



Joint Administrators' proposals

Patisserie Holdings Plc - in
Administration

18 March 2019

Notice to creditors

We have made this document available to you to set out the purpose of the administration and to explain how we propose to achieve it.

We have also explained why the Company entered administration and how likely it is that we will be able to pay each class of creditor.

You will find other important information in the document such as the proposed basis of our remuneration.

A glossary of the abbreviations used throughout this document is attached (Appendix 7).

Finally, we have provided answers to frequently asked questions and a glossary of insolvency terms on the following website, <http://www.insolvency-kpmg.co.uk/case+KPMG+PJ12394136.html>. We hope this is helpful to you.

Please also note that an important legal notice about this statement of proposals is attached (Appendix 8).



Contents

1	Executive summary	1
2	Group structure	4
3	Background and events leading to the administration	6
4	Strategy and progress of the administration to date	8
5	Dividend prospects	13
6	Ending the administration	14
7	Approval of proposals	14
8	Joint Administrators' remuneration, disbursements and pre-administration costs	16
9	Summary of proposals	17
Appendix 1	Statutory information	19
Appendix 2	Joint Administrators' receipts and payments account	20
Appendix 3	Joint Administrators' fees estimate	22
Appendix 4	Joint Administrators' expenses estimate	25
Appendix 5	Joint Administrators' charging and disbursements policy	27
Appendix 6	Statement of Affairs, including creditor list	34
Appendix 7	Glossary	40
Appendix 8	Notice: About this statement of proposals	42

1 Executive summary

- Patisserie Holdings Plc (the “Company”) is part of a group of companies consisting of Patisserie Acquisition Limited, Patisserie Valerie Holdings Limited, Patisserie Valerie (Ireland) Limited, Philpotts (Holdings) Limited, Philpotts Limited, Spice Bakery Limited, Flour Power City Limited, Leonardo Limited, Patisserie Valerie Limited, Hewmark Limited, and Patisserie Valerie Express Limited (the “Group”).
- The Patisserie Valerie brand dates back to 1926. The Group was a leading operator in the café and casual dining sector, offering cakes, pastries, afternoon tea, snacks, meals and hot and cold drinks. It operated five brands, including Patisserie Valerie, Druckers Vienna Patisserie, Philpotts, Baker & Spice and Flour Power City.
- The Company, incorporated on 27 March 2014 was the ultimate parent company of the Group and was listed on AIM in May 2014.
- In October 2018, following the presentation of a winding up petition by HMRC against Stonebeach Limited, it was discovered that material accounting misstatements had been made in the Group’s audited accounts.
- As a result of the winding up petition being presented, and in light of the financial misstatements that had occurred, the Group’s majority shareholder, Mr Luke Johnson, provided rescue funding of £20 million in October 2018, to fund the Group’s trading operations in the short term. However, further analysis by the directors and forensic accountants in the following months led the Board to understand that the consolidated accounts were overstated by approximately £94m.
- In mid-January 2019, agreement could not be reached between the Group and its funders with regards to its continued funding. This led to the Group being unable to meet its employee wages liability for January 2019. As a result, the directors placed five of the companies in the Group into administration on 22 January 2019; Blair Nimmo and I were appointed as Joint Administrators to Patisserie Holdings Plc and Will Wright and I were appointed as Joint Administrators to Stonebeach Limited, Patisserie Acquisition Limited, Philpotts Limited and Flour Power City Limited (Section 3 - Background and events leading to the administration).
- Immediately following the administration appointments, the Joint Administrators closed 71 of the Group’s sites, including all of the Druckers Vienna Patisserie sites, all concessions in Next and Debenhams stores, and the Group’s other loss making sites. The closure of these sites resulted in 908 employees being made redundant.
- Following the closure of these sites, the Joint Administrators started a marketing process to ascertain the potential interest in the business and assets of the Group, which was marketed as a whole, including the Patisserie Valerie brand and the leasehold premises from which the Joint Administrators continued to trade.
- The Company operated as holding company and did not trade. Its main assets included investments in subsidiaries and intercompany receivables. As the sales of the business units, detailed below, were on a trade and assets basis, and not share sales, the Company did not receive any material consideration in respect of these transactions.
- On 14 February 2019, the Company was party to a sale of the business and assets of the Patisserie Valerie business. The Purchaser was Pippen Production Limited (the “PV Purchaser”). Consideration in respect of this sale was £8 million, of which £5 million was

received on completion with £3 million deferred and payable on certain EBITDA targets being met.

- On the same date Baker & Spice business unit was sold to Baker and Spice (London) Limited (formerly Dept. Cold Brew Ltd) (the “B&S Purchaser”) for £2.5 million.
- A sale of certain assets of the Philpotts business unit also completed on 14 February 2019 to A.F. Blakemore & Son Ltd. Consideration in respect of the sale was £5 million.
- We are not aware of any security granted to any creditors of the Company (Section 5.1 - Dividend prospects).
- The amount of preferential claims in respect of employees is estimated to be £835,000. Based on current estimates, it is uncertain whether there will be sufficient asset realisations to make a distribution to preferential or unsecured creditors (Section 5.2 and section 5.3 - Dividend prospects).
- We do not envisage there being sufficient asset realisation to make a distribution to shareholders. (Section 5.4 - Dividend prospects).
- We intend to conduct a meeting of creditors by correspondence to consider our proposals for the administration and seek approval of pre-administration costs and the Joint Administrators remuneration, unless sufficient requests are received from creditors to hold a physical meeting. The final date for submission of creditor voting forms is 2 April 2019. The voting forms also allow nominations for a creditors’ committee to be formed. (Section 7.3 on page 10 provides details of the process required to request a meeting). (Section 7 – Approval of proposals).
- We propose that we will charge our fees in the administration on the basis of time incurred by our staff in dealing with the administration, at our applicable hourly charge out rates. Further details can be found in Section 8 - Joint Administrators’ remuneration, disbursements and pre-administration costs.
- We plan to exit the administration of the Company by way of dissolution, as we intend to make a distribution to unsecured creditors in the administration, with the permission of the Court (Section 6 - Ending the administration).
- In light of the apparent accounting misstatements that occurred in the period prior to the administration appointment, a number of regulators are investigating the Company’s affairs in that period. It will be necessary for the Company to consider whether there may be sufficient grounds to establish potential legal claims against a number of parties. These parties may include Grant Thornton, who were the auditors to the Patisserie Valerie Group. Grant Thornton are also auditors to KPMG, and given that the Joint Administrators are partners in KPMG, it would not be appropriate for the Joint Administrators to consider whether the Company has a potential legal claim against Grant Thornton. We are therefore proposing the appointment of an additional administrator, who will have the responsibility to review all potential legal claims.
- In these proposals we invite creditors to form a creditors’ committee. It will be for the creditors’ committee to decide whether it wishes to seek the appointment of an additional administrator to review, and if appropriate pursue, potential legal claims against relevant parties.
- This document in its entirety is our statement of proposals. A summary list of the proposals is shown in Section 9 together with all relevant statutory information included by way of appendices. Unless stated otherwise, all amounts in the proposals and appendices are stated net of VAT.

