Why has the Company gone into Administration?

Richard Irvin & Sons Limited, trading as Richard Irvin Energy Solutions (hereafter referred to as ‘the Company’), experienced difficult trading conditions, coinciding with increased political and economic uncertainty, which resulted in a decline in business activity and reduced margins on customer contracts. Earlier this year, management were approached by a substantial business in the sector with an interest in acquiring the FM business with the aim to complete a transaction no later than 30 November 2018.

The transaction timetable was not met and due to cashflow constraints the Company was unable to pay HMRC liabilities which were due. The Company was not able to complete this deal on a solvent basis. Responding to this, the Directors resolved to lodge a Notice of Intention (‘NOI’) to appoint Administrators on 28 November 2018.

An accelerated marketing process of the Company and its assets was therefore considered to represent the best course of action for the creditors as a whole. The EY team undertook this process, actively marketing the business to a carefully selected list of prospective purchasers.

F L Taylor and C P Dempster were appointed as Joint Administrators of the Company on 19 December 2018. Shortly after their appointment, the Administrators sold the Company’s Facilities Management (‘FM’) business and assets to Richard Irvin FM Limited (hereafter referred to as the ‘Newco’), an investment vehicle of Rcapital Partners LLP (hereafter referred to as the ‘Purchaser’). The sale has resulted in a total of 337 employees transferring to Newco. Services will therefore continue to be delivered by the Newco with minimal disruption to clients of this business.

It was, unfortunately, not possible to find a buyer for the Company’s Mechanical & Electrical (‘M&E’) business. Therefore, regrettably 107 M&E and head office employees have been made redundant with immediate effect, whilst 2 have been retained to assist the Administrators with their duties.

What is an Administration?

An Administration is an insolvency process by which a company is placed under the control of an insolvency practitioner to enable them to achieve objectives laid down by statute. The law and procedure relating to Administrations is set out at Schedule B1 of The Insolvency Act 1986.

What is a pre-pack Administration?

A pre-pack Administration is set out at Schedule B1 of The Insolvency Act 1986. It is therefore governed by the same best practice requirements as a normal Administration but differs in one key area – the sale of the business and any assets of the company is negotiated before the appointment of Administrators and completes shortly following the appointment.

Is that fair/legal?

Yes – whilst initially it seems strange that the assets of a business can be sold to Newco without any of the associated liabilities, the sale is agreed prior to the appointment to preserve value for the benefit of the Company’s creditors as a whole.

The consideration received from Newco is materially higher than the ‘break up’ value of the business (i.e. the value of the Company’s assets on Insolvency where all operations are shutdown). The sale of a business as a ‘going concern’ ensures continuity of business operations despite the appointment of the Administrators. It also preserves the value of assets such as work in progress, accrued income and debtors, which would have realised very little, if any, value for the creditors of the Company on a ‘break up’ basis.
What is the Purpose of the Administration?

The purpose of an Administration is to achieve one of three objectives:

a. To rescue the company as a going concern;

b. To achieve 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

c. To realise property in order to make a distribution to one or more secured or preferential creditors.

Insolvency legislation provides that objective (a) should be pursued unless it is not reasonably practicable to do so or if objective (b) would achieve a better result for the company’s creditors as a whole. Objective (c) may only be pursued if it is not reasonably practicable to achieve either objective (a) or (b) and can be pursued without unnecessarily harming the interests of the creditors of the company as a whole.

It was established that it would not have been reasonably practicable to rescue the Company as a going concern in accordance with objective (a). Due to the extent of the Company’s debts, pension deficit and ongoing losses incurred, a sale of the Company’s shares was not possible.

In this case, the objective being pursued is objective (b). The pre-pack sale of the Company’s FM business and assets enables this objective to be achieved by maximising asset values and reducing creditor claims (as the majority of employees were able to transfer to Newco through the TUPE regulations).

The outcome achieved through the pre-pack sale was therefore the best available outcome for creditors as a whole, in the circumstances.

