In accordance with Rule 3.35 of the Insolvency (England & Wales) Rules 2016 & Paragraph 49(4) of Schedule B1 to the Insolvency Act 1986

AM03
Notice of administrator's proposals

Companies House

TUESDAY

A85GEQVS
A16 14/05/2019 #108
COMPANIES HOUSE

1 Company details

Company number	0 2 4 3 0 9 5 5
Company name in full	SUK Retail Limited

→ **Filling in this form**
Please complete in typescript or in bold black capitals.

2 Administrator's name

Full forename(s)	Richard Michael
Surname	Hawes

3 Administrator's address

Building name/number	5 Callaghan Square
Street	Cardiff
Post town	CF10 5BT
County/Region	
Postcode	
Country	

4 Administrator's name ❶

Full forename(s)	Daniel Francis
Surname	Butters

❶ **Other administrator**
Use this section to tell us about another administrator.

5 Administrator's address ❷

Building name/number	1 New Street Square
Street	London
Post town	EC4A 3HQ
County/Region	
Postcode	
Country	

❷ **Other administrator**
Use this section to tell us about another administrator.

AM03
Notice of Administrator's Proposals

6 **Statement of proposals**

☑ I attach a copy of the statement of proposals

7 **Sign and date**

Administrator's Signature	Signature ✕ ✕
Signature date	d1 d3 m0 m5 y2 y0 y1 y9

Deloitte.

SUK Retail Limited t/a Office Outlet (formerly Staples UK Retail Limited) ("SUK Retail") and SUK Oldco Limited (formerly Staples UK Real Estate Limited) ("Oldco")(both in administration)

(together "the Companies")

Court Case Numbers: 248 and 249 of 2019
High Court of Justice
Chancery Division
Birmingham District

Company Numbers: 02759437 and 02430955
Registered Office: c/o Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ

JOINT ADMINISTRATORS' STATEMENT OF PROPOSALS PURSUANT TO PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986 (AS AMENDED) ("the Act").

Richard Michael Hawes and Daniel Francis Butters ("the Joint Administrators") were appointed Joint Administrators of SUK Retail Limited and SUK Oldco Limited on 18 March 2019 by the directors of the Companies. The affairs, business and property of the Companies are managed by the Joint Administrators. The Joint Administrators act as agents of the Companies and contract without personal liability. All licensed Insolvency Practitioners of Deloitte LLP ("Deloitte") are licensed in the UK to act as Insolvency Practitioners.

For the purposes of paragraph 100(2) of Schedule B1 of the Act, the Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

13 May 2019

Deloitte.

Deloitte LLP
Four Brindleyplace
Birmingham
B1 2HZ
UK
Tel: +44 (0) 121 632 6000
Fax: +44 (0) 121 695 5678
www.deloitte.co.uk

SUK Retail Limited and SUK Oldco Limited (in administration)

This Statement of Joint Administrators' Proposals ("the Proposals" or "our Proposals") has been prepared pursuant to paragraph 49 of Schedule B1 of the Act, which requires that we, as the Joint Administrators, provide creditors with details of our Proposals to achieve the purpose of the administrations.

We do not think that the Companies have sufficient property to enable a distribution to be made to unsecured creditors, other than under the prescribed part provisions for Retail, pursuant to section 176A of the Act ("the Prescribed Part"). As such, we are not required to ask creditors to approve our Proposals unless requested to do so by creditors whose total debts amount to at least 10% of the total debts of one of the Companies.

If you would like to ask us to hold a decision procedure to consider our Proposals, please complete a Form for Requisitioned Decisions, which is available for download from the website set up for the administration at www.deloitte.com/uk/suk and return it to us by post or email no later than 23 May 2019 Please note that a deposit of £1,000 will be required towards the costs of initiating the decision procedure; such deposit may be refunded as an expense of these proceedings under Rule 15.19(4) Insolvency (England & Wales) Rules 2016 ("the Rules"), if so decided by creditors.

