



For further information, please  
refer to our guidance at  
[www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

### 1 Company details

Company number 0 3 1 8 5 9 3 8

Company name in full Paperchase Products Limited

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s) Zelf

Surname Hussain

### 3 Administrator's address

Building name/number Pricewaterhouse Coopers LLP

Street 7 More London

Riverside

Post town London

County/Region London

Postcode S E 2 1 R T

Country United Kingdom

### 4 Administrator's name ①

Full forename(s) Robert Nicholas

Surname Lewis

#### ① Other administrator

Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number Pricewaterhouse Coopers LLP

Street 7 More London

Riverside

Post town London

County/Region London

Postcode S E 1 2 R T

Country United Kingdom

#### ② Other administrator

Use this section to tell us about  
another administrator.

# Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**  
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. Attach this to the relevant form. ①  
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**  
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**  
Please complete in typescript or in bold black capitals.  
All fields are mandatory unless specified or indicated by \*

## 1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

① You can use this continuation page with the following forms:  
- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7  
- CVA1, CVA3, CVA4  
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25  
- REC1, REC2, REC3  
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,  
- WU07, WU15  
- COM1, COM2, COM3, COM4  
- NDISC

## 2 Insolvency practitioner's name

Full forename(s) Rachael Maria  
Surname Wilkinson

## 3 Insolvency practitioner's address

Building name/number 3 Forbury Place

Street 23 Forbury Road

Post town Reading

County/Region

Postcode R G 1 3 J H

Country United Kingdom

# AM10

## Notice of administrator's progress report


### 6 Period of progress report

From date	<div><div>d</div><div>2</div></div>	<div><div>d</div><div>8</div></div>	<div><div>m</div><div>0</div></div>	<div><div>m</div><div>1</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>	
To date	<div><div>d</div><div>2</div></div>	<div><div>d</div><div>7</div></div>	<div><div>m</div><div>0</div></div>	<div><div>m</div><div>7</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>	

### 7 Progress report

☒ I attach a copy of the progress report

### 8 Sign and date

Administrator's signature	<div>Signature</div> <div><div>X</div></div> <div><div>X</div></div>								
Signature date	<div><div>d</div><div>2</div></div>	<div><div>d</div><div>5</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>	

# AM10

## Notice of administrator's progress report



### 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 **Dharmil Mehta**

Company name **Pricewaterhouse Coopers LLP**

Address **8th Floor**

**Central Square**

**Wellington Street**

Post town

County/Region **Leeds**

Postcode 

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Country **United Kingdom**

DX

Telephone **0113 289 4062**



### 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 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)**

# Joint administrators' progress report from 28 January 2021 to 27 July 2021

**Paperchase Products Limited** in administration  
High Court of Justice,  
Business and Property Courts of England and Wales  
Case no. CR-2021-000077

25 August 2021

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The following table shows the abbreviations and insolvency terms that may be used in this report:

<b>Joint Administrators/we/us/our</b>	Zelf Hussain, Rachael Maria Wilkinson and Rob Nicholas Lewis
<b>BEIS</b>	Department for Business, Energy & Industrial Strategy
<b>CJRS</b>	Coronavirus Job Retention Scheme (furlough scheme)
<b>CLBILS</b>	Coronavirus Large Business Interruption Loan Scheme
<b>CMSPI</b>	CMS Payments Intelligence Limited
<b>Company</b>	Paperchase Products Limited
<b>Firm</b>	PricewaterhouseCoopers LLP
<b>GB</b>	Gordon Brothers International LLC; being the Administrators' instructed stock and chattels agents
<b>HMRC</b>	HM Revenue & Customs
<b>IA86</b>	Insolvency Act 1986
<b>IR16</b>	Insolvency (England and Wales) Rules 2016
<b>Lloyds Bank</b>	Lloyds Banking Group
<b>LtO</b>	Licence to Occupy granted to the Purchaser
<b>PDM</b>	Permira Debt Managers Limited
<b>PHD</b>	PHD Property Advisory Limited
<b>Preferential creditors (first ranking)</b>	Claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
<b>Preferential creditors (secondary)</b>	HMRC in respect of taxes due from employees and customers that are withheld by the business and then paid over in one lump sum periodically to HMRC, such as VAT, PAYE and employees' National Insurance contributions
<b>Prescribed part</b>	The amount set aside for unsecured creditors from floating charge funds in accordance with section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
<b>Purchaser</b>	Aspen Phoenix Newco Limited
<b>RPS</b>	Redundancy Payments Service, an executive agency sponsored by the Department for Business, Energy & Industrial Strategy, which authorises and

	pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996
<b>ROT claims</b>	Claims to retention of title over goods supplied to the Company but not paid for before the Administrators' appointment
<b>Sanne</b>	Sanne Fiduciary Services Limited, as security agent for the beneficiaries PDM and Lloyds Bank A creditor with security in respect of their debt, in accordance with section 248 IA86
<b>Sch.B1 IA86</b>	Schedule B1 to the Insolvency Act 1986
<b>Secured creditors</b>	Creditors with security in respect of their debt, in accordance with section 248 IA86
<b>SIP</b>	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply.
<b>SIP 9</b>	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates from an estate
<b>SPA</b>	The agreement for the sale and purchase of the business and assets of the Company dated 28 January 2021 and made between Paperchase Products Limited and the Purchaser
<b>TSA</b>	Transitional Services Agreement
<b>TUPE</b>	Transfer of Undertakings (Protection of Employment) Regulations 2006
<b>Unsecured creditors</b>	Creditors who are neither secured nor preferential

This report has been prepared by Zelf Hussain, Rachael Maria Wilkinson and Rob Nicholas Lewis as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

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

Any person choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at <https://www.pwc.co.uk/paperchase>.

Zelf Hussain, Rachael Maria Wilkinson and Rob Nicholas Lewis have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.



## Why we've sent you this report

I'm writing to update you on the progress of the administration of Paperchase Products Limited in the six months since our appointment.

Please get in touch on [uk\\_paperchase\\_services@pwc.com](mailto:uk_paperchase_services@pwc.com) if you need a password to access the reports.

## How much creditors may receive

The following table summarises the possible outcome for creditors, based on what we currently know.

### Secured creditors

#### Sanne - as security agent for both PDM and Lloyds<sup>1</sup>

PDM	up to 92%	Up to 12 months
Lloyds	100%	Up to 12 months

### Preferential Creditors

Ordinary (first ranking)	100%	Up to 12 months
Secondary	100%	Up to 12 months

### Unsecured Creditors

Unsecured creditors	between 1% and 4%	Up to 12 months
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*This is a brief summary of the possible outcome for creditors based on what we know so far. You shouldn't use it as the main basis for any bad debts provision / debt trading. Please read the rest of the document.*

<sup>1</sup>As noted Sanne acts as a security agent and therefore any distributions are made via them.

## Secured creditors

Sanne Fiduciary Services Limited acted as security agent for the secured creditors, PDM and Lloyds Bank. The outstanding debt to PDM and Lloyds Bank as at the date of administration was c£56.4m and c£0.4m respectively.

In broad terms, the secured creditors (PDM and Lloyds Bank via Sanne) will make recoveries under their security entitlements from:

- the sale of the Company's business and certain assets (after ring-fencing funds for other creditors and expenses of the administration)
- cash at bank on appointment; and
- future book debt realisations.

As previously noted, the sale of the business and certain assets was transacted by way of a credit bid which means that there was, in effect, an immediate distribution following the sale. The overall consideration totaled £40m. This will serve to reduce PDM's indebtedness from £55.2m to £15.2m. Further recoveries were anticipated from assets remaining in the administration, resulting in further distributions to PDM (via Sanne) having been made and more likely to happen in future, however we do not anticipate PDM will be repaid in full.

Lloyds Bank has retained £0.4m against amounts owed under its security for the HMRC duty deferment bond and for amounts outstanding on the Company's credit card account. It is anticipated that Lloyds will therefore be

repaid in full, with any additional funds returned to the Company once these outstanding balances have been settled in full.

## Ordinary preferential creditors and secondary preferential creditors

Ordinary preferential creditors are mainly employees in respect of certain unpaid amounts (this can be subrogated to the RPS). HMRC ranks as a secondary preferential creditor in respect of certain unpaid taxes such as VAT and PAYE.

