

# AM03

## Notice of administrator's proposals



Companies House

FRIDAY



A10 22/05/2020 #228  
COMPANIES HOUSE

### 1 Company details

Company number 00425809

Company name in full Spicers Limited

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Robert Hunter

Surname Kelly

### 3 Administrator's address

Building name/number Ernst & Young LLP

Street 1 Bridgewater Place

Water Lane

Post town Leeds

County/Region

Postcode LS11 5QR

Country United Kingdom

### 4 Administrator's name

Full forename(s) Charles Graham John

Surname King

#### 1 Other administrator

Use this section to tell us about  
another administrator.

### 5 Administrator's address

Building name/number Ernst & Young LLP

Street 1 Bridgewater Place

Water Lane

Post town Leeds

County/Region

Postcode LS11 5QR


Country United Kingdom

#### 2 Other administrator

Use this section to tell us about  
another administrator.

# AM03

## Notice of Administrator's Proposals

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7	Sign and date																	
Administrator's Signature	Signature X  X																	
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## AM03 Notice of Administrator's Proposals



### Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name **Lilia Gordon**

Company name **Ernst & Young LLP**

Address **No.1 Colmore Square**

Post town **Birmingham**

County/Region

Postcode **B 4 6 H Q**

Country **United Kingdom**

DX

Telephone **+44 12 1535 2195**



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- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



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**This form is available in an alternative format. Please visit the forms page on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)**

**Spicers Limited**  
**In Administration**

Administrators' statement of proposals

Pursuant to paragraph 49 of schedule B1 to the  
Insolvency Act 1986

**Date of delivery of proposals to creditors 21 May 2020**

## Abbreviations

The following abbreviations are used in this report:

<b>Alix Partners</b>	Alix Partners Corporate Finance Limited
<b>Better Capital</b>	BECAP12 GP Limited acting in its capacity as General Partner of BECAP12 GP LP, acting in its capacity as General Partner of BECAP12 Fund LP
<b>the Company</b>	Spicers Limited
<b>JLL</b>	Jones Lang LaSalle
<b>LBG</b>	Lloyds Bank PLC
<b>NBV</b>	Net Book Value
<b>OfficeTeam</b>	OfficeTeam Limited
<b>OfficeFleet</b>	A trading name of Office Team Limited
<b>OT Group</b>	Paragon Data Analytics Limited now renamed as OT Group Limited ("the Purchaser")
<b>ROT</b>	Retention of Title
<b>Spicers</b>	Spicers Limited
<b>Spicers Ireland</b>	Spicers (Ireland) Limited
<b>the Group</b>	The Spicers-OfficeTeam Group Limited and its subsidiaries
<b>TUPE</b>	Transfer of Undertakings (Protection of Employment) Regulations
<b>VAT</b>	Value Added Tax
<b>Zen</b>	ZenOffice Limited

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# **1. Introduction, background and circumstances giving rise to the appointment**

## **1.1 Introduction**

On 14 May 2020 the Company entered administration and R H Kelly and C G J King were appointed to act as Joint Administrators. This document, including its appendices, constitutes the Joint Administrators' statement of proposals to creditors pursuant to paragraph 49 of Schedule B1 to the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016.

Certain statutory information relating to the Company and the appointment of the Joint Administrators is provided at Appendix A.

## **1.2 Background**

The Company traded as a business to business supplier of office supplies and stationery products across the UK having originally been founded in 1796 as a paper mill and paper supplies business. The Company operated from eight locations across the UK and employed 320 people.

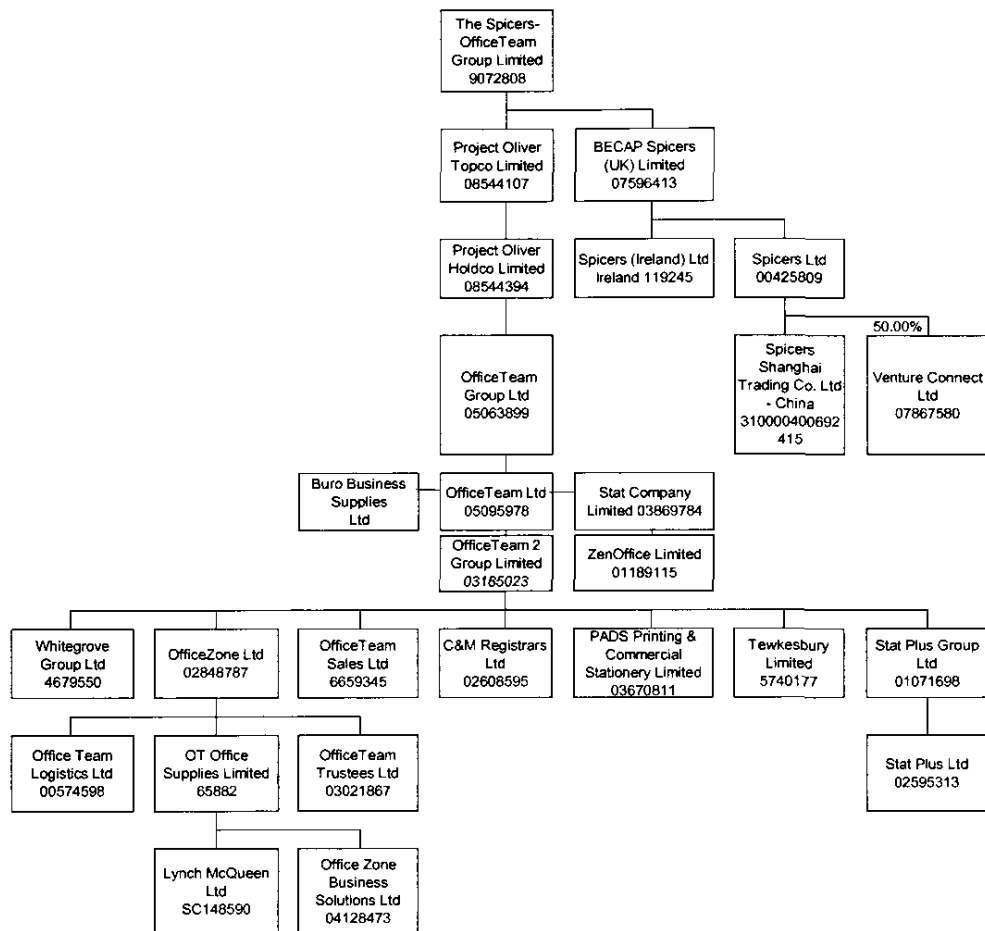
Along with OfficeTeam Limited ("OfficeTeam"), ZenOffice Limited ("Zen") and Spicers (Ireland) Limited ("Spicers Ireland"), the Company was part of the Spicers Office Team Group ("the Group") which was headquartered in Croydon, England.

OfficeTeam Limited ("OfficeTeam") traded as a business to end customer supplier of office supplies and stationery products across the UK with its own storage and logistics capabilities through OfficeFleet. RH Kelly and CGJ King were also appointed Administrators to OfficeTeam on 14 May 2020.

Zen provides business supplies and managed print services. Zen is wholly owned by Stat Company Limited which in turn is a wholly owned subsidiary of OfficeTeam. Zen continues to trade and is not in any insolvency proceedings.

Spicers Ireland had provisional liquidators appointed to it on 1 May 2020.

A group structure chart, as at the date of our appointment, is presented below.



### 1.3 Financial information

The recent financial results of Spicers show a consistently loss making position and can be summarised as follows:

Year or period ended	Type audited/ draft	Turnover £000	Gross profit £000	Gross profit %	Directors' remuneration £000	Net profit/ (loss) after tax £000	Accumulated reserves £000
Jan to Apr 20	Draft	40,990	6,344	15.5	unknown	(3,605)	6,248
FY19	Draft	159,575	27,461	17.2	unknown	(11,251)	9,853
FY18	Audit	164,782	32,707	19.8	348	(6,218)	21,104
FY17	Audit	150,503	31,867	21.2	401	(1,829)	27,322

### 1.4 Circumstances Giving Rise to the Appointment of the Administrators

The Group's and the Company's trading performance had declined in recent years due to structural changes in the traditional office supplies market, as a result of a shift towards digital and the increasing penetration of online retailers. This had resulted in a decline in demand for some of the Company's more traditional products and a highly competitive price sensitive market. As a result, management had taken action to reduce costs to remain competitive and invest in building its digital capabilities but these had not been sufficient, and a more significant restructuring was required to make the Group and the Company more competitive.



