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TO ALL KNOWN CREDITORS

6 August 2019

Ref: ML5W/CL/SH/PM/EH/LO5913

Pascale Murray
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Dear Sirs

Night Realisations plc (formerly Dreams plc) (in Administration) (“the Company”)

High Court of Justice, Chancery Division, Number 1638 of 2013

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the Administration. This report covers the period from 12 January 2019 to 11 July 2019 and should be read in conjunction with my letter of 12 March 2013 (“the SIP 16 letter”), the Joint Administrators’ Proposals dated 26 April 2013 (“the Proposals”) and my previous progress reports. Copies of these documents are available at:

<http://www.nightrealisationsplcinadministration.co.uk>

Night Realisations plc entered Administration on 5 March 2013 and AM Hudson, JM O’Connor and CA Lewis of Ernst & Young LLP, 1 More London Place, London, SE1 2AF were appointed as Joint Administrators (“the Administrators”). The appointment was made by The Royal Bank of Scotland plc as Security Trustee on behalf of the Company’s lenders under the provisions of paragraph 14(1) of Schedule B1 to the Insolvency Act 1986. Under the terms of the appointment, any act required or authorised to be done by the Administrators can be done by any of them.

The background and circumstances leading up to the appointment of the Administrators are detailed in the Proposals.

Statutory information about the Company, the Administration and the office holders is given at Appendix 1.

Extension of Administration

In accordance with paragraph 76(2)(b) of Schedule B1 to the Insolvency Act 1986 (“the Act”), the Administrators’ term of office was initially extended for a period of six months to 4 September 2014 by consent. The Administrators made an application to court, in accordance with paragraph 76(2)(a) of Schedule B1 to the Act, for an order to extend the Administration further. An order was granted on 7 August 2014, extending the Administration for a period of 12 months to 4 September 2015. A further extension was granted by the court in accordance with paragraph 76(2)(a) of Schedule B1 to the Act, extending the Administration for a period of 18 months to 4 March 2017. An extension was granted by the court in accordance with paragraph 76(2)(a) of Schedule B1 to the Act, extending the Administration further for a period of 12 months to 4 March 2019. A final extension was granted by the court in accordance with paragraph 76(2)(a) of Schedule B1 to the Act, extending the Administration for a period of 6 months to 4 September 2019.

Receipts and payments account

A summary of our receipts and payments for the period from 12 January 2019 to 11 July 2019 is attached at Appendix 2. It does not reflect estimated future realisations or costs.

Joint Administrators' remuneration

The statutory provisions relating to remuneration are set out in 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 Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me. Please note that the references in the Guide to fee estimates do not apply to Administrations, 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 Administrators' Fees' referred to above.

During the period covered by this report, the Administrators have incurred time costs of £129,821. The increase in incurred time costs is a result of the final creditor claim adjudication and payment of the distribution of prescribed part, which is explained in further detail below.

The Administrators have incurred total time costs of £4,072,397 to 11 July 2019, against which total fees of £1,323,473 have been drawn. An analysis of the time spent in the period can be found at Appendix 3. Appendix 4 provides a statement of the Administrators' policy in relation to charging time.

During the administration total time costs incurred for dealing with the distribution of the prescribed part is £202,783. During the period of this report the Administrators billed £90,000 against these time costs. No further billing will be incurred.

There is an analysis of Category 1 and 2 disbursements incurred in the period at Appendix 3 and a statement of the Administrators' policy in relation to charging disbursements at Appendix 4.

In certain circumstances, creditors are entitled to request further information regarding the Administrators' remuneration or expenses, or to apply to court on the grounds that the costs are considered to be excessive. Further information is provided in Appendix 5.

Joint Administrators' expenses

During the period covered by this report, the Administrators have incurred expenses of £485 against which nothing has been billed. The Administrators have incurred total expenses of £27,555 to 11 July 2019, against which £26,857 has been drawn. There is a breakdown of expenses incurred in this period and to date at Appendix 3 of this report.

Pre-administration costs

Under the terms of engagement agreements dated 2 November 2012 and 16 November 2012 (with an extension of scope on 18 December 2012), Ernst & Young LLP was instructed by the Board of Directors of the Company, together with the Senior Lenders, to undertake contingency planning, preparatory sales planning, marketing of the business for sale and subsequent deal execution.



