

AM03

Notice of administrator's proposals



Companies House

For further information, please
refer to our guidance at
www.gov.uk/companieshouse

1 Company details

Company number 0 8 7 6 6 5 0 1

Company name in full Provincial Hotels & Inns Limited

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Patrick

Surname Lannagan

3 Administrator's address

Building name/number One St Peters Square

Street Manchester

Post town M2 3DE

County/Region

Postcode

Country

4 Administrator's name

Full forename(s) Julien Robert

Surname Irving

Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address

Building name/number One St Peters Square

Street Manchester

Post town M2 3DE

County/Region

Postcode

Country


Other administrator

Use this section to tell us about
another administrator.

AM03

Notice of Administrator’s Proposals

6	Statement of proposals	
	<div><input checked="" type="checkbox"/> I attach a copy of the statement of proposals</div>	

7	Sign and date	
Administrator’s Signature	<div>Signature<div><div>✕</div><div></div><div>✕</div></div></div>	
Signature date	<div><div><div><div><div>d</div><div>1</div></div><div><div>d</div><div>1</div></div></div><div><div>m</div><div>0</div></div><div><div>m</div><div>8</div></div><div><div>y</div><div>2</div></div><div><div>y</div><div>0</div></div><div><div>y</div><div>2</div></div><div><div>y</div><div>1</div></div></div></div>	

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 Sidhra Qadoos

Company name Mazars LLP

Address One St Peters Square
Manchester

Post town M2 3DE

County/Region

Postcode

Country

DX

Telephone T: +44(0) 161 238 9200



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ 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.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Provincial Hotels & Inns Limited - In Administration (‘the Company’)

Administrators’ Statement of Proposals Pursuant to Paragraph 49 of Schedule B1 of the Insolvency Act 1986

11 August 2021

This report has been prepared for the sole purpose of updating creditors pursuant to the Insolvency Act 1986. The report should not be referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.

The Administrators act as agents of the Company without personal liability.

Patrick Lannagan and Julien Irving
Mazars LLP
One St Peters Square
Manchester
M2 3DE

In accordance with Rule 3.35(e) of the Insolvency (England and Wales) Rules 2016, the proposals are deemed delivered to creditors on 11 August 2021.



Provincial Hotels & Inns Limited - In Administration

Schedule of Contents

1	Introduction
2	Statutory Information
3	Circumstances giving rise to the Administrators' appointment
4	Subsequent Events
5	Assets
6	Investigations
7	Liabilities
8	Prescribed Part
9	Statement of Affairs
10	Receipts & Payments Account
11	Estimated Outcome Statement
12	Duration
13	Proposed Exit Route
14	Approving the Proposals
15	Approving the Costs of the Administration
16	Pre-Administration Costs
17	Basis of Administrators' remuneration
18	Expenses
19	Future Reports

Appendices

A	Identification Details
B	Summary of Financial Position
C	Schedule of Trade & Expense Creditors
D	Receipts & Payments Account
E	Estimated Outcome Statement
F	Pre-Administration Costs
G	Administrators Time Costs to date and Narrative Summary of Work Undertaken
H	Rates & Expenses Policy

Statement to Creditors

1 Introduction

- 1.1 This statement is addressed to the creditors of the Company and includes the Joint Administrators' proposals in accordance with Paragraph 49 of Schedule B1 of the Insolvency Act 1986.
- 1.2 The statutory purpose of an Administration comprises three hierarchical objectives:
- rescuing the Company as a going concern
 - achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration)
 - realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.3 It was apparent from the financial review conducted by Mazars LLP ('Mazars'), following engagement by the Company in February 2021, that there was no reasonable prospect of rescuing the Company as a going concern in view of the level of secured debt and the impediments to restructuring this debt and rationalising the property portfolio described later in the report.
- 1.4 The Administrators concluded that in light of the protections afforded by the moratorium and the additional powers conferred in Administration, that the purpose of the Administration is objective b – achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in Administration).

2 Statutory Information

- 2.1 Patrick Alexander Lannagan and Julien Robert Irving were appointed as Joint Administrators of the Company on 21 June 2021. Both Mr Lannagan and Mr Irving are authorised to act as Insolvency Practitioners in the UK by the Institute of Chartered Accountants in England and Wales.
- 2.2 Identification details regarding the Company and the Administrators is attached at Appendix A.
- 2.3 The proceedings are centre of main interests ('COMI') proceedings as the Company's COMI is in the United Kingdom.
- 2.4 All acts required to be done by the Joint Administrators, may be done by either or both, acting jointly or alone.
- 2.5 Details of the Company's directors and secretary are as follows:

Director	Date appointed	Date resigned	Shares held
Mark Jonathan Chambers	7 November 2013	-	27 ordinary shares
Kathryn Chambers	3 February 2016	26 May 2016	0
John Tennant ("Jack") Terras	26 May 2016	2 September 2017	25 ordinary shares
William Hornby Gore	26 May 2016	-	25 ordinary shares
Kaushik Mistry	26 May 2016	-	10 ordinary shares
Secretary	Date appointed	Date resigned	Shares held
	-	-	-

3 Circumstances giving rise to the Administrators' appointment

3.1 Company History

- 3.1.1 The Company was incorporated in November 2013 and was dormant until 2016. The Company was incorporated with Mr Mark Chambers as the sole director and shareholder. Kathryn Chambers joined the Company on 3 February 2016 and resigned on 26 May 2016. Mr Gore, Mr Mistry and Mr Terras joined the business as directors and shareholders on 26 May 2016 with Mr Terras later resigning on 2 September 2017 (leaving Mr Chambers, Mr Mistry and Mr Gore (together 'the Directors')). In the following paragraphs, the Administrators provide their understanding of the events which preceded the appointment of Administrators, following their discussions with the Directors.
- 3.1.2 In June 2016, the Company acquired a portfolio of nine public houses and two hotels from Mitchell's of Lancaster (Brewers) Ltd ('Mitchells'), funded by a first ranking secured loan from HSBC Bank plc ('HSBC') and a second ranking secured loan from a private investor (Mr Norman). The Company's security position is set out at section 7 of this report.
- 3.1.3 The Directors advise that the acquired estate was making a small profit but the property portfolio needed significant investment to improve business performance. The Directors' agreed a business plan to turn the business around which involved the immediate disposal of two of the property assets (assessed by the Directors as non-essential to the performance of the portfolio) in order to release funding to enhance the rest of estate to a modernised combination of tenanted and managed hospitality venues, to repay some of the secured borrowing and to free up some additional working capital for the business if possible.
- 3.1.4 The initial sales were not concluded as soon as anticipated as it was discovered the fabric of the property portfolio was in a poorer condition than the pre-acquisition property surveys had suggested, requiring additional capital expenditure on improvements and the sale of further properties to fund the capital expenditure. As a consequence of the changes to the business turnaround plan, the Company's cash flow position was lower than originally forecast. Accordingly, the Directors sought to agree an interest repayment holiday in relation to the second ranking secured debt.
- 3.1.5 Following the above changes to the business plan, the Company disposed of non-profitable properties from the property portfolio, raising funds of £1,025,000 in 2018 and £498,000 in 2019. The net proceeds from these sales were used for capital improvements, working capital and reduction of the Company's senior secured debt owed to HSBC.
- 3.1.6 Following the disposal of properties, the remaining portfolio comprised of four pubs and a hotel located at the following sites:
- County Lodge and Brasserie, Lancaster Road, Carnforth, Lancashire LA5 9LD (12 bed hotel and bar)
 - Yorkshire House, 2 Parliament Street, Lancaster LA1 1DB (pub)
 - Blue Anchor, 68 Main Rd, Bolton Le Sands, Carnforth, Lancaster LA5 8DN (pub)
 - Manor Inn, 1 Main Street, Cockerham, Lancaster LA2 0EF (pub)
 - Windmill Tavern, Clifton Lane, Clifton, Preston, Lancashire PR4 0YE (pub)
- 3.1.7 The Manor Inn was operated by a tenant with their own staff, whereas the pubs, Windmill Tavern, Yorkshire House and Blue Anchor and the County Lodge hotel were operated by the Company.
- 3.1.8 In March 2020, the global outbreak of the COVID-19 pandemic placed great trading difficulties on the UK hospitality industry, resulting in the Company closing all of its remaining venues in accordance with the UK Government imposed restrictions. The venues remained closed throughout 2020 which resulted in 28 company staff being placed on furlough. The Company

utilised a Coronavirus Job Retention Scheme ('CJRS') to assist in meeting employee wage payments for the period the sites remained closed.

3.1.9 Following the lifting of restrictions on the hospitality industry, the Company re-opened its premises at the Blue Anchor and The County Lodge in April 2021 in accordance with Government rules on social distancing, with the tenant at the Manor Inn also taking over a tenancy at the Windmill Tavern. The Yorkshire House remained closed.