Against a background of continuing losses, the need for investment and the impact COVID-19 had on the business it was concluded in late March 2020 that the Group (including the Company) should be marketed for sale to find a partner with the ability to invest in the business.

The COVID-19 enforced lock-down had a significant effect on the business with a reduction in orders from businesses and dealers and an interruption in its supply chain. The net result was a c.50% like-for-like decline in orders and sales.

### **1.5 Initial introduction to the Group**

We were introduced to the Group in February 2020 to carry out a review of the Group (including the Company) for its bankers.

Pursuant to an engagement agreement dated 17 February 2020, EY performed a review of the Group's cash flow forecasts given an increasing reliance on and limited headroom within the invoice discounting facility.

The scope was subsequently broadened to develop a contingency plan in the event that a buyer for the Group, including the Company, was not found.

### **1.6 Pre-appointment considerations – SIP 16**

On 25 March 2020, the Group engaged Alix Partners Corporate Finance Limited ("Alix Partners") to assist management with conducting an accelerated sales process to identify a purchaser for the Group as a going concern.

A list of 58 potential purchasers was agreed with Groups management and Better Capital (the Group's ultimate shareholder). This list consisted of six tier one office/business suppliers (i.e. direct competitors), 28 tier two financial or other strategic parties (consisting of special situation / turnaround private equity firms and indirect competitors) and 24 tier three other parties (where it was considered they might have an interest in certain of the Group's assets).

The accelerated sales process commenced on 27 March 2020, with Alix Partners and management making contact with each of the potentially interested parties to provide an overview of the business, its prospects, other information and to request indicative offers by Friday 10 April 2020.

Of the parties approached, 23 expressed an interest and entered into non-disclosure agreements and received the process letter and information document. A further 13 parties confirmed that they were not interested on the basis of a combination of having limited interest in the sector, the extent of the Group's losses, not looking to invest in the UK or due to focussing on their own portfolio companies. Only two parties stated that the transaction timeline was too short. No response was received from the other parties.

#### **Indicative offers**

By 10 April 2020, the Group had received four offers. The offers, which were all subject to due diligence, are summarised as follows:

1. Confidential Party 1 ("CP1"): 70p in the £ for certain of the stock of Spicers and OfficeTeam which was free of Retention of Title claims. It was envisaged that this offer would be transacted through a pre-pack insolvency sale. Management concluded that this offer would only be attractive as part of a closure and was determined to be a fall-back option.
2. Confidential Party 2 ("CP2"): £1 for each of the entire Group equity and the Better Capital secured loan of c.£7.85m, including accrued interest. CP2 did not provide details on how they would re-capitalise the business going forward. It was concluded that this offer did not address the issues faced by the Group as it would not be able to continue operating without a capital injection into the business. In addition, Better Capital

considered that this undervalued their loan and they were unwilling to sell it for £1. As a consequence, this offer was not capable of progression.

3. Confidential Party 3 ("CP3"): £1 for each of the entire Group equity and the Better Capital secured loan of c.£7.85m, including accrued interest. CP3 indicated that it was willing to inject additional capital of up to £20m. Whilst this offer had the potential to address the issues facing the Group, Better Capital considered this undervalued their loan and they were unwilling to sell it for £1. As a consequence, this offer was not capable of progression.
4. Confidential Party 4 ("CP4"): CP4 submitted an offer to acquire certain of the business and assets of OfficeTeam and Zen, excluding debtors and the freehold property owned by Zen, for £5m. It was envisaged that this offer would be transacted through a pre-pack insolvency sale. Following the offer, CP4 obtained legal advice on the TUPE implications of its offer and subsequently withdrew.

#### **Notice of intention to appoint Administrators**

With no satisfactory offer that would have allowed the Group, including the Company, to continue operating as a going concern and following detailed consideration of the financial position, the directors concluded on 20 April 2020 that EY should be engaged to prepare for an insolvency of the Group and to explore a sale for the business and assets of the Group, including the Company, as part of the preparations.

The directors filed notices of intention to appoint an administrator in respect of Spicers and OfficeTeam on 23 April 2020. This was to provide protection from creditor action through an interim moratorium whilst the proposed Joint Administrators continued to explore a sale of the business and assets of the Group, including the Company.

The notices of intention to appoint an administrator in respect of Spicers and OfficeTeam were renewed by the directors for a further 10 business days on 8 May 2020 to enable the ongoing discussions with an interested party to conclude.

#### **1.7 Pre-Administration costs**

Further details of pre-Administration costs which we seek payment of are given in Section 6 of these Proposals.

## 2. Purpose, conduct and end of administration

### 2.1 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)
- 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 considered unlikely that Spicers could be rescued as a going concern given the sales process undertaken prior to Administration which did not establish a buyer on a going concern basis.

The objective being pursued is 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). We concluded this as being the most suitable objective as the sale of the assets of Spicers delivered a better outcome for creditors than a liquidation or wind down realisation of the stock and other assets

Further information relating to the transaction ("the transaction") entered into with OT Group is provided as Section 2.2.1, and at Appendix E.

### 2.2 Conduct of the administration

#### 2.2.1 Asset realisations

On 14 May 2020 a sale of certain of Spicers assets to OT Group for a total consideration of £996,021 plus VAT was completed.

As the sale was negotiated and agreed in advance of Spicers entering into Administration a detailed explanation of the transaction has been sent to creditors on the same day as these proposals and is attached as Appendix E.

The assets sold comprise the following:

Description of asset	Purchase consideration (£)
Five Star Trademarks	50,000
Stock	821,021
Mezzanine flooring and Racking	125,000
<b>Total</b>	<b>996,021</b>

OT Group will also collect the trade debtors for a fee. The fee is structured as follows:

- 5% fee up to 65% of the debtor book;
- 10% fee between 65% and 85% of the debtor book; and
- 20% fee thereafter.

Due to the age of the ledger and the significantly better net recovery to creditors from the sale this fee was accepted as it was a condition to the offer.

### **2.2.2. Significant assets not included in the sale agreement**

The assets that have been excluded from the sale agreement include all other assets owned or used by Spicers, other than those shown above, including:

- the trade and other debts due to the Company prior to the completion of the transaction;
- cash in the Company's bank upon completion of the transaction;
- any stock in the possession of the Company which is or may become subject to a retention of title claim;
- any other deposits or refunds due to the Company;
- all rights and interests of the Company in its properties (other than the grant of the interest created by the licences);
- the freehold warehouse property at Smethwick; and
- the trading name of Spicers Limited, its website, and customer lists and any other intellectual property (apart from the Five Star Trademarks).

The Joint Administrators will seek to realise best value for the above assets as the Administration progresses or allow valid ROT creditors to collect their stock.

#### ***Intellectual Property***

The Company owns intellectual property such as brand names and trademarks which the Joint Administrators are seeking to sell.

#### ***Birmingham Freehold Property***

The Company owns freehold property situated at Dartmouth Road, Smethwick.

The Joint Administrators have engaged Jones Lang LaSalle, commercial property agents, to market the property. The Company has granted a license to occupy for a period of up to 12 months as part of the sale agreement with OT Group.

#### ***Leasehold properties***

The Company has a number of leasehold properties which are being vacated following our appointment as the stock has been sold and there is no further use for these premises.

### **2.3 Approval of the Administrators' proposals**

The Joint Administrators are seeking approval of their proposals by correspondence. Further details of the arrangements and any steps to be taken by creditors are given in the formal notice of the decision procedure delivered to creditors with these proposals.

