

# AM03

## Notice of administrator's proposals



Companies House

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23/11/2017

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COMPANIES HOUSE

### 1 Company details

Company number 09175076

Company name in full Pinnacle (Angelgate) Limited

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Duncan

Surname Swift

### 3 Administrator's address

Building name/number 114 High Street

Street Southampton

Post town SO14 2AA

County/Region

Postcode

Country

### 4 Administrator's name

Full forename(s) Neil

Surname Dingley

#### 1 Other administrator

Use this section to tell us about  
another administrator

### 5 Administrator's address

Building name/number 1 Lakeside, Festival Way

Street Festival Park

Post town Stoke on Trent

County/Region

Postcode

ST15RY

Country

#### 2 Other administrator

Use this section to tell us about  
another administrator

# AM03

## Notice of Administrator's Proposals

### 6 Statement of proposals



I attach a copy of the statement of proposals

### 7 Sign and date

Administrator's  
Signature

Signature

x



x

Signature date

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**Strictly Private & Confidential**

**Pinnacle (Angelgate) Limited – In Administration ("THE COMPANY")**

**Statement of joint administrators' proposals pursuant to paragraph 49 of Schedule B1 of the Insolvency Act 1986 and Rule 3.35 of the Insolvency (England and Wales) Rules 2016**

21 November 2017

This report contains 18 pages

Moore Stephens  
The French Quarter  
114 High Street  
Southampton  
SO14 2AA

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## **Contents**

1. Statutory information
2. Glossary of terms
3. Introduction
4. Background to the administration
5. Statement of affairs
6. Objective of the administration
7. Activities to date
8. Pre-administration fees and expenses
9. Joint administrators' proposals
10. Joint administrators' remuneration
11. Joint administrators' expenses
12. Prescribed part
13. Estimated outcome
14. Approval of the joint administrators' proposals

## **Appendices**

- |              |  |
|--------------|--|
| Appendix I   | Director's statement of affairs as at 28 September 2017  |
| Appendix II  | Witness statement of Duncan Swift of 12 September 2017   |
| Appendix III | Examples of work done and to be done by the Administrators   |
| Appendix IV  | Proposed basis of Administrators' remuneration and schedule of expenses anticipated to be incurred |
| Appendix V   | Schedule of expenses already incurred  |
| Appendix VI  | Estimated outcome statement  |

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## 1. Statutory information

Company name: Pinnacle (Angelgate) Limited

Registered number: 09175076

Registered office: The French Quarter  
114 High Street  
Southampton  
SO14 2AA

Former registered office: Ground Floor, Ocean House  
Towers Business Park  
Wilmslow Road  
Manchester  
M20 2LY

Former trading address: Development site at:  
200 Dantzic Street  
Manchester  
M4 4JS

Company director: Carl Mills

Company secretary: Cindy Booth (02/02/2015 to 31/03/2016)

Authorised share capital: 20 ordinary £1 shares.

Issued share capital: 20 (100%) ordinary £1 shares held by:  
  
MVG Holdings Limited from 13/02/2017. These shares were previously held by Mason & Vaughan Group Limited, itself a 100% subsidiary of MVG Holdings Limited.

Date of appointment: 28 September 2017

Court reference: CR-2017-006015

Joint administrators: Duncan Swift  
Neil Dingley

Joint administrators' address: Moore Stephens  
The French Quarter  
114 High Street  
Southampton  
SO14 2AA  
  
E: pal.ri@moorestephens.com

Paragraph 100(2) statement: The functions and powers of the joint administrators may be exercised by either or both of the joint administrators jointly and severally.

Date of delivery of proposals: In accordance with Rule 1.45(6) of the Insolvency (England and Wales) Rules 2016, these proposals will be deemed delivered to Creditors at 09.00 GMT on the next business day after the proposals have been circulated by email.

EC Regulation: The EC Regulation on the Insolvency Proceedings 2000 applies to the administration. The proceedings are main proceedings as defined by Article 3 of the Regulation. The Company is based in the United Kingdom.

## 2. Glossary of terms

### 2.1. This proposal uses the following terms:

Term	Explanation
Ad Valorem costs	Statutory charges levied on realisations in a compulsory liquidation ("CWU").
Administrators	The joint administrators of the Company, PAL, Duncan Swift and Neil Dingley of Moore Stephens.
Applicant	The Buyer in whose name the creditor application for administration was submitted to Court.
Buyerco	Angelgate Manchester (Buyers) Limited, company no. 09275872, initial holder of monies advanced by Buyers under their Contract with the Company. And, holder of a legal (fixed) charge over the Development Site as defined below.
Buyer(s)	Individual(s) who contracted with PAL to purchase residential units at the Development Site. It is understood more than 320 individual Buyers contracted with PAL, each apartment sale Contract being counted as a 'Buyer' where individual(s) purchasers have contracted to buy more than one apartment. A Buyer's claim will be calculated and capable to vote on these proposals in accordance with paragraphs 3.7, 3.8 and 3.9.
c.	Circa, approximately.
Contract	A Buyer's 'Agreement for sale' with the Company.
Court	The High Court of Justice, Chancery Division, Companies Court, London.
Creditors	All Buyers (as defined), if there is no build-out of the Development Site; <u>and</u> , any valid third party claims such as those of HMRC and/or employees and/or professional and/or trade suppliers if there are any, collectively entitled to receive dividend payments out of asset realisations achieved in the Administration. On present information, the Administrators expect total Buyer claims will represent the vast majority (more than 95%) of the total value of Creditors' claims.
CVA	Company Voluntary Arrangement. A formal compromise between a Company and its creditors to part-pay and/or delay payment of the Company's liabilities. The compromise to be overseen by an IP (as defined below) who on behalf of the Company puts forward a CVA proposal as nominee and if that is approved by creditors then becomes the CVA Supervisor to oversee the Company's delivery of the compromise.
CVL	Creditors' Voluntary Liquidation. This is an insolvent liquidation process, which if initiated by a Company's director would seek to appoint an IP as liquidators of his choice. If initiated by Administrators of a Company to end an Administration it usually seeks to appoint the former administrators as liquidators in order to make dividend payments to unsecured creditors out of asset realisations achieved in the prior Administration.
CWU	Compulsory liquidation also known as 'Compulsory Winding-Up'. This is an insolvent liquidation process imposed over a company by the Court on a petition presented to the Court, typically by a creditor. The UK government's liquidator known as 'the Official Receiver' (the OR defined below) is appointed by the Court in the first instance.
Deadline	Closing time of 17.00 GMT Wednesday 17 January 2018 for submission of Development Site build-out proposals by interested parties to the offices of the Administrators or of their property advisers, LSH.
Development Site	Land at 200 Dantzic Street, Manchester M4 4JS England known as 'Angelgate'.

Goodwin	Goodwin Construction Group Limited, company no. 09009714, owned by Mr Richard Goodwin.
Group	Collectively MVG Holdings Limited and its subsidiaries, also known as 'Pinnacle Alliance'.
HMRC	Her Majesty's Revenue & Customs, the department of the UK government responsible for the collection of taxes.
Inca	Inca Management Limited, company no. 06960203, the designated 'Employer's Agent' under the construction contract dated 15 January 2015 in relation to the Development Site between the Company (the designated 'Employer') and PHD (the designated 'Contractor'). Inca is also the designated 'Supervisor' in Buyers Contracts with the Company.
IP	Licensed Insolvency Practitioner, an individual qualified, regulated, bonded and authorised to take formal insolvency appointments in the United Kingdom.
LSH	Lambert Smith Hampton, 6 <sup>th</sup> Floor, 3 Hardman Street, Spinningfields, Manchester M3 3HF, property advisers appointed by the Administrators of PAL to assist them with the Development Site.
Mr Mills	Mr Carl William Mills, the registered owner of MVGHoldings, which owns MVGroup and PAL. Mr Mills is also the current directors of PAL.
Ms Harvey	Ms Julie Harvey, PAL's sole director from 14 August 2014 until 22 August 2016.
MVGHoldings	MVG Holdings Limited, company no. 10394374, ostensibly owned by Mr Mills.
MVGroup	Mason & Vaughan Group Limited, company no. 08155816, owned by MVGHoldings.
OR	The Official Receiver as referred to in the term CWU.
PAL/the Company	Pinnacle (Angelgate) Limited, company no. 09175076, owned by MVGHoldings. PAL is the owner and developer of the Development Site. PAL's sole director was Ms Harvey from 14 August 2014 until 22 August 2016. Mr Mills was appointed director on 17 August 2016.
Pinnacle Alliance	Trading name of MVG Holdings Limited and its subsidiaries.
PHD	PHD1 Construction Limited, company no. 08854778, contracted by PAL to build the residential units at the Development Site.
PMNet	Pinnacle MC Global Network Limited, company no. 08156456, a subsidiary of MVGroup, itself owned by MVGHoldings.
Proposal 1	The 'PAL Angelgate Solicitor Update' of 23 August 2016 issued to Buyers.
Proposal 2	PAL's revised Proposal of February 2017 issued to Buyers identifying Goodwin as the proposed replacement contractor and advising of no Buyer top-up requirement.
Proposal 3	PAL director's build-out proposal; within a combined Administration and CVA, filed at Court on 4 September 2017. This comprised a witness statement of Carl Jackson; partner and IP (as defined) at Quantuma LLP; with letters from Hugh Dorins, Head of Property and chartered surveyor at SIA Group; and, Richard Goodwin, Managing Director of Goodwin (as defined).
SIP	UK Statement of Insolvency Practice. These statements are best practice guides for the conduct of formal insolvency proceedings. SIPs detail certain procedures to be applied by IPs as agreed between and adopted by the UK insolvency regulatory authorities with input from the UK trade association R3, the Association of Business Recovery Professionals.