In the event that a request for a decision procedure is not received by us within the above deadline, our Proposals will be deemed approved on 23 May 2019 and a notice to that effect will be filed at Companies House.

We have also included the following information in this report:

- background of the Companies;
- the circumstances giving rise to the appointment of the Joint Administrators;
- the progress of the administrations to date; and,
- the Joint Administrators' Proposals for achieving the objective of the administrations (Appendix E).

Yours faithfully
For and on behalf of the Companies

Richard Michael Hawes
Joint Administrators

Key messages

Key messages

Joint Administrators of the Companies

Richard Michael Hawes

Deloitte LLP

5 Callaghan Square

Cardiff

CF10 5BT

Daniel Francis Butters

Deloitte LLP

1 New Street Square

London

EC4A 3HQ

Contact Details

Email: radkaur@deloitte.co.uk

Website: www.deloitte.com/uk/suk

Tel: 0121 695 5049

Date Proposals delivered to creditors: 13 May 2019

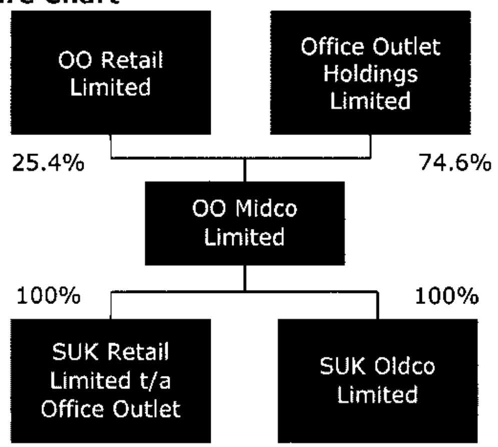
	Commentary
Purpose of the administration	• The purpose of the administrations will be to achieve a better result for the Companies' creditors as a whole than a liquidation.
Joint Administrators' strategy	• Initially, the Administrators continued to trade whilst a sale of the Companies' business and assets was explored. Principally, this related to marketing the business and assets of SUK Retail but also included the leases and associated fixtures and fittings held in Oldco. • Despite undertaking a focussed marketing process that built on an extensive process that had been run by the directors ahead of our appointment, there was very limited interest in a sale of the business and assets of the Companies, in whole or in part. • We have therefore begun a wind down process to realise the SUK Retails' inventory whilst implementing a store closure program. • We continue to explore opportunities to realise the Companies' other assets, including debtors, leasehold premiums, fixed assets, and the legal claim that SUK Retail had entered ("the Ongoing Litigation"). • The full closure process will result in the redundancy of all employees of the Companies. At the date of our appointment 1,176 people were employed.
Approval of the Proposals	• As there is no prospect of any funds being returned to unsecured creditors (other than by way of the Prescribed Part in SUK Retail), our Proposals will be deemed approved by creditors unless a decision procedure is requested under Rule 15.18.
Estimated Timescale	• On current information, the duration of the administrations are not likely to exceed 12 months, following which it is anticipated that the Companies will move to dissolution, as detailed on page 15.
Estimated Costs	• In SUK Retail, we intend to seek approval to fix the basis of our fees as a set fee of £975,000 plus VAT and a percentage of realisations (20%) of the Ongoing Litigation (plus VAT). In Oldco, we intend to seek approval to fix the basis of our fees as a set fee of £100,000 plus VAT. We have provided an outline of the work we propose to undertake and our anticipated costs at page 17 and Appendix D. • We anticipate that disbursements of approximately £40,000 and £2,000 will be incurred in SUK Retail and Oldco respectively over the duration of the appointment, as detailed on page 27. • We anticipate that third party costs in relation to statutory advertising, legal fees and agents fees will be in the region of £1,450,000 in SUK Retail and £1,100 in Oldco for the duration of the appointment, as detailed on page 17.
Estimated Outcomes	On current information, we anticipate the following outcome for each category of creditor: – Secured creditor – The Secured Creditor will not be repaid in full in either of the Administrations. – Preferential creditors – There will be sufficient floating charge realisations to enable payment in full of preferential claims in SUK Retail. There are no preferential creditors in Oldco. – Unsecured creditors – There will be insufficient funds to allow a distribution for unsecured creditors of SUK Retail or Oldco, other than by virtue of the Prescribed Part.
Proposals	• Our Proposals for managing the business and affairs of the Companies can be found on page 13.