3.1.10 Extracts from the Company's last three sets of financial statements are summarised below:

Accounting Period End	Turnover (£)	Gross Profit / (Loss) (£)	Net Profit / (Loss) (£)	Other comprehensive income (£)	Dividends (£)	Retained profit / (loss) (£)
31 May 2017	1,830,320	380,245	(436,531)	-	-	(436,531)
31 May 2018	2,053,622	410,697	(282,367)	-	-	(718,898)
31 May 2019	1,614,203	286,339	(613,315)	713,885 (revaluation of tangible assets)	-	(1,332,213)

3.1.11 Prior to the pandemic, Management advise that the Company had been trading at circa £185k EBITDA per annum. Management accounts for the period post 1 June 2019 are in the process of being prepared and this information will be provided in our next report. However, the Summary of Financial Position included at Appendix B shows net liabilities of c. £972k at 21 June 2021 which, compared to a net asset position of £618k at 31 May 2019, suggests a net loss of c. £354k between 1 June 2019 and 21 June 2021.

3.1.12 The Company and Mr Norman entered into an agreement on 12 July 2016 pursuant to which the benefit of the finance documents entered into between the Company and Mr Norman (the 'Second Chargeholder Documents') were purportedly assigned to a third party.

3.1.13 As a result of that assignment and other related matters, a dispute concerning the identity of the current beneficiary of the Second Chargeholder Documents was first raised with the Company in August 2019 and has been ongoing.

3.1.14 In January 2021, persons who asserted status as beneficiary of the Second Chargeholder Documents applied to register Unilateral Notices against the properties owned by the Company. The Company objected to those applications and the matter was referred to the Land Registry Tribunal.

3.1.15 The directors of the Company formed the view that the practical effect of these applications was to prevent or significantly delay any further property disposals, which were deemed to be critical to the fulfilment of the Company's business plan including the cash flow solvency of the business.

3.2 Initial advice and meetings

3.2.1 Patrick Lannagan was first introduced to the Company via its accountants, Mitchell Charlesworth LLP ('MCL') in September 2019. Mazars was at that time formally engaged by the Company to carry out an options assessment in view of uncertainty that had arisen around the current beneficiary of the Second Chargeholder Documents.

3.2.2 Mazars was further engaged on 16 February 2021. This was to provide a letter of advice in respect of the implications for the solvency of the Company in light of the further information provided by the Directors in respect of the Company's circumstances and reduced trading

affected by the restrictions imposed by the UK Government in response to the COVID-19 pandemic.

- 3.2.3 The Directors were keen to find a solvent solution to allow the Company to continue in business. The only route to a solvent outcome appeared to require a restructuring of the secured debt and associated sale of certain properties, which required the agreement of the secured creditors. The uncertainty around the current beneficiary of the Second Chargeholder Documents meant that this could not be achieved within the necessary timescales.
- 3.2.4 A Company Voluntary Arrangement ('CVA') was considered but, as this would require the specific support of the secured creditors, this option was discounted in view of the uncertainty around the current beneficiary of the Second Chargeholder Documents.
- 3.2.5 The Directors confirmed that no one had petitioned for the Company to be placed into Liquidation. Liquidation was considered as an option for the Company and discounted as it was considered likely that there would be better realisations for creditors if the Company was first placed into Administration.
- 3.2.6 LPA Receiverships were considered but discounted as this option would not permit the non-property assets to be dealt with, would add complexities in relation to trading the business and would not provide the power to the Receiver to deal with the Unilateral Notices.
- 3.2.7 Administration was considered to be the best option in view of the protection afforded against creditor action in respect of stocks and leased assets by way of the moratorium, as well as allowing the potential preservation of goodwill via a return to normal trading conditions once COVID-19-related restrictions were lifted. Furthermore the Administrators, once appointed, would have the power to apply to Court to seek appropriate directions in relation to the current beneficiary of the Second Chargeholder Documents.
- 3.2.8 Thus, Mazars was further engaged on 18 March 2021 to assist in the process of placing the Company into Administration. The Company's solicitor, Andrew Jackson Solicitors LLP, was instructed to assist with the statutory process and documentation required to appoint Administrators. Patrick Lannagan and Julien Irving were appointed as Joint Administrators at 2.38pm on 21 June 2021.

4 Subsequent Events

- 4.1 The Administrators have adopted a strategy for the two operational venues (the County Lodge & Brasserie and the Blue Anchor) to trade under the control of the Administrators while a sale of the business and / or the properties is explored as trading is expected to generate a modest profit without the need for funding (although the outcome is assumed as nil profit/nil loss in the outcome statement at Appendix E). The two tenant-managed venues were expected to be traded by the third-party occupier and the fifth venue is expected to remain closed for the time being. Since the start of the Administration, the short-term tenancy at the Windmill Tavern has ended with effect from 1 August 2021 on notice given by the tenant and this site remains closed presently. The two presently closed sites are being kept under review as to whether and when they should be reopened.
- 4.2 To assist in managing the venues during the trading period, the Administrators have engaged Onecall Management Limited ('Onecall'), a specialist hospitality agent, to take on the day to day running of the business. Onecall is a connected party as Mark Chambers and Kaushik Mistry are Directors of both Onecall and the Company.
- 4.3 Avison Young (UK) Limited ('Avison Young') had been engaged by the Company prior to the Administration to assist with marketing the venues. The Administrators have retained the services of Avison Young as they have the experience, expertise and market coverage to maximise the realisable value of the portfolio.

- 4.4 Avison Young is being assisted, on a joint agency basis, in respect of Manor Inn and Windmill Tavern by Eckersley Property Limited ('Eckersley'). They are an independent General Practice firm of Chartered Surveyors and Commercial Property Consultants based in Lancashire. Eckersley have had prior involvement with both of the aforementioned properties and have expert knowledge of the local development market.
- 4.5 Their remuneration is agreed to be charged on a ratcheted commission basis, equating to broadly 3% of the achieved sale price plus marketing costs and VAT. The proposed marketed budget is estimated at £5,000 plus VAT to include: the preparation of electronic marketing brochures including photography, operating a data room for sharing documents with interested parties; advertising in national and specialist media, exposure of the marketing material on a number of websites, assisting with a press release if required and sharing the opportunity with the Avison Young database.
- 4.6 Avison Young has also assisted with engaging a security agent to change the locks and assist with the necessary works to make the vacant properties compliant with the insurers unoccupied building conditions. The costs of this work are still being processed as some of this work is ongoing. Whilst appropriate insurance cover has been taken out by the Administrators under the Insolvency Insurance Scheme with Aviva, arranged through Marsh Limited, the premium schedule has not yet been received and the costs of insurance cannot be confirmed at this stage.
- 4.7 Gateley plc ('Gateley') has been engaged by the Administrators to assist with the various and complex legal matters involved in this Administration. They have been chosen because of their prior knowledge of the issues surrounding the second chargeholder position and their expertise in the restructuring field. Gateley's fees are agreed to be charged on a time costs basis plus disbursements and VAT.
- 4.8 Gateley are instructed to review and advise on the validity of the appointment of Administrators, including any steps deemed necessary to perfect the appointment; to review and advise on the validity of the security granted by the Company, including any inter-creditor arrangements; to review and advise in relation to the Unilateral Notice applications and ensuing negotiations; to review and advise on the tenancy arrangements already in place; to contribute to the strategy and assist with the sale of the business and / or the properties and any associated paperwork; preparing applications to Court as required; assisting with statutory investigation work and providing any such other advice as may be required.
- 4.9 Gateley has incurred time costs of £51,775.50 plus VAT in work already carried out in these areas and disbursements of £48 plus VAT in relation to Land Registry searches. They are not able at this stage to provide a meaningful estimate of their costs as the scope of work is evolving at this early stage in the process.
- 4.10 No costs have been paid to these professional advisors to date. It has been necessary to engage the agents and solicitors and agree their fee basis prior to obtaining creditor approval of the Proposals in order to ensure that:
 - The strategy for the marketing and sale of the business and properties could commence as soon as possible
 - That the property assets and the Company are adequately insured and that appropriate security arrangements are in place
 - The security documentation pertaining to the fixed and floating charges is obtained and reviewed with a view to confirming validity
 - Meaningful correspondence with the parties connected to the second chargeholder issue is underway.
- 4.11 As noted earlier, MCL are the Company's accountants. The Administrators have reviewed the services provided by MCL and retained their support in respect of payroll services during the

trading period. The payroll is processed on a 4-weekly basis and MCL's current charges are £211 plus VAT per pay run. The agreed cost for this work will be discharged as a trading cost.

- 4.12 The Administrators have also agreed to make funds available to meet the costs of MCL, estimated at £7,500, to bring the Company accounts up to date and assist in the preparation of the Directors' Statement of Affairs.