### 3. Introduction

- 3.1. Neil Dingley and I, partners in Moore Stephens, were appointed Administrators of the Company on 28 September 2017. Please note that I, Duncan Swift, am the lead Administrator in this case and all communications should be directed to me using the email address: [pal.ri@moorestephens.com](mailto:pal.ri@moorestephens.com).
- 3.2. The Administrators were appointed by the High Court ("the Court") in London, UK. The application was made by one single Buyer with the support of 117 other Buyers.
- 3.3. The Administrators have been placed in control of the management of the business, affairs and property of the Company.
- 3.4. Administration is a UK corporate insolvency process undertaken by a licensed insolvency practitioner ("IP") appointed as 'Administrator'. The Administrator is an officer of the Court and has a duty to seek the best outcome possible for the Company's creditors as a whole. A creditor is a person or business that is owed money by the Company. The Administrator does not work for one creditor alone or for a group of creditors but must endeavour to perform their functions in the interests of the Company's creditors as a whole.
- 3.5. The Administrators must safeguard the Company's assets, look into the financial position of the Company and prepare proposals to deal with the Company's assets.
- 3.6. It should be noted the appointment of the Administrators was made on a creditor's application opposed by the Company's director. Such an appointment is essentially 'hostile'. The Administrators had no prior access to the Company records and no certainty of any reliable cooperation from the Company's director, his associates and others involved in the Company's affairs. These factors inevitably prolong and increase the costs of any Administrators in their inquiries and other activities necessary to discharge their duties to creditors and to the Court.
- 3.7. This document represents the Administrators' Proposals to be agreed by a majority (in value) of the Company's Buyers and other creditors (if there are any) collectively the Company's "Creditors".
- 3.8. For the purposes of voting on these proposals, the amount of each Buyer's claim shall be taken as:
  - (i) the initial deposit paid;
  - (ii) plus the reservation fee paid;
  - (iii) plus any further instalment paid;
  - (iv) plus interest on the deposit and the reservation fee accrued to 28 September 2017 (the date of the Administrators' appointment) under the Buyer's 'Agreement for Sale' ("Contract") with the Company.
- 3.9. A Buyer can use the amount calculated at paragraph 3.8 to vote on these proposals whether their Contract is formally rescinded, or demanded, or not. These proposals DO NOT require any Buyer to take any action to formally rescind their Contract or make demand under their Contract if they have not already done so.
- 3.10. The legal charge held by Angelgate Manchester (Buyers) Limited ("Buyerco") is over the Development Site only. This means that in the event of the Development Site being sold by the Administrators (in other words, if there is no build-out) the net proceeds of sale are only available to Buyers, whether via the Administration or Buyerco, to receive a dividend proportionate to the value of their respective claims.
- 3.11. Whereas the net proceeds realised by the Administrators from any other (uncharged) assets of the Company will be available to Buyers and any other valid creditors of the Company to receive a dividend proportionate to the value of their respective claims.
- 3.12. Before our appointment, we had discussions with the directors of Buyerco and their lawyers, Irwin Mitchell LLP. And, following our appointment, we have met with the directors of Buyerco and Irwin Mitchell and we are in regular dialogue with them. We have consulted with them in the preparation of these proposals.
- 3.13. The Administrators and the directors of Buyerco agree they share a common objective to get the best outcome for Buyers from the assets of the Company and of Buyerco. That is to say, the Administrators and the directors of Buyerco agree that their efforts to achieve the best outcome for the Buyers will be through their efforts being combined and coordinated with cooperation between both companies. This cooperation includes the professional and investigatory knowledge and skills within one Company being available to the other and vice versa to minimise costs.
- 3.14. These proposals contain elements that require actions to be performed by Buyerco and the support of Buyers of those actions will have to be assessed to ensure it also meets the "Required Majority" amount, as defined in the Deed of Declaration of Trust of Buyerco dated 23 January 2015. Accordingly, if necessary the directors of Buyerco will conduct a separate ballot of Buyers to seek the Required Majority, at the same time as the Administrators' proposals are issued and then voted upon by Buyers.



#### **4. Background to the administration**

- 4.1. The Company was incorporated on 14 August 2014 as a subsidiary of MVGroup, a company owned and controlled by Mr Mills. Since that time, ownership of PAL has been transferred to MVGHoldings, MVGroup's parent company also owned by Mr Mills. Ms Harvey was PAL's sole director until August 2016 at which time she was replaced by Mr Mills.
- 4.2. The Company's sole purpose was to acquire the Development Site with planning consent to develop 344 residential apartments upon it. In December 2014, PAL acquired the Development Site for a reported cost of c.£6.6m.
- 4.3. During late-2014/early-2015 the Company pre-sold the apartments 'off-plan' to individual investors ("Buyers"), most based overseas, via its sales and marketing agent, Pinnacle MC Global Network Limited ("PMNet"), a company ultimately owned by Mr Mills and PMNet's local sub-agents.
- 4.4. We understand c.£31.1m of Buyers' monies were received from deposits placed on Contract exchange on these sales with these monies to be held by Buyerco.
- 4.5. Buyerco was established to hold the monies as the Buyers' nominee; to release monies to PAL as it required on certificates issued by Inca to acquire the Development Site; to pay commissions and other related costs; and to have construction work undertaken; and, to hold a legal charge over the Development Site to protect the Buyers' financial interest in it.
- 4.6. The Company entered into a £22.1m design and build contract with an apparently unconnected construction company, PHD1 Construction Limited ("PHD"), on 15th January 2015.
- 4.7. In relation to the sales and marketing undertaken by PMNet the Company reportedly paid some £13.2m of commissions to PMNet up to 31 October 2015. These commissions were apparently wrongly reported as having been paid to "Pinnacle MC Global Ltd" in the PAL Angelgate Solicitor Update dated 23rd August 2016 ("Proposal 1").
- 4.8. It is not clear how on any basis PAL could justify spending over 40% of the funds received from Buyers on sales and marketing commissions, particularly as this meant the Company was c.£10m short of the PHD contracted design and build cost from the outset.
- 4.9. During 2015 and 2016, Buyers have expressed strong concerns as to the conduct of Mr Mills and Ms Harvey as directors in PAL's affairs and the alleged involvement of a Mr Tony Freeman described as a consultant within the MVGHoldings Group that Group itself styled as "Pinnacle Alliance". These concerns were extensively reported in international and UK press.
- 4.10. In addition, we understand more than 70 Buyers have submitted reports on their concerns regarding PAL's affairs to the UK Action Fraud agency; and, Greater Manchester Police and HMRC have launched investigations.
- 4.11. A PAL Client Service email, entitled 'Angelgate Update', issued to Buyers on 21 January 2016, supplied a 'Historic Cash Flow' document. This showed in the period December 2014 to January 2016 PAL had also paid £5.1m of construction costs to PHD. The figures also suggested PAL had paid c.£3.8m of other costs to leave Buyerco with only c.£2.4m, an amount clearly insufficient to meet the costs of building the new apartment blocks. To date we have not seen a definitive statement of PAL's total apparent spending of c. £28.7m drawn down by it from Buyerco.
- 4.12. It was not clear what construction works had been performed at the Development Site to justify PAL spending one-sixth (16%) of the funds received from Buyers. The Development Site had evidently been cleared and bounded by security fencing and hoardings adorned with marketing signage and some ground works undertaken, but otherwise no building of the new apartment blocks had been undertaken.
- 4.13. As noted above, PAL had entered into a £22.1m design and build contract with PHD on 15th January 2015. PAL reportedly agreed with PHD to increase the contract price to £26m in July 2015 following some initial site difficulties. However, we understand PHD sent PAL a revised build cost estimate of £43m in October 2015. PHD was placed into Administration by its directors on 1 April 2016.
- 4.14. According to PHD filings at Companies House and the PHD Administrators' proposals to creditors, PHD was incorporated on 21 January 2014 to take over a pre-existing construction business specialising in the building of student accommodation.
- 4.15. PHD had six ongoing construction contracts with its principal client (understood to be Pinnacle Alliance) which "operated individual contracts through special purpose vehicles being individual Limited Companies set up for the sole purpose of fulfilling one particular contract". PHD reportedly failed because these companies delayed payments from mid-2015 and stopped making payments in late 2015 such that PHD ran out of funds and ceased to trade on 29 February 2016.