Background

Background

The Companies

Structure Chart



Key

- Holding companies
- In administration

Source: Companies House; Management Information

Background

SUK Retail operated as a retailer of office supplies, digital equipment and print services. SUK Retail operated from approximately 90 leasehold properties across the UK, as well as a distribution centre in Daventry and head office in High Wycombe. SUK Retail also operated a nascent online trading business.

Oldco was, historically, a real estate vehicle that held the leasehold properties from which SUK Retail operated. However, at the date of appointment the large majority of leasehold properties were held in SUK Retail with only five leasehold properties in Oldco.

Employees

As at 18 March 2019, SUK Retail employed 1,176 people. Oldco had no employees.

The directors of Retail were Timothy Farazmand and Chris Yates. Chris Yates was the sole director of Oldco. Neither company had a Company Secretary.

Group structure

A summarised group structure chart as at the date of our appointment is set out opposite.

- OO Midco Limited underwent a management buy-out in July 2018, with OO Retail Limited retaining a minority equity stake.
- Office Outlet Holdings Limited is owned by 56% by Chris Yates, Chief Executive Officer, and 44% by Mark Logan, Finance Director, of the Companies.
- OO Retail Limited is owned by HUK 70 Limited, which is owned by a venture capital business.

Previous insolvency procedures

At the date of appointment, the Companies were each subject to a Company Voluntary Arrangement ("CVA") which were both entered into on 6 September 2018. As a result of the appointment of Administrators the CVAs were terminated.

Security and banking facilities

OO Retail Limited provided a working capital facility to the Companies which was secured by fixed and floating charges in favour of OO Retail Limited (registered in November 2016).

To support the Companies' management team's efforts to turn around the business, OO Retail Limited agreed to write off £27m of its secured debt as part of the CVA in September 2018, and continued to provide facilities to the Companies. At the date of appointment, the remaining drawings under the working capital facility were c. £12m.

Financial Information

SUK Retail - Profit and loss account

£'000	M'gement Accounts for 12 months to 31-Dec-18	M'gement Accounts for 12 months to 31-Dec-17	Statutory Accounts for 16 months to 28-May-17
Turnover	97,400	125,200	213,882
Cost of Sales	(54,300)	(111,657)	(111,657)
Gross Profit	**43,100**	**54,600**	**102,225**
Gross Margin %	**44.3**	**43.6**	**47.8**
Other Expenses	(62,600)	(73,600)	(94,449)
(L)/EBIT	**(19,500)**	**(19,000)**	**7,776**

SUK Retail - Summary balance sheet

£'000	M'gement Accounts for 12 months to 31-Dec-18	M'gement Accounts for 12 months to 31-Dec-17	Statutory Accounts for 16 months to 28-May-17
Tangible assets	7,500	7,500	11,656
Fixed assets	**7,500**	**7,500**	**11,656**
Cash	3,400	2,800	2,490
Stock	15,400	18,700	25,367
Prepayments	2,300	5,200	-
Debtors	1,000	1,400	11,847
Current Assets	**22,100**	**28,100**	**39,704**
Creditors < 1 year	(16,000)	(15,000)	(28,331)
Creditors > 1 year	(2,900)	(3,300)	(6,868)
Other	(15,400)	(25,000)	(1,520)
Total Liabilities	**(34,300)**	**(43,300)**	**(36,719)**
	-	-	-
Net Assets	**(4,700)**	**(7,700)**	**14,641**

SUK Retail - Overview of financial information

Extracts from the audited Companies' accounts for the 16 months to 28 May 2017 and management accounts for the twelve months ending 31 December 2017 and 2018 are shown opposite.