The Company employed 1,278 staff across the store portfolio, head office and the distribution centre. On appointment, 761 employees were transferred to the Purchaser under TUPE, 239 were retained in the administration and unfortunately, 278 roles were made redundant with immediate effect. On 12 February 2021, a further 222 employees transferred to the Purchaser under TUPE and a further 17 redundancies were made.

Based on current information, we think that the level of ordinary preferential claims will be £74k and the level of secondary preferential claims will be £2.89m. We expect there to be sufficient assets available to pay both ordinary and secondary preferential creditors in full. Distributions to both classes of preferential creditor are expected to happen in around 3 to 6 months, once the RPS has finished paying the statutory elements of these claims and all claims have been agreed.

## Unsecured creditors

The prescribed part is a fund that has to be made available for unsecured creditors. It's paid out of "net property". Net property is floating charge realisations after costs, and after paying - or setting aside enough to pay - preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003. The prescribed part applies in this case as there is a floating charge created on or after 15 September 2003.

The amount of the prescribed part is:

- 50% of net property up to £10,000
- 20% of net property above £10,000
- subject to a maximum of £600,000 (as the floating charge was created before 6 April 2020).

We think there will be a prescribed part dividend for unsecured creditors, based on what we know currently. Net property at 27 July 2021 is calculated to be £5.83m which gives a maximum prescribed part of £600k. This provides a dividend range of between 1% and 4% based on claims we have received to date and Statement of Affairs values for those who have not submitted a claim, but were listed on Company books and records as at 28 January 2021. The final level of dividend will be subject to the total claims received and costs that are attributed to the prescribed part distribution.

If we think the costs of agreeing claims and paying a prescribed part dividend will be disproportionate to the benefits, we can apply for a court order not to pay the prescribed part to unsecured creditors. At the moment we don't plan to make such an application. Our estimates were set out earlier in this report.

In addition to any prescribed part, we don't think there will be any dividend for unsecured creditors based on what we know currently.

## What you need to do

If you haven't already done so, please send your claim to us so that we can agree to it. A claim form can be obtained by emailing [uk\\_paperchase\\_services@pwc.com](mailto:uk_paperchase_services@pwc.com). Our preferred method for creditors to submit claims and supporting documents is via the Turnkey (IPS) online portal, as this is the most efficient and cost effective way for us to deal with your claim and also allows you to better track its status, so we recommend the use of the online portal for claim submission. Your unique login details will be sent to you separately.

All creditors wishing to receive the anticipated dividend payment must submit a proof of debt.

A creditor who we decide is not required to submit a proof of debt will be notified when we deliver notice of our intention to pay a dividend of the amount we'll treat as their admitted debt for the purpose of the dividend, unless the creditor advises us that the amount is incorrect (in which case a proof of debt will be required) or not owed. Please note that should you wish to vote in relation to any decision procedure during the administration or object to a decision sought by deemed consent, you'll need to submit a proof of debt, even if one is not required for dividend purposes.

You may remember from our Proposals, dated 4 February 2021, that immediately following our appointment as joint Administrators of the Company on 28 January 2021 we completed the immediate sale of part of the Company's business and certain assets to the Purchaser. This sale included the following:

- E-commerce business and associated infrastructure
- Certain stock located at the distribution centres, all stock within transferring stores and an element of stock in non-transferring stores
- 73 leasehold stores where Licences to Occupy were granted for an initial 12 week period
- Intellectual property including the brand, website and customer lists; and
- Various concession and wholesale agreements subject to formal novation

The sale resulted in 761 employees transferring to the Purchaser under the TUPE regulations (with the associated reduction in preferential and unsecured claims).

Total consideration for the sale was £40m structured by way of a credit bid, meaning that the consideration paid for the assets was immediately distributed to PDM. This reduced the Company's indebtedness to PDM by the sum of the credit bid. The transaction included initial consideration of £29.6m with an element of deferred consideration of £10.4m, which has been settled in full. An allocation of the sale proceeds of £32m and £8m in relation to assets is shown in the next section.

Additional realisations were expected from certain assets that were excluded from the sale, including stock and book debts. In addition, the Purchaser did not acquire the cash at bank nor in the stores, resulting in these funds being available to the administration.

Following the sale, the Administrators have been dealing with the following:

- Post transaction matters including those arising under the TSA to ensure critical services continue to be available to the Purchaser post sale such as provision of supplier undertakings; correspondence with suppliers regarding ongoing supply including regular reconciliation of charges; withdrawing undertakings with suppliers following confirmation from the Purchaser or agreeing novation of services; invoicing and liaising with the Purchaser in respect of recharges; and assisting the Purchaser in managing receipts and payments whilst continuing to make critical payments on behalf of the Purchaser;
- Liaising with the Purchaser around collection of outstanding debtor balances and direct correspondence with certain debtors to collect amounts due to the administration estate;
- Dealing with the Company's property portfolio including over 500 emails relating to communication with landlords and agreeing Deeds of Surrender, in addition to attending regular property updates with the Purchaser;
- Various employee related matters including initial employee announcements, ensuring payroll calculations for retained employees were undertaken correctly having due regard to the furlough scheme, answering general employee queries, liaising with the RPS and liaising with HMRC regarding the furlough scheme;
- Undertaking a stock and cash repatriation exercise for 33 closed stores and initiating a stock realisation process for stock that was not sold to the Purchaser;
- Liaising with the Purchaser and suppliers regarding potential ROT claims including over 800 emails from potential claimants;
- Drafting reports to creditors and answering over 200 creditor queries;
- Dealing with other statutory administration tasks such as compliance including external reporting requirements to BEIS and HMRC; and
- Dealing with the ratings agency regarding refunds due from councils; assessment of a potential legacy pre-appointment claim for interchange fees charged by Visa and Mastercard; and obtaining legal advice in relation to a potential business interruption claim.

Note this is not an exhaustive list and further specific details of work that has been done to date in the administration are included later in this report.

In the remainder of the administration and in order to bring matters to a close, the Administrators will be undertaking the following key areas of work:

- Finalising provision of services under the TSA and withdrawing the remaining undertakings to suppliers and/or supporting the Purchaser with the novation of any such services as required;
- Finalising the remaining property matters within the Company in conjunction with the Purchaser, in particular in relation to the distribution centre which remains subject to a LTO;

- Concluding debtor recoveries, liaising with Merchant service providers and the Purchaser;
- Reviewing claims from secured, preferential and unsecured creditors to undertake the creditor distribution process; and
- Finalising statutory and compliance matters ahead of the conclusion of the administration.

Additional detail regarding this outstanding work is also provided in the following sections of this report.

## Sale of business and assets

As you will be aware, a sale of the business and certain assets was completed on the date of appointment to Aspen Phoenix Newco Limited with detailed commentary on this provided in earlier reports. The consideration was by way of a credit bid totalling £40m meaning that there was an immediate distribution to the secured creditor which reduced the Company's indebtedness by the same.

The table below shows how the proceeds from the sale were apportioned, details can also be found in the Receipts and Payments account in Appendix A.

Property Stock	2,288,974
New Stock	4,736,843
Properties	1
Business Intellectual Property	1
Social Media Accounts	1
Goodwill	32,974,178
Contracts	1
Records	1
<b>Total</b>	<b>40,000,000</b>

## Subsequent transaction

On 12 February 2021, following ongoing negotiations between the Purchaser and the landlords, a second phase of the transaction was completed with the following assets sold to the Purchaser:

- A further LtO was granted in respect of an additional 23 stores that had remained in the administration at the time of the initial transaction;
- All employees at these stores transferred to the Purchaser subject to the TUPE provisions;
- All stock located at these stores transferred to the Purchaser; and
- Core stock located at two other store locations was sold to the Purchaser.

Property Stock	571,040
New Stock	40,443
Properties	1
Records	1
<b>Total</b>	<b>600,000</b>

The sale completed on 12 February 2021 with consideration totalling £0.6m in respect of the above. The consideration was also settled by way of a credit bid which served to further reduce the Company's indebtedness to PDM in the same way as outlined above.

## Post sale matters

Following the sale, we have been liaising with the Purchaser in respect of various post sale matters.