- 4.16. PAL was one of the six construction contract works being undertaken by PHD. It is not known if PHD received all of the £5.1m PAL reportedly paid in the period December 2014 to January 2016 in respect of construction costs at the Development Site.
- 4.17. Even if PHD had received all of the £5.1m and it had not failed, PAL clearly lacked the contracted design and build balance of £17.0m (the original contract sum of £22.1m less the £5.1m) or the later revised balances of £20.9m and £37.9m to complete the building of the apartments necessary to fulfil its obligations to Buyers.
- 4.18. Many of the Contract Long-Stop Dates for delivery of completed apartments to Buyers have expired. And, PAL's former solicitors (Shoosmiths, per its letter of 19 June 2017) advised PAL was not in a position to repay those Buyers the monies initially advanced by them.
- 4.19. It followed that PAL was insolvent on its inability to meet its liabilities as these fell due. Furthermore, PAL's last filed accounts as at 31 August 2016, which are unaudited and were filed two months late (27 July 2017), recorded a balance sheet deficiency of £280,447.
- 4.20. PAL's balance sheet as at 31 August 2016 also stated as an asset, "Cash at bank", of £2,423,762 that we understand was the balance of Buyer monies held by Buyerco. For accounting purposes, the balance held by Buyerco should not have been treated as the property of PAL and it was wrongly recorded as such, consequently on these numbers PAL's balance sheet deficiency was actually c.£2.7m.
- 4.21. In 2016, PAL proposed to Buyers that it be afforded the opportunity to proceed with the development with delayed completion with another construction company retained to complete the design and build.
- 4.22. PAL's Proposal 1 advised Buyers a replacement construction company was indicating a build cost of £39m to £41m. It proposed that if PAL contributed its expected property profits of c£36m and 'Pinnacle' provided a non-refundable £2m contribution as a contingency fund, further funding of £3.2m to £5.2m was required from Buyers to bridge the construction-funding gap.
- 4.23. Proposal 1 assumed PAL would contribute expected property profits of c.£36m. Whilst this may have been so, this amount would not have been realised until after the construction was completed and PAL had sold these completed property parts to third parties. In other words, this amount would not have been available to the replacement construction company as working capital to fund interim construction costs, which was wholly unrealistic.
- 4.24. Proposal 1 also assumed 'Pinnacle', actually PMNet, would put in a non-refundable £2m contribution. However, at that time PMNet was a small company with cash at bank of only £131,482 and net liabilities of £200,029 at 31 March 2016, the date of its last filed accounts. In other words, PMNet did not appear to have the financial capacity to provide a non-refundable £2m contribution.
- 4.25. In any event, PMNet had no contractual relationship with the Buyers, nor was it under any obligation to provide further funding for completion of the works to build the residential units at the Development Site. By the same token, it was unclear how it could be said to be in the interests of PMNet to provide the proposed cash injection. Accordingly, even if PMNet was in a position to do so, it seems that it could have simply declined to make the contribution when required.
- 4.26. Understandably, many Buyers were not prepared to advance further funds and some continued to demand as provided in their Contracts that their initial funding be repaid by PAL.
- 4.27. In February 2017 PAL advised Buyers that it had found a contractor, Goodwin Construction Group Limited ("Goodwin"), which was prepared to complete the development for £36m i.e. some £3m to £5m less than previously expected in Proposal 1, which if accepted as PAL's "Proposal 2" would not require further funding from Buyers.
- 4.28. However, whilst Goodwin appeared to be independent of MVHoldings (Mr Mills) and its associated companies, and Mr Freeman and Ms Harvey, it did not appear to have the track record and financial ability to successfully take on a contract from PAL of this magnitude.
- 4.29. Goodwin was incorporated on 24 April 2014. It has issued share capital of £1 and its net assets as at 31 July 2016 per its last filed accounts were £171,125. It operates from serviced office accommodation at 5300 Lakeside, Cheadle Royal Business Park, Cheadle SK8 3G, from which the accountancy practice of Mr Mills is also operated.
- 4.30. The latest proposal continued to have the apparent weaknesses of PAL's property profit contribution not being available as working capital to fund interim construction works and PMNet not having the financial capacity to provide a non-refundable £2m contribution.
- 4.31. Understandably, some Buyers continued to demand as provided in their Contracts that their initial funding be repaid by PAL. Certain Buyers contacted Moore Stephens in April 2017 to discuss what creditor initiated insolvency options were available to the Buyers to resolve the Company's position for the benefit of all Buyers.

- 4.32. Moore Stephens advised that in the absence in PAL of trusted management, trusted financial accounting, funding and profitability a standalone company voluntary arrangement ("CVA") of its affairs was not feasible. As Buyers did not want PAL's director to appoint an IP of his choice rather than the Buyers' choice that meant Administration by way of creditor's application or compulsory liquidation ("CWU") by way of creditor's winding-up petition were the only options available to Buyers. In circumstances at that time when rescue of the Company did not appear to be feasible, Moore Stephens advised Administration would be the better procedure in PAL's circumstances as it would:
- serve the statutory objectives to either: (i) achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration); or, (ii) realise property to make a distribution to the secured creditor (Buyerco).
  - enable the Company's Records to be secured as soon as is practically possible which would assist in the agreement of Buyer claims in PAL and their entitlement to monies held in Buyerco.
  - enable an insolvency office-holder investigation of whether the Buyerco monies drawn by PAL (£28.7m) were properly expended by PAL and if not to seek recovery.
  - facilitate early reporting of PAL director conduct to the Directors Conduct Reporting Service.
  - not incur the Ad Valorem costs of a CWU, which would reduce the distribution prospects for creditors.
- 4.33. On 25 July 2017 with a £20,008 payment advance on account of costs these Buyers instructed Moore Stephens and Lester Aldridge to make an application for the administration of PAL on behalf of two nominated Buyers who had longstop date expired contracts, and had rescinded their Contracts with PAL and had made demand of PAL and had not been paid.
- 4.34. In the event the application for the administration of PAL was filed in Court on 11 August 2017 in the name of only one such Buyer ("the Applicant"). The filing was noted by Walker Morris, solicitors acting for another Buyers' group that was about to file a CWU petition against PAL. Walker Morris and its Buyers group then moved to support the Applicant's application for the administration of PAL, as did another group of Buyers represented by Mr Richard Gray, Barrister, Elysium Chambers on becoming aware of the Applicant's application.
- 4.35. At the first Court hearing of the application on 21 August 2017 Mr Mills successfully sought an adjournment so that PAL might put a third and final proposal ("Proposal 3") to Buyers to consider as an alternative to Administration. The Court gave PAL two weeks (to 4 September 2017) to prepare and file Proposal 3 and to circulate it to Buyers and a further week (to 12 September 2017) for Moore Stephens and Lester Aldridge as the Applicant's advisers to formally respond to Proposal 3, the response to also be made available by the Company to Buyers.
- 4.36. During the hearing, Mr Mills advised the Court that the Company had another asset besides the Development Site in the form of an inter-company loan balance of c.£2.9m due from PMNet, i.e. in respect of monies apparently lent by PAL to PMNet. This £2.9m may explain part of the £3.8m of other costs noted at paragraph 4.11.
- 4.37. On 12 September 2017, Pinnacle Alliance commenced an electronic poll of Buyers to gauge their support of Proposal 3 without reference to Moore Stephens and Lester Aldridge.
- 4.38. On 27 September 2017, the day before the second and final Court hearing, the Company and its solicitors, Turner Parkinson LLP, advised the Court by letter that the Company would not oppose the administration order sought by the Applicant "following receipt of correspondence from Irwin Mitchell...who represent a number of interested parties".
- 4.39. On 28 September 2017 the Court required the Applicant to provide a witness statement by 5<sup>th</sup> October 2017 confirming the information provided to the Court as to the number of Buyers who had indicated support for the application (117 or in excess of 30 percent of Buyers) and the source of that information and ordered that:
- 1) during the period for which this order is in force the affairs, business and property of Pinnacle (Angelgate) Limited ("the Company") are to be managed by the administrators appointed under paragraph (2) below;
  - 2) Duncan Kenric Swift and Neil James Dingley of Moore Stephens, The French Quarter, 114 High Street, Southampton SO14 2AA and Moore Stephens, Lakeside, Festival Way, Festival Park, Stoke on Trent ST1 5RY respectively, be appointed forthwith as administrators of the Company, such appointment taking effect at 11:07am on Thursday 28 September 2017;
  - 3) for the purposes of paragraph 100(2) of Schedule B1 of the Insolvency Act 1986, the Administrators may exercise any of the powers conferred on them by the Insolvency Act 1986 jointly or individually;