#### **Future conduct of the Administration**

The Joint Administrators will continue to deal with the Administration in line with the stated objective, namely 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

Future tasks will include, but not limited to, the following:

- ▶ dealing with property matters;
- ▶ realising residual assets of the Company, including the property and debtors;

- ▶ monitoring the fixed charge debtor collections;
- ▶ paying the secured creditors under their fixed and floating charges;
- ▶ dealing with preferential creditor claims and making a distribution to the preferential creditors;
- ▶ agreeing unsecured creditor claims and making a distribution to creditors from the prescribed part or from any residual floating charge realisations, if applicable (see Section 4 below);
- ▶ dealing with unsecured creditor queries;
- ▶ dealing with employee queries;
- ▶ if the Joint Administrators deemed appropriate, to seek an extension and/or further extensions to the Administration from the Company's creditors and/or the Court;
- ▶ review and conduct the tax affairs of the Company (as appropriate);
- ▶ dealing with statutory reporting and compliance obligations;
- ▶ ongoing monitoring and reporting to the Secured creditors in respect of the debtor collections and other asset realisation under their fixed and floating charges;
- ▶ considering the conduct of the Company's directors and making a submission to the Directors' Conduct Reporting Service as required by law;
- ▶ finalising the Administration via the Creditors' Voluntary Liquidation route detailed below including payments of all Administration period liabilities;
- ▶ any other actions required to be undertaken by the Joint Administrators in order to fulfil the purpose of the Administration.

#### **2.4 The end of the Administration**

It is proposed that, at the end of the Administration, the Company will move straight into Creditors' Voluntary Liquidation upon the filing with the Registrar of Companies of a notice pursuant to paragraph 83 of Schedule B1 to the Insolvency Act 1986.

It is proposed that the liquidators will be Robert Hunter Kelly and Charles Graham John King of Ernst & Young LLP and that any act required or authorised under any enactment to be done by the liquidators may be done by either or both of them. In accordance with paragraph 83(7) of Schedule B1 to the Insolvency Act 1986 and Rule 3.60(6)(b) of the Insolvency (England and Wales) Rules 2016, creditors may nominate a different person as the proposed liquidator, provided that the nomination is made after the receipt of these proposals and before the proposals are approved. It should be noted in this regard that a person must be authorised to act as an insolvency practitioner in order to be appointed as liquidator.

In the event that any assets remain unrealised at the end of the Administration period (twelve months following the date of appointment of the Joint Administrators) the Joint Administrators may seek an extension of the Administration to achieve the required sales or realisations. This may be applicable if the best outcome for creditors is achieved by a longer marketing period for the Spicers freehold property or for collection of debts.

In the event that by the end of the Administration the Company has no property which might permit a distribution to its creditors, or the only funds available to non-preferential creditors are from the Prescribed Part which has already been distributed in the Administration, the Joint Administrators will send a notice to that effect to the Registrar of Companies. On registration of the notice the Joint Administrators' appointment will come to an end. In

Section 2 Purpose, conduct and end of administration

accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Company will be deemed to be dissolved three months after the registration of the notice.

### 3. Statement of Affairs

The directors have not yet submitted a Statement of Affairs given the limited time which has been passed since the appointment of the Joint Administrators. In the absence of a Statement of Affairs, we attach at Appendix B an estimate of the Company's financial position based on net book values as at 14 May 2020 together with a list of creditors including, as far as is currently known, their names, addresses, amounts owed and details of any security held.

We provide below, for information, an indication of the current position with regard to creditors' claims. The figures have been compiled by Company management and have not been subject to independent review or statutory audit.

#### **Secured creditors**

The secured funding includes:

LBG, the Company's principal secured lender, had a total indebtedness of £12,913,614 as at the date of Administration. In addition, the Company has provided cross guarantees for the indebtedness due to LBG by OfficeTeam and Zen. This increases the overall indebtedness to £17,154,932.

There is a sum of £7,847,205 owed to Better Capital from The Spicers-OfficeTeam Group Limited as of 18 May 2020. The Company has guaranteed this debt which we understand benefits from a second ranking security behind the LBG indebtedness.

#### **Preferential creditors**

We currently estimate preferential creditors of c.£425,000 in respect of claims for employees' salaries and holiday pay.

#### **Non-preferential creditors**

The Company has been unable to provide a comprehensive schedule of unsecured creditors and with up to date balances. Where no balance was available, the Joint Administrators have marked these creditors balance as "Unknown". This position will be rectified once the financial information has been brought up to date.

## 4. Prescribed part

*The prescribed part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The prescribed part applies to floating charges created on or after 15 September 2003.*

The prescribed part is expected to apply to the administration as there is likely to be net floating charge property available to unsecured creditors. At this stage we estimate that the available net floating charge assets available for the prescribed part will be c£0.2m before deducting the costs of distribution. This arises from an estimated surplus on the fixed charge.

In addition, it is estimated that there will be a further distribution over and above the prescribed part from the fixed charge surplus for unsecured creditors.

This surplus is dependent on the collection of the debtor book and the value achieved for the freehold property. The outcome of both of these realisations will not be known for some time and we will provide further updates in our progress reports.

In the event that realisations are not sufficient to repay the secured creditors, we do not expect that there will be sufficient net floating charge property to enable a Prescribed Part to become available to the unsecured creditors.

The Joint Administrators do not intend to make an application to the court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the prescribed part.



## **5. Administrators' remuneration and disbursements and payments to other professionals**

### **Remuneration**

The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Administrators.

In the event that a creditors' committee is not formed, the Joint Administrators propose that their remuneration is fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration, in accordance with the fee estimate dated 20 May 2020 which is being circulated to creditors at the same time as these proposals.

### **Disbursements**

Disbursements are expenses met by and reimbursed to the Joint Administrators. They fall into two categories: Category 1 and Category 2. The fee estimate and statement of expenses dated 20 May 2020 includes details of the Category 1 and 2 disbursements which are expected to be incurred.

Category 1 disbursements are payments to independent third parties where there is expenditure directly referable to the Administration. Category 1 disbursements can be drawn without prior approval.

Category 2 disbursements are expenses that are directly referable to the Administration but not to an independent third party. They may include an element of shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis. Category 2 disbursements require approval in the same manner as remuneration. In the event that a creditors' committee is not formed, the Joint Administrators propose that they are permitted to charge Category 2 disbursements in accordance with the statement of expenses included in the fee estimate dated 20 May 2020.

### **Payments to other professionals**

The Joint Administrators have engaged the following advisors in the Administration:

- ▶ Pinsent Masons LLP, lawyers, to assist them by providing legal services on a time-costs basis. No fees have been paid for post-administration costs to date.
- ▶ Gordon Brothers, agents, to assist with the clearance of the leasehold properties and residual stock, plant and equipment disposals. Gordon Brothers will be paid based on a combination of time cost and commission basis depending upon the nature of their assistance. No fees have been paid to date.
- ▶ Jones Lang LaSalle, property agents, to assist with the marketing and sale of the freehold property. The fee will be payable on completion of the disposal of the property and has been agreed on the following basis:

1% of sale proceeds on a sale on a vacant possession basis; or

0.75% of sale proceeds if the sale is achieved by a sale as an investment property with the benefit of a long-term lease.

## 6. Pre administration costs

The costs in connection with this work total £106,428.25 (plus VAT), against which £57,500.00 (plus VAT) has been paid to date. The Joint Administrators are seeking approval for payment of £48,928.25 (plus VAT), being the remaining amount of these costs.

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

A breakdown of the total pre-Administration costs incurred and amounts paid pre-Administration is attached at Appendix D. Further information is provided below.

### Joint Administrators' costs

The costs for this work commenced in the two week period leading up to 14 May 2020 and was carried out under an engagement agreement between Ernst & Young LLP, The Spicers-OfficeTeam Group Limited and LBG.