The fees in relation to the above engagements were paid directly by the Senior Lenders and not as an expense of the Administration. Consequently, the Administrators are not seeking approval for the payment of unpaid pre-administration costs per Rule 2.67A.

Secured creditors

As outlined in the Proposals, the Company had secured borrowings of c£69.3m from a banking syndicate comprising:

- ▶ The Royal Bank of Scotland plc;
- ▶ Barclays Bank plc;
- ▶ Portigon AG; and
- ▶ AXA Private Equity

(collectively the “Senior Lenders”).

Approximately £51.9m was owed at the date of appointment in respect of the first ranking security. A further £17.4m was due to AXA Private Equity for a Mezzanine facility. The sale proceeds provided for full recovery of the Company’s £3m revolving supplier finance facility and £2m letter of credit facility which reduced the debt due to the Senior Lenders accordingly.

An initial distribution of £28.0m was paid to the Senior Lenders on 12 March 2013. A subsequent dividend of £2.0m was paid to the Senior Lenders on 7 March 2014, a further dividend of £0.35m was paid on 28 August 2015 and a dividend of £0.25m was paid on 12 January 2017.

The net realisations from the Company’s assets will be insufficient to enable the secured creditors to be repaid in full, however there will be one final distribution to the secured creditors prior to the conclusion of the administration.

Preferential creditors

We estimate that preferential creditors for outstanding employee wages and holiday pay will total c£170,000. This is stated after the payment of arrears of wages of c£40,000 which were paid as part of the trading expenses in dealing with the premises not transferred to the Purchaser.

We have received a preferential claim of £149,775 from the Redundancy Payments Office (“RPO”). This claim has been subsequently agreed and payment has been made.

We agreed and paid the residual preferential claims of all those employees who responded to our written request for confirmation of amounts outstanding. The total payment in this regard was £2,925.

A number of employees did not respond to our request despite several reminders, and a decision was made that these employees would be paid in full as preferential creditors and they received a preferential distribution of 100p in £ on 22 February 2019 via cheque, totalling £12,041.



Unsecured creditors

The Joint Administrators sent to all known unsecured creditors of the Company a notice of intended dividend. Creditors were required to send their proofs of debts to the Joint Administrators to arrive no later than 15 October 2018. The distribution was due to be declared within two months of 15 October 2018. However, the Joint Administrators had cause to postpone the distribution and it took place on 18 June 2019. Further information is provided below.

There were insufficient realisations to enable a distribution to the unsecured creditors of the Company other than by virtue of the Prescribed Part, as set out below.

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.

Distributions to creditors

As stated above, £30.6m has been distributed to the secured creditors. Whilst we anticipate a further distribution to be made in due course, once the asset realisation process and the outstanding costs and expenses have been finalised, we continue to anticipate that there will be a substantial shortfall to the secured creditors based on their indebtedness of £69.3m at the date of our appointment.

As stated above in relation to preferential creditors, payment of c£40,000 was made to employees in respect of arrears of wages, £149,775 was made to the RPO in settlement of its preferential claim, and a further £2,925 was paid directly to employees in settlement of any residual preferential claims. In addition, employees who did not respond were paid in full as preferential creditors, totalling £12,041.

Since the coming into effect of the Small Business, Enterprise and Employment Act 2015 on 26 May 2015, the Administrators no longer need the court's permission to distribute the prescribed part to unsecured creditors. Accordingly, a dividend to non-preferential creditors was declared in the administration of the Company on 20 June 2019. The amount paid to non-preferential creditors in the distribution was £510,000, being 1.87p in the pound. Total creditor claims totalled £27,388,741.

Fraud Warning

It has come to our attention that one of our competitor IP firms has experienced an attempted fraud in which a fake web site and false office address (using serviced offices) were created for the IP firm and creditors of a company they were dealing with were contacted by persons impersonating the IP firm's staff, asking creditors to send payment in order to recover the monies due to them. Neither the Administrators nor their staff will ever ask you for an upfront payment in return for payment of your debt. We will not ask you to provide your bank details over the telephone. Please be vigilant if you receive a letter or email purporting to be from us from an address that you do not recognise, or a telephone call asking you to pay money or provide bank or credit card information.



