-	476.2	111.4	53,051.0
VAT & Taxation	3.0	5.0	55.0	60.0	123.0	78,757.5	640.3	6.2	5,512.5
Total Hours	79.0	119.0	821.0	815.0	1,834.0			2,110.3	
Total Anticipated Fees (£)	99,935.0	113,050.0	687,587.5	328,037.5		1,228,610.0	669.9		1,328,284.5

Assumptions

We have made the following assumptions when estimating our remuneration:

- That the freehold property at Sherborne Road, Yeovil, Somerset, BA21 5BA will be sold by 30 June 2024;
- That the debtor collection process currently underway, and being supported by Hilton Baird, will be completed by 30 June 2024;
- That an extension of the administration will not be required beyond the anniversary of the appointment of the Joint Administrators, namely 4 September 2024;
- Fee approval will be sought and fees will be drawn in accordance with the approvals to be obtained from the relevant classes of creditor. Should we seek to draw remuneration in excess of this sum, we will revert to the appropriate class of creditors for further approval at that time.

Estimated Joint Administrators' expenses and disbursements

Details of expenses incurred and anticipated to be incurred

Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither office holder's remuneration nor a distribution to a creditor or member. Expenses expected to be incurred total £1,038,520 plus VAT, comprising:

Category of expense	Estimated costs (£)
Expenses	1,010,100
Category 1 disbursements	20,570
Category 2 disbursements	7,850
Total Expenses	1,038,520

Expenses

The expenses incurred and anticipated to be incurred from the Company's estate can be summarised into the following categories:

Category of Expense	Description of expense incurred or to be incurred	Estimated costs (£)
Legal fees	▶ Legal advice regarding such matters required to maximise realisations from the Company's estate.	128,000
Agents' fees	▶ Use of specialist agents to realise value from tangible and intangible assets, namely property (Avison Young LLP), plant and machinery (Lambert Smith Hampton) stock, debtors (Hilton Baird) and intellectual property.	181,000
Insurance	▶ Costs to insure the Company's assets and operations during the course of the Administration.	76,000
Employee costs	▶ Costs of expenses of retained employees to assist with the orderly wind-down of the Company's operations and realisation of assets.	126,000
Property costs	▶ Costs of business rates, utilities and security until the sale of the freehold property, plus costs for clearing the property prior to giving vacant possession to purchaser, including skip hire and the removal of unsold chemicals.	471,000
Bank charges and interest	▶ Charges associated with operation of the Company's bank accounts during the Administration, including foreign exchange transaction costs.	100
Statutory costs	▶ Costs of completing statutory requirements of the Administration, including advertising and filing costs. ▶ Costs to arrange collection and storage of the Company's books and records for minimum	23,000

	periods as required by legislation.	
Corporation tax	▶ Corporation tax which may become payable following the preparation and submission of Corporation tax returns. It is currently too soon to provide an accurate estimate of these costs.	5,000
Total estimated expenses		1,010,100

Disbursements

Disbursements comprise sums paid or to be paid to third parties, or payable to the Joint Administrators' firm in respect of out-of-pocket expenses and costs which include an element of shared or allocated costs.

Category 1 disbursements

Category 1 disbursements are defined as specific expenditure met by and reimbursed to the office holder's firm, relating to the Administration of the insolvent's affairs and referable to payment to an independent third party.

Disbursement	Description of disbursement incurred or to be incurred	Estimated costs (£)
Accommodation and subsistence costs	▶ Those costs incurred by the Joint Administrators and their staff in respect of their work on the Administration, whilst operating from or attending the site operated by the Company or third parties.	12,650
Travel costs (excluding mileage)	▶ Those costs incurred by the Joint Administrators, and their staff in respect of their work on the administration, to travel to the site operated by the Company or third parties (excluding mileage cost).	1,500
Specific Bond	▶ A form of insurance required by insolvency law.	420
Postage and printing	▶ Those costs incurred by the Joint Administrators in printing and posting the Joint Administrators' Statement of Proposals and subsequent progress reports and other written communication to all relevant creditors and shareholders.	5,000
Sundry expenses	▶ Other expenses not specifically categorised.	1,000
Total		20,570

Category 2 disbursements

Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

Disbursement	Description of disbursement incurred	Estimated costs (£)
Mileage	<ul style="list-style-type: none">▶ Those costs incurred by the Joint Administrators and their staff in respect of their work on the Administration, whilst operating from or attending the site operated by the Company or third parties. ▶ Current mileage rates are:<ul style="list-style-type: none">• 45p/mile for staff below manager using their own cars.• 18p/mile (non-electric vehicle) for managers and above using their own car or a company car.• 20p/mile (electric vehicle) for managers and above using their own car or a company car.	7,850
Total		7,850

Pre-Administration costs

The payment of unpaid pre-administration costs as an expense of the Administration is subject to approval under Rule 3.52, and not part of the Proposals subject to approval under paragraph 53. This means that they must be approved separately from the Proposals.

Approval is being sought for unpaid pre-Administration costs in the amount of £32,623 to be met as an expense of the Administration. Further detail is provided below.

Ernst & Young LLP

EY was not formally engaged by the Company in relation to the pre-administration costs.

The nature of the unbilled pre-Administration work can be summarised as follows:

- ▶ Preparing documents to be issued and read to employees, media and suppliers immediately following the appointment, including scripts for employee meetings, press releases and communications to suppliers;
- ▶ Undertaking planning for the period immediately post-administration in order to deal with all matters effectively;
- ▶ Briefing engagement staff on the administration strategy and corresponding workstreams;
- ▶ Reviewing and preparing documents for appointment, including consents to act and associated documents and liaising with the Company's legal advisers regarding the appointment of the Joint Administrators.

Undertaking the above actions enabled value to be preserved in the Company, specifically in relation to the Company's inventory and debtor book. The above actions have also ensured that employee and other creditor claims and queries have been dealt with swiftly.

Estimate of return for creditors

Secured creditors

Based on current estimates, the secured creditor, Lloyds Banking Group plc, will not be repaid in full from asset realisations and will therefore suffer a shortfall against its debt.

Primary preferential creditors

Based on current estimates, we anticipate that primary preferential creditors may receive a dividend. A further update on the quantum and timing of any dividend payment will be provided in the Joint Administrators' first six monthly progress report.

Secondary preferential creditors

Based on current estimates, we anticipate that secondary preferential creditors may not receive a dividend. A further update on the quantum and timing of any dividend payment will be provided in the Joint Administrators' first six monthly progress report.

Non-preferential creditors

Realisations are still ongoing and therefore it is too early to be certain if there will be sufficient funds available to enable a distribution to be made to the unsecured creditors via the prescribed part. However, based on initial estimates, the Joint Administrators believe that the value of the Company's net property will be £nil and therefore the value of the prescribed part will be £nil.

Accordingly, we currently do not expect there to be a distribution to the non-preferential creditors of the Company via a prescribed part distribution. However, should additional funds become available to allow a distribution, we will report to creditors in due course.

Exceeding estimates of remuneration and expenses

These estimates may be exceeded, in which case an explanation will be provided in the appropriate progress report. The Joint Administrators will only draw remuneration in excess of the estimate with the prior agreement of the approving body, in accordance with Rule 18.30 the Insolvency (England and Wales) Rules 2016.

Date: 12 December 2023