As part of the sale, a TSA was put in place where certain services remained in the administration to assist an orderly transition of the business to the Purchaser. This has involved the following:

- Operating banking facilities on behalf of the Purchaser for a period of time;

- Liaising with suppliers to agree initial undertakings, including merchant services providers to enable the Purchaser to continue to take card payments for day to day trading;
- Working to agree recharge mechanisms between the administration estate and the Purchaser;
- Continued dialogue with suppliers to obtain invoices, agree novations, withdraw undertakings and make payments to suppliers;
- Liaising with the Purchaser in respect of the TSA, various other post sale related matters including the LtO in respect of the distribution centre, Thrapston the TSA had an initial term of 3 months but was capable of being extended by the purchaser for a period of up to 9 months which is currently under review with the Administrators; and
- Maintaining a master undertakings schedule.

There are a number of active undertakings still remaining in the administration which the Administrators will continue to manage as described above.

As per the attached Receipts and Payments account, we have received and paid funds under the TSA agreement which are split between monies handled on behalf of the Purchaser whilst they set up banking facilities, and recharges that are invoiced to the Purchaser on a monthly basis. These accounts are subject to ongoing reconciliation.

In addition to the TSA, we have also agreed various novations in respect of the concession partners, logistics partners, merchant services providers and other pre-appointment contracts which have involved reviewing novation documents, liaising with the Purchaser and other parties in respect of any amendments, and arranging signing.

## Employees

On appointment, the Company employed 1,278 staff across the store portfolio, head office and the distribution centre.

The initial transaction completed on the appointment date preserved the jobs of 761 employees who all transferred to the Purchaser pursuant to TUPE. Unfortunately, as only certain elements of the business were transferred to the Purchaser (such as only some leasehold properties), 278 employees were made redundant immediately on appointment. This left 239 employees who were retained in the administration on furlough whilst the Purchaser continued negotiations with a number of landlords.

On the appointment date, the joint Administrators held three separate webex meetings (due to Covid restrictions) with individual employees advised as to which meeting to attend. These meetings were followed up with emails to all employees.

In respect of those employees who were made redundant, we provided the following support and assistance:

- Reviewed the Company's employee information, considered the employee strategy and prepared communications to the employees;
- Provided information on how to claim from the RPS for amounts owed as a result of their redundancy and provided information from the Company's books and records to support their claim;
- Set up a dedicated inbox and phone line to deal with employee queries;
- Reached out to PACE, Job Centre Plus and other relevant parties, who can assist and support with a number of offerings such as interview skills, CV writing, financial support and opportunities for future employment;
- Arranged the wages check with the RPS to ensure those who are affected can receive payment of statutory amounts that may be due. The aim is for any payments to be made as efficiently and as effectively as possible;
- Collated the employee postcode data to share with Job Centre Plus, to target the roles affected with support needed;
- Added FAQs to the PwC website to assist employees with queries in the first instance; and
- Provided an initial FAQ document to the Purchaser to assist with queries from employees.

In respect of the retained employees, the Administrators prepared the payroll and ensured any deductions were paid across to the relevant parties including pensions and HMRC, liaised with HMRC in respect of the furlough claim and provided further updates to these employees.

On 12 February 2021, being the date of the subsequent transaction, 222 employees transferred to the Purchaser following successful negotiations with landlords. Unfortunately, the Purchaser was unable to reach an agreement with the landlords of two stores which resulted in 17 redundancies being made. The joint Administrators provided support to these employees as detailed above.

In addition to the above, the Administrators continue to work with the RPS in progressing employee claims and providing additional information, as required, so that the RPS can submit their subrogated claim in the administration.

Going forward, the joint Administrators will be progressing both the preferential dividend and the unsecured creditor dividend and will contact employees should further information be required to calculate their claims.

## **Property**

### **Store portfolio**

The Company originally operated from 125 leasehold stores, together with a warehouse and distribution centre located in Thrapston, an outsourced distribution centre used to support ecommerce sales and from a head office located above the Tottenham Court Road store.

As part of the initial sale, 27 stores were closed immediately on appointment. A LtO was granted to the Purchaser in respect of 73 stores and 25 stores remained in the administration whilst the Purchaser entered into further dialogue with these landlords.

It is worth noting that stores were only able to trade subject to the prevailing local government guidance on trading due to Covid-19 related restrictions.

### **Closed stores**

In respect of the closed stores, we wrote to all of these landlords offering a surrender of the lease as the stores were not being used for the benefit of the administration. To date, 12 lease surrenders have been agreed.

### **Stores subject to a LtO**

In respect of the LtO granted to the Purchaser on 28 January 2021, 70 of the 73 leases have been surrendered as, in the vast majority of cases, a new lease has been agreed between the Purchaser and the landlord. This process involved the Administrators agreeing Deeds of Surrender to be executed simultaneously with the Purchaser's newly agreed leases. For nine of the properties, the licence has been terminated where the Purchaser was unable to reach agreement on a new lease with the landlord. The remaining three properties remain under a LtO which was extended whilst the Purchaser continued discussions with landlords to finalise new lease terms.

### **Stores remaining in the administration**

Of these 25 stores, a LtO was granted in respect of 23 stores on 12 February 2021. No agreement was reached between the Purchaser and the respective landlords of the remaining two stores and the Administrators wrote to the landlords confirming this position and these stores were closed. Those properties subject to a LtO were handled in the same way as detailed above.

### **Work undertaken to date**

The Administrators have been in correspondence with the landlord population to deal with general queries and to progress lease surrenders. This has involved reviewing and signing surrender deeds, liaising with solicitors and maintaining progress schedules. We have also remained in regular communication with the Purchaser, joining weekly property update calls in the first couple of months of the administration to monitor progress of landlord discussions.

On 12 March 2021, we engaged PHD to assist in managing the property portfolio to progress any remaining leases to a surrender position as we considered this a more cost efficient process for dealing with the remaining properties once the process had been established, and was therefore in the interests of creditors to do so.

In addition to the above, we have worked with the Purchaser and our legal advisors in respect of the property located in Jersey. As Jersey has a separate legal jurisdiction, the process for surrendering the current lease in order for the Purchaser to agree a new lease is subject to a different legal process to that under English and Welsh law, and is largely Court driven. Following various discussions to determine the most practical way forward, the existing lease was surrendered on 9 July 2021 by the Royal Court in Jersey.

### **Current position**

There are currently three properties still subject to a LtO with the Purchaser trading from these stores following the easing of local lockdown restrictions.

We have also engaged PHD to manage the LtO position (in addition to dealing with the lease surrenders) on these properties which involves liaising with both the landlord and the Purchaser in respect of payment of rent and other amounts accruing under the lease, together with progressing these stores to a lease surrender, where the Purchaser's new lease terms are agreed.

The distribution centre in Thrapston is also under a LtO with rent and other amounts due to the landlord being recharged under the TSA. This reconciliation and the associated recharges are being managed by the Administrators. There are currently discussions with the Purchaser and a third party in respect of a potential assignment of this lease. There are fixtures and fittings within the Thrapston property that will be realised on any assignment or exit of the property which is anticipated to result in further realisations to the estate.

The Administrators have not used the outsourced distribution centre (and associated logistics service) for the benefit of the administration and this contract has been novated to the Purchaser.

As the Purchaser's discussions with landlords regarding the three properties and the Thrapston site are ongoing, a further extension of the LtO to 31 August 2021 has been agreed. This will be reviewed closer to the expiry date at the request of the Purchaser.

## **Stock**

As part of the initial transaction, the Purchaser bought £7m of stock which included all stock at the transferring stores and certain stock located at the closed stores and distribution centres. On 12 February 2021, the Purchaser bought an additional £0.6m of stock located at stores subject to the subsequent transaction, together with core stock located at two sites which were closed.

GB was engaged to undertake a stock repatriation exercise from the closed stores which included returning all stock to the Thrapston distribution centre and collecting any other assets including IT equipment and any cash float. GB also removed any confidential data from the stores and facilitated site access for employees to collect personal belongings. Once the stock was received at the distribution centre, the Purchaser's staff provided support in sorting the returned stock between that which had been purchased and that which remained in the administration for further realisation. Due to the volume of stock returned from the stores, this process took around three months to complete.

The repatriation process involved 33 stores with 521 pallets of stock returned to the warehouse and £79k of cash collected from stores, which has all been banked in the administration bank account.

As part of the above, we joined weekly calls with the Purchaser and GB to discuss the progress of the stock repatriation work, liaised between the Purchaser and GB on ad hoc queries and instructed GB on additional stores for repatriation where a new lease could not be agreed with the landlord. We also liaised with GB and former company staff to facilitate staff collecting their belongings from stores.

