

# Guild Realisations Limited - In Creditors' Voluntary Liquidation

Annual progress report to members and creditors

10 October 2017

Ernst & Young LLP



## Abbreviations

The following abbreviations are used in this report:

the Group	Guild Realisations Limited (formerly Republic (Retail) Limited) Republic (UK) Limited, Teen Topco Limited, Teen Bidco Limited, Inhoco 3017 Limited, TPG Raincoat III Limited, TPG Raincoat IV Limited.
Guild or the Company	Guild Realisations Limited (formerly Republic (Retail) Limited)
the Lenders	Lloyds TSB Bank plc, Banca IMI S.p.A, Investec Bank plc, BAWAG P.S.K Bank, The Co-Operative Bank plc and TPG Aquatic
PayPal	PayPal (Europe) S.á.r.l et Cie S.C.A
Republic Fashion (ROI) or the Irish subsidiary	Republic Fashion (ROI) Limited (In Administration)
Republic Germany	Republic (Retail) GmbH

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## 1. Introduction

On 12 August 2014, the Company moved from Administration to Creditors' Voluntary Liquidation and R H Kelly, A M Hudson and I were appointed as Joint Liquidators. I now write to provide you with our report on the progress of the Liquidation for the period from 12 August 2015 to 11 August 2016.

This report should be read in conjunction with the previous reports issued in the liquidation dated 8 October 2015 and 7 October 2016 and the reports issued in the preceding Administration.

In accordance with the provisions of the Insolvency Rules 1986 we are required to provide certain information about the Company and the Joint Liquidators. The information can be found in Appendix A of this report.

A copy of the Joint Liquidators' receipts and payments account for the period from 12 August 2016 to 11 August 2017 is enclosed at Appendix B to this report.

## **2. Progress of the liquidation since our previous report dated 7 October 2016**

### **2.1 Rates refunds**

Since the last report we have become aware that there may be potential further realisations relating to business rate refunds due to the Company.

We are in the process of assessing these potential returns.

### **2.2 Intercompany debts**

The Company is owed £82.7m from the following three companies within the Group: Inhoco 3017 Limited, Teen Bidco Limited and TPG Raincoat III Limited.

As previously reported these companies were non-trading holding companies and are also in Liquidation. Any realisations will be dependent on the quantum of the dividends paid in each of the Liquidations, which are expected to be modest in value.

## 3. Outcome for creditors

### 3.1 Secured creditors

As previously advised, the Group had secured borrowings of £64.4m from the Lenders.

During the Administration, £15.65m was repaid to the Lenders.

During the Liquidation, a further £0.85m has been repaid to the Lenders.

Whilst we anticipate further distributions to be made to the Lenders, the net realisations from the Company and the Group will be insufficient to enable the Lenders to be repaid in full.

### 3.2 Preferential creditors

As previously reported a first and final dividend of 100p in the pound was paid to the preferential creditors during the Administration of the Company.

### 3.3 Unsecured non-preferential creditors

Given the expected shortfall for the secured creditors, we do not expect any distribution to unsecured creditors other than by virtue of the Prescribed Part, as set out below.

#### 3.3.1 The Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003 (and therefore applies in this Liquidation).

The Prescribed Part is the maximum amount of £0.6m (before the costs of dealing with the Prescribed Part).

To date we have received and agreed unsecured claims of £80.1m. Based on the current quantum of agreed claims, we estimate the dividend to unsecured creditors will be less than 1p in the pound. Please note, we continue to receive unsecured claims and therefore remain in the process of adjudicating these. Consequently, the quantum of agreed unsecured claims may increase.

We are currently in the process of adjudicating the unsecured creditor claims and expect to set the last date for proving within the next couple of months. This process has taken longer than expected due to:

- The volume of claims and correspondence from Gift Card creditors (over 10,000 claims);
- A number of significant claims for dilapidations etc., received from landlords of closed stores; and
- Agreement of employee claims.

## 4. Joint Liquidators' remuneration and disbursements

### 4.1 Remuneration

In accordance with Rule 4.127 of the Insolvency Rules 1986, the basis of remuneration fixed in the Administration of the Company continues to apply in the Liquidation. Accordingly, the remuneration of the Joint Liquidators is fixed on the basis of time properly given by the Joint Liquidators and their staff in attending to matters arising in the Liquidation.

During the period covered by this report, we have incurred time costs of £40,152 bringing total time costs incurred at 2 June 2016 to £483,783.