- 4) the Applicant's costs of the application, including the costs of the hearing on 21 August 2017 and the costs of today [28 September 2017] shall be an expense of the administration.¶¶

**5. Statement of affairs**

- 5.1. Paragraph 47 of Schedule B1 to the Insolvency Act 1986 requires the directors, if requested, to submit to the Administrators a statement of affairs detailing the particulars of the Company's assets, debts and liabilities.
- 5.2. A statement of affairs provided by Mr Mills is attached at Appendix I. The Administrators have not audited this information and no account of the costs of realising the Company's assets or the costs of the Administration have been provided by the director in the statement of affairs.
- 5.3. The Administrators' comments upon the contents of the director's Statement of Affairs dated 23 October 2017 also include:
- (i) We do not know how the director has calculated the book value of the Development Site or whether his estimated to realise value of £9.0m is based upon any agent's valuation.
  - (ii) The director is seeking to assert the c.£2.9m intercompany loan due from PMNet to be an amount of Value Added Tax ("VAT") refundable to the Company by HMRC:
    - This is completely contrary to the witness statement supplied to the Court by the Company as Proposal 3 on 4 September 2017, which said: "this figure represents a loan to Pinnacle MC Global Network Limited .. This debt is repayable but is it not [presumed to mean: 'but it is not'] anticipated that this can be repaid within 12 months"; and, "Management assert that the £2.9m recoverable as an inter-company loan can be repaid [to PAL] on completion of several projects in the next 12 months".
    - It is completely inaccurate. We met with the director on 12 October 2017. At that time, he said the intercompany debt was output VAT to be charged by PMNet on its £13,162,236 of sales commissions; and, PMNet would not have expected to serve a VAT invoice on PAL and account for this output 'VAT' amount to HMRC until the development had been completed. Therefore, he said for present purposes he had described it as an intercompany loan from PAL to PMNet.
    - The director was unable to explain how VAT at 20% standard rate applied to sales commissions of £13,162,236 i.e. £2,632,447 becomes £2,857,922 (£225,475 higher).
    - And, the director was also unable to explain why he had deregistered PAL for VAT purposes on 29 March 2016 if PAL had ever expected to reclaim input VAT from HMRC other than to say 'it made things administratively easier'.
    - Finally, we note that PMNet was placed into CVL (insolvent liquidation) on 5 October 2017, by its director Andrew Dixon. PMNet's joint liquidators are Carl Jackson and Simon Campbell, the former being the provider of the witness statement to Court on 4 September 2017 in relation to the Company's Proposal 3.
    - Mr Mills made no mention of PMNet's liquidation when we met with him on 12 October 2017 and discussed the recoverability of the intercompany debt.
    - More disturbingly, we have obtained a copy of PMNet's Statement of Affairs, which does not record PAL as one of PMNet's creditors at all. That would only be the case if HMRC was a £2.9m creditor in PMNet's Statement of Affairs, but it is not shown as such, or if PMNet had raised a VAT invoice on PAL and had paid the £2.9m output VAT across to HMRC, which Mr Mills says PMNet has not.
    - In conclusion, we do not believe this debt of £2,857,922 is due from HMRC and we have no faith that it will be fully or readily recoverable from PMNet.
  - (iii) We understand from Buyerco and Mr Mills that c.£200k of the monies paid by PAL to PHD were applied to purchase 110 pallets of ceramic tiles, which are presently stored at a warehouse facility under the control of Pinnacle Alliance. These are an asset of the Company and are not shown in the Statement of Affairs. Our agents have inspected the tiles. The realisable value of these tiles will depend upon whether they are incorporated in a build-out of the Development Site or not.
  - (iv) The director has treated the monies advanced by Buyers as debts secured by a floating charge. This is incorrect. The Development Site is subject to a fixed charge held by Buyerco.

- (v) Carl Jackson's witness statement of 4 September 2017 in relation to the Company's Proposal 3 noted: "The Group has been supporting the Company in terms of running costs, security and surveyor's fees, amounting to approximately £166k"; and also reported PAL had intercompany creditors of £0.4m. Neither amount has been included, by the director, in the Company's Statement of Affairs.
- (vi) We understand the Company may have other creditors such as the supplier of site fencing and marketing signage, and Goodwin, which we understand has only been part-paid in respect of its work to prepare a full build-out quotation at a cost of £79,500.
- (vii) No bank account balances are shown as assets or liabilities in the statement of affairs.

In our meeting with the director on 12 October 2017, he advised the Company had a bank account with Santander, which was closed in August 2015. However, we have since received some company records from the director with Santander Bank account statements dated up to December 2015 and no evidence of account closure. This is subject to continuing investigation work.

Separately, the former director Ms Harvey recollects the Company held accounts with four banks including Santander Bank. This is also subject to continuing investigation work.

## **6. Objective of the administration**

- 6.1. Neil Dingley and I were appointed Administrators of the Company on 28 September 2017 by the Court.
- 6.2. An administrator of a Company must perform his functions with the objective of:
  - (i) the rescuing of the Company as a going concern; or
  - (ii) 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); or
  - (iii) realising property in order to make a distribution to one or more secured or preferential creditors.
- 6.3. Administrators must perform their functions with objective (i) unless they think that:
  - it is not reasonably practicable to achieve that objective, or
  - objective (ii) would achieve a better result for the Company's creditors as a whole.
- 6.4. Administrators may perform their functions with objective (iii) only if:
  - they think that it is not reasonably practicable to achieve either of the objectives (i) or (ii), and
  - they do not unnecessarily harm the interests of the creditors as a whole.
- 6.5. If the position of the Development Site can be resolved, through a build-out, most likely involving a CVA, then objective (i) may be capable of being achieved.
- 6.6. If the position of the Development Site cannot be resolved through a build-out, then I regard objective (ii) most likely to be achievable, failing which objective (iii) will be achievable.
- 6.7. The Administrators are required by law to issue these proposals within 8 weeks of their appointment. The Administrators' initial term of office is 12 months. If more time is needed the Administrators have to apply for an extension with an explanation of why the extension is sought.
- 6.8. These timescales require action to be taken by the Administrators to deal relatively quickly with the Company's assets and liabilities. In a situation of a company having no income; and there being no substantive funding, this means any Administrator is not able to treat an asset like the Development Site as though it is a long-term investment capable of being held to speculate for possible future capital appreciation.
- 6.9. My witness statement of 12 September 2017 to the Court in response to the Company's Proposal 3 set out my intended administration strategy and activities to assess and deliver against these objectives in the Company's circumstances of no income or substantive funding.
- 6.10. As the Company does not appear to have circulated my witness statement to Buyers at that time it is attached for your reference at Appendix II. The strategy and activities I have applied in the administration to date remain unchanged and are reported further in Section 7 below.

## **7. Activities to date**

- 7.1. The Administrators' have had no receipts and have made no payments in the period 28 September 2017 to the date of this report.

- 7.2. SIP 16, 'Pre-packaged sales in administrations', requires an IP to disclose to creditors and parties who might be affected the reasoning behind the decision to undertake a pre-packaged sale and justify why such a course of action was considered appropriate. As a pre-packaged sale has not taken place in the Administration of PAL, the Administrators make no further comments in respect of SIP 16.
- 7.3. SIP 13, 'Disposal of assets to connected parties in an insolvency process' requires an IP to disclose to creditors any transactions involving the disposal of assets of the insolvent company to connected parties. The Administrators confirm none of PAL's assets have been sold by the Administrators to connected parties.
- 7.4. With reference to Section 5 of my witness statement of 12 September 2017, the Administrators have undertaken the following activities in the first 50 days after appointment:
- (i) We have filed at Court the witness statement referred to at paragraph 4.39;
  - (ii) With the assistance of Buyerco, we issued written notification of our appointment to the majority if not all Buyers on 6 October 2017. We are presently seeking to reconcile the Company's records of Buyers to those listed by Buyerco for the purpose of communications and to ensure the identification of all Buyers.
  - (iii) We issued a press release on our appointment to assist as notification and in part to ascertain market interest in the possibility of building out the Development Site. We have subsequently dealt with the threat of defamation proceedings asserted against us by another company in the MVG Holdings Limited Group in relation to our press release.
  - (iv) We have instructed Lambert Smith Hampton ("LSH") as our property agent to assist us in respect of the Development Site options. In addition to our press release LSH have also sought to identify interest amongst its client and contacts database in the possibility of building out the Development Site. Several expressions of interest to build-out, some with well-documented proposals have been received. We and LSH are presently engaged in dialogue with these parties in relation to their build-out proposals.
  - (v) We have met with the Company's director and sought to secure the Company's books and records including those relating to the Development Site.  