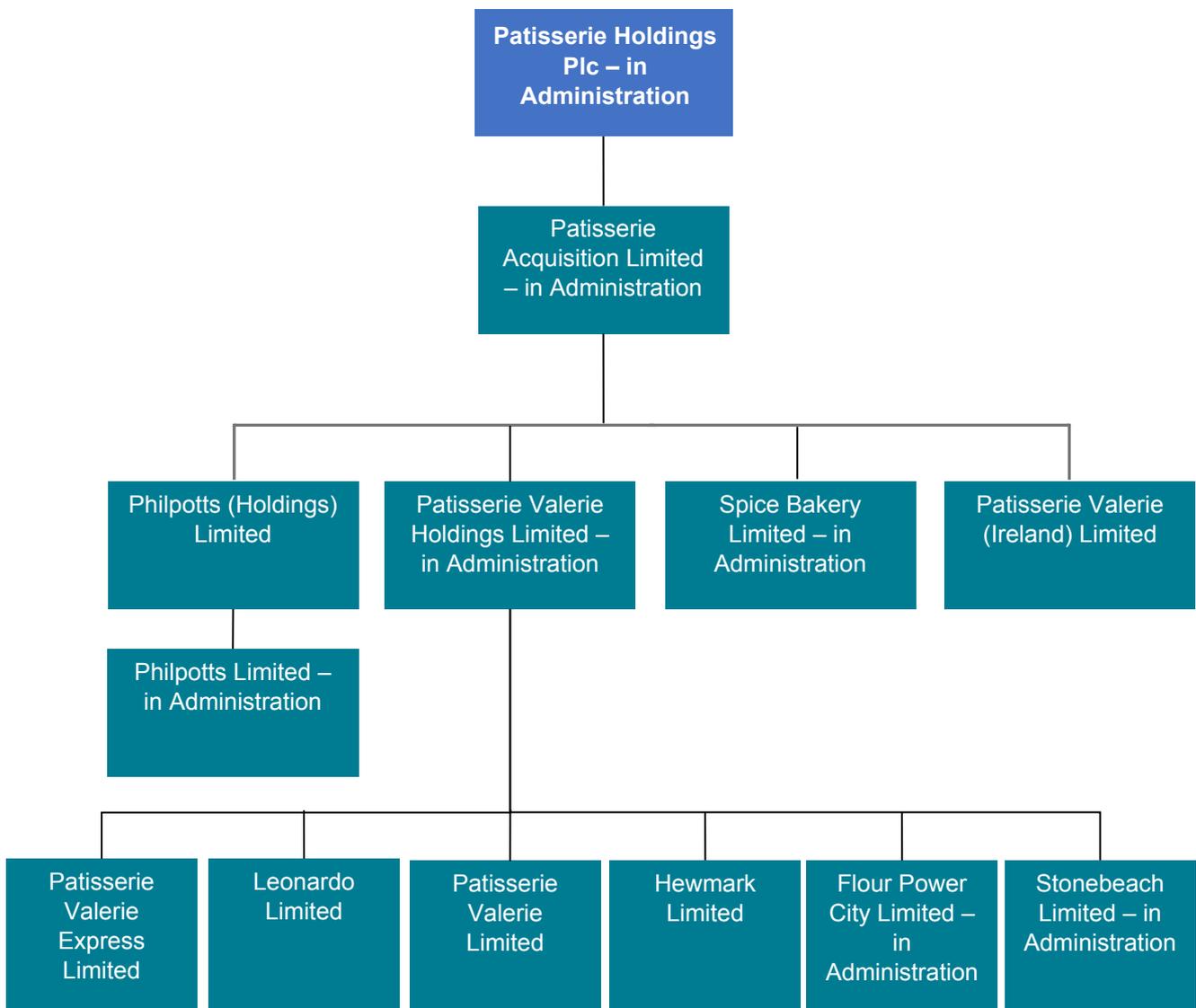


David Costley-Wood
Joint Administrator

2 Group structure

The Company is part of a group of companies consisting of Patisserie Holdings Plc, Patisserie Acquisition Limited, Stonebeach Limited, Spice Bakery Limited, Patisserie Valerie (Ireland) Limited, Philpotts (Holdings) Limited, Philpotts Limited, Flour Power City Limited, Leonardo Limited, Patisserie Valerie Limited, Hewmark Limited and Patisserie Valerie Express Limited (the “Group”).

The Group was a leading operator in the café and casual dining sector, offering cakes, pastries, afternoon tea, snacks, meals and hot and cold drinks. It operated five brands, including Patisserie Valerie, Druckers Vienna Patisserie, Philpotts, Baker & Spice and Flour Power City. Patisserie Holdings Plc was listed on AIM in May 2014.



Patisserie Holdings Plc – in Administration

Patisserie Holdings Plc was incorporated on 27 March 2014 and was the ultimate parent company of the Group. Its shares were listed on the AIM stock exchange from May 2014, and were delisted on 25 February 2019. The company held the employee contracts on behalf of the Group.

Patisserie Acquisition Limited – in Administration

Patisserie Acquisition Limited was incorporated on 26 January 2007 and was a non-trading subsidiary of the Group. The company owned the freehold title of the property on Sarehole Road in Birmingham, which housed the main Patisserie Valerie bakery and the Group's head office. It also held a number of leases for Patisserie Valerie cafés.

Philpotts Limited – in Administration

Philpotts Limited was incorporated on 18 March 1986 and was a trading subsidiary of the Group principally offering breakfast and lunchtime foods. It operated a number of corporate accounts as well as serving the public.

Patisserie Valerie Holdings Limited – in Administration

Patisserie Valerie Holdings Limited was incorporated on 23 August 2006 and was a non-trading subsidiary of the Group. The Company held a number of leases and trademarks on behalf of the Group, including the 'Patisserie Valerie' brand name and logo.

Spice Bakery Limited – in Administration

Spice Bakery Limited was incorporated on 19 February 2009 and had been a non-trading subsidiary of the Group since 1 October 2011, following the transfer of the trade and certain assets to Stonebeach Limited. Since that time, the Company only held a number of leases and trademarks, including the 'Baker & Spice' brand name and logo.

Flour Power City Limited – in Administration

Flour Power City Limited was incorporated on 8 May 2001 and operated a bakery in London, supplying high end restaurants and cafes with bread and other baked goods.

Stonebeach Limited – in Administration

Stonebeach Limited was incorporated on 18 March 2002 and was the principal trading subsidiary of the Group, operating the Patisserie Valerie, Druckers Vienna Patisserie and Baker & Spice businesses.

Other group entities (not a subject of this report)

The following entities of the Group were not placed into administration and are not subject to this report.

- Patisserie Valerie (Ireland) Limited
- Patisserie Valerie Express Limited
- Leonardo Limited
- Patisserie Valerie Limited
- Hewmark Limited
- Philpotts (Holdings) Limited

3 Background and events leading to the administration

3.1 Background information

The Company was incorporated on 27 March 2014 and was the ultimate parent company of the Group. Its main assets included investments in subsidiaries and intercompany receivables.

The Company held the employee contracts on behalf of the Group. Its registered office was located at the Group's head office on Sarehole Road in Birmingham.

In October 2018, following the presentation of a petition presented by HMRC, to wind up Stonebeach Limited, it was discovered that material accounting misstatements had been made in the Group's audited accounts.

Following the winding up petition, the directors rapidly assessed the cash position and level of supplier arrears at the time and injected £20m cash. At the same time, PwC were appointed to conduct a Forensic review and further assess the impact of the misstatements. By early January 2019, it was apparent that the situation was significantly worse than first understood. The combined impact of the misstatements in cash, liabilities and assets resulted in an estimated overstatement of net assets of at least £94m. This included:

- Intangible assets overstated by £18m;
- Tangible assets overstated by £5m;
- Cash position overstated by £54m;
- Prepayments and debtors overstated by £7m;
- Creditors understated by £10m.

According to the directors, the above figures excluded the HMRC debt which could not be quantified at the time due to the misstatement. As Administrators, we are still working with HMRC to understand the final tax liabilities. Prior to the winding up petition, the August 2018 management accounts showed net assets of £108m. After deducting the £94m, according to the directors, this left net assets of £14m including implied cumulative net trading losses brought forward of £21m.

Due to likely ongoing trading losses and further liabilities materialising after October, the cash situation continued to deteriorate, resulting in the directors taking legal advice and deciding to appoint KPMG on 13 January 2019 to conduct an Options Review.

In mid-January 2019, agreement could not be reached between the Group and its funders in regards to its continued funding. This led to the Group being unable to meet its employee wages liability for January 2019. As a result, the directors placed five of the companies in the Group into administration on 22 January 2019, including Patisserie Holdings Plc.

3.2 Funding and financial position of the Company

Prior to our appointment, the Company was party to the Group's net overdraft facility with HSBC. On 22 January 2019, the Group owed £2.6 million under the net overdraft facility.

In addition to HSBC's funding, the Group had also benefited from a £20 million unsecured loan made by its majority shareholder, Mr Luke Johnson, in October 2018.

The sum of £10 million was subsequently repaid to Mr Luke Johnson in November 2018 by issuing £15 million of new shares in the Company.

The Group also benefitted from a facility provided by Barclays Bank Plc ("Barclays") in the sum of £4 million. As at the date of our appointment, the Group owed Barclays £2.8 million.

3.3 Events leading to the administration

Once the Board realised that the accounting misstatements were far worse than first estimated the Group's directors requested to meet with KPMG to discuss the options available to the Group.

KPMG were engaged by the Company and Stonebeach Limited, on 13 January 2019, to undertake an Options Review for the Group.

Following discussions with the Group's lenders on 17 January 2019, it transpired that the Group would be unable to pay employees' wages, which were due on 23 January 2019 for Head Office employees and 31 January 2019 for all other employees

KPMG was instructed to cease its work on the Options Review and commence administration planning. No invoices were raised for the time costs incurred during the Options Review.