It should be noted that no stock was repatriated from the stores based in Scotland due to the risk of hypothec claims from landlords, potentially creating a claim over this stock. Due to the limited value of stock in these stores against the potential costs of having to deal with any claims from landlords under hypothec, this stock was abandoned. GB did, however, attend these sites to collect any cash remaining in stores, secure any confidential data and to meet with staff who wished to collect any personal belongings.



At cost, there was c£2.2m of stock remaining in the administration which is a mix of stock returned from stores and aged palletised stock located at the distribution centre. GB was engaged to realise this stock and recommended that an auction process would likely achieve the best value for the stock. The auction process was run in early June 2021 with any unsold lots sold by private treaty shortly after the auction process. Total realisations were £164k. The funds for this were received following the end of the period and are therefore not reflected in the Receipts and Payments at Appendix A but have been received into the administration bank account.

## ROT and licenced stock

In addition to the stock repatriation and realisation processes, we have also dealt with 17 retention of title claims. This involved the provision of ROT questionnaires to suppliers, facilitating stock lists/site visits, adjudicating on claims and liaising with the Purchaser and the supplier for further information and facilitating collection of stock, where appropriate. All ROT matters that we were made aware of have now been dealt with.

We were also aware of two licensing agreements in place. Discussions with the licensors have taken place and these are now nearing conclusion. Further information on this will be provided in our next report to creditors.

## Cash at bank

As previously advised, the Company held various bank accounts with Lloyds Bank, National Westminster Bank plc and Ulster Bank Limited, with Lloyds Bank being the Company's main banking facilities.

Since our appointment, we have been liaising with the pre-appointment bankers to transfer funds to the administration estate. The following amounts were received into separate GBP, EUR and USD accounts operated by the Administrators:

Lloyds - GBP	11,938,129	-	-
Lloyds - EUR	-	402,906	-
Lloyds - USD	-	-	1,010
Natwest - GBP	4,576	-	-
Ulster - GBP	637	-	-
<b>Total balance</b>	<b>11,943,342</b>	<b>402,906</b>	<b>1,010</b>

As at today's date, the majority of funds have now been transferred to the administration GBP account with £12.2m received per the Receipts and Payments account at Appendix A.

Lloyds Bank continues to withhold c£300k in respect of potential amounts due under a duty deferment bond which was expected to be released within six months of the appointment date, assuming no claims were made against the bond. We are in correspondence with Lloyds Bank to understand when these funds will be released to the estate and an update will be provided in the next report to creditors. Lloyds Bank was also holding c£75k in respect of potential credit card exposure and £65k was released in May 2021, included in the table above. .

## Cash at stores

According to the books and records of the Company, there was cash in the stores at the date of appointment totalling £317k.

Cash collected from the 33 closed stores totalled £80k with cash in the remaining store portfolio totalling £240k. Total cash at stores therefore totals £319k. Final reconciliations are being completed at present to finalise the balance due to the administration and the Purchaser.

There is a minor discrepancy between the amounts stated per the Company's books and records and the cash actually collected from stores; however this is immaterial and likely due to cashing up errors at stores.

## Debtors

Per the Statement of Affairs, debtor balances due to the Company totalled £3.1m, which included a pre appointment CJRS claim in the sum of £933k in relation to January payroll, which is discussed in more detail on page 13.

The non-CJRS related balance relates to amounts due from concessions, third parties and merchants, which after adjustments totals £1.93m. To date, collections against this balance are £1.88m.

To facilitate debt collections, we have worked closely with the Purchaser to maximise collections. We have also liaised directly with debtors, including merchant providers, to ensure the full release of funds in a timely manner.

Following our discussion with debtors, merchant providers and the Purchaser we anticipate a further c£16k is to be received to the administration. We will continue to pursue the collection of any outstanding debts.

In addition to the above, we were advised that £59k was held in a client account with the Company's pre-appointment solicitors, Browne Jacobson LLP. These funds were remitted to the administration estate on 18 February 2021.

## Intercompany debtors

According to the Company's books and records as at the end of January 2021, there are £4.3m of intercompany debtors.

Paperchase Designs Ireland Ltd (PDIL)	1.0
Paperchase Worldwide Group Ltd (PWGL)	1.0
Paperchase Worldwide Holdings Ltd (PWHL)	1.6
Paperchase Retail Inc. (PRI)	0.7
<b>Total balance</b>	<b>4.3</b>

We understand that there are a number of intercompany creditor balances that will offset these figures, thus reducing the net intercompany debt position to c£1m. We further understand that these balances are built up as legacy positions and largely relate to historical and current recharges across the group. Both PWGL and PWHL are in insolvent liquidation; PDIL is subject to an insolvency process in Ireland and PRI is a closed subsidiary that did not trade. Accordingly, there is not anticipated to be any realisations in respect of this class of asset.

## Furlough funding

Due to the national lockdown restrictions put in place in December 2021, the majority of the Company's staff were furloughed whilst the stores were closed. Accordingly, the Company submitted a furlough claim in respect of the January 2021 payroll.

On appointment, our tax and employment teams contacted HMRC to recover this claim for the benefit of the administration estate. Due to complexities arising from the Company being placed into administration, a lot of correspondence was required with HMRC to process the furlough claim. As a result of this work, we have received £933k into the administration bank account relating to this claim.

A further furlough claim was submitted for the February 2021 payroll in respect of the retained employees (those attributable to the stores remaining in the administration).

Additionally, funds were received from the Jersey tax authorities in respect of a furlough equivalent claim in respect of the Jersey store.

In total, £1m has been received in respect of furlough monies and no further receipts are anticipated. This includes the claim that was noted on the Statement of Affairs.

## Grant monies

Since the date of appointment, we have received £156k in respect of Covid related grant funding from a number of local councils. These amounts have been received automatically from the councils.

There have been a number of different Covid grant schemes available to the retail sector following the national lockdowns. Of the funds received, the majority of these grants relate to pre-appointment periods when the Company's trading was impacted by the lockdown restrictions and are therefore considered an asset of the administration estate.

Of the £156k grant funding received, £16k equates to a prorata amount for the period 28 January 2021 to 15 February 2021 which is to be repaid to councils and is in line with the eligibility criteria. We are liaising with relevant councils to repay balances for this period with £2k repaid to date and the balance of £14k yet to be repaid.

Following repayment of balances due to the councils, as noted above, the net grant funding received in the administration will total £140k.

A further update will be provided in the next report to creditors.

## Potential claims

### **Covid business interruption insurance claim**

Following judgement in a recent high profile Court case, we understood that there could potentially be a claim under the Company's pre-appointment insurance policy to compensate for interruption caused to the business as a result of Covid.

We obtained a copy of the policy handbook and initially sought advice from our insurance brokers on the possibility of a claim. Additionally we sought high level advice from solicitors on the same handbook and both parties confirmed that there was unlikely to be any prospect of a claim under the specific wording of the policy.

Accordingly, no further action is being taken by the Administrators.

### **Reclaim of historical interchange fees charged by Visa and Mastercard**

There is a potential claim against Mastercard and Visa for interchange fees charged pre-appointment.

Mastercard and Visa have been subject to a number of litigation cases in recent years with a number of rulings ultimately in favour of the claimants i.e. the retailers who have incurred the interchange fees. Accordingly, the Administrators engaged CMSPI to undertake an initial claim quantification exercise which concluded that the Company's potential gross claim value is in the region of £1.4m.

The Administrators are continuing to liaise with CMSPI and undertake their own internal investigations as to the most appropriate next steps. There are a number of factors to be considered included the timing of any likely realisations from taking legal action, the costs of such action, and the ultimate net benefit to the estate and the body of creditors of any option pursued. It is worth noting that any realisations to the estate remain uncertain and in any event are likely to be significantly below the gross claim value detailed above.

The Administrators will provide an update to creditors in their next report.

## Other matters

A pre-appointment insurance claim totalling £27.8k has been paid to the administration estate.

We are continuing to liaise with our tax team to ascertain whether there are any tax refunds due to the Company, together with ensuring compliance with our statutory and regulatory obligations in respect of the Company's tax affairs in administration.

In addition to the above, the Administrators have a number of statutory and regulatory obligations that whilst it may not provide a direct financial benefit to the creditors, are required to ensure that the office holders discharge their statutory and regulatory duties. More information is provided at Appendix C.