Mr Mills has assisted to supply us with the Company's accounting records and we are presently assessing whether we have been supplied with all of the necessary accounting information we requested.

Mr Mills has advised the Company's records, plans and drawings in respect of the Development Site are held by PHD and/or Inca. We are making further inquiries in this regard.

In response to our enquiries Mr Mills has advised that although he is the registered sole shareholder of MVG Holdings; the Company's ultimate parent company, he is not the beneficial owner of MVG Holdings. He advised he holds the shares in MVG Holdings as nominee for another party who he says he is unable to identify to us apparently due to the terms of a non-disclosure agreement he has signed. We are making further enquiries in this regard.
  - (vi) We have met with Richard Goodwin to discuss the viability of the Company's Proposal 3 and Goodwin's commitment to undertake it.
  - (vii) We have had a number of meetings with the directors of Buyerco and Irwin Mitchell and we are engaged in ongoing dialogue to coordinate the combined efforts in PAL and Buyerco to maximise the financial return to Buyers.
  - (viii) We have notified PHD's administrators that we anticipate PAL has a claim of c.£3.6m against PHD in respect of construction work overpayments. Initial evidence we have seen also suggests PHD and certain of its associates were connected parties to PAL throughout 2015. This is subject to ongoing investigation work.  

We have requested PHD's administrators to supply us all documents concerning the Company's Development Site held by PHD. PHD's administrators have advised they will comply with our request and we expect to receive these documents shortly.
  - (ix) We have arranged to meet with Inca and shortly expect to receive such documents it holds concerning the Company's Development Site.
  - (x) We have notified PMNet's liquidators that PAL has an intercompany loan claim against PMNet of c.£2.9m. On information we have received it may be that PAL's claim against PMNet will increase in respect of apparently overpaid sales and marketing commissions. This is subject to continuing investigation work.

(xi) We have met and have had substantive dialogue with several other parties with past or present involvement in the Company's affairs including its former director, Ms Harvey. Meetings with certain other parties such as Inca and the Company's previous legal advisers have been or are in the course of being scheduled.

(xii) We have insured and inspected the Development Site together with LSH and our insurers JLT and are taking steps to improve site security.

7.5. Examples of work done and work that remains to be done by the Administrators are provided at Appendix III.

## 8. Pre-administration fees and expenses

8.1. Pre-administration fees and expenses, collectively the "Applicant's Costs", comprise:

- (i) Moore Stephens' time costs supplying a letter of advice and two detailed witness statements for use in Court; preparing for and attending two Court hearings; and reviewing legal advice (including that of Counsel) and contractual documentation;
- (ii) the costs of solicitors' and counsel's advice; and other disbursements, relating to the application; and,
- (iii) Moore Stephens' and Lester Aldridge's time costs in attending to the matters detailed at paragraphs 4.34 to 4.38 and in liaising on pre-appointment matters with LSH, and separately with Irwin Mitchell on behalf of Buyerco.

8.2. These costs totalling £89,925 are detailed below:

### Pre appointment time

	Hours	£
Partner	124.80	37,440.00
Senior Manager	8.20	1,599.00
Administrator	12.60	1,765.00
Secretary/Other	7.60	364.80
	<u>153.20</u>	<u>41,168.80</u>

### Pre appointment expenses

	£
Solicitor's fees	35,674.50
Court fee	280.00
Counsel's fees	12,665.00
Subsistence	33.94
Travel	102.25
	<u>48,755.69</u>

8.3. Our appointment was pursued by way of a Creditor's application to the Court. Given the Company's previous admissions of its insolvent position, the application was not expected to be vigorously contested by PAL's director.

8.4. The application process started on 25 July 2017. The application together with supporting evidence and witness statements was filed at Court on 11 August 2017.

8.5. PAL's director and instructed QC and solicitor were present, as were we, at the first Court hearing of the application on 21 August 2017. PAL's director obtained a short adjournment to put forward Proposal 3 to Buyers by 4 September 2017 on which we were required to respond formally by 12 September 2017.

8.6. We were present at the second Court hearing on 28 September 2017; PAL had withdrawn its opposition to the application the day before, and the Court found the application compelling to order our appointment as Administrators.

8.7. This was an intense legal process. Pre-appointment time costs and expenses incurred arose primarily as a result of:

- (i) preparing the application documents and witness statements required to overcome the opposition of PAL's director and to convince the Court to place the Company into Administration;
- (ii) meetings, calls and correspondence with the Applicant and other Buyers and their legal advisers supporting the application, and with Buyerco's directors and legal advisers.

These time costs and expenses were necessary to secure the Administration appointment and in so doing to prevent PAL's director appointing IPs of his choice.

8.8. The payment of these pre-appointment costs and expenses as an expense of the Administration; from asset realisations achieved in the Administration, is to be made in accordance with the Court Order dated 28 September 2017, detailed at paragraph 4.39 (4).

8.9. The Applicant advanced funds of £20,008 on their instruction of Moore Stephens on 25 July 2017 to hold and apply on account of these costs should the application for administration not be successful.

8.10. Moore Stephens and Lester Aldridge risked substantial proportions of their costs in this process. If the application for administration not been successful Moore Stephens and Lester Aldridge would have had to write off their costs over and above the balance of funds advanced, after Counsel's fees had been paid in full.

8.11. The Applicant's instruction of Moore Stephens and Lester Aldridge ceased on the issue of the Court Order dated 28 September 2017. As and when asset realisations and funds held in the Administration permit these costs to be paid, the funding advance of £20,008 will be returned to the Applicant. For the avoidance of doubt, the Applicant's claim as a Buyer will be treated by the Administrators in the same way and in equal fashion as the claims of all Buyers.

## **9. Joint administrators' proposals**

### **INTRODUCTION**

9.1. The Administrators and the directors of Buyerco and their respective legal advisers recognise there are complicated overlapping creditor and estate interests as between PAL and Buyerco. We are also mindful that PAL's director, management and certain previous advisers are the cause of these complications, which we should seek to manage in an orderly fashion so as to expedite and maximise the likely overall financial return to Buyers and any other creditors from the two estates.

9.2. A lot of time and expense could be wasted if we are required to seek to resolve these complications before the Administrators, and Buyerco's directors, could start work to recover value from the respective estates to the benefit of Buyers and any other creditors.

9.3. Accordingly, the Administrators' proposals here are made in relation to PAL and in relation to Buyerco to combine and coordinate their efforts with those of the directors of Buyerco.

9.4. To the extent that these proposals contain elements that require actions to be performed by Buyerco, Buyer support of these proposals will be separately assessed by Buyerco's directors to ascertain if that support also meets the "Required Majority" amount, as defined in the Deed of Declaration of Trust of Buyerco dated 23 January 2015. If it meets or exceeds the amount, it will be taken by the directors of Buyerco to be the written instructions of the Required Majority.

9.5. The Administrators are mindful of the intensity of the work required in the particular and specific circumstances of this Company. The activities at paragraph 7.4 in the 50 days following the Administrators appointment has consumed over 500 hours of Administrators' and their staff's time at an average charge-out rate of c.£200 per hour.

9.6. Administrators can ask to be paid fees in respect of their work on a 'time-cost' basis or on fixed fee basis; or on a percentage of realisations basis; or on some combination of all of these bases. In this case we consider Buyers and other creditors may appreciate the greater certainty of 'success-fee' %'s where matters are uncertain as to amount and timing; or, otherwise capped (fixed) fees, rather than time-costs which may not be directly related to the outcome for Creditors. We have adopted this approach in our proposals and we would welcome the comments of Creditors on it.



- 9.7. In asking for fees in respect of our work as Administrators we are also mindful of prevailing insolvency professional fixed fee rates and percentages. In this context we note that had the Company been placed into CWU (referred to at paragraph 4.34) rather than Administration, the OR appointed as liquidator would charge 15% of the value of the Company's assets realised before any other OR fees and Insolvency Service bank account costs which also apply in any CWU process.