As a result of the inability to raise further funding for the January 2019 wages payments, the Group's directors resolved to place Patisserie Holdings Plc, Patisserie Acquisition Limited, Philpotts Limited, Flour Power City Limited and Stonebeach Limited into administration on 22 January 2019.

Subsequent to this, David Costley-Wood and Will Wright were appointed as Joint Administrators of Spice Bakery Limited and Patisserie Valerie Holdings Limited 13 February 2019 in order to help facilitate the sales of the Patisserie Valerie and Baker & Spice business units.

3.4 Pre-administration work

Time costs of £8,653 were incurred prior to our appointment planning for the administration, progressing discussions with key stakeholders, securing funding for the administrations and dealing with other pre-administration formalities. This assisted in implementing a strategy for the business that allowed the continuation of trade for the business upon our appointment.

In addition, our legal advisors, Gateley Plc ('Gateley'), incurred pre administration costs of £11,180 relating specifically to the Company. This is in connection with negotiating funding agreements, reviewing the lease portfolio and dealing with appointment related formalities.

Further detail on costs incurred prior to our appointment can be found at Section 8.2 within 'Joint Administrators' remuneration, disbursements and pre-administration costs'. The Joint Administrators' intend to seek approval from the unsecured creditors to draw pre-administration time costs as an expense of the administration. This does not form part of the Joint Administrators proposals.

The only other work undertaken by KPMG for the Group was by the indirect tax team in November 2018. This work involved a review of VAT payments made by the Group. Fees totalled £40,000 plus VAT which remain unpaid by the Group.

We are satisfied that the work KPMG carried out before our appointment has not resulted in any relationships which create a conflict of interest or which threaten our independence.

Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

3.5 Appointment of Joint Administrators

The Directors resolved on 22 January 2019 to appoint us as Joint Administrators.

The notice of appointment was lodged at the High Court of Justice, Business and Property Court in Manchester on 22 January 2019 and we were duly appointed.

4 Strategy and progress of the administration to date

4.1 Strategy to date

Strategy and funding

The Company was the non-trading ultimate parent of the Group and held the employee contracts on behalf of the Group.

Ahead of our appointment, we reviewed the Group's position and determined that continuing to trade the Group, whilst a sale of the business was pursued, would provide the best opportunity to enhance asset realisations.

In order to be in a position to trade, the Joint Administrators entered into funding agreements with the Group's majority shareholder, Mr Luke Johnson, and Barclays Bank Plc, to fund the payment of wage arrears, for retained staff, and also to fund professional fees and trading costs.

The funding provided across the Group totalled £3,502,000, split £3,002,000 (Mr Luke Johnson) and £500,000 (Barclays). £2,650,000 of this funding was advanced to Patisserie Holdings Plc, to fund the wage arrears for staff to be retained by the Administrators. This was split £2,454,000 (Mr Luke Johnson) and £196,000 (Barclays), respectively. Had the loans not been made and paid to staff, an equivalent amount of wage arrears would have ranked as preferential creditors ahead of any dividend payments to unsecured creditors. Therefore it was a condition of these loans that any repayment be treated as an expense of the Administration.

As the Company does not have any tangible assets, this funding will only be repaid if distributions are received from the administrations of the other group companies, in respect of intercompany debts owed by them. The balance of any intercompany accounts is yet to be fully determined.

Immediately following our appointment, 71 loss making Patisserie Valerie and Druckers cafes were closed, including those based in Debenhams, Next and at four motorway service stations, resulting in 908 redundancies. A total of 96 Patisserie Valerie cafés remained open and trading, as well as 22 Philpotts cafés and six Baker & Spice cafés.

Following the closure of these sites, we began a marketing exercise to sell the separate business units: Patisserie Valerie, Flour Power City, Baker & Spice, and, Philpotts.

Sale of business

As part of the sale process, the business and assets of the Group were marketed as a whole which included the Patisserie Valerie brand and leasehold premises. A teaser document was circulated on 23 January 2019 to KPMG's network of investors in distressed businesses, internally within KPMG, and to trade parties identified by KPMG and management. A total of 324 financial investors and 85 trade parties were provided with a copy of the teaser document.

112 parties requested further information and were provided with a Non-Disclosure Agreement, which they subsequently signed and returned. Each party was provided with further information via access to a data room on 26 January 2019. A deadline for initial offers was set for 12pm on 1 February 2019. A total of 18 parties submitted an offer, including nine parties whose bid included the Patisserie Valerie trading entity. A total of 11 parties were invited to management presentations on 5, 6, 7 and 11 February 2019, allowing them to gain a better understanding of the trading businesses within the Group and an opportunity to meet the Group's management team.

Interested parties were given the opportunity to submit further requests for information, including additional time with management and a visit to the Head Office and bakery in Birmingham. A deadline for best and final offers was set for 3pm on 8 February 2019.

A total of nine offers were received, including three which included the Patisserie Valerie trading entity. A sale and purchase agreement was issued to seven parties, including three for the Patisserie Valerie business unit, two for Philpotts and two for Baker & Spice. As negotiations on the sale agreements continued, a number of parties pulled out of the process or were excluded due to their offers reducing.

On 14 February 2019, substantially all of the three businesses were sold to the highest bidders.

The Patisserie Valerie business unit was sold for £8m to the Purchaser, an entity funded and owned by Causeway CGP Limited. This included the assets of a number of the other companies in the Group, including Stonebeach Limited, Patisserie Acquisitions Limited, Flour Power City Limited and Patisserie Valerie Holdings Limited.

The Baker and Spice business was sold for £2.5m to Baker and Spice (London) Ltd (Formerly Dept. Cold Brew Ltd) trading as The Department of Coffee and Social Affairs.

The Philpotts business was sold for £5m cash to A.F. Blakemore & Son Ltd.

The Company did not receive any material consideration from these transactions.

Employees

The Group had approximately 3,000 employees across the five trading business units (Patisserie Valerie, Druckers Vienna Patisserie, Baker & Spice, Flour Power City and Philpotts). Wages were due for the majority of employees on 31 January 2019, with the exception of the Head Office, who were usually paid on 23rd of each month.

As the majority of employment contracts were held in the Company's name, all retained staff were paid their pre-administration wage arrears by the Company.

There were insufficient funds available to pay January wages for the 908 employees made redundant on appointment of the Joint Administrators, when it was necessary to close 71 loss-making sites. The relevant forms were lodged with the Insolvency Service on appointment, providing advance notice of redundancies.

All redundant employees have made claims against the Company due to the Company being named as their employer as detailed in their employment contract.

The remaining 2,110 employees were retained by the Joint Administrators to assist with the trading period. In order to comply with employment legislation, the employees were asked to nominate and elect a number of employee representatives from across the business. A meeting was held with elected representatives to update them on the progress of the administrations. Minutes of the meeting were circulated to all representatives, and further updates regarding the sale of business were provided to representatives by email.

All retained employees were transferred to the purchasers of the respective businesses, except for 10 employees who were made redundant upon the closure of the Oxford Baker & Spice café on 15 February 2019. Employees were written to, to provide details of the likely transfer of their employment, prior to the sales taking place on 14 February 2019.

[Liaising with Regulatory Authorities](#)

Due to the apparent accounting misstatements that occurred prior to our appointment, we have also been liaising with a number of Regulatory Authorities including the SFO, the FRC, the Aim Regulator, the Insolvency Service and the HMRC Fraud Investigation Service. Our work has included collecting and securing company records, imaging of servers and other IT equipment, conducting forensic searches of company documentation, coordinating Regulator site visits and liaising with CMS Cameron McKenna Nabarro Olswang LLP acting for the Administrators.

A number of requests for the PwC Forensic report commissioned by the directors in October 2018 have been made by shareholders and creditors. However it is subject to privilege and under the terms of our agreement with PwC we are unable to disclose it to those parties or as part of these proposals.

4.2 Asset realisations

Realisations from the date of our appointment to 8 March 2019 are set out in the attached receipts and payments account (Appendix 2).

[Included records](#)

The Company received £1 in relation to the included records sold to the Purchaser.

[Third party funding](#)

Third party funding totalling £2,650,000 was received into the administration estate, split between Mr Luke Johnson (£2,454,000) and Barclays (£196,000). This was provided to fund the wage arrears for staff retained by the Joint Administrators during the trading period, and to cover the professional fees and disbursements of the administration up to a maximum of £100,000.