Sale of the business

As previously advised, the business and certain assets of the Company were sold to Dreams Limited (“the Purchaser”) on 5 March 2013. Further details relating to the sale can be found in the SIP16 letter and the Proposals.

Premises transferred to the Purchaser

The Administrators granted the Purchaser a licence to occupy 171 stores to facilitate the continuation of trade in these stores, pending discussions between the Purchaser and the landlords regarding ongoing occupation. As at 11 July 2019:

- ▶ 144 of these stores have been formally assigned to the Purchaser;
- ▶ 27 of these stores the Purchaser has served notice to terminate the licence to occupy; and

Premises not transferred

As described in the Proposals, 95 stores which were excluded from the sale agreement remained open until 24 March 2013 to facilitate the clearance of stock on behalf of the Purchaser. This also gave the Administrators the opportunity to market the sites for sale, thereby reducing landlords and employees claims. The Administrators were unable to complete a sale or transfer of these 95 stores for the reasons set out in the Proposals, and therefore exited these stores prior to the rent quarter date on 25 March 2013. At the time of writing this report, 63 landlords have agreed a surrender of the leases held.

Non domestic rates

Rapleys LLP has been instructed on a success fee basis to appeal the rateable values across the entire portfolio. Monies received in respect of these appeals total £1,172,063 for the period 5 March 2013 to 11 July 2019.

Book debts

The Company has a £0.7m claim against Arrow Excel Limited (“Arrow”), formerly Yodel XL Limited, for damaged stock which is currently held at their depot in Wigan. The Directors have estimated that £0.2m may be recoverable in this regard. As previously advised, the Administrators have contacted Arrow in order to recover and realise this stock. Arrow is claiming that the legal title to the damaged stock, which they have confirmed is still being held at their depot in Wigan, does not sit with the Company and was transferred to the Purchaser upon completion. We previously met with the Purchaser to agree a strategy to clarify the situation and agreed that they would write to Arrow separately to confirm what was included in the sale to the Purchaser.

Arrow continue to refute any claim made against their company and the Joint Administrators have been advised that any further action would require legal assistance. Having considered the cost implication versus the chance of success, a decision has been made that no further action will be taken.

Future conduct of the Administration

The Administrators will continue to act in accordance with the Proposals. This work will include inter alia:

- ▶ Distributing the realisations to the secured creditors;



- ▶ Dealing with preferential and unsecured creditor enquiries;
- ▶ Complying with the Administrators' reporting obligations to the Lenders;
- ▶ Dealing with statutory reporting and compliance obligations; and
- ▶ Finalising the Administration including payment of all Administration liabilities.

Exit from Administration

As stated above, the Administrators received further extension of the Administration to 4 September 2019.

As per the February 2015 Report, it was initially envisaged that the Company would move into Creditors Voluntary Liquidation ("CVL") in order for any distributions to be made to the unsecured creditors, which upon current estimates will only be by way of a prescribed part distribution.

However, since the coming into effect of the Small Business, Enterprise and Employment Act 2015 on 26 May 2015, exit via a CVL solely for the purpose of making such distribution of the prescribed part is no longer possible. Accordingly, such a distribution was made whilst the Company remains in Administration and the Company will then be dissolved.

If at the end of the Administration the Company has no property which might permit a distribution to its creditors, the Administrators will send a notice to that effect to the registrar of companies. On registration of the notice the Administrators' appointment will come to an end. In accordance with the provisions of paragraph 84(6) of Schedule B1 to the Insolvency Act 1986 the Company will be deemed to be dissolved three months after the registration of the notice.

Next report

We will report to you again at the conclusion of the Administration.

Yours faithfully
for the Company

A handwritten signature in black ink that reads 'C A Lewis'.