5 Assets

5.1 Freehold Properties

5.1.1 *The County Lodge & Brasserie, Lancaster Road, Carnforth, Lancashire LA5 9LD*

The property comprises a well-presented town centre hotel with bar, coffee lounge, dining area, function room and detached letting accommodation providing 12 en suite letting bedrooms. It is an owner-managed venue in Carnforth, a small town to the north east of Morecambe Bay.

5.1.2 *The Blue Anchor, 68 Main Road, Bolton-le-Sands, Carnforth, Lancashire LA5 8DN*

The property comprises a Grade II Listed traditional village pub located in the centre of the village of Bolton-le-Sands. In addition to the trading areas there is a beer garden, manager's flat and an attached barn with unused rooms at the second floor. It is an owner-operated venue with sales for the 11 months ended April 2019 of £225,355, an increase of 44% on the same period for the prior year. The EBITDA was £57,988 or 25.3% of sales.

5.1.3 *The Windmill Tavern, Clifton Lane, Preston, Lancashire PR4 0YE*

The Grade II Listed property comprises a pub and restaurant comprising a former windmill and associated buildings situated about 1 mile east of the Lancashire village of Lea. There are extensive and well-presented ground floor trading areas with the first floor of the windmill roundel converted to a meeting room. The pub sits in a large site with development potential. The short-term tenant in situ at commencement of the Administration has recently vacated the venue and the Windmill Tavern is currently closed.

5.1.4 *The Manor Inn, 1 Main Street, Cockerham, Lancaster LA2 0EF*

The property comprises an attractive village pub in a highly visible location at the junction of the A588 and B5272 in the centre of the rural Lancashire village of Cockerham. The trading areas include a large open plan bar, dining room and an adjoining games room. Living accommodation is situated on the first floor. The property includes a number of outbuildings and a car park with spaces for circa 20 vehicles sited on the opposite side of Main Street. This venue is currently occupied by a tenant.

5.1.5 *Yorkshire House, 2 Parliament Street, Lancaster LA1 1DB*

The property is a prominently situated city centre traditional public house specialising in live music situated adjacent to a large development of new student accommodation in central Lancaster. The accommodation includes a gig room at first floor together with a manager's flat. The Yorkshire House is currently closed.

- 5.1.6 The properties are currently being marketed for sale via Avison Young and offers are invited for the business and / or its property assets on a portfolio, sub-portfolio or individual property basis.

- 5.1.7 The five properties comprise fixed charge assets and realisations, after costs, will flow to the fixed chargeholders in order of priority. No realisable values are disclosed within the context of this report so as not to prejudice the outcome of commercial negotiations with interested parties.

5.2 **Equipment, Fixtures and Fittings and Stock**

- 5.2.1 The equipment, fixtures and fittings and stock in the venues are expected to be sold as part of the properties and are not considered to have any significant realisable value separately. However, any change to this view will be provided in the next report.

5.3 **Cash at Bank and in Transit**

- 5.3.1 On the date of Administration, funds were held in accounts associated with the Worldpay merchant services account in the sum of £7,696 and £788 was credited the following day in respect of pre-Administration sales taken by card payments. No further action is required in respect of these assets.

5.4 **COVID Business Interruption Claim**

- 5.4.1 On appointment, the Administrators notified their insurance brokers, Marsh Limited, of the pre-Administration insurances. A review of these identified that the Company had submitted a business interruption claim in relation to the COVID19-related closures of its venues. An underwriter had been assigned to the claim and was asking for further detailed financial information.
- 5.4.2 The Administrators will work with the Directors and review the Company records to respond to these information requests and finalise the claim. The recoverable value of this claim is currently uncertain. An update will be provided to creditors in the next report.

5.5 **Debtors**

- 5.5.1 Included at Appendix B is a summary of financial position at 21 June 2021 based on information which MCL has assisted the Directors with preparing. This includes debtors with a book value of £129,462. The Administrators intend to review this balance in order to establish what it relates to and potential recoverability. A full update will be provided with our next report.

6 **Investigations**

- 6.1 The Joint Administrators are required to investigate the affairs of the Company and the conduct of the Directors in the period leading up to the Administration. An initial investigation into the Company's affairs in accordance with Statement of Insolvency Practice 2 is currently underway. The purpose of these investigations is to establish whether there are any potential asset recoveries or conduct which requires further investigation and which may lead to any recoveries for the benefit of creditors.
- 6.2 In respect of conduct matters, the Joint Administrators are required to report their findings to the Insolvency Service in accordance with the Company Directors' Disqualification Act 1986, and an appropriate report will be filed in due course. The content of the report is confidential.
- 6.3 Should creditors have any information which they consider may assist the Joint Administrators in carrying out their investigations or be aware of any matters which they believe should be brought to the attention of the Administrators, please provide details in writing to this office. This request for information forms part of our usual investigation procedures and does not imply that there may be any cause of action lying against any person concerned in the Company's affairs.

7 **Liabilities**

7.1 **Secured Creditors**

7.1.1 *HSBC*

The Company granted security over its assets in favour of HSBC as follows:

- A fixed and floating charge debenture created on 9 June 2016 and registered at Companies House on 9 June 2016
- Specific fixed charges over the individual freehold properties owned by the Company, all created on 23 June 2016 and registered at Companies House on 25 June 2016

On 24 June 2021, HSBC issued a demand letter in the sum of £1,544,606 in respect of the loan and overdraft facilities and a second demand letter in the sum of £49,256 in respect of the Bounce Back Loan ('BBL'). Gateley is currently reviewing the position of the BBL to determine whether this liability is covered by HSBC's security.

All of the property assets detailed above are covered by the fixed charge. Thus, assuming that realisations and expenses are as anticipated, it is likely that HSBC will be repaid in full under its fixed charge security.

7.1.2 *The second chargeholder*

The Company granted a fixed and floating charge debenture over its assets in favour of Mr Christopher Norman, created on 22 June 2016 and registered at Companies House on 25 June 2016.

The debenture is subject to an inter-creditor deed between HSBC, Mr Norman and the Company and appears to have been granted in respect of funds advanced by Mr Norman under a loan agreement on or around the same date. The inter-creditor deed postpones this debt behind that of HSBC, although it permits interest repayments. The Administrators understand that the original loan amount was £2m. The current position after accounting for interest accrued has not been confirmed at this stage.

The Administrators understand that Mr Norman passed away in September 2016 and that certain assignments of Mr Norman's original security interests are purported to have taken place. These assignments have led to the uncertainty around the current beneficiary of the Second Chargeholder Documents referred to earlier in this report.

The persons asserting status as beneficiary of the Second Chargeholder Documents have provided a chronology of information and copy documents in support of their position. Gateley are working with the Administrators to establish a strategy to resolve this position. For the avoidance of doubt, the Administrators have not currently formed any opinion on the validity or otherwise of the position asserted by those persons. The Administrators will report to and update creditors in due course.

It is currently the Administrators' view that the beneficiary of the Second Chargeholder Documents is likely to suffer a shortfall under its fixed charge security, although the extent of this shortfall will be determined by the level of successful realisations and costs incurred. An update on this position, including the extent of the Second Chargeholder's claim will be provided in the next report.

7.2 **Preferential Creditors**

- 7.2.1 Preferential claims arise from arrears of wages and accrued, unpaid holiday pay arising prior to the Administration, due to former employees who do not receive their full entitlements on redundancy. Additional preferential claims may arise from arrears of pension contributions in the period prior to Administration.
- 7.2.2 The Company has a workforce of 28 employees. On appointment, the Administrators reviewed the current workforce with the management team and identified one staff member who was at that time furloughed as they were stuck in quarantine overseas. On the basis that the CJRS is only for use where there are jobs guaranteed for furloughed staff to return to, the Administrators concluded that it was necessary to make this staff member redundant.
- 7.2.3 The Administrators established that the first pay date within the Administration would be 9 July 2021, so wages had accrued for the period from 7 June 2021 to the date of Administration. In the first payroll run, the pre-Administration wage accruals were paid as normal within the 4-

weekly pay cycle in order to preserve the goodwill of staff and support the continued trading of the venues. These wages, which would otherwise rank as preferential claims, were paid by the Administrators in the sum of £10,703.

- 7.2.4 The redundant member of staff has an arrears of wages claim in the sum of £823 of which £800 ranks as a preferential claim. This claim will be made to the Redundancy Payments Service ('RPS') in the first instance for payment from the National Insurance Fund. The RPS will then have a subrogated preferential claim for the amount it has paid.
- 7.2.5 The Company operated an auto-enrolment pension scheme with NEST. It is not clear at this stage whether there are any unpaid pension contributions for previous payroll periods. The employee pension contributions deducted from the wage accruals described in paragraph 7.2.3 amount to £227 and arrangements are being made with NEST to pay these over (the pre-existing Direct Debit arrangement having been cancelled on account of the Administration). This sum would otherwise rank as a preferential claim.
- 7.2.6 At this stage in the Administration, it is unclear what the likely outcome for this class of creditor will be as this will be determined by the level of the floating charge realisations and associated costs.