Please note that this information has not been verified by the Joint Administrators or by Deloitte.

Profit and loss commentary

Following a reduction in SUK Retail's revenue, the Company was unable to reduce its cost base sufficiently to return the company to profitability.

Balance sheet commentary

Tangible assets principally comprise of leasehold property improvements, furniture and equipment. Creditors due within one year principally compromise of trade creditors.

Stock principally related to stock held in SUK Retail's store portfolio and in its distribution centre in Daventry. SUK Retail's management had been pursuing a strategy of reducing stock holding in order to generate cash.

Oldco - Overview of financial information

Please note that were no management accounts prepared for Oldco and the latest financial statements for Oldco were abbreviated accounts prepared to the 31 May 2017 and draft abbreviated accounts to 31 May 2018.

Background

Joint Administrators' appointment

Circumstances giving rise to the appointment of the Joint Administrators

Reasons for failure & financial distress

As noted on previous pages, the Companies entered CVAs in September 2018. Despite them achieving reduced ongoing rental obligations following the CVAs, the Companies still required the continued support of OO Retail's working capital facility, and following a period of underperformance versus plan management also sought additional external investment to complete the planned turnaround. However;

- Tough trading conditions on the high street and a number of high street failures resulted in Companies' supplier credit lines being reduced and placing pressure on the Companies' working capital facilities provided by OO Retail.
- Despite an extensive marketing process conducted by management, the business was unable to obtain the additional investment (a process that was made more difficult by the well publicised difficult trading conditions in the retail sector).

Steps taken to remedy/turnaround

The Secured Creditor agreed to waive certain covenant breaches in order to assist the Companies, whilst management implemented cost-saving initiatives across the business and additional investment was sought.

Unfortunately, despite repeated efforts to resolve the situation, the Companies were unable to sustain their level of indebtedness and, in agreement with the Secured Creditor, approached Deloitte in late February 2019 to discuss placing the Companies into administration.

When decision to appoint was made

In March 2019, once it became clear that the Companies were unable to pay their debts as they fell due, the directors held a board meeting on 12 March 2019 where it was resolved to place the Companies into administration.

Involvement of Deloitte pre-appointment

In August 2018, Deloitte LLP was engaged by SUK Retail to provide advisory services with respect to feasibility assessment and preparation of a company voluntary arrangements of the Companies (engaged with SUK Retail).

In September 2018, Daniel Francis Butters and Robert James Harding of Deloitte acted as Joint Nominees and subsequently were subsequently appointed as Joint Supervisors of the CVAs.

Following challenging trading conditions in a distressed retail environment, on 27 February 2019 Deloitte was appointed to assist the Company:

- to present financial information and negotiate with its secured lender (OO Retail Limited).
- identify alternative funding options
- provide restructuring advice
- prepare analysis of options in the event that long term viability could no longer be secured.

Once it was clear that the business would require funding in excess of its working capital facilities, and that additional investment would not be secured in the timeframes available, the directors then took the decision to put the Companies into administration.

Richard Michael Hawes and Daniel Francis Butters of Deloitte were asked to take the pending appointment as Joint Administrators by the directors of the Companies.

Post-appointment

Post-appointment
Purpose

Appointment of the Joint Administrators

Richard Michael Hawes and Daniel Francis Butters of Deloitte were appointed Joint Administrators of the Companies by the directors of the Companies following the filing of a Notice of Appointment of Joint Administrators.

Purpose of the administrations

The Companies have significant levels of borrowing (secured debt) which would need to be restructured in order to rescue the business as a going concern. However, having regard to the likely value of the underlying business and based on available financial information, there has been limited interest from third parties in a debt restructuring.

Accordingly, the purpose of the administrations is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Companies.

How the affairs and business of the Companies have been managed and financed since appointment, and the Joint Administrators' intended strategy if their Proposals are approved

Immediately following our appointment, we concluded it would be in the best interests of creditors to continue to trade the Companies' business whilst seeking a sale of the business as a going concern.