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

- ▶ detailed contingency planning and preparation for the insolvency of Spicers;
- ▶ assessment of various offers for the assets of Spicers;
- ▶ negotiating and documenting both the OT Group and CP1 sale agreements and associated documentation relating to license to occupy properties and other transitional arrangements;

### Third party expenses

In addition to the above, the following third party expenses have been incurred prior to our appointment:

Pinsent Masons LLP provided legal advice to the Joint Administrators in connection with the appointment. Pinsent Masons LLP's unpaid pre-Administration costs total £34,154 (plus VAT).

The nature of the pre-Administration work conducted by Pinsent Masons LLP can be summarised as follows:

- ▶ reviewing Administration appointment documentation;
- ▶ preparation of the asset purchase agreements with Paragon and CP1;
- ▶ drafting their validity of appointment opinion; and
- ▶ providing general legal advice relating to ROT, TUPE and other transaction related issues.

The Joint Administrators also obtained advice from Gordon Brothers in respect of the valuation of the Company's assets. Gordon Brothers' unpaid pre-Administration costs total £39,938 (plus VAT).

The breakdown attached at Appendix D sets out:

- ▶ The fees charged by the Joint Administrators.
- ▶ The expenses incurred by the Joint Administrators.

**In the event that a creditors' meeting is not requisitioned and a creditors' committee is not formed, the Joint Administrators will seek to have the unpaid pre-Administration costs approved by the secured creditor(s), preferential creditors and unsecured creditors.**

## Appendix A Statutory information

Company Information      Spicers Limited

Company Name:              Spicers Limited  
 Registered Office Address:      Unit 4, 500 Purley Way, Croydon, Surrey, England, CR0 4NZ  
 Registered Number:      00425809  
 Trading Name(s):          N/A  
 Trading Address(es):      Unit 4, 500 Purley Way, Croydon, Surrey, England, CR0 4NZ

### Details of the Administrators and of their appointment

Administrators:              Robert Hunter Kelly and Charles Graham John King  
 Date of Appointment:      14 May 2020  
 By Whom Appointed:      The appointment was made by the directors of the Company  
 Court Reference:            High Court of Justice, CR-2020-BHM-000302

Any of the functions to be performed or powers exercisable by the Administrators may be carried out/exercised by any one of them acting alone or by any or all of them acting jointly.

### Statement concerning the EC Regulation

The EC Council Regulation on Insolvency Proceedings does apply to this Administration and the proceedings are main proceedings. This means that this Administration is conducted according to UK insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

### Share capital

Class	Authorised		Issued and fully paid	
	Number	£	Number	£
Ordinary	10,005,400	10,005,400	10,005,400	10,005,400

### Directors and secretary (in the last three years) and their shareholdings

Name	Director or Secretary	Date appointed	Date resigned	Current shareholding
Philippa Anne Maynard	Secretary	27 April 2015	n/a	nil
Edwin Richard Ford	Director	27 April 2015	n/a	nil
Stephen James Home	Director	4 March 2019	n/a	nil
Richard Ashley Jones	Director	27 April 2015	n/a	nil
Richard John	Director	22 October 2019	n/a	nil

**Oates**

Richard Meirion Warwick- Saunders	Secretary	12 December 2012	20 September 2017	nil
Stephen Thomas Brown	Director	27 January 2016	19 April 2018	nil
Andrew Graham Mobbs	Director	16 September 2014	17 January 2020	nil
Jeffrey Michael Whiteway	Director	16 September 2014	18 January 2019	nil

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## Appendix B Estimated financial position of the Company as at 14 May 2020

An estimate of the financial position of the Company as at 14 May 2020, is provided below. This information is based on the book values within the Company's records and not the estimated to realise values following the sale of certain assets to OT Group.

	<b>Book Value (£)</b>
<b>Fixed Assets</b>	
Fixed assets	9,724,153
<b>Current Assets</b>	
Stock	9,148,945
Trade debtors	22,764,504
Prepayment	985,785
Other debtors	1,924,557
Intercompany	12,648,970
Corporation Tax	691,811
Cash at bank	34,509
Cash advances	3,450
	<u>48,202,531</u>
<b>Current Liabilities</b>	
Trade Creditors	(23,761,183)
Accruals	(2,691,320)
Other Creditors	(375)
VAT	(1,052,061)
NIC	(571,089)
Funds on ABL/ID	(13,597,174)
	<u>(41,673,202)</u>
<b>Net Current Assets</b>	6,529,331
<b>Net Assets</b>	<u>16,253,484</u>
<b>Shareholders Funds</b>	
Shares	10,005,400
Premium & Reserves	41,360,062
Profit & Loss Account b/f	(31,507,353)
Profit & Loss	(3,604,626)
	<u>16,253,484</u>

**Notes:** The information provided is based upon the latest management accounts available from the Company, as at 30 April 2020. These are the book value amounts prepared by the Company on the basis of a going concern.

As the Company has entered insolvency it is no longer a going concern and as a result the realisable value for the assets and the amounts due under liabilities is likely to be materially different. As examples, stock will be subject to retention of title claims and liabilities subject to termination charges. In addition, it takes no account of cross guaranteed indebtedness due to the secured creditors nor the costs of the insolvency process.

A request has been made to the Directors to provide a Statement of Affairs as at the date of Administration.



[illegible]



[illegible]