An analysis of the time spent and a statement of our policy in relation to charging time can be found at Appendix C to this report.

### 4.2 Disbursements

During the period covered by this report, expenses totalling £260.81 plus VAT have been incurred, bringing the total to £1,804.53 of which £nil has been paid. These are summarised below. No Category 2 disbursements have been incurred during the Liquidation to date.

Type of expense	Incurred	Paid	Outstanding
<i>Category 1 disbursements</i>		-	
Postage	1,631.65	-	1,631.65
Printing	172.88	-	172.88
	<b>1,804.53</b>	-	<b>1,804.53</b>
<i>Category 2 disbursements</i>	Nil	-	Nil
<b>Total disbursements</b>	<b>1,804.53</b>	-	<b>1,804.53</b>

## 4.3 Creditors' rights to further information about, and challenge, remuneration and expenses

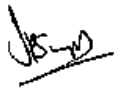
The statutory provisions relating to remuneration are set out in Chapter 4 of Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Liquidators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants of England and Wales at <https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/liquidations-creditor-fee-guide-6-april-2017.ashx?la=en>, or is available in hard copy upon written request to the Joint Liquidators. Please note that the references in the Guide to fee estimates do not apply to liquidations, such as this one, which started before 1 October 2015.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Liquidators' Fees' referred to above.

### Reporting

The next formal report to creditors will be delivered within two months of 11 August 2018 or at the end of the Liquidation, whichever is earlier.

Yours faithfully  
for the Company



J P Sumpton  
Joint Liquidator

R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland. J P Sumpton and A M Hudson are licensed in the United Kingdom to act as insolvency practitioners by The Association of Chartered Certified Accountants.

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998.



## Appendix A Information about the Company and the Joint Liquidators

### **Guild Realisations Limited - In Creditors' Voluntary Liquidation**

Registered office address of the company:	c/o Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR	
Registered number:	02025406	
Full names of the Joint Liquidators:	R H Kelly, J P Sumpton and A M Hudson	
Joint Liquidators' address(es):	Ernst & Young LLP 1 Bridgewater Place Water Lane Leeds LS11 5QR	Ernst & Young LLP 1 More London Place London SE1 2AF
Date of appointment of the Joint Liquidators:	12 August 2014	
Details of any changes of Liquidator:	None	

## Appendix B Joint Liquidators' abstract of receipts and payments for the period from 12 August 2016 to 11 August 2017

### Guild Realisations Limited - In Creditors' Voluntary Liquidation

	12 August 2014 to 11 August 2016	12 August 2016 to 11 August 2017	Total
	£		
<b>Liquidation</b>			
<b>Receipts</b>			
Funds from the Administration	747,199	0	747,199
Republic Fashion ROI Dividend	396,688	0	396,688
Release of LC Funds	367,099	0	367,099
Rate refunds	209,338	203	209,541
Paypal funds	43,899	0	43,899
Republic Retail GmbH settlement	24,182	0	24,182
Bank interest received	5,366	1,194	6,560
Sundry Income	1,500	0	1,500
Electricity refund	1,249	0	1,249
	<u>1,796,519</u>	<u>1,397</u>	<u>1,797,916</u>
<b>Payments</b>			
Administrators' fees	400,000	0	400,000
Legal fees	19,055	0	19,055
Administration liabilities	13,177	0	13,177
Agents' fees	5,360	0	5,360
Administrators' disbursements	2,606	0	2,606
Administrators' costs	1,484	0	1,484
Insurance	1,060	0	1,060
Storage charges	904	292	1,196
Water rates	133	0	133
Bank charges	804	-268	535
Public notices	85	0	85
	<u>444,667</u>	<u>23</u>	<u>444,691</u>
Net realisations	<u>1,351,852</u>	<u>1,374</u>	<u>1,353,225</u>
<b>Distributions</b>			
Secured Creditor	(850,000)	0	(850,000)
Net funds held	<u>501,852</u>	<u>1,374</u>	<u>503,225</u>
<b>Funds Held:</b>			
Cash at bank	503,314	1,316	504,630
VAT control account	81	58	139
Third party funds for repayment	(1,543)	0	(1,543)
	<u>501,852</u>	<u>1,374</u>	<u>503,225</u>
<b>Prescribed Part</b>			
<b>Receipts</b>			
Prescribed Part	600,000	0	600,000
Interest	3,545	749	4,294
<b>Payments</b>			
Legal fees - Prescribed Part	4,525	0	4,525
Net realisations	<u>599,020</u>	<u>749</u>	<u>599,769</u>
<b>Funds Held:</b>			
Prescribed Part	599,020	748	599,769