Distributions from companies in administration

According to the Statement of Affairs at Appendix 6, a number of the other Group companies that are in the Administration are debtors of the Company in respect of inter-company loans and inter-company trading. These balances need to be verified but may give rise to the Company receiving a distribution from the administration estates of Stonebeach Limited, Philpotts Limited, Patisserie Acquisition Limited, Patisserie Valerie Holdings Limited and Flour Power City Limited.

Trading

Third party funds received

The Company is a non-trading entity however cash and card sales of £2,350,488 have been received in the Joint Administrators bank account which relate to the Purchaser's sales, whilst new banking facilities were set up. The majority of this amount has been paid back to the Purchaser as described in Section 4.3.

Therefore the trading surplus of £204,241 showing on the trading receipts and payments account will be £nil once these amounts are transferred.

Sales

The Company's bank account was used to bank cash and receive card payments from Patisserie Valerie cafes. The sales were subsequently transferred to Stonebeach Limited. The sum of £1,001 has been left in the Company's account to cover any future bank charges and chargebacks.

Investigations

We are preparing a report on the conduct of the directors in the period prior to the administration of the Company.

In this regard, if you wish to bring to our attention any matters which you believe to be relevant, please do so by writing to Leanza O'Gara at KPMG LLP, 1 St Peter's Square, Manchester, M2 3AE, United Kingdom.

Additional administrator appointment

In light of the apparent accounting irregularities that occurred in the period prior to the administration appointment, it will be necessary for the Company to consider whether there may be sufficient grounds to establish potential legal claims against a number of parties.

Grant Thornton were the auditors to the Patisserie Valerie Group and Grant Thornton are also auditors to KPMG. Given that the Joint Administrators are partners in KPMG, it would

not be appropriate for the Joint Administrators to consider whether the Company has a potential legal claim against Grant Thornton. This position was communicated to and carefully considered by the directors of the Company prior to their appointment of the Joint Administrators.

In these proposals we invite creditors to form a creditors' committee. A creditors' committee must consist of not less than three and not more than five creditor representatives. Once established, the creditors' committee will, amongst other things, be able to influence the administrators' actions.

It will be for the creditors' committee to decide whether it wishes to seek the appointment of an additional administrator to review potential legal claims against relevant parties.

In the event a creditors' committee is formed and decides to appoint an additional administrator, then the creditors' committee will select the additional administrator and will request that the current Joint Administrators apply to Court to appoint the additional administrator. (Under the Insolvency Act 1986, an additional administrator can only be appointed by the Court and with the consent of the current Joint Administrators.) The role of the additional administrator would be to review, and if appropriate pursue, claims against relevant parties.

4.3 Costs

An estimate of all the anticipated costs likely to be incurred throughout the duration of the administration is set out in the attached summary of expenses (Appendix 4).

Payments made from the date of our appointment to 8 March 2019 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant payments made to date are provided below.

Direct labour

We have paid £2,423,796 in respect of wages and salaries due in January 2019 for the staff retained by the Joint Administrators during the trading period. This includes the sum of £49,950, which was paid to NEST Corporation in relation to employee and employer contributions to the Patisserie Valerie pension scheme.

Pension payments

A further £8,648 has been paid in respect of pension payments, and it's expected that an additional £1,000 will be paid shortly.

ERA Outsourcing costs

Due to the volume of employee claims, it was more cost-effective to outsource the employee claims agreement process. Fees of £27,830 have been paid to Insol Group (HR) Limited, an outsourced employee specialist, to provide advice and assist redundant employees to make claims to the Redundancy Payments Service for arrears of wages, holiday pay, redundancy pay, notice pay and pension arrears, where applicable.

Pay Check fees

We have paid fees of £5,792 to Pay Check Limited to process BACS payments on behalf of the Joint Administrators, in respect of paying the January 2019 wages to employees as we

were not able to use the Company's pre-appointment BACS function following our appointment.

Legal fees

Fees of £1,245 were paid in the Period to Aaron & Partners LLP, for advice relating to the validity of the Joint Administrators' appointment over the Company. Their review found that the Joint Administrators have been validly appointed.

Irrecoverable VAT

At the date of our appointment, the Company was not VAT registered. Irrecoverable VAT of £6,846 have been incurred in relation to VAT paid on purchases during the period.

5 Dividend prospects

5.1 Secured creditor

We are not aware of any secured claims against the Company.

5.2 Preferential creditors

Claims from employees in respect of arrears of wages up to a maximum of £800 per employee, unlimited accrued holiday pay and certain pension benefits, rank preferentially.

The majority of the preferential claim will be subrogated to The Redundancy Payments Service ("the RPS") following their payment of arrears on behalf of the Company. The RPS are yet to submit a claim, however it is estimated that preferential claims will total approximately £835,000.

Based on current estimates, it is uncertain whether there will be sufficient asset realisations to make a distribution to preferential or unsecured creditors

5.3 Unsecured creditors

Based on current estimates, it is uncertain whether there will be sufficient asset realisations to pay a dividend to unsecured creditors.

The quantum of the dividend is dependent upon future realisations and the level of creditor claims, which is currently unknown.

The estimated non-preferential claim from the RPS is expected to be approximately £1.5 million.

5.4 Shareholders

Based on current estimates, it appears that there will be insufficient asset realisations to make a distribution to shareholders from the administration estate.

6 Ending the administration

6.1 Exit route from administration

We consider it prudent to retain all of the options available to us, as listed in Section 9 to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be dissolution, because we consider it to be more cost effective to make an application to Court to seek an order to distribute funds to unsecured creditors in the administration, rather than converting the administration to a creditors' voluntary liquidation for this purpose.

6.2 Discharge from liability

We propose to seek approval from the preferential and unsecured creditors that we will be discharged from liability in respect of any action as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court's power in relation to any misfeasance action against us.

See Section 7.2 for details regarding the decision by correspondence.

7 Approval of proposals

7.1 Decision procedure

Notice of seeking a decision by correspondence is attached to the covering letter for this report. This decision by correspondence procedure is being used to seek approval of our statement of proposals.

Creditors' Committee

A Creditors' Committee will be formed if the creditors decide that one should be formed and sufficient creditors are willing to act. The minimum number of Committee members is three and the maximum is five.

As stated in 4.2 above we invite creditors to form a Creditors' Committee to consider the appointment of an additional administrator to consider potential claims against a range of third parties.

Function of the Creditors' Committee

The Creditors' Committee represents the interests of the creditors as a whole, rather than the interests of certain parties or individuals.

Its statutory function is to help us to discharge our responsibilities as Joint Administrators, and specifically in this case, to assist with the appointment of an additional administrator.

If a Creditors' Committee is formed it is for that body to approve, for instance:

- the basis of our remuneration
- the drawing of Category 2 disbursements
- the payment of unpaid pre-administration costs
- appointment of an additional administrator

Members of the Creditors' Committee are not remunerated for their time. Other than receiving travel expenses, they receive no payment from the Company.

7.2 Decisions

The proposed decisions to be considered as part of the decision by correspondence are as follows:

- approval of our proposals;
- the formation of a Creditors' Committee.

In addition, creditors are also required to vote on the proposed decisions in Section 9. However, the votes cast in relation to these additional decisions will only be used if a Creditors' Committee is not formed.

7.3 Creditors' right to request a physical meeting

We will summon a physical meeting (1) if asked to do so by (a) creditors whose debts amount to at least 10% of the total debts of the Company, or (b) 10% in number of creditors, or (c) 10 creditors, and (2) if the procedures set out below are followed.

Requests for a physical meeting must be made within five business days of the date on which our proposals were delivered. They must include:

- a statement of the requesting creditor claim;
- a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration;
- written confirmation of their concurrence from each concurring creditor; and
- a statement of the purpose of the proposed meeting;

In addition, the expenses of summoning and holding a meeting at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us.

If you wish to request a physical creditors' meeting, please complete and return the physical meeting requisition form attached to the cover letter.

8 Joint Administrators' remuneration, disbursements and pre-administration costs

8.1 Approval of the basis of remuneration and disbursements

Agreement to the basis of our remuneration and the drawing of Category 2 disbursements is subject to specific approval. It is not part of our proposals.

Should a Creditors' Committee be formed, we will seek to obtain approval from the Creditors' Committee that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5.
- unpaid pre-administration costs will be an expense of the administration.

Attached to the covering letter is formal notice of the decision by correspondence which asks the creditors to vote on the proposed decisions with regard to our remuneration and drawing of Category 2 disbursements. Only if a Creditors' Committee is not formed will the votes cast by the creditors be used.