7.3 Secondary Preferential Creditor – HM Revenue & Customs

- 7.3.1 From 1 December 2020, certain debts owing to HM Revenue & Customs ('HMRC') at the date of insolvency rank as a secondary preferential creditor. These debts include those listed below and are to be paid in priority to any Prescribed Part, any floating charge creditors and unsecured creditors.
- 7.3.2 HMRC have confirmed their initial claim in the Administration totals £144,312 of which £124,583 is claimed as preferential, comprised as follows:
- PAYE and Employees NIC - £36,116
 - VAT - £88,467

- 7.3.3 As noted above, at this stage in the Administration it is unclear what the likely outcome for this class of creditor will be as this will be determined by the level of the floating charge realisations and associated costs (although we do not expect to be repaid in full in any event).

7.4 Unsecured Creditors

- 7.4.1 According to the Company records, there are estimated to be some 48 trade & expense creditors with unsecured claims in the region of £126,148. HMRC have confirmed the non-preferential unsecured element of their claim is £19,728. Including this, claims received to date currently total £50,459 from five creditors.
- 7.4.2 Based on the current estimates of realisable values and costs in the Administration, it is not anticipated that there will be sufficient funds available to pay a dividend to unsecured creditors. Any change to this view will be disclosed in future reports.

8 Prescribed Part

- 8.1 In accordance with Section 176A of the Insolvency Act 1986, a proportion of the Company's net assets are to be set aside for the benefit of the Company's unsecured creditors where the Company has granted a floating charge after 15 September 2003. This is calculated as being 50% of the first £10,000 of net property and 20% of net property thereafter subject to a maximum fund of £600,000. Net property is defined as being the realisations from assets subject to the floating charge after costs and after settlement of the preferential creditors' claims.
- 8.2 As the Company granted qualifying floating charges in June 2016, the provisions of the Prescribed Part do apply in this matter. However, as preferential creditors are not expected to

be paid in full there will be no net property and therefore no prescribed part made available to unsecured creditors.

9 Statement of Affairs

- 9.1 In accordance with paragraph 47 of Schedule B1 of the Insolvency Act 1986, the Directors' were requested to prepare a Statement of Affairs by 5 July 2021. The Directors responded to advise that further time was required to work with the Company's accountant, MCL, to convert the management accounting information into the required format. An extension to this deadline was requested and agreed at 4 August 2021.
- 9.2 The Administrators understand that this work is almost completed and expect to receive the Statement of Affairs shortly. A copy of the Statement of Affairs will be shared with creditors in our next report.
- 9.3 As noted earlier, included at Appendix B is a summary of financial position at 21 June 2021 based on information which MCL has assisted the Directors with preparing. A list of creditors is provided at Appendix C.

10 Receipts & Payments Account

- 10.1 Appendix D provides a summary of receipts and payments for the period from 21 June 2021 to 6 August 2021 which shows that there are currently funds in the Administration estate totalling £46,412.
- 10.2 The Administration account is held at Barclays Bank plc and is interest bearing. The trading account is held by Onecall Management Ltd with the Royal Bank Scotland plc. The merchant services account is operated by Onecall Management Ltd with Worldpay.
- 10.3 An explanation of any payments made to date is provided in Section 18 below.

11 Estimated Outcome Statement

- 11.1 Attached at Appendix E is an Estimated Outcome Statement ('EOS') which illustrates the order of distribution to creditors from realisations as noted at Section 7. However, the potential realisable values for the Properties are currently uncertain and to estimate the values for the purpose of the EOS may prejudice the values ultimately received. The EOS does not take account of any additional realisations that may be achieved via a going concern sale of the business.
- 11.2 The EOS is based on the following assumptions:
- That the business will trade under the control of the Administrators for approximately six months and that trading is cost neutral to the estate
 - That the realisations from a going concern sale of the business or of the properties will be sufficient to repay HSBC in full under their fixed charge
 - That the remaining fixed charge realisations will be insufficient to discharge to the amount due to the second chargeholder in full, resulting in a shortfall carried down to the floating charge
 - At this stage the Administrators are not able to estimate the quantum of floating charge realisations, however, it is assumed that these will be insufficient after costs to enable a distribution to either class of preferential creditors.

12 Duration

- 12.1 The appointment of the Joint Administrators shall cease to have effect at the end of the period of one year beginning with the date of their appointment. However, pursuant to Paragraph 76 of Schedule B1 of the Insolvency Act, 1986 this may be extended by either:
- an application to Court for a specified period, or
 - by consent of the creditors for a specified period not exceeding one year.
- 12.2 It is unclear at present if an extension of the Administration is likely to be sought in this case, but creditors will be kept advised of developments.

13 Proposed Exit Route

- 13.1 Based on current projections, it is thought to be unlikely that there will be sufficient realisations to enable a dividend to unsecured creditors. As such, it is proposed that the Administrators exit the Administration via the dissolution route, by issuing their final report and filing a notice under Paragraph 84(1) of Schedule B1 of the Insolvency Act 1986.
- 13.2 In the event that realisations exceed expectations and a non-Prescribed Part unsecured dividend becomes available, the Administrators reserve the right to exit the Administration via a Creditors Voluntary Liquidation ('CVL') by filing a notice under Paragraph 83 of Schedule B1 of the Insolvency act 1986.
- 13.3 If a CVL is the most appropriate exit route then it is proposed that the Administrators, Patrick Alexander Lannagan and Julien Robert Irving, (or if appropriate their successors) be appointed as Joint Liquidators. However, in accordance with Paragraph 83(7) of Schedule B1 of the Insolvency Act 1986, and Rule 3.60 of the Insolvency (England and Wales) Rules 2016, creditors may nominate a different person to act as Liquidator provided that the nomination is made after the receipt of these proposals and before the deemed decision for their approval, which is 24 August 2021.

14 Approving the Proposals

- 14.1 A summary of the Joint Administrators Proposals is provided below:
- That the Joint Administrators continue to pursue a sale of the business and / or freehold properties with a view to maximising the realisations for the benefit of creditors
 - That the Joint Administrators continue to trade the business during this marketing period with a view to maximising the realisations for the benefit of creditors
 - That the Joint Administrators continue to investigate the potential for pursuing the COVID-19 business interruption insurance claim
 - That the Joint Administrators in conjunction with their legal advisors resolve the issues in respect of the second chargeholder, which may involve an application to Court for directions in relation to several related aspects
 - That the Joint Administrators continue to investigate, and if appropriate, pursue any claims that an office holder and / or the Company may have under The Companies Act or the Insolvency Act 1986 against any parties concerned with the affairs of the Company as disclosed in section 6
 - That, if so required, the Joint Administrators make a Prescribed Part distribution to the unsecured non-preferential creditors as appropriate as outlined in section 8
 - That the Joint Administrators conclude the Administration by filing a notice to dissolve the Company under Paragraph 84(1) of Schedule B1 of the Insolvency Act 1986. The Company will be dissolved three months thereafter.

- That in the event an offer is received and is capable of being implemented, including appropriate funding, to return the Company to viability it is proposed that the Company may exit Administration via a Company Voluntary Arrangement and that the Administrators, Patrick Lannagan and Julien Irving (or if appropriate, their successors) be appointed as Joint Supervisors.
 - That in the event there are insufficient funds available to make a non-Prescribed Part distribution to unsecured creditors yet there are further matters to investigate, the Joint Administrators conclude the Administration with a petition to Court to wind up the Company and seek the appointment of Patrick Lannagan and Julien Irving (or if appropriate, one of their successors) as part of the petition pursuant to Section 140(1) of the Insolvency Act 1986.
 - That, in the event that there are sufficient funds to pay a non-Prescribed Part unsecured dividend to creditors, the Joint Administrators will place the Company into Creditors' Voluntary Liquidation. Assuming no other nominations are received, the proposed Joint Liquidators are to be Patrick Alexander Lannagan and Julien Irving (or if appropriate their successors). In accordance with section 231 of the Insolvency Act 1986, the Joint Liquidators are to act jointly and severally.
- 14.2 In accordance with Paragraph 52(1)(b) of Schedule B1 of the Insolvency Act 1986, a decision of the creditors is not required in respect of the Proposals in this instance. This is because the Administrators believe the Company has insufficient property to enable a distribution to be made to unsecured creditors, other than any funds that may be available to be distributed in accordance with the Prescribed Part.
- 14.3 Creditors whose debts amount to at least 10% of the total debts of the Company may requisition a decision in respect of the Proposals if they require such. The request must be made on the Decision Request Form (available to download from the Creditor Portal), within eight business days of the date of delivery of these proposals. If a decision is requisitioned, those creditors supporting the request will be required to provide security for costs arising from the requisitioned decision.
- 14.4 If a decision is requisitioned, the creditors will have the opportunity to form a creditors' committee. The purpose of such a committee would be to assist the Joint Administrators in the discharge of their duties and responsibilities. If a decision in respect of the approval of the Proposals is not requisitioned within the prescribed timescale, the Proposals will be deemed to have been approved on 24 August 2021.