We instructed Deloitte Corporate Finance Advisory to advise on and conduct the sale and marketing process on our behalf. Principally, this related to marketing the business and assets of SUK Retail but also included the leases and associated fixtures and fittings held in Oldco.

Limited interest has been received to date with only one offer received for the business as a going concern that did not provide sufficient value. As a result the decision has been made to conduct an orderly wind down of the Companies' business in order to maximise realisations of SUK Retail's principal asset; inventory.

As part of this process, we will be seeking purchasers for the various assets of the Companies.

Receipts and Payment Accounts

A receipts and payments account detailing asset realisations achieved and costs paid up to 30 April 2019 is provided on page 23 for SUK Retail and page 25 for Oldco.

Asset Realisations - SUK

Trading and Stock

SUK Retail operated from 94 stores as at the date of our appointment, with c.£12m of stock (at cost) located across the distribution centre and stores.

The Administrators have appointed Retail Agents 210 Limited ("the Retail Consultants"), specialist retail agents, to advise on realising the SUK Retail's stock (situated at the distribution centre and stores) and to manage any store closures. The Retail Consultants are a connected party to OO Retail by virtue of common ultimate ownership.

To date, inventory sales of £7,983,278 have been received and trading payments of £4,227,866 have been paid.

Please note that SUK Retail is continuing to trade and these figures do not reflect the final trading outcome, which is expected to generate a small surplus for the administration estate. However, this does include payments to ROT creditors (see below). A trading account is provided on page 24 for SUK Retail only.

We have received a number of retention of title claims over SUK Retail's inventory. As a result of this, the Administrators have paid £2,382k in settlement of these claims and these are included in trading payments. Negotiations with a number of suppliers are ongoing.

Leasehold Property

SUK Retail operated from 94 leasehold retail properties, a leasehold distribution centre in Daventry and leasehold head office in High Wycombe. To date, 40 of the retail properties have been vacated on the basis that they were uneconomical to continue to trade.

Following the distribution of all remaining stock in the distribution centre to the store portfolio, the distribution centre was vacated on 26 April 2019.

We have instructed property agents, Harvey Spack Field, to seek leasehold premiums in respect of the entire leasehold properties and this process is ongoing. To date leasehold premiums of £41,000 have been received.

Legal advice has been sought from Shoosmiths, where required, in relation to the various properties and leases.

Asset Realisations – SUK continued

Books Debts

As at the date of our appointment, the directors' Statement of Affairs shows book debts of £248k in SUK Retail.

To date, we have collected £256k and continue to liaise with the debtors regarding repayment of outstanding balances. We have calculated and invoiced additional supplier rebates such that we estimate a further £150,000 of book debts are recoverable.

Chattel Assets

As at the date of appointment, the SUK Retail's book value of tangible assets was c.£7m across the following categories;

- Leasehold acquisitions, improvements, fixtures and fittings (principally store fit-outs); and
- IT and other equipment.

The Companies did not maintain an asset listing, therefore the Administrators have conducted interviews and reviewed book records to identify the Companies' assets.

As noted above, the majority of this balance related to store fit outs which have minimal value unless transferred with the associated leases. In conjunction with advice from the Retail Consultants and Hilco Valuation Services, a process has been put in place to realise any owned moveable assets in the stores as part of the store closure program. To date, £25,264 of assets have been realised.

In respect of any remaining assets (including IT equipment and assets held at the distribution centre), we have instructed Hilco Asset Appraisal to secure, value and seek purchasers for these assets, this process is ongoing.

Ongoing Litigation

As at the date of our appointment, SUK Retail had entered into a legal claim, the details of which are confidential ("the Ongoing Litigation"). We are in the process of assessing the work required to realise any assets from this claim but understand that this claim could be in excess of £6m.