GREEN MAGIC LTD	WALTHAM BUSINESS PARK	BRICKYARD ROAD	S032 2SA	UNKNOWN	BALANCE PER COMPANY RECORDS	NONE
GREENHAM LTD	UNIT 13/15	CENTRAL TRADING ESTATE	S014 5UP	146	BALANCE PER COMPANY RECORDS	NONE
GRINWELL LTD	UNIT 10/12/20	1145 PARKWAY	S11 6EP	UNKNOWN	BALANCE PER COMPANY RECORDS	NONE
H BREAKELL & CO	SILVERSTEEL HOUSE	26-48 ROCKINGHAM STREET	S1 4EA	UNKNOWN	BALANCE PER COMPANY RECORDS	NONE
H C SLINGSBY PLC	P118 PARKLANDS	HEYWOOD DISTRIBUTION PARK	OL10 2TT	3,070	BALANCE PER COMPANY RECORDS	NONE
H C SLINGSBY PLC	OTLEY ROAD	BALDON	B017 7WQ	36,506	BALANCE PER COMPANY RECORDS	NONE
H C SLINGSBY PLC	OLD BRIDGE WAY	SHEFFORD	S017 5WQ	UNKNOWN	BALANCE PER COMPANY RECORDS	NONE
H C SLINGSBY PLC	22A WILKINSON ROAD	WILKINSON	S017 5WQ	UNKNOWN	BALANCE PER COMPANY RECORDS	NONE
HALLO UK LTD	9 GILSEA PARK	MONA CLOSE	S46 6RJ	UNKNOWN	BALANCE PER COMPANY RECORDS	NONE
HAINEKO LIMITED	284 CHASE ROAD	SOUTHQATE	N14 6HF	1,358	BALANCE PER COMPANY RECORDS	NONE
HAMA (UK) LTD	68 BEECHWOOD LIME TREE WAY	CHINEHAM BUSINESS PARK	R024 8WA	33,332	BALANCE PER COMPANY RECORDS	NONE
HAMBERS & ASSOCIATES LIMITED	UNIT 10/11/12/13/14/15/16/17/18/19/20/21/22/23/24/25/26/27/28/29/30/31/32/33/34/35/36/37/38/39/40/41/42/43/44/45/46/47/48/49/50/51/52/53/54/55/56/57/58/59/60/61/62/63/64/65/66/67/68/69/70/71/72/73/74/75/76/77/78/79/80/81/82/83/84/85/86/87/88/89/90/91/92/93/94/95/96/97/98/99/100/101/102/103/104/105/106/107/108/109/110/111/112/113/114/115/116/117/118/119/120/121/122/123/124/125/126/127/128/129/130/131/132/133/134/135/136/137/138/139/140/141/142/143/144/145/146/147/148/149/150/151/152/153/154/155/156/157/158/159/160/161/162/163/164/165/166/167/168/169/170/171/172/173/174/175/176/177/178/179/180/181/182/183/184/185/186/187/188/189/190/191/192/193/194/195/196/197/198/199/200/201/202/203/204/205/206/207/208/209/210/211/212/213/214/215/216/217/218/219/220/221/222/223/224/225/226/227/228/229/230/231/232/233/234/235/236/237/238/239/240/241/242/243/244/245/246/247/248/249/250/251/252/253/254/255/256/257/258/259/260/261/262/263/264/265/266/267/268/269/270/271/272/273/274/275/276/277/278/279/280/281/282/283/284/285/286/287/288/289/290/291/292/293/294/295/296/297/298/299/300/301/302/303/304/305/306/307/308/309/310/311/312/313/314/315/316/317/318/319/320/321/322/323/324/325/326/327/328/329/330/331/332/333/334/335/336/337/338/339/340/341/342/343/344/345/346/347/348/349/350/351/352/353/354/355/356/357/358/359/360/361/362/363/364/365/366/367/368/369/370/371/372/373/374/375/376/377/378/379/380/381/382/383/384/385/386/387/388/389/390/391/392/393/394/395/396/397/398/399/400/401/402/403/404/405/406/407/408/409/410/411/412/413/414/415/416/417/418/419/420/421/422/423/424/425/426/427/428/429/430/431/432/433/434/435/436/437/438/439/440/441/442/443/444/445/446/447/448/449/450/451/452/453/454/455/456/457/458/459/460/461/462/463/464/465/466/467/468/469/470/471/472/473/474/475/476/477/478/479/480/481/482/483/484/485/486/487/488/489/490/491/492/493/494/495/496/497/498/499/500/501/502/503/504/505/506/507/508/509/510/511/512/513/514/515/516/517/518/519/520/521/522/523/524/525/526/527/528/529/530/531/532/533/534/535/536/537/538/539/540/541/542/543/544/545/546/547/548/549/550/551/552/553/554/555/556/557/558/559/560/561/562/563/564/565/566/567/568/569/570/571/572/573/574/575/576/577/578/579/580/581/582/583/584/585/586/587/588/589/590/591/592/593/594/595/596/597/598/599/600/601/602/603/604/605/606/607/608/609/610/611/612/613/614/615/616/617/618/619/620/621/622/623/624/625/626/627/628/629/630/631/632/633/634/635/636/637/638/639/640/641/642/643/644/645/646/647/648/649/650/651/652/653/654/655/656/657/658/659/660/661/662/663/664/665/666/667/668/669/670/671/672/673/674/675/676/677/678/679/680/681/682/683/684/685/686/687/688/689/690/691/692/693/694/695/696/697/698/699/700/701/702/703/704/705/706/707/708/709/710/711/712/713/714/715/716/717/718/719/720/721/722/723/724/725/726/727/728/729/730/731/732/733/734/735/736/737/738/739/740/741/742/743/744/745/746/747/748/749/750/751/752/753/754/755/756/757/758/759/760/761/762/763/764/765/766/767/768/769/770/771/772/773/774/775/776/777/778/779/780/781/782/783/784/785/786/787/788/789/790/791/792/793/794/795/796/797/798/799/800/801/802/803/804/805/806/807/808/809/810/811/812/813/814/815/816/817/818/819/820/821/822/823/824/825/826/827/828/829/830/831/832/833/834/835/836/837/838/839/840/841/842/843/844/845/846/847/848/849/850/851/852/853/854/855/856/857/858/859/860/861/862/863/864/865/866/867/868/869/870/871/872/873/874/875/876/877/878/879/880/881/882/883/884/885/886/887/888/889/890/891/892/893/894/895/896/897/898/899/900/901/902/903/904/905/906/907/908/909/910/911/912/913/914/915/916/917/918/919/920/921/922/923/924/925/926/927/928/929/930/931/932/933/934/935/936/937/938/939/940/941/942/943/944/945/946/947/948/949/950/951/952/953/954/955/956/957/958/959/960/961/962/963/964/965/966/967/968/969/970/971/972/973/974/975/976/977/978/979/980/981/982/983/984/985/986/987/988/989/990/991/992/993/994/995/996/997/998/999/1000/1001/1002/1003/1004/1005/1006/1007/1008/1009/1010/1011/1012/1013/1014/1015/1016/1017/1018/1019/1020/1021/1022/1023/1024/1025/1026/1027/1028/1029/1030/1031/1032/1033/1034/1035/1036/1037/1038/1039/1040/1041/1042/1043/1044/1045/1046/1047/1048/1049/1050/1051/1052/1053/1054/1055/1056/1057/1058/1059/1060/1061/1062/1063/1064/1065/1066/1067/1068/1069/1070/1071/1072/1073/1074/1075/1076/1077/1078/1079/1080/1081/1082/1083/1084/1085/1086/1087/1088/1089/1090/1091/1092/1093/1094/1095/1096/1097/1098/1099/1100/1101/1102/1103/1104/1105/1106/1107/1108/1109/1110/1111/1112/1113/1114/1115/1116/1117/1118/1119/1120/1121/1122/1123/1124/1125/1126/1127/1128/1129/1130/1131/1132/1133/1134/1135/1136/1137/1138/1139/1140/1141/1142/1143/1144/1145/1146/1147/1148/1149/1150/1151/1152/1153/1154/1155/1156/1157/1158/1159/1160/1161/1162/1163/1164/1165/1166/1167/1168/1169/1170/1171/1172/1173/1174/1175/1176/1177/1178/1179/1180/1181/1182/1183/1184/1185/1186/1187/1188/1189/1190/1191/1192/1193/1194/1195/1196/1197/1198/1199/1200/1201/1202/1203/1204/1205/1206/1207/1208/1209/1210/1211/1212/1213/1214/1215/1216/1217/1218/1219/1220/1221/1222/1223/1224/1225/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2226/2227/2228/2229/2230/2231/2232/2233/2234/2235/2236/2237/2238/2239/2240/2241/2242/2243/2244/2245/2246/2247/2248/2249/2250/2251/2252/2253/2254/2255/2256/2257/2258/2259/2260/2261/2262/2263/2264/2265/2266/2267/2268/2269/2270/2271/2272/2273/2274/2275/2276/2277/2278/2279/2280/2281/2282/2283/2284/2285/2286/2287/2288/2289/2290/2291/2292/2293/2294/2295/2296/2297/2298/2299/2300/2301/2302/2303/2304/2305/2306/2307/2308/2309/2310/2311/2312/2313/2314/2315/2316/2317/2318/2319/2320/2321/2322/2323/2324/2325/2326/2327/2328/2329/2330/2331/2332/2333/2334/2335/2336/2337/2338/2339/2340/2341/2342/2343/2344/2345/2346/2347/2348/2349/2350/2351/2352/2353/2354/2355/2356/2357/2358/2359/2360/2361/2362/2363/2364/2365/2366/2367/2368/2369/2370/2371/2372/2373/2374/2375/2376/2377/2378/2379/2380/2381/2382/2383/2384/2385/2386/2387/2388/2389/2390/2391/2392/2393/2394/2395/2396/2397/2398/2399/2400/2401/2402/2403/2404/2405/2406/2407/2408/2409/2410/2411/2412/2413/2414/2415/2416/2417/2418/2419/2420/2421/2422/2423/2424/2425/2426/2427/2428/2429/2430/2431/2432/2433/2434/2435/2436/2437/2438/2439/2440/2441/2442/2443/2444/2445/2446/2447/2448/2449/2450/2451/2452/2453/2454/2455/2456/2457/2458/2459/2460/2461/2462/2463/2464/2465/2466/2467/2468/2469/2470/2471/2472/2473/2474/2475/2476/2477/2478/2479/2480/2481/2482/2483/2484/2485/2486/2487/2488/2489/2490/2491/2492/2493/2494/2495/2496/2497/2498/2499/2500/2501/2502/2503/2504/2505/2506/2507/2508/2509/2510/2511/2512/2513/2514/2515/2516/2517/2518/2519/2520/2521/2522/2523/2524/2525/2526/2527/2528/2529/2530/2531/2532/253					







[illegible]

## Appendix C Joint Administrators' receipts and payments account for the period from 14 May 2020 to 20 May 2020

Estimated to  
Realise as per  
Director's  
Statement of  
Affairs

£	Fixed charge realisations	£
n/a	Five Star Trademarks	50,000
n/a	Book Debts	
		<b>50,000</b>
	<b>Floating charge realisations</b>	
n/a	Spicers Stock	821,021
n/a	Spicers Mezzanine and Racking	125,000
n/a	Cash at Bank	-
		<b>946,021</b>
	Balance in hand	<b>996,021</b>
	Represented by:	
	Cash at bank	<b>996,021</b>

### Notes

1. Receipts and payments are stated net of VAT.
2. The receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
3. The book debts of £790,000 have been collected directly by the secured creditor, LBG, in part settlement of their liability.