## **Connected party transactions**

SIP 13 requires us to disclose details regarding any disposal of assets in the administration to a director or other connected party. As at the date of this report, there are no such transactions to report.

Whilst not a connected party transfer under the provisions of IA86, the Purchaser, who has acquired the business and certain assets of the Company, is owned by PDM, a secured lender to the Company.

## **Approval of our proposals**

We issued to creditors our proposals for achieving the purpose of administration dated 4 February 2021.

The general body of creditors approved our proposals on 16 February 2021 without modifications, by a deemed consent procedure.

## **Investigations and actions**

We have reviewed the Company's affairs and taken into account any points raised by creditors in discharging our duties under the Company Directors' Disqualification Act 1986 and Statement of Insolvency Practice No.2.

At this time, nothing has come to our attention however we will continue to act on any information provided in line with our duties.

## **Tax and VAT**

During the period covered by this report our VAT team assisted with the drafting and submission of pre appointment returns and a post appointment return to 30 April 2021. The VAT return for the period 1 May 2021 to 31 July 2021 is being drafted and will be submitted in due course.

Following our appointment our tax team also drafted and submitted the FY19 pre appointment return and are also in the process of drafting the FY20 pack, which will cover the period to 27 January 2021. The team will then work on the post appointment return and request clearance from HMRC once all tax matters have concluded.

## **Our receipts and payments account**

We set out in Appendix A an account of our receipts and payments in the administration from 28 January 2021 to 27 July 2021.

## **Our expenses**

We set out in Appendix B a statement of the expenses we've incurred to the date covered by this report and an estimate of our future expenses.

## **Our fees**

We set out in Appendix C an update on our remuneration which covers our fees, disbursements and other related matters in this case.

## **Pre-administration costs**

You can find in Appendix D information about the approval of the unpaid pre-administration costs previously detailed in our proposals.

## **Creditors' rights**

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34. This information can also be found in the guide to fees at :

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2021/administration-creditor-fee-guide-1-april-2021.ashx?la=en>

You can also get a copy free of charge by emailing Dharmil Mehta at [uk\\_paperchase\\_services@pwc.com](mailto:uk_paperchase_services@pwc.com).

## What we still need to do

The following is a summary of the key areas of our work before the administration can be concluded:

- Conclude and withdraw services provided under the TSA including transferring the distribution centre in Thrapston out of the administration and terminating the LTO;
- Finalise the asset realisation strategy including collection of book debts owed to the Company, concluding on a strategy for potential interchange fees claim and receive stock realisation monies;
- Finalise property related matters;
- Agree and settle business wind-down and other costs of the administration;
- Adjudicate preferential and unsecured creditor claims;
- Issue a dividend to preferential creditors;
- Issue a dividend to unsecured creditors; and
- Conclude our statutory obligations, including VAT and tax matters on the case.

Some of the above matters may require an extension to the administration in order to finalise these.

## Next steps

We are currently considering the optimal timings and strategy to conclude on key areas listed immediately above. If necessary, to achieve the objective of the administration and complete our work, we may seek an extension to the period for the administration (beyond the statutory period of one year), by consent of the appropriate class of creditor - most likely to be the same class as the fee approving body - or by an order of the court taking into account any tax or further costs implications of doing so. We'll provide an update on this in our next report.

We expect to send our next report to creditors at the end of the administration or in about six months, whichever is the sooner.

If you have any questions, please get in touch via email at [uk\\_paperpurchase\\_creditors@pwc.com](mailto:uk_paperpurchase_creditors@pwc.com).

Yours faithfully

For and on behalf of Paperpurchase Products Limited



Zelf Hussain  
Joint Administrator

*Zelf Hussain, Rachael Maria Wilkinson and Rob Nicholas Lewis have been appointed as Joint Administrators of Paperpurchase Products Limited to manage its affairs, business and property as its agents and act without personal liability. All are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>*

*The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the [PwC.co.uk](https://www.pwc.co.uk) website or by contacting the Joint Administrators.*

**Paperchase Products Limited - in Administration**

Statement of Affairs £	Note	From 28 January 2021 to 27 July 2021 £	From 28 January 2021 to 27 July 2021 €	From 28 January 2021 to 27 July 2021 \$
<b>Assets subject to a fixed charge</b>				
<b>Receipts</b>				
32,974,178 Goodwill	1	32,974,178	-	-
1 Intellectual Property		1	-	-
<b>32,974,179 Total receipts</b>		<b>32,974,179</b>	<b>-</b>	<b>-</b>
<b>Payments</b>				
Payment to fixed charge creditor PDM via Sanne Fiduciary Services Ltd		(32,974,179)	-	-
<b>Total payments</b>		<b>(32,974,179)</b>	<b>-</b>	<b>-</b>
<b>Net cash position</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Assets subject to a floating charge</b>				
<b>Receipts</b>				
2,697,280 Book debts	2	1,876,814	-	-
7,749,808 Stock		7,637,300	-	-
12,972,909 Pre appointment cash at bank		12,253,032	34,417	8
27,868 Insurance refunds		27,868	-	-
4 Sale of business-Social media(£1) Contracts(£1), Records(£1), Properties (£1)		4	-	-
Leasehold Property		2	-	-
Furlough funding	3	1,001,483	-	-
Grants and subsidies		153,935	-	-
Cash at stores on appointment	4	319,329	-	-
Sundry debts and refunds		20,921	-	-
TSA related receipts (New co banking)	5	5,024,267	-	-
TSA related receipts (recharges)		463,522	-	-
Bank interest (Gross)		10	-	-
Professional fees		365	-	-
Pensions refunds		2,984	-	-
PAYE/NIC and Pension Deductions			-	-
<b>23,447,847 Total receipts</b>		<b>28,781,833</b>	<b>34,417</b>	<b>8</b>
<b>Payments</b>				
Agents' Fees - Property & Assets		(78,560)	-	-
TSA related payments (New co banking)		(5,080,153)	-	-
TSA related payments (recharges)		(838,946)	(12,613)	-
Statutory advertising		(87)	-	-
Insurance		(16,005)	-	-
Finance / Bank interest & charges		(3,822)	(89)	(8)
Property costs		(31)	-	-
Payment to floating charge creditor PDM via Sanne Fiduciary Services Ltd under floating charge		(16,876,970)	-	-
<b>Total payments</b>		<b>(22,894,574)</b>	<b>(12,703)</b>	<b>(8)</b>
<b>Net Realisations</b>		<b>5,887,259</b>	<b>21,715</b>	<b>-</b>
VAT Control Account		(55,435)	-	-
<b>Total Cash at bank</b>	<b>6</b>	<b>5,831,823</b>	<b>21,715</b>	<b>-</b>
<b>Total Cash at bank (GBP)</b>	<b>7</b>	<b>5,831,823</b>	<b>18,498</b>	<b>-</b>

## Notes

1. Receipts and expenses have been allocated between the fixed and floating accounts on the basis of known security
2. The figure is amended from that previously stated in the Remuneration report as a result of clarification over where receipts should be recorded
3. The furlough funding receipt includes the claim made relating to periods prior to the appointment.
4. This figure is subject to confirmation and a final reconciliation of cash in stores on appointment
5. The figure is amended from that previously stated in the Remuneration report as a result of clarification over where receipts should be recorded
6. Funds are held in interest bearing accounts
7. Converted to GBP using Bank of England exchange rate as at 27 July 2021 for EUR and USD, currency accounts are used for some TSA payments
8. Please note figures may not cast fully due to rounding but are correctly recorded funds received and paid.

Expenses are amounts properly payable by us as Administrators from the estate, but excludes our fees and distributions to creditors.

These include disbursements which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment.

Expenses fall into two categories:

<b>1</b>	These are payments to persons providing the service to which the expense relates who are not an associate of the office holder.
<b>2</b>	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.

We don't need approval from creditors to draw Category 1 expenses as these have all been provided by third parties but we do need approval to draw Category 2 expenses. The body of creditors who approve our fees (in this case the Secured and Preferential Creditors also have the responsibility for agreeing the policies for payment of Category 2 expenses.

