

FREQUENTLY ASKED QUESTIONS

Philips Trust Corporation Limited (In Administration) (“the Company”)

Issue Date: 22 April 2022

This document has been prepared by the Joint Administrators of the Company to assist clients and beneficiaries (collectively “**Clients**”) who have entered into or are party to a trust deed where the Company is the sole or co-trustee.

It should be noted that the content of this document may be updated as further information comes to light and to reflect the nature of Client enquiries.

This document has been prepared by the Administrators to assist Clients in answering questions they may have in relation to the Company and / or the Administration. This document is not intended to provide any form or legal advice, and therefore Clients should consult their own professional advisors as they consider necessary.

We appreciate that the recent uncertainty regarding the Company’s business operations will be distressing for Clients, and we wish to assure you that the Administrators will be working hard to protect the interests of the Company’s Clients.

As explained further below, in order to enable the Administrators to gain as complete an understanding of the Company’s state of affairs as possible, the Administrators will be undertaking a detailed review all Trusts and reconciliation of the position in respect of Trust Assets. During this period the Company will be unable to meet Client withdrawal requests.

FAQs

1. What is Administration?

An Administration is a UK insolvency process governed by the Insolvency Act 1986 in which the affairs, business and property of a company are managed by the Administrators. Upon the Administrators’ appointment, the Directors’ executive powers cease, although there is a statutory duty on the Directors to assist the Administrators.

The process is designed to protect a company whilst the Administrators seek to either, rescue the company as a going concern, achieve a better result for the creditors as a whole than would be likely if the company were wound up, or realise property in order to make a distribution to one or more secured or preferential creditors.

In this case, the Administrators anticipate that it is unlikely that the Company will be able to continue as a going concern and, therefore, the Administrators will be looking to best protect the interests of both Client stakeholders and Company creditors by taking control of the Company’s affairs and conducting an orderly wind-down of operations.

In order to do this, the Administrators must first ascertain the true financial position of the business. This will include a reconciliation of all trusts. The Administrators are afforded extensive statutory powers which they can use to assist in gaining access to the Company's books and records and information concerning the Company's affairs which they believed is held or known by other third-parties.

2. How long is the Administration likely to last?

Under UK insolvency legislation, an Administration automatically ends after a period of 12 months but can be extended for further periods, which the Administrators believe is likely to be the case here due to the complexity of the issues which are required to be dealt with.

The Court has directed that the Administrators attend a further hearing on 6 July 2022 and shortly prior to that they file with the Court a witness statement providing an update on their progress (the "Progress Hearing").

The Administrators will make a copy of that witness statement available to Clients via the Portal discussed further below by no later than 4 July 2022. At this point, the Administrators will have a better understanding of the Company's position and potential issues, with a view to providing Clients with a firmer indication on timescales and the Administrators' proposed future strategy.

3. Who are the Administrators / Kroll?

Geoffrey Bouchier and James Saunders of Kroll Advisory Ltd. ("**the Administrators**"), were appointed by the Court following an application by the Director of the Company. The appointment date was 22 April 2022.

The Administrators are qualified insolvency practitioners, licenced and regulated by the Insolvency Practitioners Association.

The Administrators are officers of the Court, act independently of the Company and the Director for the benefit of all creditors, Clients and other stakeholders. The Administrators act as agents to the Company and act without personal liability.

In addition, the Administrators have a responsibility to investigate the affairs of the Company prior to Administration and the conduct of the Company's management team, including the reasons for the failure of the business. This extends to an examination of transactions which occurred prior to the Administrators' appointment.

The Administrators are supported by a team at Kroll who draw on different specialisms which will be utilised during the Administration process. Kroll is a global professional services advisory firm with over 80 offices. Services include restructuring, investigations and disputes, regulatory compliance, valuation and corporate finance.

4. What was Kroll's prior professional relationship with the Company?

Kroll was initially engaged by the Company on 22 February 2022 to assist the director of the Company in understanding the Company's financial position with a view to assisting the Director take steps to place the Company into an insolvency process.

Mindful of the potential future appointment of their insolvency practitioners as Joint Administrators, Kroll made clear that its role was not to advise any director personally and Kroll has maintained independence at all times.

At all times prior to Administration, the Board of Directors remained responsible for and in control of the Company's affairs. During this time, the insolvency practitioners took their own steps to prepare for their potential appointment as Joint Administrators.