C A Lewis
Joint Administrator

AM Hudson is licensed in the United Kingdom to act as an insolvency practitioner by The Association of Chartered Certified Accountants and CA Lewis and JM O'Connor are licensed in the United Kingdom to act as insolvency practitioners by The Institute of Chartered Accountants in England and Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators, AM Hudson, CA Lewis, and J O'Connor who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the General Data Protection Regulation 2016/679, depending upon the specific processing activities undertaken. Ernst & Young LLP and/or the Group may act as a data 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. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy



Appendix 1

Night Realisations plc (in Administration)

Information about the proceedings, the company and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

Name of court:	High Court of Justice, Chancery Division
Court reference:	1638 of 2013
Registered name of the Company:	Night Realisations plc
Registered office address of the Company:	c/o Ernst & Young LLP, 1 More London Place, London, SE1 2AF
Registered number:	02189427
Country of incorporation (for a company incorporated outside the United Kingdom):	N/A
Date of appointment of the Joint Administrators:	5 March 2013
Details of any changes of Administrator:	None
Full names of the Administrators:	Alan Michael Hudson, Joseph Michael O'Connor and Craig Anthony Lewis
Office holder numbers:	9200, 12350 and 9356
Administrators' addresses:	Ernst & Young LLP 1 More London Place London SE1 2AF
Telephone number:	020 7806 9278
Name of alternative person to contact with enquiries about the case:	Pascale Murray

Night Realisations plc

(in Administration)

Joint Administrators' Summary of Receipts and Payments from 12 January 2019 to 11 July 2019

Statement of Affairs Estimated to Realise Values (£)	RECEIPTS	Balance as at 11 January 2019 £	Movement from 12 January 2019 to 11 July 2019 £	Balance as at 11 July 2019 £
174.00	Leasehold property	174.00	-	174.00
3,000,000.00	Freehold property	3,000,000.00	-	3,000,000.00
1.00	Goodwill	1.00	-	1.00
1.00	Customer list	1.00	-	1.00
1.00	Business intellectual property	1.00	-	1.00
7,900,000.00	Fixtures, fittings, equipment & vehicles	8,007,910.46	-	8,007,910.46
20,500,000.00	Stock/ WIP	20,500,000.00	-	20,500,000.00
4,525,000.00	Cash at bank in transit at completion	4,525,000.00	-	4,525,000.00
-	Sale of shares	100.00	-	100.00
-	Rates refunds	1,172,063.33	-	1,172,063.33
-	Pre appointment insurance	3,655.37	-	3,655.37
-	Utilities refund	2,478.61	-	2,478.61
-	IT hosting refund	27,677.97	-	27,677.97
-	Sundry Income	23,290.31	-	23,290.31
-	Bank Interest	38,666.64	148.16	38,814.80
-	Storage charges	634.22	-	634.22
-	Landlord control a/c	191,808.11	-	191,808.11
-	Monies held on a/c for Dreams Ltd	67,309.46	-	67,309.46
-	VAT payable	26,468.42	-	26,468.42
		37,534,303.06	148.16	37,534,451.22
	PAYMENTS			
	Distribution to secured creditors	30,600,000.00	-	30,600,000.00
	Pre-appointment fees paid to various parties by the secured creditors	3,693,874.66	-	3,693,874.66
	Rates agents' fees	120,730.17	-	120,730.17
	Other professional fees	12,463.64	-	12,463.64
	Administrators' fees	1,233,473.00	90,000.00	1,323,473.00
	Administrators' disbursements	26,856.84	-	26,856.84
	Storage Charges	28,194.10	317.12	28,511.22
	Legal fees and disbursements	267,170.58	6,229.81	273,400.39
	Bank charges	73.82	2.70	76.52
	Insurance	20,915.60	-	20,915.60
	Corporation Tax	7,916.20	181.75	8,097.95
	PAYE	729.20	3,106.18	3,835.38
	Holiday pay - D of E	47,575.34	-	47,575.34
	Wage arrears - D of E	102,199.83	-	102,199.83
	Employee net dividend	43,505.31	12,040.98	55,546.29
	Irrecoverable VAT	185,688.81	-	185,688.81
	VAT receivable	104,200.58	18,000.00	122,200.58
	Unsecured creditors	-	522,845.52	522,845.52
	Ordinary shareholders	-	-	-
		36,495,567.68	652,724.06	37,148,291.74

Notes

1. Receipts and payments are stated net of VAT.
2. Net funds held on behalf of the Purchaser to meet ongoing lease obligations. These funds will be remitted to landlords or returned to the Purchaser.
3. Overpayments returned by landlords and refunds received following successful assignment of leases.
4. Relates to payments made to landlords who have not provided valid VAT invoices. These payments are funded by the Purchaser.