## Appendix D Statement of pre-administration costs

### Statement of pre-Administration costs

	Incurred by the Administrator		Details
	Remuneration £	Expenses £	
Time costs	106,429	nil	Incurred by the Joint Administrators, as outlined in Section 6 of this proposal
Property agent fees	n/a	39,938	Time costs incurred by Gordon Brothers
Legal fees	n/a	85,086	Time costs incurred by Pinsent Masons
Legal fees	n/a	4,850	Time costs incurred by Eversheds Sutherland solicitors
Debtor agent fees	n/a	n/a	
Insurance and credit control	n/a	n/a	
Property holding costs	n/a	n/a	
<b>Total costs incurred</b>	<b>106,429</b>	<b>129,874</b>	
<b>Paid before the Administration</b>			
Time costs	(57,500)	(nil)	
Property agent fees	n/a	(nil)	
Legal fees	n/a	(50,933)	
Debtor agent fees	n/a	(nil)	
Insurance and credit control	n/a	(nil)	
Property holding costs	n/a	(nil)	
<b>Unpaid pre-Administration costs</b>	<b>48,929</b>	<b>78,941</b>	



Unpaid pre-administration costs are costs which had not been paid at the date of administration are still outstanding and are subject to approval under Rule 3.52 of the Insolvency (England and Wales) Rules 2016.

Unpaid pre-administration costs are not part of the proposals subject to approval under paragraph 53 of Schedule B1 of the Insolvency Act 1986. This means that they must be approved separately from the proposals. Further information on the way in which approval will be sought for unpaid pre-administration costs is set out in section 6 of this document

## **Appendix E Detailed Explanation of Pre-Pack Transaction**



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TO ALL KNOWN CREDITORS

21 May 2020

Ref: RHK/CGJK/ST/SPIC01

Email:  
spicersadministration@uk.ey.com

Dear Sirs

## **Spicers Limited (in Administration) ("Spicers" or "the Company")**

### **Trading names: Spicers**

**Principal trading address: c/o The Spicers-OfficeTeam Group Limited, Unit 4, 500 Purley Way, Croydon, Surrey, England, CR0 4NZ**

On 14 May 2020 the Company entered administration and C G J King and I were appointed as Joint Administrators. The appointment was made by the directors of the Company under the provisions of paragraph 22 of Schedule B1 to the Insolvency Act 1986. I attach formal notice of our appointment for your information.

As licensed insolvency practitioners, we are bound by the Insolvency Code of Ethics when carrying out all professional work relating to the administration.

### **Sale of the business**

On 14 May 2020 we completed a sale of certain of the Company's assets to Paragon Data Analytics Limited ("Paragon") for a total consideration of £996,021 plus VAT.

In accordance with Statement of Insolvency Practice 16, a detailed explanation of the transaction is set out below.

### **Background**

The Company traded as a business to business supplier of office supplies and stationery products across the UK. The Company operated from eight locations across the UK and employed approximately 320 people across the UK.

Along with OfficeTeam Limited ("OfficeTeam"), ZenOffice Limited ("Zen") and Spicers (Ireland) Limited ("Spicers Ireland") the Company was part of the Spicers Office Team Group ("the Group") which was headquartered in Croydon, England.

OfficeTeam Limited ("OfficeTeam") traded as a business to end customer supplier of office supplies and stationery products across the UK with its own storage and logistics capabilities through OfficeFleet. We were also appointed administrators to OfficeTeam on 14 May 2020.

Zen provides business supplies and managed print services. Zen is wholly owned by Stat Company Limited ("STC") which in turn is a wholly owned subsidiary of OfficeTeam. Zen continues to trade and is not in any insolvency proceedings.

Spicers Ireland had provisional liquidators appointed on 1 May 2020.

### ***Trading conditions leading up to the Group's insolvency***

The Group's and the Company's trading performance had declined in recent years due to structural changes in the traditional office supplies market, as a result of a shift towards digital and the increasing penetration of online retailers. This had resulted in a decline in demand for some of the Company's more traditional products and a highly competitive price sensitive market. As a result, management had taken action to reduce costs to remain competitive and invest in building its digital capabilities but these had not been sufficient, and a more significant restructuring was required to make the Group and the Company more competitive.

Against a background of continuing losses, the need for investment and the impact COVID-19 had on the business it was concluded in late March 2020 that the Group (including the Company) should be marketed for sale to find a partner with the ability to invest in the business.

The COVID-19 enforced lock-down had a significant effect on the business with a reduction in orders from businesses and dealers and an interruption in its supply chain. The net result was a c.50% like-for-like decline in orders and sales.

### **Initial introduction to the Group**

We were introduced to the Group in February 2020 to carry out a review of the Group (including the Company) for its bankers.

Pursuant to an engagement agreement dated 17 February 2020, EY performed a review of the Group's cash flow forecasts given an increasing reliance on and limited headroom within the invoice discounting facility.

The scope was subsequently broadened to develop a contingency plan in the event that a buyer for the Group including the Company was not found.

### **Pre-appointment considerations**

#### ***Accelerated marketing process***

On 25 March 2020, the Group engaged Alix Partners Corporate Finance Limited ("Alix Partners") to assist management with conducting an accelerated sales process to identify a purchaser for the Group as a going concern.

A list of 58 potential purchasers was agreed with Groups management and Better Capital (the Group's ultimate shareholder). This list consisted of six tier one office/business suppliers (i.e. direct competitors), 28 tier two financial or other strategic parties (consisting of special situation / turnaround private equity firms and indirect competitors) and 24 tier three other parties (where it was considered they might have an interest in certain of the Group's assets ).

The accelerated sales process commenced on 27 March 2020, with Alix Partners and management making contact with each of the potentially interested parties to provide an overview of the business, its prospects, other information and to request indicative offers by Friday 10 April 2020.

Of the parties approached, 23 expressed an interest and entered into non-disclosure agreements and received the process letter and information document. A further 13 parties confirmed that they were not interested on the basis of a combination of having limited interest in the sector, the extent of the Group's losses, not looking to invest in the UK or due to focussing on their own portfolio companies. Only two parties stated that the transaction timeline was too short. No response was received from the other parties.