## Appendix C Joint Liquidators' time costs for the period from 12 August 2016 to 11 August 2017

### Guild Realisations Limited - In Creditors' Voluntary Liquidation

Hours	Partner	Executive Director	Assistant Director	Senior Executive	Executive	Analyst/ Support Staff	Total Hours	Total Time Costs (£)
Accounting and Administration	-	-	1.0	-	240.7	85.7	327.4	78,518.50
Bank & Statutory Reporting	45.5	12.0	2.5	-	24.5	5.5	90.0	46,437.50
Creditors	3.5	41.0	71.0	-	199.6	652.6	967.7	219,388.48
Creditors (Mandatory)	3.5	41.0	65.0	-	106.9	233.4	449.8	134,205.73
Debtors	-	-	2.0	-	1.5	-	3.5	1,275.00
Employee Matters	-	-	-	-	77.6	1.0	78.6	21,622.50
General	-	-	0.6	-	1.2	13.5	15.3	1,741.50
Investigation/CDDA (Mandatory)	1.0	-	-	-	0.5	10.0	11.5	2,514.00
Other Assets (Mandatory)	20.0	-	14.0	-	51.5	70.0	155.5	38,622.29
Other Matters	9.5	-	-	-	11.5	32.3	53.3	15,771.00
Prescribed Part	-	-	6.0	-	92.7	419.2	517.9	85,182.75
Property	3.0	-	24.0	-	20.4	26.5	73.9	23,278.50
Retention of Title	-	-	1.0	-	26.0	-	27.0	7,340.00
Statutory Duties	-	-	8.5	-	-	12.0	20.5	6,355.00
Trading (Mandatory)	-	-	-	-	-	0.5	0.5	102.50
VAT & Taxation	2.3	-	3.0	3.9	8.3	70.4	87.9	20,816.50
<b>Total Hours</b>	<b>85</b>	<b>53</b>	<b>128</b>	<b>4</b>	<b>663</b>	<b>980</b>	<b>1,913</b>	
<b>Total Cost</b>	<b>55,389</b>	<b>33,840</b>	<b>59,308</b>	<b>2,180</b>	<b>168,526</b>	<b>164,540</b>		<b>483,783</b>
<i>Average Hourly Rate (£)</i>	<i>653</i>	<i>638</i>	<i>465</i>	<i>559</i>	<i>254</i>	<i>168</i>		<i>253</i>

## Joint Liquidators' charging policy for remuneration

The secured creditors have determined that the Joint Liquidators' remuneration should be fixed on the basis of time properly spent by the Joint Liquidators and their staff in attending to matters arising in the Liquidation.

The Joint Liquidators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Liquidators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown below, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report. Time is recorded in units of six minutes.

Effective from	Hourly rate (£)		
	1 July 2017	1 July 2016	1 July 2015
Partner	745	710	660
Executive Director	695	660	630
Assistant Director	525	500	475
Senior Executive	410	390	370
Executive	295	280	265
Analyst			
Level 3	235	225	215
Level 2	180	170	160
Level 1	160	150	145
Account & Treasury Executive	140	135	130

A copy of the R3 (Association of Business Recovery Professionals) creditors' guide to Administrators' fees may be obtained by contacting Tom Harvey at the above address, or at [www.r3.org.uk](http://www.r3.org.uk).

## Disbursements

Statement of Insolvency Practice No. 9 divides disbursements into two categories.

Category 1 disbursements are defined as specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. Such disbursements can be paid from the insolvent's assets without approval from the Creditors' Committee or the general body of creditors. In line with Statement of Insolvency Practice No. 9, it is our policy to disclose Category 1 disbursements drawn but not to seek approval for their payment. We are prepared to provide such additional information as may reasonably be required to support the disbursements drawn.

Category 2 disbursements are charges made by the office holder's firm that include elements of shared or overhead costs. Statement of Insolvency Practice No. 9 provides that such disbursements are subject to approval as if they were remuneration.

It is our policy, in line with the Statement, to seek approval for Category 2 disbursements before they are drawn.

A copy of the R3 (Association of Business Recovery Professionals) creditors' guide to Administrators' fees may be obtained by contacting Tom Harvey at the above address, or at [www.r3.org.uk](http://www.r3.org.uk).