### **THE PROPOSALS**

- 9.8. With reference to the comments in paragraphs 9.1 to 9.7 above, the Administrators propose:

- 1) That the Administrators will continue to manage the affairs of the Company in order to achieve the objective of the Administration.
- 2) That a closing deadline (the "Deadline") be set for the submission of Development Site build-out proposals from interested parties of 17:00 GMT Wednesday 17 January 2018. Following which the Administrators assisted by LSH and Lester Aldridge will assess the feasibility and viability of these proposals, and:
  - (i) Should there be a feasible and viable proposal; or a preferred proposal if more than one, the Administrators would put this to Buyers to consider, possibly in the form of a CVA proposal, on or before 31 March 2018; or,
  - (ii) Should there not be any feasible and viable proposal the Administrators will advise Buyers; within 10 days, of this position being determined. At the same time the Administrators shall also advise Buyers of their plans to then realise value from the Development Site and of any application to Court (to sell free from the charge of Buyerco and the unilateral notices held by certain Buyers) should that be required to facilitate a sale. Please note the release of Buyerco's charge by way of such a court application does not change the obligation on the Administrations to account for the Development Site sale proceeds to all Buyers, whether directly or via Buyerco.
- 3) That the Administrators continue their investigations; with the assistance of Lester Aldridge, into the Company's spending of £28.7m drawn down by it from Buyerco to identify possible legal bases for commercial recovery.

We have commented as much as we can at this stage regarding claims the Company has in relation to PHD and PMNet.

Since 28 September 2017, we have assimilated a great deal of information regarding the Company's affairs, which strongly suggests other claim avenues exist and should be explored. However, we are unable to give additional detail at this time.

Regretfully we should note there is no certainty that any part of this £28.7m will be successfully recovered and it may take some years to fully determine the position.

- 4) That the Administrators continue to share information regarding Buyers' claims received in PAL with the directors of Buyerco. Similarly, that the directors of Buyerco share information regarding Buyers' entitlements to the monies held by Buyerco with the Administrators.
- 5) Subject to it being confirmed there is no conflict, that the Administrators will instruct Irwin Mitchell to assess the claims of Buyers and other creditors the Administrators have deemed valid to receive a dividend from the Company. Similarly, the directors of Buyerco will instruct Irwin Mitchell to assess the entitlements of Buyers; as calculated by Moore Stephens' staff from the Administrators' office, deemed to be refundable from the monies held by Buyerco. Irwin Mitchell's costs in relation to their work for the Company to be payable as an administration expense. And, Irwin Mitchell's costs in relation to their work for Buyerco to be payable from the monies held by Buyerco.
- 6) That the Administrators will seek to borrow, and Buyerco's directors will seek to have Buyerco lend, £200,000 from the monies presently held by Buyerco. This amount, together with interest at a rate equivalent to that which would have been earned had it been retained in Irwin Mitchell's client account, to be repaid first by the Administrators from net realisations in the Administration. The £200,000 to be used by the Administrators to pay:
  - (i) the pre-administration costs detailed at Section 8 in accordance with the Court Order of 28 September 2017;
  - (ii) the initial Development Site holding costs in relation to (2) above; and,
  - (iii) any balance on account of the disbursements incurred in the course of investigations in relation to (3) above, or,

- (iv) on account of the Administrators' remuneration and expenses including legal fees; or,
  - (v) With reference to paragraph 7.4 (iii) on account of any legal costs incurred in dealing with threats of legal proceedings asserted by any part of the Group in relation to the Administrators' lawful enquiries of PAL's dealings with individual persons and other companies connected with the Group.
- 7) Subject to it being confirmed there is no conflict, that the Administrators will perform the process of making payments to:
- (i) Buyers in respect of:
    - a) any entitlement they have to monies held by Buyerco; and
    - b) any dividend from the Company; and
  - (ii) other creditors in respect of any dividend from the Company.

In relation to (i)(a), this will be deemed to be at the instruction of Buyerco's directors.

- 8) That in the event that the Development Site cannot be built-out and the Administrators achieve sufficient realisations to enable a dividend to be paid to Creditors; the Company be placed into creditors' voluntary liquidation. It is proposed that the Administrators, Duncan Swift and Neil Dingley of Moore Stephens be appointed joint liquidators of the Company pursuant to Rule 3.60 of the Insolvency (England and Wales) Rules 2016. The joint liquidators are to act either alone or jointly. In accordance with paragraph 83(7), Schedule B1 of the Insolvency Act 1986 and Rule 3.60(6)(b) of the Insolvency (England and Wales) Rules 2016, Creditors may nominate different insolvency practitioners as to the proposed joint liquidators, provided that the nominations are made after the receipt of the proposals and before the proposals are approved.
- 9) That in the event there are insufficient funds to pay a dividend to Creditors, the Company should be dissolved in due course.
- 10) That the remuneration of the Administrators be fixed as below:
- A set fee of £30,000 in relation to statutory compliance, statutory reporting and planning for the first year of the Administration and £15,000 for each subsequent year or subsequent part-year.
  - In relation to the Development Site, a set fee of £35,000 for considering all build-out proposals received by the Deadline. And:
    - (i) if built-out, a further set fee of £300,000 based on a 3-year build period. This further fee include all of the activities and inquiries of the Administrators to monitor the build-out and to obtain the Company's records in relation to the Development Site (including contracts, plans, drawings, title deeds, easement and utility agreements) from the various third parties which are understood to have these records in their possession. Or,
    - (ii) if marketed and sold 'as is' a further 4% of the realised value, before any mortgage, fixed charge and selling costs including property agent's sales fees and legal fees. This further fee basis would be to include all of the activities and inquiries of the Administrators to obtain the Company's records in relation to the Development Site (including contracts, plans, drawings, title deeds, easement and utility agreements) from the various third parties which are understood to have these records in their possession. This further fee also includes the Administrators work to validate Buyers' claims and make distributions to Buyers from the net sale proceeds of the Development Site.

- A set fee of £120,000 for the Administrators' investigation and formal inquiries into the Company's spending of £28.7m drawn by it from Buyerco with identification of possible legal bases for commercial recovery including the wherewithal of potential respondents to be able to compensate the Company.

This work is to include the Administrators reporting on director conduct to the Director Conduct Reporting Service in accordance with the Company Directors Disqualification Act 1986.

And, the Administrators are to seek further approval from Creditors; either directly or via a Creditors' Committee if one is formed, for the fee basis for any recovery work to be undertaken if, as and when any recoverable realisations from these investigations appear likely. This further fee to include the Administrators work to validate Buyers' claims (if there has not been a sale of the Development Site) and to validate the claims of any other creditors; and, to make distributions to Creditors from the net realisations recovered as a result of the investigations.

- 30% of any realisations of any other assets not detailed above, for example if a sale of the stock of tiles is undertaken. And,
- 4% of the gross value of assets available for distribution to Buyers of refunds of their entitlements from monies presently held by Buyerco. This fee to include the work of the Administrators and their staff to validate Buyer entitlements to the monies presently held by Buyerco as well as distributing those entitlements to Buyers on behalf of Buyerco and the cost of indemnifying Buyerco's present directors in respect of such distributions.

The Administrators confirm it is not intended that any work will be subcontracted out which could otherwise be carried out by the Administrators and their staff.

- 11) That if the Development Site is sold, all of the Administrators' remuneration and expenses be paid out of the proceeds of sale to the extent these costs cannot be attributed to and paid from other asset realisations. This may require the assent of Buyerco as noted at paragraph 9.4.

Alternatively, that if the Development Site is built-out all of the Administrators' remuneration and expenses to be paid as a cost of the development project, whether implemented within a CVA or not, to the extent these costs cannot be paid from other asset realisations.

- 12) That the Administrators be given their release 14 days after filing of either Form AM22 (move to creditors' voluntary liquidation) or Form AM23 (move to dissolution) with the Registrar of Companies, whichever is applicable.

## **10. Joint administrators' remuneration**

- 10.1. The work undertaken during the period of this report is summarised in Section 7. The work that remains to be done is summarised in the Administrators' proposals in Section 9.
- 10.2. In addition, we have dealt with all statutory matters and administrative work in relation to the Administration and either required by legislation or necessary to perform the basic duties of an Administrator.
- 10.3. A summary of the work done and further work to be done in the Administration is set out at Appendix III. The proposed basis of remuneration, and schedule of expenses anticipated to be incurred is set out at Appendix IV.
- 10.4. It is proposed that the remuneration of the Administrators will be drawn from the Company's assets and will be fixed as detailed at paragraph 9.8(10).
- 10.5. Should you wish to receive a copy of "A Creditors' Guide to Administrators' Fees" this is available on the Moore Stephens website <http://www.moorestephens.co.uk/corporaterecovery.aspx> or by requesting a copy from this office in writing to: [pal.ri@moorestephens.com](mailto:pal.ri@moorestephens.com) or by telephone.