The following table provides a breakdown of the Category 2 expenses have been incurred by us as Administrators or our associates, together with details of the Category 1 expenses that have been incurred by PwC and will be recharged to the case:

<b>2</b>	Up to 10 pence per side copied, only charged for circulars to creditors and other bulk copying.	<b>3,099.29</b>
<b>2</b>	At a maximum of: <ul style="list-style-type: none"> <li>Conventional engines and hybrids: 64p per mile (up to 2,000 cc) or 80p per mile (over 2,000cc) from time to time.</li> <li>Full electric: 72p per mile</li> <li>Bicycle: 12p per mile</li> </ul>	<b>773.07</b>
<b>1</b>	<b>Postage costs</b>	<b>1,155.48</b>
<b>1</b>	<b>Required statutory bonding costs</b>	<b>225.00</b>
<b>1</b>	<b>Courier charges</b>	<b>80.99</b>
	<b>Total</b>	<b>5,333.83</b>



The table below provides details of the expenses incurred in the administration:

Wages and Salaries (Zellis)*	1,824	0	1,824	1,824	0
Insurance	16,005	10,000	26,005	26,005	0
Bank charges	3,819	500	4,319	4,319	0
Statutory Bonding	225	0	225	225	0
Statutory advertising	87	174	261	261	0
Agents costs	3,600	0	3,600	3,600	0
Agents fees	74,785	0	74,785	23,958	(50,827)
Stock agents	78,560	19,634	98,194	88,500	(9,694)
Property agents	20,400	17,625	38,025	38,025	0
Legal fees and expenses (Baker McKenzie LLP)	218,102	25,000	243,102	200,948	(42,154)
Legal fees and expenses (Brown Jacobson LLP)**	0	0	0	4,083	4,083
Legal fees and expenses (Carey Olsen)	5,810	0	5,810	5,810	0
Valuation agents	35,000	0	35,000	35,000	0
Postage and Photocopy	4,255	1,500	5,755	5,755	0
<b>Total</b>	<b>462,472</b>	<b>74,433</b>	<b>536,905</b>	<b>438,313</b>	<b>(98,592)</b>

\* As referenced in our previous reports, prior expenses included a payment of £20,702 to Zellis. As the payment was made pursuant to the TSA agreement, it has now been recharged to the Purchaser and removed as an expense. In the period, a payment of £1,824 was made to Zellis for dealing with wage and salary payments.

\*\* The initial estimate relates only to pre appointment costs for Browne Jacobson LLP and there are no costs incurred in the period under review.

The table also excludes any potential tax liabilities that we may need to pay as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the period and the total paid to date.

Our fees were approved on a time costs basis by the Secured and Preferential Creditors. To date we have not drawn any fees in line with the approval given, as shown on the enclosed receipts and payments account.

The time cost charges incurred in the period covered by this report are £1,551,318.75. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

At present we do not think our time costs will exceed our initial estimate, however this is based on an administration period of 12 months. Should an extension be required our time costs are likely to exceed the initial fee estimate. This would be as a result of the statutory process and documents required for an extension and then additional statutory tasks to be completed during the extension period itself. Should an extension be required, the Administrators will communicate this with the Secured and Preferential creditors to gain approval.

We set out later in this Appendix details of our work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

## Our hours and average rates

Assets	-	15	55	427	401	88	985	422,160.85	428
Employees and pensions	-	1	92	109	138	304	643	182,688.60	284
Investigations	-	1	2	14	5	21	43	15,583.75	362
Statutory and compliance	34	2	58	240	215	219	767	320,757.65	418
Tax and VAT	-	37	82	21	139	27	306	219,560.25	718
Administration	2	-	4	345	106	310	766	288,878.75	377
Creditors	-	1	6	75	127	206	415	101,688.90	245
<b>Grand Total</b>	<b>36</b>	<b>56</b>	<b>299</b>	<b>1,230</b>	<b>1,130</b>	<b>1,174</b>	<b>3,925</b>	<b>1,551,318.75</b>	<b>395</b>

\*Please note figures in this table reflect time properly incurred, rounding may affect how these numbers cast but the totals are correct to time incurred in the period covered by this report.

## Our time charging policy and hourly rates

The time we charge to the administration is by reference to the time properly given by our staff and us in attending to matters arising.

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

Set out below are the relevant maximum charge-out rates per hour worked for the grades of staff actually, or likely to be, involved on this assignment.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time charged is three minutes (i.e. 0.05 units). There has been/will be no allocation of any general costs or overhead costs. These rates will apply to each part of our work.

Specialist departments with our firm, such as Tax, VAT, Property and Pensions are also used where their expert advice and services are required. Such specialist rates do vary but the figures below provide an indication of the maximum rate per hour.

<b>Partner</b>	955	980	1600	1,680
<b>Director</b>	720	740	1465	1,540
<b>Senior Manager</b>	585	625	1355	1,425
<b>Manager</b>	475	525	815	860
<b>Senior Associate</b>	390	425	605	640
<b>Associate</b>	245	280	325	345
<b>Offshore professionals</b>	245	280	N/A	N/A
<b>Support staff</b>	125	130	230	345

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases.

## Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report. Relevant parties have been chosen due to their specific area of expertise or technical knowledge and payments to those parties based on standard commercial terms.

## Our work in the period

Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work conducted in the period. For work conducted in previous periods, please refer to our earlier progress reports which can be downloaded from [www.pwc.co.uk/paperchase](http://www.pwc.co.uk/paperchase)

Assets	<ul style="list-style-type: none"> <li>Dealing with various matters arising immediately post completion as required under the sale agreement.</li> </ul>	<ul style="list-style-type: none"> <li>To maximise realisations for creditors</li> </ul>	<ul style="list-style-type: none"> <li>Realising assets to allow a distribution to creditors</li> </ul>
Sale of business	<ul style="list-style-type: none"> <li>Liaise with and record details of any interested parties that came forward with an interest in acquiring the business and assets within 28 days of the sale (as per the option in the sale contract)</li> </ul>		
TSA	<ul style="list-style-type: none"> <li>Discussion and agreement of the subsequent phase 2 transaction and associated SPA, credit bit and the impact on Property matters and TSA</li> <li>Liaise with the Purchaser to determine supplier undertakings</li> <li>Contact suppliers to agree provision of services going forward</li> <li>Maintain master undertakings schedule</li> <li>Process payments on behalf of the Purchaser before the Purchaser obtained a bank account</li> </ul>		
Property	<ul style="list-style-type: none"> <li>Agree transitional arrangements and collect funds from merchant service providers</li> <li>Negotiation and agreement of novation agreements with merchant services</li> <li>Agreement with utility providers and councils for ongoing service</li> <li>Liaising with landlords to agree Deeds of Surrender and lease assignments</li> <li>Contacting utilities, councils and other stakeholders to advise of appointment and ongoing services to be provided</li> <li>Managing Licences to Occupy position</li> <li>Liaising with landlords to agree Deeds of Surrender and facilitating simultaneous new leases being agreed by the Purchaser</li> <li>Maintaining master schedule of all landlord related matters</li> <li>Ongoing landlord correspondence</li> <li>Discussions in relation to Thrapston and supporting the Purchaser with this property</li> <li>Correspondence and meetings with the Purchaser to progress property matters</li> <li>Liaise with legal advisors in respect of the Jersey store lease</li> </ul>		

Debtors	<ul style="list-style-type: none"> <li>• Instruct PHD as agents to manage certain lease surrenders and rent recharge between landlords, the administration estate and the Purchaser</li> <li>• Engage agents to consider potential rates refunds due to the Company</li> <li>• Reviewing and assessing amounts owed by debtors to the Company</li> <li>• Liaise with the Purchaser in respect of ongoing collections</li> </ul>	
Stock	<ul style="list-style-type: none"> <li>• Final reconciliation of collections and amounts outstanding</li> <li>• Direct correspondence with debtors to collect amounts due to the administration estate</li> <li>• Liaising with stock agents and the Purchaser in respect of the stock repatriation exercise</li> </ul>	
ROT claims	<ul style="list-style-type: none"> <li>• General correspondence with our agents and the Purchaser in respect of stock</li> <li>• Working with our instructed agents to consider optimum strategy for and undertake a stock realisation process for stock remaining in the administration</li> <li>• Liaise with licensors in respect of stock subject to licensing agreements</li> <li>• Arranging for the completion of retention of title claim forms</li> <li>• Reviewing documentation provided by suppliers and adjudicating on retention of title claims</li> <li>• Corresponding with claimants regarding their claims</li> <li>• Liaising with the Purchaser in respect of claims received</li> </ul>	
<b>Employees and Pensions</b>	<ul style="list-style-type: none"> <li>• Drafting, issuing and delivering initial communications and announcements for all employees</li> <li>• Preparing letters to employees advising of their entitlements and options available</li> <li>• Ensuring all accurate information is provided to the RPS to ensure prompt and accurate payments to employees</li> <li>• Setting up dedicated email addresses and phone lines for employee queries</li> <li>• Receiving and following up employee enquiries via telephone, post and email</li> <li>• Issuing furlough letters to all employees in administration</li> <li>• Performing the secondary announcement to employees kept in the administration</li> <li>• Contacting individuals who did not attend their announcement</li> <li>• Receiving and following up employee enquiries via telephone, post and email</li> <li>• Reviewing employee files and company's books and records</li> <li>• Reviewing awards and payroll structure</li> <li>• Calculating and paying payroll for staff employed during administration period</li> </ul>	<ul style="list-style-type: none"> <li>• To discharge our duties in relation to employees</li> <li>• To ensure adequate staffing for pursuing the objectives of the administrations</li> </ul> <p>Statutory requirement</p>