5. What involvement has the FCA had with the Company?

The Company is not and has never been authorised by the Financial Conduct Authority ('FCA'). The FCA has been carrying out enquiries about certain activities of the Company due to the concern that it has been undertaking regulated activity when it is not authorised to do so.

As the directors applied to Court to appoint the Joint Administrators, the FCA's consent was not required for the Administration process to commence. However, the FCA was provided with a copy of the Court application to appoint the Administrators and supporting documents.

6. What led to the Company entering Administration?

The Company carries on the business of a trust corporation that provides estate planning services and acts as the corporate trustee for approximately 2,345 trusts. These trusts hold assets which are understood to have an estimated value of £138m and include a mixture of Trust property, interests in investment bonds and other financial investments ("**Trust Assets**").

The Administrators are required to investigate the affairs of the Company and the conduct of the Company's management team prior to the commencement of the Administration. That investigation will provide the Administrators with an understanding of the Company's difficulties.

The Administrators understand that for some time now, the Company has suffered increasing operational challenges and has been operating on a loss-making basis. Detailed below is a summary of some of those operational challenges:

- the loss of key employees;
- the temporary loss of access to data relating to trusts administered on behalf of Clients;
- maintaining inadequate client accounting records;
- the methodology used to invest Clients' cash assets, including the pooling of funds, which has made it problematic for the Company to determine the current value of assets on a trust-by-trust basis;
- an increasing level of customer complaints and requests for Trust Assets to be transferred or for the Company to retire as trustee, neither of which the Company has been able to respond to; and

- the fact that investments made by the Company on behalf of Clients and using Clients' cash assets have fixed maturity dates some time in the future, meaning that they are not easily accessible without incurring potential financial penalties.

These issues have significantly affected the Company's ability to administer the trusts or provide any ancillary services.

In light of these factors and the fact that the Company has been operating at a loss and exhausted its own cash reserves, the Director of the Company, having regard to its present and likely future financial position, took the decision to apply to the Court for an Order placing the Company into Administration to protect the interests of both the Company's Clients and its creditors as a whole.

The application to Court was made because, in the circumstances, the Administrators required certain powers and permissions to enable them to carry out their functions, which required the Court's approval.

Further detail can be found in the Application Notice to the Court, which was supported by a witness statement from the Director and included within the exhibits a Report of the Proposed Administrators ("**the Application Documents**").

[A copy of the Application Documents can be viewed here:](http://philipstrustcorps.co.uk/wp-content/uploads/2022/04/application-documents-ptc.pdf)

<http://philipstrustcorps.co.uk/wp-content/uploads/2022/04/application-documents-ptc.pdf>

[A copy of the sealed Court Order \("**the Order**"\) can be viewed here:](http://philipstrustcorps.co.uk/wp-content/uploads/2022/04/cr-2022-001095-minute-of-order-22-4-22.pdf)

<http://philipstrustcorps.co.uk/wp-content/uploads/2022/04/cr-2022-001095-minute-of-order-22-4-22.pdf>

7. What happens next?

In the case of the Company, in addition to the general role of realising assets for the benefit of its creditors, a key role of the Administrators here will be to administer the Trust assets on behalf of Clients.

However as mentioned above, the Company does not hold an accurate record of its Client account transactions and balances, and is presently unable to provide a reconciliation of Client monies to Trust Assets.

The Administrators will therefore immediately commence a detailed review of both the Company's financial position and that of the Clients' estate which will include:

- Establishing the current financial position of the Company as at the date of Administration;
- Undertaking a forensic accounting reconciliation exercise to collate a complete register of current active trusts, detailing the assets held on a trust-by-trust basis; and
- Liaison with external parties to confirm the current position of investments made by the Company utilising Trust Assets, as well as seeking to establish an estimate of the current value of those investments (including capital and interest) and likely investment maturity dates.

At the Progress Hearing, the Administrators will provide the Court with an update on their key findings, including their proposed methodology of how they plan to deal with the ongoing management of the Trusts and a proposal for distributing Trust assets to Clients.

The Company staff will initially be retained to assist and work under the supervision of the Administrators.

8. What happens to my trust and my assets held in trust?

Whilst the Company in Administration continues to be the trustee of your trust, this will now be conducted under the supervision of the Administrators.

The Administrators' primary role is to safeguard both the Company's assets and the Trust Assets and will conduct their activities with the objective of ensuring any diminution in value which may negatively impact on Clients is mitigated as far as possible.