Time costs

From the date of our appointment to 8 March 2019, we have incurred time costs of £241,568. These represent 525 hours at an average rate of £460 per hour. Our fees are capped at £100,000 until the funding from Luke Johnson and Barclays is repaid.

Disbursements

We have incurred disbursements of £5,255 during the period. None of these disbursements have yet been paid.

Additional information

We have attached (Appendix 5) an analysis of the time spent, the charge-out rates for each grade of staff and the disbursements paid directly by KPMG for the period from our appointment to 8 March 2019. We have also attached our charging and disbursements recovery policy.

8.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 3.4:

Pre-administration costs	Paid (£)	Unpaid (£)	Total (£)
KPMG fees	0.00	8,652.50	8,652.50
Gateley Plc legal fees	0.00	11,180.00	11,180.00
Total	0.00	19,832.50	19,832.50

9 Summary of proposals

Due to there being no interest from any party acquiring the shares, rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable.

Therefore our primary objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, in accordance with Paragraph 3(1)(b). This is because a better result is likely to be achieved than would have been achieved if the Company had been wound up.

In addition to the specific itemised proposals below, this document in its entirety constitutes our proposals.

We propose the following:

General matters

- to continue to do everything that is reasonable, and to use all our powers appropriately, in order to maximise realisations from the assets of the Company in accordance with the objective as set out above;
- to seek an extension to the administration period if we consider it necessary.

Distributions

- to make distributions to the preferential creditors where funds allow;
- to make distributions to the unsecured creditors if funds become available, and to apply to the Court for authority to do so, where applicable.

Ending the administration

We might use any or a combination of the following exit route strategies in order to bring the administration to an end:

- apply to Court for the administration order to cease to have effect from a specified time and for control of the Company to be returned to the Directors;
- formulate a proposal for either a company voluntary arrangement (CVA) or a scheme of arrangement and put it to meetings of the Company's creditors, shareholders or the Court for approval as appropriate;

- place the Company into creditors' voluntary liquidation. In these circumstances we propose that we, David Costley-Wood and Blair Nimmo, be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by us may be taken by us individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing the Company into compulsory liquidation and to consider, if deemed appropriate, appointing us, David Costley-Wood and Blair Nimmo, as Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by us as Joint Liquidators may be taken by us individually or together;
- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

Joint Administrators' remuneration

We propose that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate provided in Appendix 3 and the charge-out rates included in Appendix 5;
- disbursements for services provided by KPMG (defined as Category 2 disbursements in Statement of Insolvency Practice 9) will be charged in accordance with KPMG's policy as set out in Appendix 5.
- unpaid pre-administration costs will be an expense of the administration.

Discharge from liability

We propose that we shall be discharged from liability in respect of any action of ours as Joint Administrators upon the filing of our final receipts and payments account with the Registrar of Companies.

Appendix 1 Statutory information

Company information

Company and Trading name	Patisserie Holdings Plc
Date of incorporation	27 March 2014
Company registration number	08963601
Trading address	146-156 Sarehole Road, Hall Green, Birmingham, B28 8DT
Previous registered office	146-156 Sarehole Road, Hall Green, Birmingham, B28 8DT
Present registered office	1 St Peter's Square, Manchester, M2 3AE
Company Directors	Luke Oliver Johnson Jeremey Jensen Stephen Francis
Company Secretary	Sudharshan Bharaj

Administration information

Administration appointment	The administration appointment granted in High Court of Justice, Business and Property Court in Manchester, 2079 of 2019
Appointor	Directors
Date of appointment	22 January 2019
Joint Administrators	David Costley-Wood and Blair Nimmo
Purpose of the administration	Achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2).
Current administration expiry date	21 January 2020
Prescribed Part	The Prescribed Part is not applicable on this case as there are no floating charges granted against the Company's assets.
Application of EC Regulations	EC Regulations apply and these proceedings will be the Main Proceedings as defined in Article 3 of the EC Regulations.

Appendix 2 Joint Administrators' receipts and payments account

Patisserie Holdings Plc - in Administration		
Trading accounts		
Statement of Affairs (£)	From 22/01/2019 To 08/03/2019 (£)	From 22/01/2019 To 08/03/2019 (£)
POST-APPOINTMENT SALES		
Sales	1,001.24	1,001.24
Third party funds received	2,350,487.78	2,350,487.78
	<u>2,351,489.02</u>	<u>2,351,489.02</u>
OTHER DIRECT COSTS		
Third party funds returned	(2,147,248.15)	(2,147,248.15)
	<u>(2,147,248.15)</u>	<u>(2,147,248.15)</u>
Trading surplus/(deficit)	<u>204,240.87</u>	<u>204,240.87</u>

Patisserie Holdings Plc - in Administration		
Abstract of receipts & payments		
Statement of affairs (£)	From 22/01/2019 To 08/03/2019 (£)	From 22/01/2019 To 08/03/2019 (£)
ASSET REALISATIONS		
2.00 Goodwill and Included records	1.00	1.00
	<u>1.00</u>	<u>1.00</u>
OTHER REALISATIONS		
Bank interest, gross	95.18	95.18
Third party funding	2,650,000.00	2,650,000.00
Sundry refunds	834.16	834.16
Trading surplus/(deficit)	204,240.87	204,240.87
	<u>2,855,170.21</u>	<u>2,855,170.21</u>
COST OF REALISATIONS		
Pension Payments	(8,648.35)	(8,648.35)
ERA Outsourcing costs	(27,830.00)	(27,830.00)
Irrecoverable VAT	(6,846.03)	(6,846.03)
Legal fees	(1,245.00)	(1,245.00)
Wages & salaries	(2,423,796.46)	(2,423,796.46)
Bank charges	(265.00)	(265.00)
Paycheck Fees	(5,791.50)	(5,791.50)

Patisserie Holdings Plc - in Administration

Abstract of receipts & payments

Statement of affairs (£)	From 22/01/2019 To 08/03/2019 (£)	From 22/01/2019 To 08/03/2019 (£)
	(2,474,422.34)	(2,474,422.34)
2.00	380,748.87	380,748.87
REPRESENTED BY		
Floating charge current		380,748.87
		380,748.87

Appendix 3 Joint Administrators' fees estimate

Patisserie Holdings Plc - in Administration				
		Initial estimated time costs for the engagement		
	Note	Estimated total hours	Estimated time cost (£)	Estimated average hourly rate (£)
Administration & Planning				
Statutory and compliance	1	97.57	51,390.50	526.70
Cashiering	2	48.40	17,329.50	358.05
Tax	3	74.40	42,083.50	565.64
Bankrupt/Director/Member	4	3.60	2,230.00	619.44
General	5	28.55	9,005.00	315.41
Trading	6	54.30	21,048.50	387.63
Realisation of Assets	7	45.87	23,439.00	510.99
Creditors				
Employees	8	188.95	90,268.75	477.74
Creditors and claims	9	86.90	34,794.50	400.40
Investigations				
Directors	10	92.80	43,073.50	464.15
Investigations	11	88.65	43,537.25	491.11
Total		809.99	378,200.00	466.92

In the event that additional work is necessary due to a change in the circumstances of the administration we may need to increase our fees estimated and request approval to draw additional remuneration. However, under the terms of the loan agreements with Luke Johnson and Barclays, our fees are capped at £100,000 until their funding is repaid.

Note, the above fee estimate does not include the pre-administration time that we have incurred, which totals £8,652.50.

Below is further detail of the work to be undertaken in the administration.

Note 1 – Statutory and compliance

Statutory and compliance work will include notifying the Registrar of Companies and other relevant parties of our appointment, arranging bonding, filing the Statement of Affairs and Statements of Concurrence and ensuring compliance with all other statutory obligations. It also includes obtaining approval for future extensions of the Administration, and reporting the outcome to creditors thereafter. The Joint Administrators are required to conduct periodic internal reviews of the case, and update their strategy documents as the administration progresses. Once all outstanding matters have been dealt with, time costs will be charged in dealing with closure formalities, including providing creditors with a final report.

Note 2 – Cashiering

Cashiering costs will include processing of receipts and payments, including paying invoices for professional fees and disbursements incurred. Payments require approval by a number of authority levels before they can be released. Regular bank reconciliations will be performed by the cashiering team throughout the administration. Cheques received are logged and coded before being paid into the bank account. Upon closure of the case, any unbanked dividend cheques must be cancelled and forwarded to the Insolvency Service's unclaimed dividends account, and the account must be brought down to nil and closed by the bank.