15 Approving the Costs of the Administration

- 15.1 Where the Company has insufficient property to enable a distribution to be made to unsecured creditors (other than, where appropriate, any funds that may be available to be distributed in accordance with the Prescribed Part) approval of the following is to be sought from the secured creditors of the Company:
- (i) Pre-Administration costs
 - (ii) Basis of the Administrators' remuneration
- 15.2 While unsecured creditors are not required to approve such costs, they are required to be provided with details of the likely costs.
- 15.3 The Administrators are not seeking any costs approvals at this time.

16 Pre-Administration Costs

- 16.1 Work was undertaken prior to the appointment of Administrators as set out earlier in the report by Mazars, Andrew Jackson Solicitors LLP and Gateley. The work undertaken and the costs

incurred by Mazars were authorised and approved by the Directors in an engagement letter signed on 18 March 2021.

- 16.2 These costs were incurred before the Company entered Administration but with a view to it doing so in order to further the achievement of the Administration objective.
- 16.3 The pre-Administration costs total £49,200.29 plus VAT. A summary of the costs incurred for information only, split by professional firm, is provided in the table below:

Firm	Fees (£)	Disbursements (£)
Mazars LLP	18,258.00	-
Andrew Jackson Solicitors LLP - Solicitor	7,593.00	762.74
Gateley plc – Solicitor	22,586.55	-
Total	48,437.55	762.74

16.4 Description of Work Undertaken

16.4.1 Mazars

Mazars was formally engaged on 18 March 2021 by the Board to assist them in placing the Company into Administration.

Work undertaken has included advising and assisting the Board in relation to the Company's affairs and business prior to the appointment of an Administrator; in relation to discussions or negotiations with the Company's creditors and stakeholders; in relation to discussions with potential purchasers of the Company's business and assets; reviewing cash flows and funding requirements to enable the Company to continue to trade whilst in Administration; assisting the Board with the formalities of placing the Company into Administration and liaising with the instructed solicitors.

The costs for this work totalling £18,258.00 have been incurred on a time costs basis and equate to 42.8 hours at a blended hourly rate of £426.59. A detailed table of costs incurred, and a description of the work undertaken in respect of these costs is provided at Appendix F.

16.4.2 Andrew Jackson Solicitors LLP

This firm of solicitors were the Board of Directors' instructed solicitors prior to the Administration and they were instructed to advise and assist the Directors of the Company (Board) in connection with the proposed Directors' appointment of Patrick Lannagan and Julien Irving as Joint Administrators of the Company. In carrying out this work, they liaised with Gateley and Mazars on the potential routes to Administration, e.g. an out of Court appointment or a Court appointment and were chosen on the basis of the pre-existing current knowledge of the Company and the Second Chargeholder Documents issue.

The work carried out has involved advising the Board on the process to be adopted in this insolvency; drafting board minutes and obtaining approval of the same; drafting the appointment pack; conducting winding up searches; arranging and attending to swearing of Notice of Intention to appoint Administrators ('NOI'); filing NOI at Court and obtaining sealed copies for service; arranging service of the NOI on the required parties; update emails to the Board, Mazars and Gateley; monitoring the period between NOI and filing of Notice of Appointment of Administrators ('NOA'); liaising with Board and proposed Administrators; further winding up search; arranging and attending to swearing of NOA; filing NOA after expiry of five clear business days'; service of NOA on the Administrators.

Disbursements of £762.74 have been incurred comprising search fees, the Court fee and remote video link swear fees.

16.4.3 Gateley

Gateley had recently acted for HSBC in connection with the Company and have assisted with advice in relation to the security granted by the Company, and other related arrangements, and also advice for the specific purpose of assisting Andrew Jackson Solicitors LLP and Mazars with the route into Administration. Their costs disclosed in the table above were incurred before the Company entered Administration with a view to it doing so and accordingly constitute 'unpaid pre-Administration costs' within the meaning of Rule 3.1 of The Insolvency (England & Wales) Rules 2016.

16.5 Approval of the Pre-Administration Costs

16.5.1 None of these costs have been paid to date. Approval of the pre-Administration costs is not part of the Proposals and agreement for these costs to be paid as an expense of the Administration will be sought in due course from the secured creditors.

16.5.2 Approval of the pre-Administration costs is not part of the Proposals and is not being sought at this time. If approval is received in due course, the payment of these costs will be treated as an expense of the Administration.

17 Basis of Administrators' Remuneration

17.1 In accordance with Rule 18.16 of the Insolvency (England and Wales) Rules 2016, the basis of the Administrators' remuneration may be fixed:

- a) as a percentage of the value of the property with which the Administrators have to deal; or
- b) by reference to the time properly given by the Administrators and their staff in attending to matters arising the Administration; or
- c) as a set amount; or
- d) as a combination of any one or more of the above.

17.2 As it is not currently anticipated that there will be a dividend return to unsecured creditors, it is expected that the approval of the basis and quantum of the Administrators' remuneration will fall to the secured creditors. However, no decision on remuneration is being sought at this stage and no fees can be drawn until approval is obtained.

17.3 Our Rates and Expenses policy included at Appendix H is subject to change, as charge out rates may increase over the period of the administration of the case, in common with other professional firms. Details of any changes will be provided as part of my reporting throughout the life of the case. All staff that work on the case, including the cashiers, support and any secretarial staff charge their time directly to the assignment in 6-minute units.

17.4 Creditors can find additional information relating to an Administrator's fees in a copy of the publication "A creditors guide to Administrators' Fees" which is available to download from <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29113/page/1/guide-to-administrators-fees/>

17.5 or alternatively will be provided free of charge upon written request to this office.

17.6 Costs Already Incurred

17.6.1 As work has already been undertaken and is ongoing prior to seeking fee approval, including instructing agents and solicitors in respect of marketing the business and properties, securing and insuring the property assets, trading the business, dealing with the immediate post-appointment statutory matters, liaising with creditors, etc. some costs have already been incurred and will continue to be incurred before fee approval is obtained.

17.6.2 Appendix G provides a summary of the Administrators' time costs to date for information purposes only. For the period to 6 August 2021, 185.9 hours have been spent dealing with the

administration of this case, at a total cost of £54,572.50 representing an average hourly rate of £293.56.

- 17.6.3 A narrative summary of the work undertaken to date is also provided at Appendix G, however, this narrative is restricted to the work done to date and details of the future work required (and costs associated with this) will be provided along with the Administrators' Fee Estimate in due course.

18 Expenses

- 18.1 Expenses are any payments from the estate which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements. Disbursements are payments which are first met by the office holder, and then reimbursed to the office holder from the estate.
- 18.2 Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2).
- **Category 1 expenses:** These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. Category 1 expenses can be paid without prior approval.
 - **Category 2 expenses:** These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as an office holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.
- 18.3 The Administrators are not seeking the approval of the payment of Category 2 expenses at this stage but provide a copy of their Rate and Expenses Policy at Appendix H for information only.
- 18.4 Other than costs associated with trading the business and Mazars time costs detailed above, no costs of the Administration have yet been paid. However, costs are being incurred in relation to ongoing work by professional advisers and in relation to property security and insurance costs as well as statutory costs such as advertising. A summary of expenses incurred but not yet paid is set out below:

Category	Due to	Amount (£)
Legal Fees & Disbursements	Gateley plc	£51,823.50
Agents' marketing budget	Avison Young (UK) Limited	£5,000.00
Statement of Affairs Fee	Mitchell Charlesworth LLP	£7,500.00
Insurance	Marsh Limited	Premium cost not yet confirmed
Property Security	Marpol Security	Not yet confirmed – work ongoing
Administrators' Disbursements:	Mazars LLP - paid to	
Specific bond premiums	Marsh Limited	24.74
Postage Costs	Postworks	43.04
Statutory Advertising	Court Advertising Limited	119.34
EPC (Windmill Tavern)	Green-R Ltd	400.00

19 Future Reports

- 19.1 A progress report covering the first six months of the Administration will be circulated to creditors during January 2022.

Should you have any queries in relation to this matter, please do not hesitate to contact Sidhra Qadoos at this office.

Yours faithfully

For and on behalf of Provincial Hotels & Inns Limited



Patrick Lannagan

Joint Administrator

Dated 11 August 2021

Authorised to act as an insolvency practitioner in the UK by the Institute of Chartered Accountants in England and Wales and bound by the Insolvency Code of Ethics.

Where personal data is required to be processed, this will be dealt with in accordance with the Mazars LLP Insolvency Services Privacy Statement which can be accessed at: www.mazars.co.uk/Legal-and-privacy.