#### ***Indicative offers***

By 10 April 2020, the Group had received four offers. The offers, which were all subject to due diligence, are summarised as follows:

1. Confidential Party 1 ("CP1"): 70p in the £ for certain of the stock of Spicers and OfficeTeam which was free of Retention of Title claims. It was envisaged that this offer would be transacted through a pre-pack insolvency sale. Management concluded that this offer would only be attractive as part of a closure and was determined to be a fall-back option.
2. Confidential Party 2 ("CP2"): £1 for each of the entire Group equity and the Better Capital secured loan of c.£7.85m, including accrued interest. CP2 did not provide details on how they would re-capitalise the business going forward. It was concluded that this offer did not address the issues faced by the Group as it would not be able to continue operating without a capital injection into the business. In addition, Better Capital considered that this undervalued their loan and they were unwilling to sell it for £1. As a consequence, this offer was not capable of progression.
3. Confidential Party 3 ("CP3"): £1 for each of the entire Group equity and the Better Capital secured loan of c.£7.85m, including accrued interest. CP3 indicated that it was willing to inject additional capital of up to £20m. Whilst this offer had the potential to address the issues facing the Group, Better Capital considered this undervalued their loan and they were unwilling to sell it for £1. As a consequence, this offer was not capable of progression.
4. Confidential Party 4 ("CP4"): CP4 submitted an offer to acquire certain of the business and assets of OfficeTeam and Zen, excluding debtors and the freehold property owned by Zen, for £5m. It was envisaged that this offer would be transacted through a pre-pack insolvency sale. Following the offer, CP4 obtained legal advice on the TUPE implications of its offer and subsequently withdrew.

#### ***Notice of intention to appoint administrators***

With no satisfactory offer that would have allowed the Group, including the Company, to continue operating as a going concern and following detailed consideration of the financial position, the directors concluded on 20 April 2020 that EY should be engaged to prepare for an insolvency of the Group and to explore a sale for the business and assets of the Group, including the Company, as part of the preparations.

The directors filed notices of intention to appoint an administrator in respect of Spicers and OfficeTeam on 23 April 2020. This was to provide protection from creditor action through an interim moratorium whilst the proposed Joint Administrators continued to explore a sale of the business and assets of the Group, including the Company.

The notices of intention to appoint an administrator in respect of Spicers and OfficeTeam were renewed by the directors for a further 10 business days on 8 May 2020 to enable the ongoing discussions with an interested party to conclude.

#### ***Further marketing by the proposed Joint Administrators***

On 20 April 2020, the proposed Joint Administrators began contacting parties who had submitted an offer in the marketing process to assess their interest in a business and assets sale rather than a share sale and qualify their offer for further negotiations.

CP3 re-confirmed an interest in exploring a business and assets offer and were provided with access to a detailed data room to assist them in forming an offer. CP3 withdrew their interest after determining that the businesses needed more investment and that the profitability was likely to be less than anticipated. In addition, the wider COVID-19 macroeconomic environment also impacted on their appetite to invest.

Concurrently, the proposed Joint Administrators entered discussions with CP1 regarding their offer to acquire stock. This resulted in an offer to acquire certain stock of Spicers, OfficeTeam and Spicers Ireland for 70p in the £ and £10,000 for the 5 Star brand owned by Spicers. The offer excluded stock subject to retention of title. The proposed Joint Administrators negotiated and agreed a sale and purchase agreement with CP1 which was capable of being implemented immediately upon appointment. This was held in abeyance whilst negotiations with other parties continued.

Several other enquiries were pursued with competitors, previous employees and suppliers, including CP2. These parties all either withdrew their interest following an assessment of the businesses and assets or were discounted on the basis that their interest was less favourable financially for creditors. In addition, separate marketing was carried out for Zen and Spicers Ireland.

During this process the proposed Joint Administrators were approached by Paragon who expressed an interest in acquiring certain of the business and assets of OfficeTeam and Zen. This enquiry led to Paragon submitting an offer (which is described in further detail below) for the business and assets of OfficeTeam, the shares in STC (to acquire Zen) and was widened to include Spicers stock, its plant and machinery at the Smethwick warehouse property and its 5 Star brand on 5 May 2020.

#### ***Alternative options considered***

##### ***Project Gloria***

In addition to the wider marketing process, management, in conjunction with Better Capital, explored making an offer for the business and assets of OfficeTeam and Zen as well the 5 Star brand and certain of the stock owned by Spicers. This proposal was known as Project Gloria and was submitted to the proposed Joint Administrators on 21 April 2020.

Following detailed discussions and the subsequent interest expressed by Paragon, the Project Gloria offer was withdrawn on 5 May 2020.

##### ***Trading in administration***

The proposed Joint Administrators also considered the outcome from trading Spicers in administration as a benchmark for offers. However, we formed the opinion that it was not financially viable to trade the business and offer the business for sale as a going concern during the administration due to a number of significant risks, including, but not limited to:

- incurring further losses and depletion of the value realised from stock due to the high costs associated with holding the stock whilst it was being sold through;
- securing ongoing support of key trading suppliers on acceptable terms;
- potential ransom demands in connection with the above;
- significant retention of title claims over the existing stock which would impact on the net value achieved from selling stock;
- uncertainty over the length of time the COVID-19 lockdown period, and associated reduction of demand for the Company's stock, would extend for;
- the impact of COVID-19 on the interest in the business and on the realisable value of the stock; and
- the costs that would be incurred.

These factors, and the significant uncertainty associated with trading during the COVID-19 pandemic, were considered to adversely impact on the value for the benefit of creditors and it was concluded that this strategy was highly likely to result in a significantly lower recovery for creditors compared to achieving a pre-packaged insolvency sale. As it was determined not financially viable to trade, no requests were made to fund working capital.

It was therefore considered to be in the best interests of creditors for the business and assets to proceed with a pre-packaged insolvency sale, to maximise asset values and limit the dilution impact that holding and establishment costs would have had on asset realisations.

As a consequence, in the lead up to our appointment as Joint Administrators on 14 May 2020, we negotiated with CP1 and Paragon to agree transactions that could be executed immediately upon our appointment.

Compared to the CP1 offer, the Paragon offer avoided incurring the holding costs of the stock whilst it was collected by CP1 and for the Smethwick warehouse which also benefited from receiving rent under the Paragon offer. In addition, the stock was assessed as having the risk of substantial Retention of Title claims. As a consequence, the Paragon offer was considered financially superior for the creditors.

#### ***Consultation with major creditors***

The secured creditors were consulted throughout the process and consented to the transaction.

No direct consultations took place with other creditors given the number of creditors and the fact that the outcome pursued resulted in the best financial outcome for the secured and unsecured creditors.

A number of key suppliers (and therefore creditors) were consulted by management as part of the Project Gloria proposal and were aware of the impending insolvency of the Group and the likely prospects for the Company.

### **Statutory purpose of 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).
- c) To realise property in order to make a distribution to one or more secured or preferential creditors.

The objective being pursued is 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).

The sale of the Company's business and assets enables this objective to be achieved through delivering a better outcome to creditors than would have been achieved through a winding up. The outcome achieved through the sale is the best available outcome for creditors in the circumstances.

### **Marketing of the business and assets**

As noted above, an accelerated sales process was undertaken by the Group with assistance from Alix Partners. This was continued by the proposed Joint Administrators in the lead up to our appointment.

The situation was also publicised in the press and enquiries from other interested parties were received and as a result the process was widely known to potentially interested parties.

We are of the opinion that the marketing process undertaken complied with the 'Marketing Essentials' set out in the Statement of Insolvency Practice 16.

### **Valuation of the business and assets**

Jones Lang LaSalle ("JLL") (led by Allan Wilson, MRICS) were instructed to value the freehold property owned by the Company located in Smethwick, West Midlands. They have confirmed their independence and that they carry adequate professional indemnity insurance.

This property was excluded from the sale to Paragon, however, Paragon has been granted a licence to occupy the property for up to 12 months whilst the Joint Administrators pursue a sale of the freehold property.

The principal asset included within the sale was the stock and the plant and machinery located at the Smethwick warehouse. Gordon Brothers Limited (led by Neal Weekes, assisted by James Acton BA (Hons) DipSurv MRICS and Josh Chivers MRICS) was instructed to provide advice on the realisable value of these assets. They have confirmed their independence and that they carry adequate professional indemnity insurance.

They indicated that, in the current environment, there would be limited parties interested in acquiring the stock and it may be necessary to wait until the lockdown restrictions are lifted. They estimated that the stock could realise c.15p in the £. In conjunction with the costs of holding the stock, this would have resulted in a net cost to the administration of disposing of the stock.