## **11. Joint administrators' expenses**

- 11.1. A schedule of all expenses incurred in the period has been detailed at Appendix V.
- 11.2. To date, no payments have been made.

**12. Prescribed part**

- 12.1. The Company did not grant any floating charges to a secured creditor. Accordingly, there is no prescribed part for unsecured creditors.

**13. Estimated outcome**

- 13.1. The estimated outcome statement at Appendix VI combines the estates of PAL and Buyerco to illustrate the likely funds available to Creditors.

**14. Approval of the joint administrators' proposals**

- 14.1. I am seeking a decision of Creditors on the approval of the Administrators' proposals. The communication issued to Creditors with these proposals provides further details about this decision process.

A handwritten signature in black ink, appearing to read 'D. Swift', is written over a horizontal line.

Duncan Swift  
Joint Administrator

**PINNACLE (ANGELGATE) LIMITED - IN ADMINISTRATION ("THE COMPANY")****Examples of work done and to be done by the Administrators****Introduction to work done**

The initial work undertaken by the Administrators has been focused on seeking to (i) identify, secure, control and insure all assets of the Company; (ii) identify and communicate with all Buyers and other creditors of the Company; and (iii) protect, preserve and collect in all of the Company's records.

The activities that have been performed by the Administrators and staff since the Administrators appointment on 28 September 2017 are summarised at paragraph 7.4 of the Proposals.

To put these scale of these activities into context, these have included a full Development Site inspection and approximately 30 meetings held directly or by telephone/videoconferencing with third parties. Many of the physical meetings have had to be held in/around Manchester or otherwise external to the Administrators' offices. And, the Administrators have corresponded with more than 470 different parties.

**Other work done and to be done**

This comprises:

**Statutory compliance, administration and planning**

This work concerns dealing with all statutory matters and administrative work in relation to the Administration as required by legislation or necessary to perform the basic duties of an administrator (which may not necessarily provide a direct financial benefit to creditors) on the basis that the case is progressed to closure within 12 months or such extended timeframe as is practicable.

Examples of work in this category which is generally undertaken but which is not limited to, include:

- Setting up and maintenance of internal hard copy files and case file on the Insolvency Practitioners System (IPS)
- Data input including basic details of case, assets, Buyers and other creditor names and addresses
- Obtaining specific penalty bond
- Setting up of liquidation bank account including inputting details on the IPS system
- Preparation and filing (with the Registrar of Companies) of prescribed statutory forms including the directors' statement of affairs, change of registered office form and notice of appointment
- Advertisement of notice of appointment and the notice to Buyers and other creditors to claim in The Gazette
- Notification to the Registrar of Companies of the formation of a creditors committee (if applicable)
- Convening and holding meetings of creditors
- Holding meetings and reporting to the creditors committee (if applicable)
- Letters to directors regarding the provisions of sections 216 and 217 of Insolvency Act 1986, enclosing directors' questionnaires
- Obtaining approval for the basis of fees from Creditors
- Initial notification to HM Revenue & Customs
- Preparation and distribution of the Administrators' Proposals to members (Company's shareholders) and Creditors
- Preparation and distribution of progress reports to members and Creditors
- Preparation and submission of statutory receipts and payments accounts
- Applying for an extension of the Administration
- Undertaking general matters including case planning and strategy
- Completion of internal reviews including asset realisation review, 6-month review and annual reviews
- Reconciliation of post appointment bank accounts to the administration records
- Maintaining time-costs and disbursement schedules on firm's time recording system (including timesheet entries)
- Arrangement and review of insurance policies in relation to the Company's assets
- Preparation and submission of corporation tax returns
- Preparation and submission of VAT returns
- Chargeable gains tax calculations
- Closure formalities.

## Investigations

Examples of work in this category, which is generally undertaken but not limited to, include:

- Collection, preservation and initial review of the Company's book and records
- Completion of the internal investigation checklist
- Written and verbal communications with Buyers and other creditors
- Liaising with the Company's former professional advisors and bankers
- Identification of directors, shadow directors and de facto directors of the Company
- Written communications with directors, shadow directors and de facto directors of the Company, and their legal representatives (as applicable)
- Review work pursuant to SIP 2 'Investigation by office holders in administrations and insolvent liquidations and the submission of conduct reports by office holders'
- Review of Buyer and other creditor questionnaires and other information received in relation to the affairs of the Company
- Review of completed director questionnaires
- Preparation of Administrators' submission on the actions of the directors to the Directors Conduct Reporting Service at the Department for Business, Energy & Industrial Strategy
- Correspondence with regulatory authorities and compliance department in respect of on-going case issues/matters
- Complying with money laundering regulations
- Liaising with solicitors in relation to investigations
- Forensic accounting
- Review of Company's bank statements
- Further review of the Company's book and records
- Mapping the Company's expenditure of £28.7m drawn down from Buyerco
- Land Registry and Companies House searches
- Consideration of legislation relating to, but not limited to, wrongful trading, fraudulent trading, antecedent transactions, preferences, transactions at undervalue.

## Asset realisations

The known assets are detailed in the estimated outcome statement at Appendix VI

Examples of the work which may be undertaken if specifically required but which is not limited to, include:

- Identifying, securing and insuring the assets
- In relation to the Development Site inspecting the site with insurers to address site security and holding arrangements pending a decision to build-out the Development or to realise value from the Site by other means
- Instructing agents to value assets
- Liaising with agents regarding the realisation of assets
- Liaising with solicitors regarding the realisation of assets
- Liaising with Buyerco and its solicitors in relation to the security it holds over the Development Site
- Liaising with pre-appointment bankers regarding the closure of the Company's bank accounts
- Dealing with any supplier retention of title claims
- Written and verbal correspondence with debtors
- Monitoring and collection of outstanding debtors, retentions and work in progress
- Property, business and asset sales
- Tax reclaims
- Review of any interest rate hedging products.

## Distributions to Buyers and other creditors

This work concerns dealing with and validating Buyers and other creditors claims and making distributions, if available, thereon. The work generally included but is not limited to:

- Processing of Buyers' and other creditors' proof of debt forms and entering onto IPS system.
- Liaising with agents in relation to the agreement of Buyers' and other creditors' claims
- Liaising with solicitors in relation to any contentious Creditor claims
- Agreement of Creditors' claims
- Calculation and payment of dividends
- Preparation of distribution paperwork including the notice of declaration.

**PINNACLE (ANGELGATE) LIMITED - IN ADMINISTRATION ("THE COMPANY")**

**Proposed basis of Administrators' remuneration and schedule of expenses anticipated to be incurred.**

The proposed basis of the Administrators' remuneration is detailed in paragraph 9.8(10) of the Administrators' Proposals and illustrated in note 8 of the Estimated Outcome Statement at Appendix VI.

The schedule of other Administration expenses to be incurred is set out in note 9 of the Estimated Outcome Statement at Appendix VI.

**PINNACLE (ANGELGATE) LIMITED - IN ADMINISTRATION****Schedule of expenses already incurred**


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For the period of: 28 September 2017 to 20 November 2017

Cost description	Cost incurred £	Cost drawn £
Agents' fees & expenses	12,000	-
Legal fees & expenses	22,374	-
Statutory advertising	75	-
Specific penalty bond	93	-
Travel	1,360	-
Hotel & subsistence	605	-
Total	36,507	0
Total undrawn costs carried forward		£36,507

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## PINNACLE (ANGELGATE) LIMITED – IN ADMINISTRATION

## Estimated outcome statement

	<i>Estimated to Realise as per Director's Statement of Affairs</i> £'000	Estimated realisations Company £'000	Estimated realisations Buyerco £'000	Estimated realisations Combined Estates £'000	Notes
<b>Assets and anticipated recoveries</b>					
Freehold land & property	9,000	5,000	-	5,000	1
Intercompany debtors	2,858	Uncertain	-	Uncertain	2
Claims against third parties	-	Uncertain	-	Uncertain	3
Buyer funds	-	-	2,357	2,357	4
Stock of Tiles	-	20	-	20	5
<b>Total assets c/d</b>	<b>11,858</b>	<b>5,020</b>	<b>2,357</b>	<b>7,377</b>	
<b>Total assets b/d</b>					
<b>Balances applied to completion of development</b>					
Freehold land & property					6
Stock of Tiles					6
Buyer funds					6
<b>Total assets</b>		-		7,377	
<b>Administration expenses</b>					
Pre appointment costs					7
Administrators fees					6 & 8
Administration expenses					6 & 9
<b>Surplus/(deficiency) available to preferential creditors</b>					
Preferential Creditors		-	-	6,380	10
<b>Surplus/(deficiency) to unsecured creditors</b>		-	-	6,380	
Unsecured Creditors					
Trade Creditors			(54)	(54)	11
Intercompany creditors			(400)	(400)	11
Buyers			N/A	(29,674)	11
<b>Overall surplus/(deficiency)</b>			(454)	(23,748)	
Estimated Dividend to Buyers (p in the £ sterling)		N/A		21 5p in the £	12