Note 3 – Tax

The Group's pre-administration tax position is currently unclear. Our work will include a review of the Company's pre-appointment tax affairs, submitting pre and post appointment Corporation Tax returns where possible, and the maintenance and submission of post-appointment tax records. HMRC's claim will need to be established if a dividend is payable to unsecured creditors. Before closure of the administration, clearance will need to be sought and received from HMRC before the case can be closed and the Company can be dissolved.

Note 4 – Bankrupt/Director/Member

Time has been incurred in notifying directors of the appointment of the Joint Administrators over the Company. We do not expect to incur any more time in this respect.

Note 5 – General

General time costs include matters such as maintaining certain pre-appointment records, alongside monitoring and reviewing administration case files. It may also include liaising with the SFO, FRC, HMRC and the Aim Regulator to assist with their enquiries.

Note 6 – Trading

As detailed in our report, on appointment it was decided to trade the Group to seek a sale of the business and assets. Costs relate to both the trading and the post-trading period, where employee related trading matters were dealt with.

Note 7 – Realisation of assets

This primarily consists of costs relating to the sale of business process. It will also include time spent relating to realising the Company's assets, which includes the insurance of assets and liaising with landlords with regards to the Group's leased properties.

Note 8 – Employees

Employee costs will involve consultation during the trading period and overseeing the payroll process. It will also include notifying employees of our appointment and communicating with them at the point of sale of business, as well as helping employees with their claim forms and dealing with subsequent queries.

Note 9 – Creditors and claims

Our work includes notification of our appointment and issuing statutory reports to creditors, agreeing unsecured creditor claims and issuing a distribution to unsecured creditors should funds allow, alongside with general creditor correspondence received during the administration.

Note 10 – Directors

We will correspond with directors in relation to the submission of their statement of affairs and directors questionnaires, D form drafting and general correspondence with the directors of the Company.

Note 11 – Investigations

We will perform our statutory investigation into the conduct of the directors and the affairs of the Company prior to our appointment as Joint Administrators. This will involve directorship searches, compliance with our statutory duties and submitting director reports and other relevant reports to the Secretary of State.

Appendix 4 Joint Administrators' expenses estimate

Summary of Expenses from appointment					
Expenses (£)	Narrative	Initial Estimates (£)	Total for Administration		Total (£)
			Paid to date (£)	Future costs (£)	
Trading expenses					
Third party funds returned	Note 1	2,347,248.15	2,147,248.15	200,000.00	2,347,248.15
Cost of realisations					
Wages and salaries	Note 2	2,427,367.46	2,423,796.46	3,571.00	2,427,367.46
Administrators' disbursements	Note 3	5,254.67	0.00	5,254.67	5,254.67
Pre appointment legal fees	Note 4	11,180.00	0.00	11,180.00	11,180.00
Post appointment legal fees and disbursements	Note 4	44,380.06	1,245.00	43,135.06	44,380.06
Statutory advertising		100.00	0.00	100.00	100.00
ERA Outsourcing costs	Note 5	36,910.00	27,830.00	9,080.00	36,910.00
Irrecoverable VAT	Note 6	6,846.03	6,846.03	0.00	6,846.03
Bank charges		500.00	265.00	235.00	500.00
Pay Check Fees	Note 7	5,791.50	5,791.50	0.00	5,791.50
Pension payments	Note 8	9,648.35	8,648.35	1,000.00	9,648.35
TOTAL		4,895,226.22	4,621,670.49	273,555.73	4,895,226.22

Note 1 – Third party funds

Following the sale of the business and its assets, the PV Purchaser continued to use the Administration trading bank account for card sales due to delay in opening their own bank account. Therefore, Joint Administrators' agreed to receive the sales receipts post the sale of the business and its assets for 2 weeks and transfer the funds over to the Purchaser as and when received. This will have no impact on the funds available to the unsecured creditors.

Note 2 – Wages and salaries

Net wages and salaries for the month of January only for the employees retained by the Joint Administrators.

Note 3 – Joint Administrators' disbursements

This relates to the Joint Administrators' disbursements, as detailed in Appendix 5.

Note 4 – Pre and post appointment legal fees and disbursements

These are in respect of legal fees and disbursements. Pre-appointment costs to preparation of appointment related documents and funding agreement. Post appointment expenses are incurred for Aaron & Partners of £1,245 for reviewing the validity of our appointment, £43,135

for Gateley's for issuing, negotiating and finalising NDAs and case management including advising in relation to interim notices, ROT claims, advising on employee related matters and reviewing of lease assignments.

Note 5 – ERA outsourcing cost

The costs relate to pension arrears for the employees made redundant on appointment.

Note 6 – Irrecoverable VAT

It is VAT paid on expenses which is irrecoverable because the Company is not VAT registered.

Note 7 – Pay Check fees

Expense for processing January and February payroll for the employees where necessary. The cost was £2.95 per employee.

Note 8 – Pension payments

Pension costs for the month of January only for the employees retained by the Joint Administrators.

Appendix 5 Joint Administrators' charging and disbursements policy

Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT, employee, pensions and health and safety advice from KPMG in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Joint Administrators Fees" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

<https://www.r3.org.uk/what-we-do/publications/professional/fees/administrators-fees>

If you are unable to access this guide and would like a copy, please contact Muhammad Mustafa on 0161 246 4976.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£) for: Restructuring	
Grade	From 01 Jan 2019 £/hr
Partner	875
Director	775
Senior Manager	675
Manager	540
Senior Administrator	395
Administrator	300
Support	150

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Category 1 disbursements: These are costs where there is specific expenditure directly referable to both the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 disbursements: These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Category 2 disbursements charged by KPMG Restructuring include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying KPMG passengers an additional 5p per mile per passenger will also be charged where appropriate.

We have incurred the following disbursements during the period 22 January 2019 to 8 March 2019.

SIP 9 – Disbursements					
Disbursements	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Accommodation	NIL	878.23	NIL	NIL	878.23
Meals	NIL	307.33	NIL	NIL	307.33
Mileage	NIL	NIL	NIL	225.43	225.43
Postage	NIL	3,034.48	NIL	NIL	3,034.48
Stationery	NIL	3.53	NIL	NIL	3.53
Sundry	NIL	48.68	NIL	NIL	48.68
Telecommunications	NIL	141.67	NIL	NIL	141.67
Travel	NIL	615.33	NIL	NIL	615.33
Total	NIL	5,029.24	NIL	225.43	5,254.67

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

Category 2 disbursements are to be approved in the same manner as our remuneration.

Narrative of work carried out for the period 22 January 2019 to 8 March 2019

The key areas of work have been:

Statutory and compliance	<ul style="list-style-type: none"> ■ collating initial information to enable us to carry out our statutory duties, including creditor information, details of assets and information relating to the licences; ■ providing initial statutory notifications of our appointment to the Registrar of Companies, creditors and other stakeholders, and advertising our appointment; ■ issuing regular press releases and posting information on a dedicated web page; ■ preparing statutory receipts and payments accounts; ■ arranging bonding and complying with statutory requirements; ■ ensuring compliance with all statutory obligations within the relevant timescales.
Strategy documents, Checklist and reviews	<ul style="list-style-type: none"> ■ formulating, monitoring and reviewing the administration strategy, including the decision to trade and meetings with internal and external parties to agree the same; ■ briefing of our staff on the administration strategy and matters in relation to various work-streams; ■ regular case management and reviewing of progress, including regular team update meetings and calls; ■ meeting with management to review and update strategy and monitor progress; ■ reviewing and authorising junior staff correspondence and other work; ■ dealing with queries arising during the appointment; ■ reviewing matters affecting the outcome of the administration; ■ allocating and managing staff/case resourcing and budgeting exercises and reviews; ■ liaising with legal advisors regarding the various instructions, including agreeing content of engagement letters; ■ complying with internal filing and information recording practices, including documenting strategy decisions.
Cashiering	<ul style="list-style-type: none"> ■ setting up administration bank accounts and dealing with the Company's pre-appointment accounts; ■ preparing and processing vouchers for the payment of post-appointment invoices; ■ creating remittances and sending payments to settle post-appointment invoices; ■ preparing payroll payments for retained staff, dealing with salary related queries and confirming payments with the employee's banks; ■ reviewing and processing employee expense requests; ■ reconciling post-appointment bank accounts to internal systems; ■ ensuring compliance with appropriate risk management procedures in respect of receipts and payments.
Tax	<ul style="list-style-type: none"> ■ gathering initial information from the Company's records in relation to the taxation position of the Company; ■ submitting relevant initial notifications to HM Revenue and Customs; ■ reviewing the Company's pre-appointment corporation tax and VAT position; ■ analysing and considering the tax effects of various sale options, tax planning for efficient use of tax assets and to maximise realisations; ■ working initially on tax returns relating to the periods affected by the administration; ■ analysing VAT related transactions; ■ reviewing the Company's duty position to ensure compliance with duty requirements; ■ dealing with post appointment tax compliance.
Shareholders	<ul style="list-style-type: none"> ■ providing notification of our appointment; ■ responding to enquiries from shareholders regarding the administration; ■ providing copies of statutory reports to the shareholders.
General	<ul style="list-style-type: none"> ■ reviewing time costs data and producing analysis of time incurred which is compliant with Statement of Insolvency Practice 9; ■ liaising with the joint appointee in relation to the material accounting misstatement; ■ locating relevant Company books and records, arranging for their collection and dealing with the ongoing storage.
Trading	<ul style="list-style-type: none"> ■ preparing cash flow statements to monitor the cash position; ■ ensuring ongoing provision of emergency and other essential services to site.
Asset realisations	<ul style="list-style-type: none"> ■ collating information from the Company's records regarding the assets; ■ liaising with finance companies in respect of assets subject to finance agreements; ■ liaising with agents regarding the sale of assets; ■ dealing with issues associated with the sale of stock; ■ reviewing outstanding debtors and management of debt collection strategy; ■ liaising with Company credit control staff and communicating with debtors;