	<ul style="list-style-type: none"> <li>• Deducting and paying over PAYE/NIC to HMRC and other deductions to relevant agencies and third parties</li> <li>• Reviewing eligibility of staff on furlough and resending furlough letters</li> <li>• Calculating and submitting furlough claims for the pre-appointment payroll completed in January and the Administrators' portion of post appointment payroll costs</li> <li>• Following up with HMRC to ensure the timely and complete receipt of monies due under the furlough claims</li> <li>• Joining calls/meetings with employees to advise of redundancies and provide appropriate support</li> <li>• Liaising with the RPS and external agencies regarding redundancies</li> <li>• Reviewing insurance policies</li> <li>• Issuing statutory notices</li> <li>• Dealing with general pension scheme issues</li> <li>• Calculating contributions and requesting payments to the relevant scheme or policy</li> </ul>		
<b>Investigations</b>	<ul style="list-style-type: none"> <li>• Arrange for back-up of company systems and collect books and records as required for statutory investigation purposes</li> <li>• Reviewing books and records</li> <li>• Preparing comparative financial statements</li> <li>• Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills</li> </ul>	<ul style="list-style-type: none"> <li>• To discharge our duties as Administrators</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory requirement</li> </ul>
<b>Statutory and compliance</b>	<ul style="list-style-type: none"> <li>• Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment</li> <li>• Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case and the expenses that are likely to be incurred</li> <li>• Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information</li> <li>• Circulating notice of the proposals to creditors, members and the Registrar of Companies</li> <li>• Filing the Directors Statement of Affairs with the Registrar of Companies</li> <li>• Completing other statutory requirements following the appointment</li> </ul>	<ul style="list-style-type: none"> <li>• As required by statute to ensure all creditors have knowledge of the administration and correct documents are filed with the Registrar of Companies.</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory requirement</li> </ul>
<b>Tax and VAT</b>	<ul style="list-style-type: none"> <li>• Gathering information for the initial VAT review</li> </ul>	<ul style="list-style-type: none"> <li>• To discharge our VAT compliance obligations</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory requirement</li> </ul>

	<ul style="list-style-type: none"> <li>• Deregistering the Company from the old VAT group and registering the Company for VAT on a standalone basis</li> <li>• Preparing the relevant forms to opt to tax the Company's interest in the properties</li> <li>• Preparing and submitting the pre-appointment VAT return to HMRC</li> <li>• Advising on the VAT implications of the sale of the business and assets</li> <li>• Preparing the quarterly VAT returns to April 2021 and July 2021</li> <li>• Liaising with HMRC on enquiries and / or ad-hoc VAT issues</li> <li>• Agreeing / finalising HMRC preferential claim for VAT</li> <li>• Providing VAT advice on the implications of the activities of the Administrators in the post-appointment period (e.g. VAT treatment of LTO fees)</li> <li>• Gathering information for the initial tax review</li> <li>• Carrying out tax review and subsequent enquiries</li> <li>• Preparing the FY19 (pre - appointment) corporation tax pack</li> <li>• Preparing the post-appointment corporation tax pack including the request for corporation tax clearance for purposes of closure</li> <li>• Liaising with HMRC on enquiries and / or ad-hoc corporation tax issues</li> </ul>		
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Completing tasks relating to job acceptance</li> <li>• Preparing fee budgets and monitoring cost</li> <li>• Holding team meetings and discussions regarding status of administration</li> <li>• General updates and liaison between team members regarding case progression and strategy</li> </ul>	<ul style="list-style-type: none"> <li>• For the effective management of the administrations</li> </ul>	<ul style="list-style-type: none"> <li>• Minimising the costs of the administrations</li> </ul>
<b>Creditor queries</b>	<ul style="list-style-type: none"> <li>• Setting up a dedicated website for delivery of initial and ongoing communications and reports</li> <li>• Receiving and following up creditor enquiries via telephone, email and post</li> <li>• Reviewing and preparing correspondence to creditors and their representatives</li> <li>• Notifying secured creditors of appointment</li> <li>• Ongoing provision of information and progress updates by way of regular correspondence with secured creditors □</li> <li>• Making distributions in accordance with security entitlements □</li> <li>• Liaise with Lloyds Bank in respect of monies withheld under the duty deferment guarantee and against potential credit card exposure</li> </ul>	<ul style="list-style-type: none"> <li>• To account for secured claims correctly and to calculate return to all creditors accurately</li> </ul>	<ul style="list-style-type: none"> <li>• Statutory requirement</li> </ul>

## Our future work

We still need to do the following work to achieve the purpose of administration.

<b>Assets</b>	<ul style="list-style-type: none"> <li>Continued work as required under the TSA, including liaising with suppliers, withdrawing undertakings in a timely manner and reconciliation of accounts; transferring the distribution centre out of administration</li> <li>Recharge of costs to the purchaser under the TSA</li> <li>Facilitate the novation of final contracts to the Purchaser</li> <li>Liaising with landlords regarding deeds of surrender and property assignments</li> <li>Managing the LTO position and maintaining master property schedule</li> <li>Final debtor collections and reconciliation</li> <li>Recovery of remaining rates refunds and finalising the position regarding the interchange claim</li> <li>Conclusion of final stock matters</li> </ul>	£83,734	Realising assets to allow a distribution to creditors
<b>Creditors</b>	<ul style="list-style-type: none"> <li>Receiving proofs of debt and maintaining register</li> <li>Adjudicating claims, including requesting further information from claimants</li> <li>Preparing correspondence to claimant advising outcome of adjudication and advising of intention to declare dividend</li> <li>Advertising intention to declare dividend</li> <li>Calculating dividend rate and preparing dividend file</li> <li>Preparing correspondence to creditors announcing declaration of dividend</li> <li>Preparing and paying distribution</li> <li>Reviewing and adjudicating secondary preferential claims</li> <li>Calculating dividend rate and preparing and paying distribution</li> </ul>	£59,208	Required by statute and to ensure correct distributions of funds to all classes of creditors
<b>Statutory and Compliance</b>	<ul style="list-style-type: none"> <li>Preparing and issuing periodic progress reports to creditors and the Registrar</li> <li>If applicable, making applications to creditors or court for the extension of the administration and filing relevant notices</li> <li>Conducting case reviews after the first month, then every six months</li> </ul>	£52,005	Required by statute



<b>Tax and VAT</b>	<ul style="list-style-type: none"> <li>• Submission of post appointment computations and tax returns</li> <li>• Liaising with HMRC in respect of queries raised</li> <li>• Submission of quarterly VAT return to July 2021</li> <li>• Consideration of when deregistration from VAT can be submitted to HMRC and what further VAT returns are due</li> <li>• Drafting and submission of further VAT returns, or VAT 426 as required</li> <li>• Liaising with HMRC regarding clearance ahead of distributions and case closure</li> </ul>	£71,322	Required by statute
<b>Administration</b>	<ul style="list-style-type: none"> <li>• Completing checklists and diary management system</li> <li>• Closing down internal systems</li> <li>• Obtaining tax clearance prior to closure</li> <li>• Deal with any outstanding dividend payments in the accounts</li> </ul>	£43,060	Correct management of funds to ensure distributions to all classes of creditors

## Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

## Details of subcontracted work

The following work, which we or our staff would normally do, has been done by subcontractors. Details of this are provided below:

### Property

PHD has been subcontracted to assist with the rent management of 13 properties subject to LTO and with the lease surrender/ assignment management of 91 properties. The Administrators' staff completed the majority of the property work. However, bringing matters to a close on the remaining properties requires continued engagement with landlords and ongoing negotiation with landlords' solicitors in respect of the LTOs. It is more cost effective to subcontract this work due to PHD's specialist property management expertise. We have agreed a fee of £125 (plus VAT) per property per month for dealing with remaining LTO properties; and £400 (plus VAT) per property in relation to lease surrender/ assignment management.