Who are Fiona Livingstone Taylor and Colin Peter Dempster? What powers do they have as Administrators?

Fiona Taylor and Colin Dempster are licensed Insolvency Practitioners for Ernst & Young LLP.

As Joint Administrators, Fiona Taylor and Colin Dempster are managing the affairs, business and property of the Company. However, they act as agents of the Company only and without personal liability.

The Joint Administrators are not responsible for any of the business or assets sold to the purchaser as part of the pre-pack Administration transaction.

I’m a supplier to the FM business, what should I do?

Newco will be in contact shortly. This will likely be from a former employee of the Company, who has TUPE’d across to Newco. If requested by Newco, you should continue to supply, but please make sure to invoice Newco not the Company. Newco will be responsible for any and all liabilities incurred from the date of the appointment of Administrators in respect of the FM business.

If the Company is due you money (i.e any sums due before the Administrators’ appointment on 19 December 2018) please complete and return a statement of claim by creditor form.

This form is available on the Company’s Administration website:

www.ey.com/richardirvinandsonsinadministration.co.uk

Please complete this form and return via email to richardirvinandsonsinadministration@uk.ey.com

It is important to note that any pre-appointment debts will rank as an unsecured claim in the Administration of the Company. The Joint Administrators currently expect to make a distribution to the unsecured creditors by virtue of the prescribed part.
**I’m a customer of the FM business, what should I do?**

Engage directly with Newco, using the undernoted contact details. Newco have provided an indemnity to the Administrators and will be continuing with the contracts.

As part of the pre-pack Administration transaction, all debtor balances relating to the FM business are now owned by Newco. Therefore you should pay any outstanding sums directly to Newco. A representative from Newco will be in touch in due course to facilitate this change.

Newco will be in touch regarding your contract in due course.

**I’m a supplier to the M&E business, what should I do?**

As already explained, the M&E business was not part of the pre-pack Administration transaction. The Joint Administrators are not in a position to trade the business, and thus unfortunately no further work will be completed on any of the existing contracts. Unless you are specifically given an undertaking by the Joint Administrators, no post-Appointment debts incurred will be paid for.

If the Company is due you money (i.e any sums due before the Administrators’ appointment on 19 December 2018) please complete and return a proof of debt form. This form is available on the Company’s Administration website:

www.ey.com/richardirvinandsonsinadministration.co.uk

Please complete this form and return via email to richardirvinandsonsinadministration@uk.ey.com

Please note - This does not apply to any providers of utilities, communications, landlords or other essential services.

**Essential services required by the Company** - The Joint Administrators will be in touch within the next 14 days to provide you an undertaking to continue essential services. Therefore all post-Appointment debts (i.e incurred on 19 December 2018 or after) will be met as an expense in the Administration of the Company, until such time as the undertaking is removed. Please note that any debts incurred prior to 19 December 2018 will rank as unsecured claims in the Administration of the Company.

**Essential services required by Newco** – A representative from Newco will be in touch shortly to discuss the continuation of services. Newco will be responsible for any services used from 19 December 2018. Please note that any debts incurred prior to 19 December 2018 will rank as unsecured claims in the Administration of the Company.

**I’m a customer of the M&E business, what should I do?**

The Joint Administrators are not in a position to trade the business, and thus unfortunately no further work will be completed on any of the existing contracts.

**Please continue to pay outstanding invoices as they fall due.**

We have engaged the services of our agents, G A Johnston Associates to collect any debts due to the Company. Our agents will be in touch in due course.
I have an Employee related question

Please email your query to irvinemployees@uk.ey.com

Who should I contact if I have further questions?

You can email the Joint Administrators at richardirvinandsonsinadministration@uk.ey.com with your query, or alternatively leave your name and contact details and one of the team will get back to you as soon as possible.

F L Taylor is licensed in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants in England and Wales and C P Dempster is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, F L Taylor and C P Dempster, 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 General Data Protection Regulation 1916/679, 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.