Gordon Brothers Limited valued the plant and machinery at £450,000 in situ and £125,000 ex situ. As the Paragon offer was the only alternative to an ex situ realisation and also provided additional recovery benefits for the creditors by minimising the impact of the substantial holding costs, it was accepted.

The Joint Administrators did not obtain a valuation for the 5 Star brand prior to the transaction. However, given the marketing process that was undertaken prior to the transaction and other offers received, we are satisfied that the market has been tested and that market value has been obtained.

### **The transaction**

As previously stated, the sale was completed on 14 May 2020. Further details of the transaction are given below:

### **The purchaser and related parties**

The purchaser is Paragon Data Analytics Limited, now renamed as OT Group Limited ("OT Group").

The Purchaser has no connection to the Company.

We are not aware of any directors, former directors or associates of the Company who are involved in the financing, management or ownership of the Purchaser. The Purchaser has advised that it will retain certain of the existing management team.

We are not aware of any guarantees given by the directors of the Company for amounts due from the Company to a prior financier, or that a prior financier is financing the new business.

### **The assets**

The assets sold comprise the following:

Description of asset	Purchase consideration (£)
Five Star Trademarks	50,000
Spicers Stock	821,021
Spicers Mezzanine and Racking	125,000
<b>Total</b>	<b>996,021</b>

The transaction is in respect of certain of the business and assets of the Company.

As part of the sale, the Joint Administrators agreed to grant OT Group a licence to occupy the Smethwick property for a period of up to 12 months.

OT Group will collect the trade debtors for a fee. The fee is structured as follows:

- 5% fee up to 65% of the debtor book;
- 10% fee between 65% and 85% of the debtor book; and
- 20% fee thereafter.

Due to the age of the ledger and the significantly better net recovery to creditors from the sale this fee was accepted as it was a condition to the offer.

### ***Sale consideration***

The sale consideration was £996,021 plus VAT which was paid upon completion.

The sale proceeds have been apportioned as follows:

Category of asset	Allocated to fixed charge realisations	Allocated to floating charge realisations	Total
	£	£	£
Five Star Trademarks	50,000	-	50,000
Spicers Stock	-	821,021	821,021
Spicers Mezzanine and Racking	-	125,000	125,000
<b>Total</b>	<b>50,000</b>	<b>946,021</b>	<b>996,021</b>

The consideration has been allocated between the fixed and floating charges in accordance with the existing registered charges.

### ***Significant assets not included in the sale agreement***

The assets that have been excluded from the transaction include all other assets owned or used by the Company, including, but not limited to:

- the trade and other debts due to the Company prior to the completion of the transaction;
- cash in the Company's bank upon completion of the transaction;
- any stock in the possession of the Company which is or may become subject to a retention of title claim;
- any other deposits or refunds due to the Company;
- all rights and interests of the Company in its properties (other than the grant of the interest created by the licences);
- the freehold warehouse property at Smethwick; and
- the trading name of Spicers Limited, its website, and customer lists and any other intellectual property (apart from the Five Star Trademarks).

### ***Administrators' proposals and remuneration***

In accordance with paragraph 49(5) of schedule B1 to the Insolvency Act 1986, we have prepared our Statement of Proposals. The proposals have been delivered to all creditors at the same time as this letter and give an indication of the likely dividend prospects.

We also set out our proposals for remuneration and will separately seek approval for the basis. The statutory provisions relating to remuneration are set out in Chapter 4, Part 18 of the Insolvency (England and Wales) Rules 2016 (the Rules). Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides>, or is available in hard copy upon written request to the Joint Administrators.

### **Creditors' claims**

Please note that debts incurred by the Company before our appointment will rank as unsecured claims. Any sums due to the Company arising after our appointment must be paid in full and without set-off against any debts incurred by the Company prior to our appointment.

The directors are required to submit a statement of affairs to us and you will appreciate that given the limited time since our appointment the full financial position is not yet known.

Should you believe that you are an unsecured creditor and wish to submit a claim against the Company then please email [spicersadministration@uk.ey.com](mailto:spicersadministration@uk.ey.com), detailing the nature of your claim.

Certain debts due from the Company may be preferential in accordance with section 386 of the Insolvency Act 1986. If you consider that you have a claim in this category, please advise me immediately. If you hold any security for your claim or you consider that you have title to any assets in the Company's possession, please forward details to me as soon as possible.

You may be entitled to VAT bad debt relief on debts arising from supplies more than six months old. This procedure does not involve the Administrators and claims should be made directly to HM Revenue and Customs.

### **Opting out**

Under the provisions of Rule 1.39, creditors have the right to elect to opt out of receiving further documents relating to the administration.

If you do elect to opt out you will still receive the following documents:

- Any which the Insolvency Act requires to be delivered without expressly excluding opted-out creditors;
- Notice relating to a change in the administrators, or their contact details;
- Notice of dividend or proposed dividend; or
- A notice which the court orders to be sent to all creditors, or all creditors the particular category to which you belong.

Any election to opt-out will not affect your entitlement to receive dividends, if any are paid.

Unless the Rules provide to the contrary, opting-out will not affect your rights to vote in a decision procedure or participate in a deemed consent procedure, although you would not receive notice of such procedures.

Any opted-out creditors will be treated as opted out in respect of any consecutive insolvency procedure which might follow the administration.

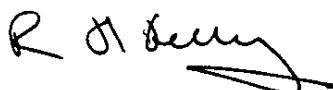
You may opt-out by delivering an authenticated (e.g. signed) and dated notice to me stating that you are electing to be an opted-out creditor in relation to this administration. You may at any time revoke this election by delivering to me an authenticated and dated notice stating that you no longer wish to be an opted-out creditor.

**Other matters**

If there are any matters concerning the Company's affairs which you consider may require investigation and consequently should be brought to our attention, please forward the details to me in writing as soon as possible.

If you require any further information or explanation, please do not hesitate to contact my colleague, Sam Taylor on 020 7951 6984.

Yours faithfully  
for the Company



R H Kelly  
Joint Administrator

Enc    Notice of Administrator's Appointment

R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in Scotland. C G J King is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England & Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators, R H Kelly and C G J King, 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 2016/679, 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 Administrator's appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://www.ey.com/uk/officeholderprivacy).

**Notice of Administrators' Appointment – paragraph 46(3) of Schedule B1 to the Insolvency Act 1986**

**Spicers Limited (in Administration)**

Name of Court	The High Court of Justice
Court reference number	CR-2020-BHM-000302
Company registered number:	00425809
Nature of business	46650 - Wholesale of office furniture 46660 - Wholesale of other office machinery and equipment
Registered office of company	C/O The Spicers-Officeteam Group Limited Unit 4, 500 Purley Way, Croydon, Surrey, England, CR0 4NZ
Principal trading address (if different from above)	c/o The Spicers-OfficeTeam Group Limited, Unit 4, 500 Purley Way, Croydon, Surrey, England, CR0 4NZ
Any other name under which the company was registered in the previous 12 months	n/a
Any other name(s) or style(s) under which the company carried on business or incurred debts	n/a
Date of appointment of administrators	14 May 2020
Name(s) and address(es) of administrator(s)	Robert Hunter Kelly Ernst & Young LLP, 1 Bridgewater Place Leeds, LS11 5QR  Charles Graham John King Ernst & Young LLP, 1 Bridgewater Place Leeds, LS11 5QR
Joint / Administrator(s) IP No(s)	8582 / 8985
Telephone number	020 7951 6984
Name of alternative person to contact with enquiries about the case	Sam Taylor

### Notice to all creditors

On 14 May 2020 the company entered administration and Charles Graham John King and I were appointed as Joint Administrators. The appointment was made by the directors of the company under the provisions of paragraph 22 of Schedule B1 to the Insolvency Act 1986.

Signed

A handwritten signature in dark ink, appearing to read 'R H Kelly', is written over a horizontal line.

Date

21 May 2020

R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in Scotland. C G J King is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England & Wales.

The affairs, business and property of the company are being managed by the Joint Administrators, R H Kelly and C G J King, who act as agents of the company only and without personal liability.

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