	<ul style="list-style-type: none"> ■ seeking legal advice in relation to book debt collections; ■ liaising with the Company regarding debtor recoveries; ■ reviewing the inter-company debtor position between the Company and other group companies.
Sale of business	<ul style="list-style-type: none"> ■ planning the strategy for the sale of the business and assets, including instruction and liaison with professional advisers; ■ seeking legal advice regarding sale of business, including regarding non-disclosure agreements; ■ collating relevant information and drafting information memorandum in relation to the sale of the Company's business and assets and advertising the business for sale; ■ dealing with queries from interested parties and managing the information flow to potential purchasers, including setting up a data room; ■ managing site visits with interested parties, fielding due diligence queries and maintaining a record of interested parties; ■ carrying out sale negotiations with interested parties.
Health and safety	<ul style="list-style-type: none"> ■ liaising with health and safety specialists in order to manage all health and safety issues and environmental issues, including ensuring that legal and licensing obligations are complied with; ■ liaising with the Health and Safety Executive regarding the administration and ongoing health and safety compliance.
Open cover insurance	<ul style="list-style-type: none"> ■ arranging ongoing insurance cover for the Company's business and assets; ■ liaising with the post-appointment insurance brokers to provide information, assess risks and ensure appropriate cover in place; ■ assessing the level of insurance premiums.
Employees	<ul style="list-style-type: none"> ■ dealing with queries from employees regarding various matters relating to the administration and their employment; ■ dealing with statutory employment related matters, including statutory notices to employees and making statutory submissions to the relevant government departments; ■ holding employee briefing meetings to update employees on progress in the administration and our strategy; ■ administering the Company's payroll, including associated taxation and other deductions, and preparing PAYE and NIC returns; ■ communicating and corresponding with HM Revenue and Customs; ■ dealing with issues arising from employee redundancies, including statutory notifications and liaising with the Redundancy Payments Office; ■ managing claims from employees; ■ ensuring security of assets held by employees.
Pensions	<ul style="list-style-type: none"> ■ collating information and reviewing the Company's pension schemes; ■ calculating employee pension contributions and review of pre-appointment unpaid contributions; ■ ensuring compliance with our duties to issue statutory notices; ■ ensuring death-in-service cover for employees remains in place; ■ communicating with employees representatives concerning the effect of the administration on pensions and dealing with employee queries.
Creditors and claims	<ul style="list-style-type: none"> ■ drafting and circulating our proposals; ■ creating and updating the list of unsecured creditors; ■ responding to enquiries from creditors regarding the administration and submission of their claims; ■ reviewing completed forms submitted by creditors, recording claim amounts and maintaining claim records; ■ dealing with suppliers with retention of title claims, including reviewing supporting documentation and arranging and carrying out stock inspection visits;
Investigations/ directors	<ul style="list-style-type: none"> ■ reviewing Company and directorship searches and advising the directors of the effect of the administration; ■ liaising with management to produce the Statement of Affairs and filing this document with the Registrar of Companies; ■ reviewing the questionnaires submitted by the Directors of the Company; ■ liaising with various regulatory authorities including the Serious Fraud Office, the Financial Reporting Council, the AIM Regulator, the Insolvency Service and HMRC

Time costs

Pre-Administration costs (17/01/2019 to 21/01/2019)							
	Hours				Total	Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support			
Pre-Administration Sale of business - preparation			0.60		0.60	180.00	300.00
Advising directors	1.50	2.70	1.00		5.20	3,395.00	652.88
Appointment documents	1.70				1.70	1,487.50	875.00
Pre-administration checks	1.00	3.00	3.20		7.20	3,590.00	498.61
Total	4.20	5.70	4.80	0.00	14.70	8,652.50	588.61

SIP 9 –Time costs analysis (22/01/2019 to 08/03/2019)			
	Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & planning			
Bankrupt/Director/Member			
General correspondence	2.00	1,750.00	875.00
Notification of appointment	1.60	480.00	300.00
Cashiering			
General (Cashiering)	45.80	16,200.50	353.72
Reconciliations (& IPS accounting reviews)	0.70	229.00	327.14
General			
Books and records	10.75	1,265.00	117.67
Fees and WIP	2.80	915.00	326.79
Statutory and compliance			
Advising directors	1.80	940.00	522.22
Appointment and related formalities	38.65	17,735.00	458.86
Appointment documents	3.10	2,442.50	787.90
Bonding & Cover Schedule	0.20	60.00	300.00
Budgets & Estimated outcome statements	1.20	810.00	675.00
Strategy documents	10.62	7,973.00	750.75
Tax			
Initial reviews - CT and VAT	29.10	11,776.00	404.67
Post appointment corporation tax	30.60	22,095.00	722.06
Post appointment PAYE (Non Trading)	0.50	387.50	775.00
Post appointment VAT	3.70	2,772.50	749.32

SIP 9 –Time costs analysis (22/01/2019 to 08/03/2019)

	Hours	Time Cost (£)	Average Hourly Rate (£)
Creditors			
Creditors and claims			
General correspondence	39.30	12,447.50	316.73
Notification of appointment	0.90	270.00	300.00
Pre-appointment VAT / PAYE / CT	1.10	592.50	538.64
ROT Claims	3.40	1,207.50	355.15
Statutory reports	21.20	10,507.00	495.61
Employees			
Correspondence	136.35	66,905.75	490.69
Pensions reviews	7.60	2,553.00	335.92
Investigation			
Directors			
D form drafting and submission	8.80	3,896.00	442.73
Directors' questionnaire / checklist	7.30	2,570.00	352.05
Statement of affairs	3.60	1,555.00	431.94
Investigations			
Correspondence re investigations	15.55	8,484.75	545.64
Realisation of assets			
Asset Realisation			
Cash and investments	1.92	1,488.00	775.00
Freehold property	0.30	90.00	300.00
Insurance	2.90	1,107.50	381.90
Leasehold property	3.20	1,056.00	330.00
Sale of business	33.75	17,867.50	529.41
Stock and WIP	0.30	90.00	300.00
Trading			
Trading			
Employee Matters / PAYE	54.30	21,048.50	387.63
Total in period	524.89	241,567.50	460.22
Brought forward time (appointment date to SIP 9 period start date)	0.00	0.00	
Pre-appointment period time	14.70	8,652.50	
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)	524.89	241,567.50	
Carry forward time (appointment date to SIP 9 period end date)	539.59	250,220.00	

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.

All time shown in the above analysis is charged in units of six minutes.

Appendix 6 Statement of Affairs, including creditor list

This is the Statement of Affairs for the Company as at the date of our appointment, as compiled by the directors of the Company.

The Statement of Truth attached to the front on the Statement of Affairs has been heavily caveated, due to the material misstatements in the Group's financial statements. A Statement of Concurrence has been received from a number of directors, which is similarly caveated.

The list of trade creditors was not provided by the directors when the statement of affairs was submitted. The list of trade creditors included below is taken from the Company's records and we have included this for the benefit of creditors.

The Statement of Affairs has been included in this report for completeness, however creditors should note the caveats inserted (see below).