Asset Realisations - SUK continued

Cash at Bank and in hand

Funds transferred from the pre-appointment bank account totalled £1,940,538 and the Administrators are in the process of collecting cash in stores at the date of appointment, to date £27,696 has been collected.

Arrears of wages

The Administrators paid arrears of wages (£1,462k) in order to allow the Administrators to follow a strategy of a sale of the business as a going concern and, subsequently, to trade the business to realise inventory. In addition, the employees have been used to support realisations of the remaining assets of the business.

Asset Realisations – Olcdo

Leasehold Property

SUK Retail operated from five leasehold retail properties where the leases were held by Oldco. SUK Retail is continuing to trade from these properties and Oldco is receiving rent from SUK Retail which will ultimately be paid to the landlords of these properties. To date, £150k of rent has been received by Oldco and £38k of rent/service charge has been paid to landlords.

We have instructed property agents, Harvey Spack Field, to seek leasehold premiums in respect of the leasehold properties and this process is ongoing.

Chattel Assets

The director's statement of affairs in respect of Oldco included £18k (book value: £142k) of fixtures and fittings which relates to store fit outs which have minimal value unless transferred with the associated leases. In conjunction with advice from the Retail Consultants and Hilco Valuation Services, a process has been put in place to realise any owned moveable assets in the stores as part of the store closure program. To date, none of these assets have been realised.

The Joint Administrators' Proposals

Our Proposals for the administrations include:

- continuing to manage the affairs and any remaining assets of the Companies and the settlement of all administration expenses; and
- assessing the affairs of the Companies and reviewing and reporting on the conduct of their directors and, where required, providing assistance to any regulatory authorities with any investigation into the affairs of the Companies or their management;
- agreement of the claims of any secured, preferential and unsecured creditors against the Companies unless we conclude, in our reasonable opinion, that the Companies will have no assets available for distribution; and
- distributing funds to any secured and preferential creditors and, where applicable, to unsecured creditors under the Prescribed Part as and when their claims are agreed and funds permit, and to make distributions to unsecured creditors, other than out of the Prescribed Part if the court gives permission following an appropriate application; and
- that, following the realisation of assets and resolution of all matters in the administration, and as quickly and efficiently as is reasonably practicable, we will implement the most appropriate exit route to formally conclude the administration; and
- that, if the Companies are to be placed into Creditors' Voluntary Liquidations ("CVL"), we (or any person appointed as a replacement office holder) propose to be appointed Joint Liquidators and for the purposes of section 231 of the Act the Joint Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

We will seek specific approval from the appropriate body to fix the basis of and the ability to draw our remuneration and expenses and to agree the time of our discharge on conclusion of the administration.

Please refer to Appendix E for further details.

Estimated outcome for creditors

Secured Creditor

The Companies' records show that OO Retail Limited in its capacity as Secured Creditor was owed £12,326,748 by SUK Retail as at the date of appointment and this was cross-guaranteed by Oldco.

This amount is secured by way of fixed and floating charges granted by the Companies on 24 November 2016. Based on currently available information, we do not expect there will be sufficient asset realisations to repay the Secured Creditor in full from either of the Companies.

Preferential Creditors

Preferential claims in SUK Retail consist of amounts owed to employees for arrears of holiday pay up to the date of the Company Voluntary Arrangement on 6 September 2018. There are no other preferential claims.

We do not anticipate receiving any preferential creditors in Oldco.

Unsecured Creditors

The directors' Statement of Affairs at Appendix B shows 154 unsecured creditors with estimated non-preferential claims totalling £13,257,074 and £1,947,000 in SUK Retail and Oldco respectively. However, we note that this does not include landlord creditors which will crystallise as the retail portfolio is wound down.

There has been a high volume of correspondence with the SUK Retail's customers and trade suppliers in relation products purchased and unsecured debt.

As previously detailed, it is unlikely that sufficient funds will be realised to enable a distribution to be made to unsecured creditors (save for any distribution that may be available under the Prescribed Part in SUK Retail).