The Administration of the Company has no bearing on the trust deed and the terms of the trust deed will continue, as will the rights and obligations of all persons party to the deed. All applicable charges accruing under the terms of the trust and your contract with the Company will continue to accrue and be payable.

Accordingly, all assets will continue to be held in trust and for the benefit of the Clients, subject to the application of the *Berkeley Applegate* Order referred to at Q11 below.

9. I wish to understand the current value of cash investments made and held on trust and is this safe?

The Administrators are in the process of carrying out a detailed confirmatory and reconciliation exercise of the trusts administered by the Company and the Trust Assets. This includes the liaison with external parties to confirm the current position of investments made by the Company utilising Client monies as well as the current value of those investments, including an update on anticipated investment maturity dates.

Once this exercise is complete, the Administrators expect to be in a position to provide an update to Clients.

10. I wish for my assets held in trust to be returned to me

While the investigation and reconciliation exercise of the trusts and Trust Assets is being performed, the withdrawal or transfer of Trust Assets will be suspended.

The Administrators first need to ensure that the interests of all Clients are protected and, because of the accounting policies and record keeping of the Company, the essential exercise of reconciling trust positions to assets held must be completed to ensure that no Client's interests are promoted at the expense of others.

The Administrators will provide an update on this position at the Progress Hearing.

We sympathise with Clients for the distress and inconvenience that this may cause however this is considered and important and necessary action.

11. As the Company is insolvent, how will the costs and expenses of the Administration be met?

The costs and expenses of the Administration which include the fees of the Administrators and other professional advisors and the costs incurred in running a business are typically met from the realisation of assets of the Company and any profits generated during the Administration trading period.

Based upon their present understanding, the Administrators anticipate that there might be insufficient monies in the Company's general estate to meet these costs.

Therefore, as part of the application to Court for the making of an administration order, the director also sought ancillary relief from the Court to order that the Administrators be permitted to use the Trust Assets to meet the costs and expenses of the Administration (which include trading costs, Administrators and other professional advisor fees). This is commonly known as a "Berkeley Applegate Order".

The Court did grant the relief sought, and Ordered that the Administrators be permitted to utilise the Trust Assets to meet the costs and expenses of the Administration (which includes the costs of undertaking the Client reconciliation exercise).

At this time, the exact level of costs and expenses to be drawn is not known but the Joint Administrators have an obligation to present a detailed analysis of their costs incurred to the Court for approval.

The Administrators appreciate the use of Client funds to meet the costs and expenses of the Administration will be of concern to many clients, however the reasons necessitating this were detailed in the Application documentation and were carefully considered by the Court before the order was made.

It is not possible at this stage to state how these costs will be apportioned against Client assets until the initial investigation and reconciliation process has concluded, including, gaining an understanding of the liquidity status of different assets.

The Court directed that the Administrators return to Court for the Progress Hearing on 6 July 2022, and that shortly beforehand they file with the Court a witness statement providing an update on the progress of the Administration and details of the actual costs incurred to that date.

Paragraph 12 of the Order also requires that the Administrators detail in their witness statement any objections raised by Clients in respect of Paragraphs 6 and / or 8 of the Order. The Administrators will make a copy of that witness statement available to Clients via the Portal discussed further below by no later than 4 July 2022.

12. Are Clients considered creditors of the Company?

Whilst this list is not exhaustive, Clients may, either now or at a point in the future, consider that they have unsecured creditor claims in the Administration as a consequence of any of the following:

- 1) a loss caused by a breach of duty or breach of trust by the Company;
- 2) funds are insufficient to repay the full value of the trust concerned; or
- 3) costs and expenses of the Administration being drawn from Trust Assets, pursuant to the *Berkeley Applegate* order.

The Administrators are unable to express any view on this until such time as the Trust Asset reconciliation exercise referred to earlier has been completed. Please note however that the Administrators do not envisage that they will be adjudicating on creditor claims for many months and therefore do not consider that will adversely impact Clients at this time.

13. Do I need to use a third-party to assist in representing my interests?

Third parties may approach Clients, offering to help them realise Trust Assets and / or assert claims against the Company. Such parties typically charge a fee for providing that service which would be deducted from any monies recovered.

Whether a Client ultimately wishes to engage such services is a decision for them but we would reiterate that the Company, under supervision of the Administrators, will continue act as trustee and in the best interest of all Clients, equally.