The affairs, business and property of the Company are being managed by the Joint Administrators. The Joint Administrators act as agents of the Company and without personal liability

PROVINCIAL HOTELS & INNS LIMITED - IN ADMINISTRATION

Identification Details

Details relating to the Company

Company name	Provincial Hotels & Inns Limited
Previous names	N/A
Trading name	N/A
Company number	08766501
Registered office	c/o Mazars LLP, One St Peters Square, Manchester, M2 3DE
Previous registered office	Ground Floor Office, Quarry Warehouse, Quarry Lane , Sandside, Milnthorpe LA7 7HG
Trading addresses	The County Hotel, Lancaster Road, Carnforth LA5 9LD The Blue Anchor, 68 Main Road, Bolton Le, Sands, Carnforth LA5 8DN
Court	High Court of Justice, Business & Property Court in Leeds, Insolvency & Companies List ChD
Court reference	257 of 2021

Details relating to the Joint Administrators

Date of appointment	21 June 2021
Joint Administrators	Patrick Alexander Lannagan and Julien Robert Irving, both of Mazars LLP IP No(s) 009590 and 013092
Joint Administrators' functions	All acts required to be done by the Joint Administrators, may be done by either or both, acting jointly or alone
Joint Administrators' address	Mazars LLP, One St Peters Square, Manchester, M2 3DE
Appointed by	the directors
Joint Administrator's contact telephone number	+44(0) 161 238 9200

Provincial Hotels & Inns Limited - in Administration
Summary of Financial Position as at 21 June 2021

		£	£
Fixed Assets			
	Goodwill & Investments	1	
	Freehold land and property	2,574,447	
	Plant & Machinery	5,753	
	Fixtures & Fittings	181,759	
		<hr/>	2,761,960
Current Assets			
	Stock	31,259	
	Debtors	129,462	
	Cash at Bank and in Hand	8,484	
		<hr/>	169,205
Creditors			
	Secured Creditors	(3,593,862)	
	Preferential Creditors	(10,918)	
	Secondary Preferential Creditors	(124,584)	
	Unsecured Creditors	(173,579)	
		<hr/>	(3,902,943)
Net Assets / (Liabilities)			<hr/> (971,778)

PROVINCIAL HOTELS & INNS LIMITED - IN ADMINISTRATION
SCHEDULE OF CREDITORS

TRADE & EXPENSE CREDITORS					
AMPOWER	25 SHIRWELL CRESENT	FURZTON LAKE	MILTON KEYNES	MK4 1GA	14,780.59
BES COMMERCIAL GAS	PARK SIDE STAND	FLEETWOOD TOWN FOOTBALL CLUB	PARK AVENUE LANCASHIRE	FY7 6TX	557.10
BIDVEST FOODSERVICE	645 AJAX AVE	SLOUGH	SL1 4DG		2,548.18
BOOKING.COM	HERENGRACHT 597	1017 CE AMSTERDAM	NETHERLANDS		2,242.95
BT PLC (A/c GP 0064 6434 from 11/1/21)	81 NEWGATE STREET	LONDON	EC1A 7AJ		1,194.52
BT PLC (Account GP 0049 5965)	81 NEWGATE STREET	LONDON	EC1A 7AJ		2,464.96
BT PLC (Account LC 3035 4700)	81 NEWGATE STREET	LONDON	EC1A 7AJ		1,092.30
BT PLC (GP 0086 4818)	81 NEWGATE STREET	LONDON	EC1A 7AJ		166.18
BT MOBILE	81 NEWGATE STREET	LONDON	EC1A 7AJ		1,177.88
CLOUD2IT LTD	IRONWORKS HOUSE	WARTON ROAD	CARNFORTH	LA5 9EX	108.00
CRYSTAL BAR EQUIPMENT	ENTERPRISE WAY	AIREDALE BUSINESS CENTRE	UNIT 11, GHYLL WAY	SKIPTON BD23 2DD	291.20
DH HOSPITALITY MANAGEMENT LTD	76c DAVYHULME ROAD	URMSTON	MANCHESTER	M41 7DN	574.83
DUCKETT BUILDING SERVICES	CLAWTHORPE HALL	BURTON	CARNFORTH	LA6 1NU	1,353.06
EWGA LTD	HYNING HOME FARM	DOCK ACRES	WARTON CARNFORTH	LA6 1 HP	1,732.16
FOCUS 4 U / FOCUS GROUP	FOCUS HOUSE	HARM ROAD	SHOREHAM BY SEA	BN43 6PA	3,470.41
FYLDE COUNCIL	TOWN HALL	ST ANNES ROAD WEST	LYTHAM ST ANNES	FY8 1LW	4,069.00
GRENKE LEASING	2 LONDON SQU	CROSS LANE	GUILDFORD, SURREY	GU1 1UN	319.79
HARRISON PITT ARCHITECTS	29 CASTLE HILL	LANCASTER	LA1 1YN		1,140.00
HAVEN POWER	HAVEN POWER	DRAX POWER STATION	SELBY, NORTH YORKSHIRE	YO8 8PH	10,856.41
HEINEKEN UK LIMITED	3-4 BROADWAY PARK	SOUTH GYLE BROADWAY	EDINGBURGH	EH12 9JZ	6,794.23
HORIZON ENVIRONMENT SERVICES LTD (PESTOKIL)	GRAVES OAKLANE	LEIGH	LANCASHIRE	WN7 3SE	111.60
HOTEL & TRAVEL SOLUTIONS LTD	128 HANBURY ROAD	STOKE PRIOR	BROMSGROVE	B60 4JZ	0.00
HOTEL FOCUS	KING STREET	BAKEWELL	DERBYSHIRE	DE45 1DZ	144.48
ITNETUK.COM LTD	41 NEW STREET	CARNFORTH	LA5 9BX		364.19
JOHN FARRER & CO. (KENDAL) LTD	9 SHAP ROAD INDUSTRIAL ESTATE	KENDAL	LA9 6NZ		198.93
LANCASTER BID	CITY LAB	4-6 DALTON SQUARE	LANCASTER	LA1 1PP	255.00
LANCASTER CITY COUNCIL	TOWN HALL	DALTON SQUARE	LANCASTER		5,280.45
THE LANCASTER BREWERY	WYRESDALE ROAD	LANCASTER	LA1 3LA		499.08
LCR SYSTEMS	66-68 YORKSHIRE STREET	MORECAMBE	LA3 1QF		474.00
M B DIGITAL	BEEZON LODGE	BEEZON ROAD	KENDAL	LA9 6EL	311.21
MITCHELL CHARLESWORTH LLP	5 TEMPLE SQUARE	TEMPLE STREET	LIVERPOOL	L2 5RH	29,488.00
MTP MEDIA (2008) LTD	THE SIDINGS	BEEZON ROAD	KENDAL	LA9 6BL	705.60
ONECALL	OFFICE 12, GAINSBOROUGH HO	CAMPDEN BUSINESS PARK,	CHIPPING CAMPDEN, GLOS.	GL55 6JX	4,620.00
ONLINE SYSTEMS	WESTMOOR HOUSE	WESTMOOR ROAD	KINGSTON INDUSTRIAL ESTATE	CARLISLE CA3 0HD	1,775.20
PARSONS	MUSEUM LODGE	STATION ROAD	KENDAL	LA9 6BT	174.24
PPL PRS LTD	MERCURY PLACE	ST GEORGE STREET	LEICESTER	LE1 1QG	2,916.62
PRIMO DRINKS	230 BRISTOL AVENUE	BISPHAM	BLACKPOOL	FY2 0JF	6,873.27
REGENT GAS	REGENT HOUSE	KENDAL AVENUE	ACTON	W3 0XA	0.00
RUNDLES	53 NORTHAMPTON ROAD	MARKET HARBOROUGH	LEICESTERSHIRE	LE16 9HB	1,000.00
SCOTTISH & SOUTHERN ENERGY	NO1 FORBURY PLACE	43 FORBURY ROAD	READING	RG1 3JH	545.15
SHORROCK TRICHEM LTD	CHANTERS INDUSTRIAL ESTATE	ATHERTON	MANCHESTER	M46 9SD	345.26
SKY	PO BOX 1805	LIVINGSTON	WEST LOTHIAN	EH54 7XG	783.22
TOTAL LIFT CARE	113 NEW COURT WAY	ORMSKIRK	LANCASHIRE	L39 2YT	2,332.20
UDALE SPECIALITY FOODS LTD	1-7 SCHOLA GREEN LANE	MORECAMBE		LA4 5QT	1,683.02
WALKER FIRE (UK) LTD	UNIT 81	ROMAN WAY INDUSTRIAL ESTATE	PRESTON	PR2 5BB	78.66
WATER PLUS	PO BOX 12460	HARLOW	CM20 9PJ		26,742.33
WESTMORLAND LAUNDRY SERVICES	UNIT 2A, SOUTHGATE	WHITE LUND INDUSTRIAL ESTATE	MORECAMBE	LA3 3PE	358.26
WORMS EYE LIMITED	52 BANKS PARADE	BURNLEY	LANCASHIRE	BB11 1TS	1,680.00
TOTAL TRADE & EXPENSE CREDITORS					126,147.54