Statement of Affairs Cover Note prepared by Directors

Note on Statement of Affairs numbers

Due to the significant accounting misstatements covering these entities, it has not been possible to complete these Statements of Affairs to the normal required level of disclosure and integrity.

They are prepared on a best endeavours basis of presenting historical information rather than any attempt at correcting or coming to a 'true and fair' view. There has been no verification process undertaken and the current Finance Team are in no way claiming these statements truly represent accurate books of account for the entities involved.

We have not carried out anything in the nature of an audit on the information provided. The figures do not take into account the costs of the administration.

Rule 3.30

Statement of Affairs

Name of company Patisserie Holdings plc In Administration	Company number 08963601
In the High Court of Justice, Chancery Division, Manchester District Registry <small>(full name of court)</small>	Court case number

Statement as to the affairs of

Patisserie Holdings plc, 146- 156 Sarehole Road, Birmingham, B28 8DT

(a) Insert name and address of registered office of the company

on the (b) _____ the date that the company entered administration.

(b) Insert date of appointment

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs

Full name Stephen Francis
Signed 
Dated 22 February 2019

A – Summary of Assets

	Book Value £'000	Estimated Realisable Value £'000
<u>Assets Specifically Pledged:</u>		
Estimated surplus/(deficiency) as regards secured creditor		-
<u>Assets Not Specifically Pledged:</u>		
Investments	143,787,447	
Other debtors	31,676	

Deferred Tax Asset	442,571	
Creditors	867,667	
Intercompany Trading - Stonebeach	6,134,584	
Intercompany Trading - Patisserie Holdings	0	
PP Holdings - Bank	100	
Patisserie Acquisition - bank	100	
Patisserie Valerie Holdings - Bank	100	
Intercompany Bank- Stonebeach	24,299,756	
Intercompany Bank- Philpotts	983,816	
Intercompany Bank- FPC	573,952	
Bank	3,866,352	
Goodwill & Included records		<u>2</u>
Estimated total assets available for preferential creditors		<u>2</u>

A1 – Summary of Liabilities

	£	£
Estimated total assets available for preferential creditors (carried from page A)		2
Preferential Creditors:		
		<hr/>
Estimated total assets available to unsecured creditors		2
Non-preferential creditors:		<hr/>
Directors Loan Account	(10,000,000)	
Barclays RCF	(4,000,000)	
Share Options Liability	(3,421,595)	
		<hr/>
		(17,421,595)
		<hr/>
Estimated (deficiency)/surplus as regards creditors		(17,421,593)

Issued and called up capital:

Share capital	(1,353,224)
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Estimated (deficiency)/surplus as regards members	(18,774,818)
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A schedule of the known creditors' names, addresses, debts and details of any security held is included below.

Appendix 2 - Trade creditors

Name	Address	Balance (£)
ADP Properties Limited (3360800)	36 Bond Street Nuneaton Cv11 4Da	Unknown
HSBC Bank Plc	PO Box 17154, Birmingham, B16 4UJ	2,649,779
Barclays Bank Plc	PO Box 10284,5th Floor One Snowhill, Snowhill Queensway, Birmingham,B3 2WE	4,005,980
Brompton Estates Nominees No 3 And N	Alfred House 23-24 Cromwell Place London Sw7 2Ld	Unknown
Burton Shopping Centre Limited	Weighbridge House Le Pollet St Peter Port Guernsey Gy1 1WI	Unknown
Birmingham City Council	The Council House 1 Victoria Square Birmingham B1 1Bb	Unknown
CBRE Ukpf Paif Nominee No.1 And No.2 U	3 Ponton Street Edinburgh Eh3 9Qq	Unknown
Coal Pension Properties Limited (465783)	One Curzon Street London W1J 5Hd	Unknown
Canada Life Limited (973271)	Canada Life Place Potters Bar En6 5Ba	Unknown
Crawley Trustee And Crawley Nomine	C/O Standard Life Assurance Limited 30 Lothian Road Edinburgh Eg1 2Dh	Unknown
Cherwell District Council	Bodicote House White Post Road Bodicote Banbury Ox15 4Aa	Unknown
Ecclesiastical Insurance Office Plc	Beaufort House Brunswick Road Gloucester Gl1 1Jz	Unknown
Cg01	George Capital 2 (Shrewsbury) Limited 1St Floor Liberation House Castle Street St Helier Je1 1GI	Unknown
Hermes Cmk Nominees No 1 And No2 Ltd	Care Of Hermes Administration Services Limited Lloyds Chambers 1 Portsoken Street Londo N E1 8Hz	Unknown
Investeq Limited (07518336)	Little Olivers Olivers Lane Colchester Co2 0Hj	Unknown
Intu Bromley Limited	40 Broadway London Sw1H 0Bu	Unknown
Kingfisher Nominee 1 And 2 Ltd	22 Chapter Street London Sw1P 4Np	Unknown
Lazari Properties 2 Limited (C/N 9980684)	Accurist House 44 Baker Street London W1V 7Br	Unknown

Limpet Properties Limited (03424876)	The Crooked House Common Lane Bromeswell Woodbridge Ip12 2Pq	Unknown
Link Corporate Trustees Uk Ltd	The Registry 34 Beckenham Road Beckenham Br3 4Tu	Unknown
Legal And General Assurance (Pension)	1 Coleman Street London Ec2R 5Aa	Unknown
Ls White Rose Limited	100 Victoria Street London Sw1E 5Jl	Unknown
Mars Real Estate Investment B.V.	Atlantic House 50 Holborn Viaduct London Ec1A 2Fg	Unknown
Manchester Nominee (1) Ltd And (2) Ltd	40 Broadway London Sw1H 0Bu	Unknown
Potteries Nominee No 1 Ltd And No 2 Lt	40 Broadway London Sw1H 0Bt	Unknown
Shell Pensions Trust Limited (347455)	CBRE Global Investors Third Floor One New Change London Ec4M 9Af	Unknown
S F Drucker And M H Baker	940A Stratford Road Sparkhil	Unknown
The Wardens And Commonalty Of London	Mercers' Hall Ironmonger Lane London Ec2V 8He	Unknown
Trinity University Of Cambridge The Bursary	Trinity College Trinity Street Cambridge Cb2 1Tq	Unknown
The Sheffield City Council	Town Hall Sheffiel D S1 2Hh	Unknown
Trustees Guardians Of Shakespeare'S B	The Shakespeare Centre Stratford Upon Avon Stratford Upon Avon Cv37 6Qw	Unknown
Vitcorp Limited (Jersey 41127)	Charter Place 23-27 Charter Place Jersey Je1 1Jy	Unknown
Vcp Nominees No1 Ltd And Vcp Nominee	40 Broadway London Sw1H 0Bu	Unknown
Wolfe Investments Limited (3074208)	Unit 500 Highgate Studios 53-79 Highgate Road London Nw5 1Tl	Unknown
Wexford Retail Gp Ltd	And Wexford Re 16 New Burlington Place London W1S 2Hx	Unknown
Total		<hr/> Unknown <hr/>

Appendix 7 Glossary

HSBC	HSBC Bank Plc
Barclays	Barclays Bank Plc
Company/Patisserie Holdings Plc	Patisserie Holdings Plc – in Administration
FRC	Financial Reporting Council
Gateley/Solicitors	Gateley Plc
Grant Thornton	Grant Thornton UK LLP
Group	The Company together with; Patisserie Acquisition Limited, Stonebeach Limited, Patisserie Valerie Holdings Limited, Patisserie Valerie (Ireland) Limited, Philpotts (Holdings) Limited, Philpotts Limited, Spice Bakery Limited, Flour Power City Limited, Leonardo Limited, Patisserie Valerie Limited, Hewmark Limited, Patisserie Valerie Express Limited
HMRC	HM Revenue & Customs
Joint Administrators/we/our/us	David Costley-Wood and Blair Nimmo
KPMG	KPMG LLP
PV Purchaser/Pippen Production Limited	Pippen Production Limited
PwC	PricewaterhouseCoopers
ROT	Retention of Title

Any references in these proposals to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

Appendix 8 Notice: About this statement of proposals

This statement of proposals ('proposals') has been prepared by David Costley-Wood and Blair Nimmo, the Joint Administrators of Patisserie Holdings Plc – in Administration (the 'Company'), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the same group.

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

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these proposals.

David James Costley-Wood is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England & Wales.

Blair Carnegie Nimmo is authorised to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – home.kpmg.com/uk/en/home/misc/privacy-policy-insolvency-court-appointments.html.

The Joint Administrators act as agents for the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of these proposals or the conduct of the administration.

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