Night Realisations plc

(in Administration)

Joint Administrators' Time Costs from 12 January 2019 to 11 July 2019

Classification of work function	Partner / Director	Manager	Other Senior Professionals	Assistants & Support	Total hours for the period 12/01/19 to 11/07/19	Average Hourly Rate	Time Costs for period 12/07/2018 to 11/01/2019
Employee Matters	0.5	19.2	6.6		26.3	411.88	10,832.50
Legal Issues		3.5			3.5	590.00	2,065.00
Statutory Duties	7.0	3.3	6.6		16.9	688.20	11,630.53
VAT & Taxation	1.4	5.6	19.9	10.2	37.1	428.45	15,895.63
Accounting and Administration	1.0	10.8	55.6	19.1	86.5	418.05	36,161.59
Creditors (Mandatory)	3.0	6.3	14.3		23.6	578.94	13,663.00
Other Assets (Mandatory)			0.8		0.8	435.00	348.00
Property - OldCo			3.8		3.8	433.95	1,649.00
Prescribed Part	6.3	68.2	27.6	4.5	106.6	352.49	37,575.50
Grand Total	19.2	116.9	135.2	33.8	305.1	£ 425.50	£ 129,820.75

N.B. The Administrators have received payment directly from the Purchaser for the short-term period of trading post appointment and for providing ongoing property support. These time costs have been excluded from the above analysis because they will not be paid out of assets of the Company and consequently will not impact the return to the creditors.

Category 1 expenses from 12 January 2019 to 11 July 2019 (£)

Description	Amount
Postage costs	351.52
Printing costs	133.80
	485.32

Category 2 expenses from 12 January 2019 to 11 July 2019 (£)

None

Night Realisations plc
(in Administration)

Office Holders' Charging Policy for Fees

The Administrators have engaged a manager and other staff to work on the case. 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 cashiers 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 Administrators.

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Time is charged in units of six minutes. Each member of staff has a specific hourly rate, which is subject to change over time. The hourly rate for each category of staff over the period is shown below:

Grade Description	Hourly rate (£/hr) FY19	Hourly rate (£/hr) FY20
Partner	1140	1195
Executive Director	1090	1145
Director	930-1140	975-1195
Assistant Director	775	815
Senior Executive	590	620
Executive	435	455
Assistant Executive	395	415
Analyst	280-395	295-415
Business Trainee	240	250
Assistants & Support	225	235

Notes

- 1 Statement of Insolvency Practice 9 (SIP 9) defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.
- 2 SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
 - Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment
 - Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.

**Night Realisations plc
(in Administration)**

**Creditors' Request for Further Information Regarding an Administrator's
Remuneration or Expenses**

Rule 2.48A, Insolvency Rules 1986:

1) If-

(a) within 21 days of receipt of a progress report under Rule 2.47-

(i) a secured creditor, or

(ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or

(b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,

makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2.47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2).

(2) The administrator complies with this paragraph by either-

(a) providing all of the information asked for, or

(b) so far as the administrator considers that-

(i) the time or cost of preparation of the information would be excessive, or

(ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or

(iii) the administrator is subject to an obligation of confidentiality in respect of the information, giving reasons for not providing all of the information.

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of-

(a) the giving by the administrator of reasons for not providing all of the information asked for, or

(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just.

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2.109(1B) by such further period as the court thinks just.

Creditors' claim that remuneration is excessive – extract from Rule 2.109 of the Insolvency Rules 1986:

(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4).

(1A) Application may be made on the grounds that—

(a) the remuneration charged by the administrator,

(b) the basis fixed for the administrator's remuneration under Rule 2.106, or

(c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate.

(1B) The application must, subject to any order of the court under Rule 2.48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report").