PROVINCIAL HOTELS & INNS LIMITED (IN ADMINISTRATION)
Joint Administrators' Trading Account
to 6 August 2021

Statement of Affairs			
	£	£	£
<hr/>			
POST APPOINTMENT SALES			
Sales	<u>109,149.51</u>		109,149.51
PURCHASES			
Purchases	<u>21,209.98</u>		(21,209.98)
OTHER DIRECT COSTS			
Wages & Salaries	43,041.49		
Staff Expenses	301.50		
Consumable Stores	<u>622.89</u>		(43,965.88)
TRADING EXPENDITURE			
IT & Telecommunications	171.85		
Laundry Costs	1,128.15		
Professional Fees	2,497.50		
Bank Charges & Worldpay Fees	1,425.34		
Venue Entertainment	120.00		
Hire of Equipment	242.66		
Repairs & Maintenance	1,370.51		
Booking Subscriptions	170.00		
Licence Fees	115.00		
Ransom Payments to Creditors	<u>3,534.22</u>		(10,775.23)
TRADING SURPLUS/(DEFICIT)		<u><u>33,198.42</u></u>	

PROVINCIAL HOTELS & INNS LIMITED (IN ADMINISTRATION)
Joint Administrators' Summary of Receipts & Payments
to 6 August 2021

Statement of Affairs		£	£
SECURED ASSETS			
Rent Receivable	2,675.64		2,675.64
ASSET REALISATIONS			
Cash at Bank & in Transit	8,484.18		
Trading Surplus	33,198.42		41,682.60
REPRESENTED BY			
Cash Account			9,996.40
Floating Charge Current			0.37
Worldpay Account			7,218.90
Funds Held by OneCall			29,196.52
Trading Debtors			494.62
Trading Creditors			(24.70)
VAT Payable			(5,649.94)
VAT Payable (Fixed)			(535.12)
VAT Receivable			3,661.19
			<u>44,358.24</u>

**PROVINCIAL HOTELS & INNS LIMITED - IN ADMINISTRATION
ESTIMATED OUTCTOME STATEMENT AS AT 6 AUGUST 2021**
APPENDIX E

	RECEIPTS / PAYMENTS TO DATE £'000	FUTURE RECEIPTS / PAYMENTS £'000	ESTIMATED FINAL POSITION £'000
FIXED CHARGE ASSETS			
Freehold Properties	0.0	uncertain	uncertain
Rent Receivable	2.7	uncertain	uncertain
	<u>2.7</u>	<u>uncertain</u>	<u>uncertain</u>
COSTS OF REALISATION			
Administrators Fees & Disbursements	0.0	uncertain	uncertain
Legal Fees & Disbursements	0.0	uncertain	uncertain
Agents Fees & Disbursements	0.0	uncertain	uncertain
Other Costs of Sale	0.0	uncertain	uncertain
Insurance	0.0	uncertain	uncertain
Property Holding Costs	0.0	uncertain	uncertain
AVAILABLE TO FIXED CHARGEHOLDERS	<u>2.7</u>	<u>uncertain</u>	<u>uncertain</u>
HSBC Bank plc	0.0	1,544.6	1,544.6
Surplus / Shortfall as regards HSBC Bank plc	<u>2.7</u>	<u>uncertain</u>	<u>uncertain</u>
Second Chargeholder	0.0	uncertain	uncertain
Surplus / Shortfall as regards Second Chargeholder	<u>2.7</u>	<u>uncertain</u>	<u>uncertain</u>
FLOATING CHARGE ASSETS			
Trading Profit / (Loss)	33.2	(33.2)	0.0
Surplus under the Fixed Charge	2.7	uncertain	uncertain
Cash at Bank & In Transit	8.5	0.0	8.5
COVID-19 Business Interruption Claim	0.0	uncertain	uncertain
	<u>44.4</u>	<u>uncertain</u>	<u>uncertain</u>
COSTS OF REALISATION			
Administrators Fees & Disbursements	0.0	uncertain	uncertain
Legal Fees & Disbursements	0.0	uncertain	uncertain
Statement of Affairs Fee	0.0	(7.5)	(7.5)
Other Costs	0.0	uncertain	uncertain
AVAILABLE TO PREFERENTIAL CREDITORS	<u>44.4</u>	<u>uncertain</u>	<u>uncertain</u>
Preferential Creditors	0.0	(0.8)	(0.8)
AVAILABLE TO SECONDARY PREFERENTIAL CREDITOR	<u>44.4</u>	<u>uncertain</u>	<u>uncertain</u>
H M Revenue & Customs	0.0	(124.5)	(124.5)
NET PROPERTY	<u>44.4</u>	<u>uncertain</u>	<u>uncertain</u>
Less: Prescribed Part			uncertain
AVAILABLE TO FLOATING CHARGEHOLDER			<u>uncertain</u>
Second Chargeholder (shortfall brought down)			uncertain
AVAILABLE TO UNSECURED CREDITORS			<u>uncertain</u>

PROVINCIAL HOTELS & INNS LIMITED - IN ADMINISTRATION

DETAILS OF PRE-ADMINISTRATION TIME COSTS

Description of work	Total Time (hours)	Total Cost (£)	Blended Hourly Rate (£)
Initial Meetings and Advice Work in this category has involved: <ul style="list-style-type: none"> • Meetings with Company Directors and management in regards to the Company's trading cashflow; and • Advising on options. 	6.70	3,103.50	463.21
Documentation Review & Reporting to Key Creditors Work in this category has involved: <ul style="list-style-type: none"> • Engaging with the Company's secured lender with regards to the options available to the Company, and the impact on the lender; • Reviewing management's short-term cash flow and critical payments from March to June; • Reviewing and monitoring creditor pressure; • Liaising with HSBC Bank plc re. cash flows and updates on strategy; and • Agreeing the Administration strategy with the secured lender.. 	8.20	3,678.50	448.60
Statutory and Appointment Work in this category has involved: <ul style="list-style-type: none"> • Engaging solicitors to assist with the pre-Administration process; • Liaising with solicitors re. the identity of the second fixed charge holder; • Liaising with solicitors regarding the Notice of Intention to appoint; • Concluding on the objective of Administration; • Consenting to act; • Providing statements of prior professional relationship; • Review of statutory documentation, including statutory notices; • Liaising with solicitors regarding the Notice of Appointment of Administrators; and • Internal meetings to plan for ongoing trade following formal appointment.. 	27.90	11,476.00	411.33
Overall	42.80	18,258.00	426.59

**PROVINCIAL HOTELS & INNS LIMITED - IN ADMINISTRATION
ANALYSIS OF TIME COSTS**

Actual time costs for the period 21 June 2021 to 6 August 2021			
Description of Work	Time incurred (hours)	Total Costs (£)	Blended Hourly Rate (£)
Admin & Planning	32.00	6,779.50	211.86
Taxation	9.60	2,826.00	294.37
Investigations	3.20	1,125.00	351.56
Realisation of Assets	32.70	11,592.00	354.50
Trading	42.50	12,073.00	284.07
Employees	9.20	2,133.00	231.85
Creditors	19.00	7,295.00	383.95
Reporting	18.30	6,054.00	330.82
Cashiering	8.00	1,740.00	217.50
Statutory & Compliance	11.40	2,955.00	259.21
Total	185.90	54,572.50	293.56

PROVINCIAL HOTELS & INNS LIMITED (IN ADMINISTRATION)
NARRATIVE SUMMARY OF WORK UNDERTAKEN IN THE PERIOD 21 JUNE 2021 TO 06 AUGUST 2021

Introduction

The summary provides a proportionate overview of the work carried out in light of the specific circumstances of the case and includes details of the work that has been done during the period, why it was done and whether the work provides a financial benefit to creditors.

This summary should be read together with the Time Costs Analysis at Appendix G. The costs incurred in relation to each category are set out in the attached Time Cost Analysis.

Work carried out in the current period

Administration and Planning

The following work has been undertaken:

- Setting up a week one action list, completing case strategy notes;
- Holding internal strategy and planning meetings;
- Holding strategy meetings with the management team and Onecall in respect of trading the business;
- Managing and maintaining the case on the Firm's client systems and our specialist insolvency software system;
- Setting up a dedicated mailbox for creditors and suppliers to support ongoing communications; and
- Preparing and agreeing the content of a press release.

The majority of this work derived no financial benefit for creditors. However, appropriate case administration and planning ensures that the case is managed coherently and efficiently, with minimisation of costs and avoidance of duplication of work. A clear case strategy and strong internal processes add value through the efficient management of the case. This work is also required in order to appropriately document and record how the case has been administered in accordance with regulatory requirements.