Prescribed Part

The Prescribed Part is an amount set aside for unsecured creditors from asset realisations that would otherwise be paid to secured creditors under their floating charge, (referred to as the net property), as set out under section 176A of the Act. It applies only where the charge was created on or after 15 September 2003.

The Prescribed Part is calculated as a % of the net property and is subject to a statutory maximum of £600,000 per company.

Where the value of the Prescribed Part is so small as to make the costs of distributing it disproportionate, the court may, on our application, disapply it.

Based on current information, we anticipate SUK Retail will have net property of c.£1.6m resulting in a Prescribed Part fund of c.£0.3m. After deduction of the associated costs for dealing with the Prescribed Part (which chiefly comprise our time costs for agreeing creditors' claims and making the distribution to them), the quantum of the dividend is not yet known but updates will be provided in future reports.

Whilst the amount likely to be available for distribution is small, we do not consider it necessary to ask the court to disapply the Prescribed Part, on the grounds the costs of making the distribution are disproportionate to the benefits to creditors.

On current information, we do not anticipate that there will be sufficient realisations in Oldco to make a distribution to either the Secured Creditor or to unsecured creditors via the Prescribed Part but updates will be provided in future reports.

Claims process

SUK Retail

Unsecured creditors of SUK Retail are invited to submit their claims to us by completing a proof of debt form which is available on the administration website and which should be sent to the address on the front page, marked for the attention of Radha Kaur.

Please note that having regard to the size of claims against SUK Retail, the amount of any dividend to unsecured creditors is likely to be very low, i.e. less than a penny in the pound.

Oldco

As there is little prospect of a distribution for unsecured creditors of Oldco, we do not intend to undertake any work to agree any creditor claims received and this work will be performed only once the dividend prospects are certain.

Post-appointment

Extensions & exit routes

Exit routes

In accordance with the provisions of the Act, all administrations automatically come to an end after one year, unless an extension is granted by the court or with consent of the creditors.

There are several possible exit routes from administration. Based on current information, we consider the following exit routes may be appropriate:

- *Dissolution* – If there is no further property which might permit a distribution to the Companies' creditors, we may file notice to that effect with the Registrar of Companies and the Companies will be dissolved three months later.
- *Compulsory Liquidation ("WUC")* – where there is a possibility, but no certainty, of recoveries being made or matters such as property to disclaim or further enquiry, it may be appropriate to ask the court to end the administration and to make an order to wind up the Companies.
- *Creditors' Voluntary Liquidation ("CVL")* - Where a distribution to unsecured creditors will be made, other than by virtue of the Prescribed Part, we may file a notice to that effect with the Registrar of Companies. The administration will cease on the date that notice is registered and the Companies will be wound up.

Please note that if the Companies are placed into CVL, the Joint Administrators (or any person appointed as a replacement office holder) propose to be appointed as Joint Liquidators. The creditors may nominate a different person to be liquidator(s) provided the nomination is made before the Proposals are deemed approved.

- Any creditors' committee appointed in the administration will become a liquidation committee and the basis of the Joint Administrators' remuneration fixed during the administration will apply in the liquidation.
- For the purposes of section 231 of the Act the liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

Based on current information, we anticipate that the Companies will move to dissolution following completion of the Administrations.

Discharge of Joint Administrators' liability

Pursuant to paragraph 98 of Schedule B1 of the Act, the Joint Administrators' discharge of liability in respect of their actions as administrators takes effect at the specific time appointed by either the court, the creditors (either via the creditors' committee or by decision of the creditors) or, in specific circumstances, by the secured (and preferential) creditors.

In this case, we will request approval from the secured creditor for us to be discharged from liability as at the date the Registrar of Companies registers the Joint Administrators' final progress report.

Remuneration and expenses

Remuneration and expenses

Creditors' Guide to Administrators' Remuneration

***A Creditors' Guide to* Administrators' Remuneration" is appended to SIP 9 and is provided on the administration website and also available for download at www.deloitte.com/uk/sip-9-england-and-wales**

Should you require a paper copy, please send your request in writing to us at the address on the cover page and this will be provided to you at no cost.