Estimated Outcome Combined Estates	
Build-out option	Sale as is option
£'000	£'000
7,377	7,377

## PINNACLE (ANGELGATE) LIMITED – IN ADMINISTRATION

## Estimated outcome statement

## Notes

1. The freehold land at 200 Dantzic Street has been estimated to realise £9.0m by the director. We are not able to disclose an independent valuation of the Development Site whilst the possibility of a sale of it remains outstanding. We have provided a figure of £5.0m purely for illustrative purposes. In doing so the Administrators are not saying the Development Site will be sold at this price. If the Development Site has to be sold rather than built-out the Administrators will seek to get the best sale price for it that is practicably possible in the sales process. The Administrators have simply had to choose a number to apply in this illustration of the possible outcome for Creditors, the Administrators will actually sell the Development Site at a higher price if that is possible in this eventuality.
2. The director's statement of affairs figure is a balance due to the Company from PMNet as referred in Para 5.3(ii) of the proposals. It is not a VAT refund as described by the director in the statement of affairs. The recovery of this amount is uncertain.
3. We are unable to provide an estimate of the recoverability of claims the Company may have against any third parties in relation to its spending of the £28.7m drawn down from Buyerco. There is no certainty of any recovery and it may take some years to fully investigate and determine the position as noted at paragraph 9.8(3) of the proposals.
4. This represents the balance held by Buyerco on behalf of Buyers as at 12 September 2017. The monies held by Buyerco may be subject to trust status. Consequently, there is no certainty that all Buyers have entitlement to refunds from it proportionate to their claims against PAL.
5. A stock of tiles has been located at a Pinnacle Alliance warehouse. This stock is understood to have been purchased by PHD on behalf of the Company under a purchase contract vesting the tiles to the Development Site. The stock is understood to have a cost value of nearly £200,000. A 10% realisation has been assumed at this time.
6. Where a build-out option is undertaken, it is expected to consume the Development Site, the stock of tiles and Buyer funds held by Buyerco. In addition, future funds will be due from investors upon completion either directly or via Buyerco.  
For the purpose of this estimated outcome statement, we have excluded potential build-out costs as estimated by Goodwin of £45m and Administrator sales of unsold apartments, shops and freehold. These costs and revenues will be detailed in any CVA proposal if a build-out of the Development Site is found to be feasible and is pursued by the Administrators. Correspondingly, we exclude Buyer claims in this scenario as these will have been settled through delivery of the contracted apartments, and we also exclude the Administrators' pre-administration costs and post administration fees and expenses which would have to be covered by revenues from the build.
7. The High Court ordered that the pre appointment costs to place the Company into Administration shall be paid as an expense of the administration. These pre appointment costs are detailed in Section 8 of the proposals.

## PINNACLE (ANGELGATE) LIMITED – IN ADMINISTRATION

## Estimated outcome statement

8. For the purposes of the estimated outcome statement Administrators fees as provided at paragraph 9.8 (10) have been calculated as follows:

Fee No.	Administrators' activity and fee category	Build-out option £'000	Sale as is option £'000	OR/CWU fee comparative £'000	Comment
(1)	Statutory compliance & reporting assuming a 2-year Administration term	45	45	85	Comparative OR Company administration fee (£5,000) and General fee (£80,000). The build-out option may require a 3-year Administration term.
(2)	Development Site review of build-out proposals	35	35	N/A	A CWU liquidator does not have the ability to build-out the Development Site. A CWU liquidator can only sell it.
(3)	Development site - build-out	300	-	N/A	A CWU liquidator does not have the ability to build-out the Development Site. A CWU liquidator can only sell it.
	- sale assumed at £5.0m	-	200	750	Comparative OR fee is 15% of assets realised.
(4)	Investigation and formal inquiries into the Company's spending with identification of possible bases for recovery	120	120	N/A	Comparative OR investigation funded from asset realisation.
(5)	Recoveries undertaken following investigation and inquiries	Uncertain	Uncertain	Uncertain	It is included in the proposals that the Administrators would agree a fee basis with Creditors if as and when any asset recovery action has been identified from their investigations. The comparative OR fee would be 15% of assets realised. It should be noted the OR does not ordinarily pursue speculative high-value litigation asset-recovery actions.
(6)	Distributions to Buyers of refunds of their entitlement from monies held by Buyerco assumed at a net £2.0m	80	80	300	It is unlikely that the comparative OR/CWU liquidator would assist Buyerco and its directors with distribution of Buyer entitlements to monies held by Buyerco, unless those monies were treated as an asset of PAL in which case the OR fee would be 15% of these monies.
Total estimated fees		<u>580</u>	<u>480</u>	<u>1,135</u>	

In the build-out scenario it is assumed the Administrators' fees and expenses will be covered by revenues from the build. These will be details in any CVA proposal if a build-out of the Development Site is found to be feasible and is pursued by the Administrators.

## PINNACLE (ANGELGATE) LIMITED – IN ADMINISTRATION

## Estimated outcome statement

9. The Administration expenses are estimated as follows:

Expenses No.	Expense Category	Expected provider	Build-out option £'000	Sale as is option £'000	Comment
(1)	Agents fees	LSH	502	152	This includes agents' valuation and relevant sales agency fees in both scenarios.
(2)	Agents expenses	LSH	35	25	These include planning application fees (build-out) and site security and related disbursements
(3)	Public liability insurance	JLT	2	10	Build-out scenario assumes the replacement contractor will provide this insurance cover from instruction.
(4)	Other insurance	JLT	1	1	Other insurance cover will be arranged if as and when required. A nominal provision is provided here.
(5)	Legal fees & disbursements	Lester Aldridge & Irwin Mitchell	200	200	These fees are illustrative estimates. LA will assist the Administrators in the realisation of assets, in the identification of legal actions resulting from the Administrators' investigations, in defending any litigation brought by MVCHoldings Group in relation to the Administrators' law firm inquiries and actions and any other general legal matters arising in the Administration. Irwin Mitchell will assist the directors of Buyerco in determining Buyer entitlements to monies held by Buyerco, in making arrangements between Buyerco and the Administrators for the distribution of entitlements, and in any other general legal matters arising in Buyerco; and, will assist the Administrators in the validation of Buyer claims in PAL. Strictly the costs incurred by Irwin Mitchell in relation to Buyerco matters are not Administration expenses. However, these costs are included in this estimated outcome statement which is based on the estates of PAL and Buyerco being combined in order to give Buyers visibility of their likely overall recovery. 10% of these all of legal costs are assumed to be legal disbursements including the costs of Counsel's opinion being taken as and when required.
(6)	General expense provision 10% of the above	N/A	74	39	
Total			814	427	It is assumed in the build-out scenario that all of these Administration expenses will be recovered through sales of unsold apartments, shops and freehold. These will be detailed in any CVA proposal to build out the Development Site if that is found to be feasible and is pursued by the Administrators.

**PINNACLE (ANGELGATE) LIMITED – IN ADMINISTRATION****Estimated outcome statement**

10. The Company had no employees and no preferential claims are anticipated.
11. No estimate for trade creditors was provided by the director in the statement of affairs. However, information extracted from the Company accounts indicates that there may be some claims from advisors, contractors and intercompany accounts. An analysis of this information has yet to be completed. In any build-out scenario, Buyer claims are expected to be fully settled through contractual apartments.
12. We have only shown an estimated dividend to Buyers as all of the valued estimated realisations (Development site, Buyerco funds and stock of tiles) shown in the outcome statement are essentially vested to Buyers and are not assets to which other unsecured creditor claims attach.  
In this estimated outcome statement, the dividend to other unsecured creditors (i.e. Creditors excluding Buyers) is Nil (0p in the £).  
The dividend is shown as pence in the £1 Sterling.

# 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	Dawn Sherin
Company name	Moore Stephens (South) R&I LLP
Address	114 High Street Southampton
Post town	SO14 2AA
County/Region	
Postcode	
Country	
DX	
Telephone	02380 330116



## 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](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto: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](http://www.gov.uk/companieshouse)