### Asset realisations

During the COVID-19 pandemic and the subsequent lockdowns and restrictions in force across the United Kingdom, GB were subcontracted to repatriate stock and cash from stores based on their industry knowledge and ability to cover multiple store locations over a short period of time whilst adhering to strict government policy during lockdown. It was considered more cost effective to subcontract this work given the restrictions and the need to take immediate action to repatriate stock from stores efficiently and expeditiously whilst complying with government guidelines. This was a specialist area with GB having specialist skills to undertake the work. GB have been paid £78.6k (plus VAT) for this work. Additionally, work undertaken to realise the stock includes disbursements with remuneration charged as a buyers' premium on the auction of the remaining stock totals £19.6k (plus VAT) which has been paid after the reporting period.

## Legal and other professional firms

We've instructed the following professionals on this case:

Insurance	Marsh Limited	Industry knowledge	Fixed cost
Property agents services engaged to progress lease surrenders and subsequently manage the LTO process	PHD Property Advisory Limited	Specialist property management advisors	Fixed cost - based on number of properties
Business rates recoveries	Altus Group (UK) Limited	Knowledge of the Company and expertise	15% of cash recoveries
Stock agents engaged to repatriate stock; cash from stores, removal of third party data and property from stores	Gordon Brothers International LLC	Industry knowledge and insolvency expertise	Fixed fee plus disbursements
Stock agents engaged to realise stock remaining in the administration	Gordon Brothers International LLC	Industry knowledge and insolvency expertise	Disbursements only (Remuneration charged as a buyers' premium through auction)

Reclaim of interchange fees from merchant services in the UK and Europe	CMS Payments Intelligence Limited	Industry knowledge and specialists	20% of successful interchange claim
Preparation of the SPA and TSA, preparation of a validity of security review and ad hoc legal advice to the Administrators in the pre and post appointment period	Baker McKenzie	Industry knowledge and insolvency expertise	Time costs

We require all third party professionals to submit time costs analyses and narrative in support of invoices rendered. We undertake the following steps to review professional firms' costs:

- Comparison with upfront budgets;
- Review of time costs analysis;
- Review of disbursements claimed; and
- Ongoing dialogue with regards to the work being performed.

As detailed in our proposals, we incurred the below costs before our appointment as Administrators but with a view to the Company entering administration. Details of the work done and expenses incurred are as follows:

Our fees as Administrators-in-waiting*	Pre-administration work under a Letter of Engagement between the Company and PwC dated 1 December 2020	Nil	574,339
Expenses incurred by us as Administrators-in-waiting	As above.	Nil	Nil
Baker McKenzie LLP - WIP	No formal engagement letter issued but verbally agreed engagement terms	Nil	175,928
Baker McKenzie LLP - disbursements	As above.	Nil	20
Browne Jacobson - WIP	No formal engagement letter issued but verbally agreed engagement terms	Nil	3,974
Browne Jacobson - disbursements	As above.	Nil	108
Duff & Phelps Limited	Business valuation work under a Letter of Engagement between the Company and Duff & Phelps dated 13 January 2020	Nil	35,000
Fees charged by other persons qualified to act as an insolvency practitioner	N/A	Nil	Nil
Expenses incurred by other persons qualified to act as an insolvency practitioner	N/A	Nil	Nil
<b>Total £</b>			<b>789,369**</b>

*\*Under the Letter of Engagement between the Company and PwC dated 1 December 2020, a fixed fee of £50,000 plus VAT was agreed for all pre-appointment work. The first phase of work was assessing the options available to the Company, of which PwC was paid £50,000 plus VAT by the Company in the pre-appointment period. The next phase of work was work associated with planning for an administration.*

*\*\* The amounts stated in this table are exclusive of VAT.*

To the best of our knowledge and belief, no fees or expenses were charged by any other insolvency practitioner.

Following approval of pre-administration costs by the Secured and Preferential Creditors, payment of balances due to Baker McKenzie LLP, Brown Jacobson and Duff & Phelps Limited, (plus VAT) will be made.

## Details of the pre-administration work undertaken

Our work, performed with a view to the Company entering administration, included:

- Negotiating and finalising the terms of the sale contracts with the Purchaser and including the operational practicalities of the TSA;
- TSA planning including identifying services to be retained in the administration and liaising with management around TSA processes;
- Developing a strategy for the post-appointment period and the realisation of the key assets;
- Planning for a stock repatriation exercise from closed stores including obtaining quotes and proposals from various parties, considering different repatriation strategies and working with management to obtain stock information;
- Developing a realisation strategy for stock retained in the administration;
- Consideration and analysis of liquidity requirements and potential recoveries, including the production of estimated outcome statement and forecast cashflow for any amounts required to be paid by the administration post appointment;
- Analysis of landlord considerations in respect of leased properties (retail properties, warehouse, distribution centre, etc);
- Developing a strategy for the retained stores in the administration including the various affected stakeholders;
- Working with the Company's directors in preparing for the administration;
- Assisting the directors in managing stakeholder dialogue;
- Completing our internal procedures in preparation for accepting the appointment;
- Developing a 'day one' strategy for our team, which included the preparation of immediate communications to stakeholders;
- Reviewing the Company's employee information, considering the employee strategy (including the impact of furlough) and preparing communications to the employees;
- Identifying key areas of risk and how these could be mitigated; and
- Preparing statutory documentation and declarations required for effecting the administration appointment and liaising with our legal advisors in this regard.

Please note that the above is indicative of the key areas of work performed and is not an exhaustive list. We believe that the above work was necessary in order to achieve the objective of the administration, maximise realisations and minimise losses for creditors. Had this work not been carried out, the Company is likely to have entered an insolvency process in an uncontrolled manner, which is likely to have had a detrimental effect on the outcome for all creditors.

### Expenses incurred by us as Administrators-in-waiting

Baker McKenzie LLP provided legal services to the Company during the sale process and in effecting the appointment of Administrators. A summary of the tasks carried out by Baker McKenzie LLP in connection with the sale process and effecting the appointment of Administrators included:

- Drafting, negotiating and finalising the SPA and Transitional Services Agreement and associated documentation;
- Dealing with the mechanics of the pre-packaged sale completion;
- Preparation of validity of security review; and
- Providing general /bespoke advice as required in relation to the sale and preparation for the Administrators' appointment.

Please note that the above is indicative of the key areas of work performed and is not an exhaustive list of work done.

Browne Jacobson LLP was engaged by the Company to provide legal advice to the directors in respect of their duties, and in preparing and filing the Notice of Intention to Appoint Administrators and the Notice of Appointment of Administrators. Browne Jacobson LLP attended board meetings with the directors in the lead up to the appointment.

Duff and Phelps was engaged by the Company to provide a valuation of the business, to satisfy the valuation requirements under SIP 16.

<b>Court details for the administration:</b>	High Court of Justice, The Business & Property Courts of England and Wales Case no. CR-2021-000077
<b>Company's registered name:</b>	Paperchase Products Limited
<b>Trading name:</b>	Paperchase Products Limited
<b>Registered number:</b>	03185938
<b>Registered address:</b>	12 Alfred Place, London, WC1E 7EB
<b>Date of the joint Administrators' appointment:</b>	28 January 2021
<b>Joint Administrators' names, addresses and contact details:</b>	<p>Zelf Hussain PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT</p> <p>Rachael Maria Wilkinson PricewaterhouseCoopers LLP, 3 Forbury Place, 23 Forbury Road, Reading, RG1 3JH</p> <p>Rob Nicholas Lewis PricewaterhouseCoopers LLP, 7 More London, Riverside, London, SE1 2RT Contact: 0113 289 4000 Email - uk_paperchase_services@pwc.com</p>