Taxation

The following activities were undertaken in order to ensure the Company is compliant with tax requirements:

- Providing statutory notifications of the Administration to HM Revenue and Customs ('HMRC');
- Collating information for an initial VAT review by Mazars VAT team;
- Collating information required for an initial tax review by Mazars Tax team;
- Seeking advice from Mazars VAT team in respect of VAT rates applicable to the hospitality industry; and
- Opting to tax the Company's freehold properties.

The majority of this work derived no financial benefit for creditors, however, it is required in accordance with tax legislation.

Investigations

Further details of the investigation required to be carried out is provided within Section 6 of the report.

A summary of the work undertaken to date is as follows:

- Preparing and issuing questionnaires to the Directors in accordance with statutory requirements;
- Preparing and issuing standard information requests to the Company's accountant and HSBC Bank plc;
- Issuing requests for copy documentation to various parties; and
- Making enquiries re Company records.

The majority of this work derived no financial benefit for creditors. However, it is required in order to ensure compliance with statutory duties.

Realisation of Assets

The work undertaken in respect of the realisation of the Company's assets is detailed in Section 5 of the report.

The main assets comprise of a portfolio of five freehold properties and work undertaken to date includes:

- Meetings with the Directors, agents and solicitors to discuss, plan and progress a strategy with regard to pre-existing interest in the portfolio and other property-related and legal matters;
- Arranging appropriate insurance cover, liaising with brokers to arrange site visits, reviewing risk reports & action points, arranging for unoccupied building compliance work and appropriate security measures to be implemented;
- Obtaining and reviewing the terms of the pre-existing tenancies;
- Corresponding with the bank in relation to freezing accounts;
- Conducting searches at Land Registry to ascertain details of the properties;
- Instructing agents Avison Young and Eckersleys to assist with marketing and sale of the properties ;
- Reviewing and agreeing the agents' marketing proposals and promotional material;
- Reviewing preliminary expressions of interest;
- Reviewing correspondence with previous insurers, discuss business interruption claim with Directors, request information from Directors to progress the claim with the underwriters; and

PROVINCIAL HOTELS & INNS LIMITED (IN ADMINISTRATION)
NARRATIVE SUMMARY OF WORK UNDERTAKEN IN THE PERIOD 21 JUNE 2021 TO 06 AUGUST 2021

- Liaising with employees re access to properties & repair & maintenance issues.

There is a financial benefit to creditors in carrying out this work as it will enable the realisation of assets and funds for the Administration estate, which will result in a return to some class of creditors. The level of return will be dependent on level of realisations. The costs associated with the recovery are considered appropriate in the circumstances.

Trading

Following appointment of the Joint Administrators, the Administrators continue to trade two of the Company's premises in Administration, while suitable Purchasers are sought and in order to maximise the value of the business.

Work undertaken to date in this category includes:

- HR/Employee related issues and staff management;
- Contacting retained employees with Notice of Appointment and providing further information with regards to ongoing employment in Administration;
- Dealing with suppliers and utility companies in respect of orders and undertakings where necessary;
- Payroll processing in respect of the retained employees, liaising with management and MCL, payment of salaries;
- Liaising with utility companies with regards to ongoing services required and opening meter readings;
- Health & Safety assessment;
- Liaising with management and Onecall on various matters;
- Monitoring weekly trading, reconciliations and maintaining a cashbook; and
- Regular meetings with management re ongoing trade.

It is expected that the work undertaken will add value for the benefit of creditors by enabling a higher realisation by trading the business with a view to achieving a sale of the business as a going concern or a sale of the properties.

Employees & Pensions

The Company employed 28 employees on appointment of the Administrators. Further information regarding employees' claims is included within Section 7.2 of the report.

Work undertaken in order to ensure that employees have been dealt with appropriately includes:

- Writing to all employees to provide notification of the Appointment; advising employees of their position, and their continuing employment while the Administrators continue to trade the Company;
- Review of staffing requirements, notifying redundancy, collating information for redundancy claim;
- Liaising with management re staff on sick leave, and liaising with the employee to assist in claiming statutory benefits that may be available;
- Collating information on use of CJRS scheme from MCL;
- Conducting pension scheme searches to establish details of the Company's pension scheme; and
- Preparing and issuing statutory notifications to The Pensions Regulator, the Pension Protection Fund and the pension scheme trustees in respect of the Administration.

The majority of work in this category is required for statutory purposes and so does not provide a direct financial benefit to creditors. However, corresponding with the pension scheme identified will help to ensure that all contributions are paid up

Creditors

It is estimated that there are likely to be in the region of 49 unsecured creditor claims by reference to information provided by the Company's Directors, Company records and creditor claims received to date, although this figure is expected to change as the Administrators continue to trade the business and the Company's accounts are finalised for the period to Administration. In order to ensure that creditors are dealt with appropriately, the following work has been undertaken:

- Obtaining a schedule of the Company's creditors in preparation for issuing statutory notices of appointment;
- Logging creditor claims received;
- Responding to general creditor queries;
- Corresponding with HSBC with regard to the Administration and reporting on strategy and progress;
- Ongoing meetings with Gateley with regard to the second chargeholder issue;
- Discussions with the Directors with regard to the second chargeholder issue;
- Corresponding with legal advisors of persons who have asserted status as beneficiary of the second charge; and
- Seeking confirmation from HMRC in respect of their claim.

The majority of work in this category is required for statutory purposes and so does not provide a direct financial benefit to creditors. However, establishing who is the beneficiary of the second charge (seeking legal advice and direction from the Court as may be required) and the quantum of their claim will be key in distributing the funds available under the fixed charge.

PROVINCIAL HOTELS & INNS LIMITED (IN ADMINISTRATION)
NARRATIVE SUMMARY OF WORK UNDERTAKEN IN THE PERIOD 21 JUNE 2021 TO 06 AUGUST 2021

Reporting

Reporting requirements during the period as prescribed by statute have included the following:

- Preparation of appointment notices to be placed at trading sites and on the website;
- Issuing initial statutory notices of appointment to all creditors by post;
- Filing notice of appointment with the Registrar of Companies and changing the Company's registered office;
- Advertising the appointment in the London Gazette;
- Reporting to HSBC;
- Collating information & working papers to support the Administrators Statement of Proposals; and
- Drafting the Administrators' Statement of Proposals.

The majority of this work derived no financial benefit for creditors. However, it is required in order to ensure that the case has been administered in line with regulatory requirements.

Cashiering

Cashiering work undertaken includes:

- Setting up case details on our insolvency software system;
- Setting up a bank account;
- Bank account maintenance, including periodic reconciliations; and
- Issuing payments and banking receipts, and preparing the appropriate paperwork for such transactions, including payment of staff wages.

The majority of this work derived no financial benefit for creditors. However, it is required in order to ensure that the estate bank account is operated in accordance with guidance issued by our regulatory body.

Statutory and Compliance

The work undertaken as required by statute and our internal procedures involves:

- Preparing statutory documents following appointment;
- Requesting the Statement of Affairs from the Directors and agreeing an extension of time; and
- Case bordereau.

The majority of this work derived no financial benefit for creditors. However, this work is required in order to ensure that the case has been administered in accordance with regulatory requirements.

PROVINCIAL HOTELS & INNS LIMITED - IN ADMINISTRATION

RATES AND EXPENSES POLICY

Charge-Out Rates

Details of the current charge-out rates of the personnel working on this case are set out below:

	Partner	Director	Associate Director / Manager	Senior Executive / Executive	Cashier	Support staff
Current charge out rates per hour (effective from 1 September 2020)	455 - 605	405 - 495	250 - 440	110 - 255	110 - 250	110 - 155

Charge-out rates are reviewed annually on 1 September and in common with other professional firms, may increase over the period of the administration of a case. The rates are appropriate to the skills and experience of the team member and the work that they perform. Time is recorded in 6 minute units with supporting narrative to explain the work undertaken.

Specialist departments within our Firm (such as Tax and VAT) may charge a number of hours if and when their expert advice is required. The rate ranges above incorporate these different rates.

Expenses

Expenses are any payments from the estate which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also include disbursements.

Disbursements are payments which are first met by the office holder, and then reimbursed to the office holder from the estate.

Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2).

- Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. Category 1 expenses can be paid without prior approval.
- Category 2 expenses: These are payments to associates or which have an element of shared costs. Before being paid, category 2 expenses require approval in the same manner as an office holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.

It is likely that the following Category 2 expenses will be incurred in administering the case:

- Mileage will be charged at relevant HM Revenue & Customs prevailing rates, currently 45p per mile.

The Joint Administrators reserve the right to increase the charges applicable to mileage in accordance with any increases in the prevailing rate set by HM Revenue & Customs. Any material amendments will be advised to creditors in the next statutory report.