14. When is the next formal update?

Within 8 weeks of appointment (i.e. by 16 June 2022), the Administrators will publish on the IPS Portal (www.ips-docs.com) ("the Portal") their proposals. This document is a statutory requirement of Administration and will set out the Administrators' initial findings during that period.

Following this will be the Progress Hearing to take place on 6 July 2022 at which the Administrators will update the Court on their progress to date and proposed future actions.

15. Where can I get further information?

The Administrators will be writing to all known Clients of the Company within 7 days of their appointment. This will provide Clients with details to access the Portal where all updates to Clients will be published.

The Administrators have set up a dedicated call centre for Clients to use should they wish to discuss this matter with someone in person. The Administrators wish to make clear that the call centre personnel will be unable to provide information over and above what is contained within this FAQ document, nor will they be able to respond to specific queries regarding a trust.

The call centre can be reached on 0808 273 9201 between the hours of 9am – 5pm, Monday to Friday for the foreseeable future and also for the first weekend following the Administrators' appointment, being 23-24 April 2022.

In the event that Clients wish to email the Administrators directly, they should contact us by email at PTC@kroll.com but please note that we expect a high volume of queries and so will not be able to respond to specific matters immediately and nor will we be able at this time to provide any further information than that contained in this FAQ or the existing Client communications.

We appreciate that the uncertainty will be distressing for Clients of the Company and we wish to assure you that all possible steps are being taken to expedite matters under the control and supervision of the Administrators in their capacity as Court Officers.

16. Why are you not able to provide me with any further information now?

The Administrators appreciate that this is a very inconvenient, frustrating and worrying situation for Clients, and that Clients want an update in respect of their trust and the assets held. Unfortunately, however, the Administrators are not yet able to provide a substantive update on specific trusts or assets for the reasons explained above.

The Company's records are incomplete and the Administrators are unable to place reliance on them at this time. Prior to providing substantive updates to Clients, the Administrators first need to ensure that the information being provided to Clients is correct and that the Trust Assets are correctly apportioned on a trust-by-trust basis.

The Administrators have immediately commenced their detailed investigation and reconciliation of the trusts and Trust Assets, on which an update will be provided at the Progress Hearing.

17. What is a Creditors' Committee?

A Creditors' Committee is a committee of creditors, formed to ensure that creditors have a 'voice' during the Administration process.

A Creditors' Committee may consist of between three and five members only.

The function of a Creditors' Committee has been articulated in the case of Brilliant Media Specialists Ltd Case 2015 BCC:

"Whilst the views of a creditors' committee should be taken into account during an administration and will frequently be taken as reflecting the views of the creditors as a whole, it is not for the committee to determine how the administration should be conducted. That is a decision for the office holder in performance of the duties and powers Parliament has thought fit to entrust to administrators. The outcome of such decision making, which will be made from time to time on both macro and/or micro bases (as appropriate), will depend upon the office holder's assessment of how best to achieve the purpose of the administration in accordance with the powers conferred upon them by paragraph 5.9 of Schedule B1 and within Schedule 1 to the Act."

The Administrators will invite parties to consider whether a Creditors' Committee should be established, provided sufficient parties are willing to be members of the committee, in due course.

A formal invitation inviting nominations will be included in the Administrators proposals report.

In order to enable parties to make an informed decision, a guidance note on the rights, duties and the functions of the committee entitled 'A Guide for Creditors – March 2017' can also be found at the following link:

<https://www.kroll.com/en-gb/services/restructuring-advisory/creditor-guides-and-employee-fact-sheets>

18. Will Clients be entitled to become a member of a Creditors' Committee?

As mentioned above, in the event that Clients are considered to be either contingent or actual creditors, then they would be entitled to nominate themselves or a representative to join the Creditors Committee.

The Administrators will further discuss this with Clients around the time of publishing Administrators' proposals report.

Notices

- I. *Please note that the information contained in this document is of a general nature and is prepared for the benefit of Clients of the Company and does not constitute any form of legal, accountancy or taxation advice on the part of the Administrators or any other party. If you are concerned about your individual circumstances and the impact of the insolvency of the Company on your personal position, you should take appropriate professional advice accordingly.*
- II. *The affairs, business and assets of the Company are being managed by the Administrators, Geoffrey Bouchier and James Saunders who act as agents of the Company and without personal liability. Geoffrey Bouchier and James Saunders are licensed as insolvency practitioners in the United Kingdom by the Insolvency Practitioners Association.*