Basis of Administrators' remuneration

Pursuant to Rule 18.16 of the Insolvency Rules 2016 ("the Rules"), the basis of the Joint Administrators' remuneration may be fixed:

- as a percentage of the value of the property with which the Joint Administrators have to deal;
- by reference to time properly given by the insolvency practitioners and their staff in attending to matters arising in the administration;
- as a set amount;
- or, any combination of the above.

There will be no funds available to the unsecured creditors, other than under the Prescribed Part. We intend to agree the Joint Administrators fees on two bases as detailed below.

Set Amount (Fixed Fee)

There are a number of tasks which primarily relate to of statutory and compliance obligations and other tasks of an administrative nature in both SUK Retail and Oldco. These tasks are a necessary part of the engagement but do not generate any direct benefit for creditors. We are also continuing to trade the business to realise inventory and are realising other assets (such as debtors, IT equipment, fixtures and fittings). This work does provides a commercial benefit to the creditors and by completing it for a set fee we consider that the best outcome will be achieved.

Based on previous appointments of this nature and having regard to the likely number and grades of staff required to fulfil these obligations, we intend to seek approval to draw a fee of £975,000 in SUK Retail and £100,000 in Oldco. Full details of the work anticipated to be performed are provided at Appendix D.

Percentage of realisations

In respect of the Ongoing Litigation in SUK Retail, the work we carry out will be done in the expectation of realising a benefit for creditors.

We consider it appropriate that our costs for performing such tasks should be recovered as a percentage of the amount we collect for the estate, being 20%. These fees will be drawn from SUK Retail.

Full details of the work we anticipate carrying out in this regard are provided at Appendix D.

Professional Costs

We have instructed lawyers to assist in the following matters:

- Shoosmiths LLP have been instructed regarding the preparation for the administration appointments and ongoing matters arising from the administration. We estimate their fee will be £120,000, plus VAT (all in SUK Retail); and
- Morgan Cole LLP has been instructed to review the validity of our appointment and estimate that their fee for doing so was £1,049, plus VAT in Oldco and £1,100, plus VAT in SUK Retail.

We have instructed agents to assist with the following matters:

- Retail Agents 210 Limited have been appointed to manage the orderly realisation of stock and closure of the Companies' retail stores. We estimate their fee for doing so will be £1,300,000 plus VAT.
- Harvey Spack Field Limited have been appointed to market the Companies' interest in the Companies leasehold premiums. We estimate that their fee for doing so will be £10,000, plus VAT.
- Hilco Valuation Services Limited have assisted with securing and valuing and realising the Companies' chattel assets. We estimate their fee for doing so will be £20,000, plus VAT.

All professional costs are reviewed by us and analysed in detail before payment is approved or made.

Additional information

Additional information
Case specific matters and Investigations

EU Regulations

As stated in the administration appointment documents, Council Regulation (EU) No 2015/848 applies and these are the main proceedings as defined in Article 3(1) of that regulation.

Third party assets

Should you believe that you own or have a claim regarding items that may have been present at the Companies' premises at the date of our appointment please contact us as soon as possible.

Investigations

As part of our duties, we are obliged shortly after our appointment to review all of the information available to us and conduct an initial assessment of whether there are any matters that might lead to a recovery for the benefit of creditors. This initial assessment includes enquiries into any potential claims that may be brought against parties either connected to or who have had past dealings with the Companies.

In addition, we are required to consider the conduct of the directors and any person we consider to have acted as a shadow or de facto director in relation to their management of the affairs of the Companies and the causes of failure and we will submit a confidential report to the Insolvency Service, a division of the Department for Business, Innovation and Skills. Creditors who wish to draw any matters to our attention should contact us using the contact details given on the cover page as soon as possible.

Appendices

Website

In order to facilitate communication, all statutory reports, documents and notices will be posted on to a website which has been set up specifically for the Companies.

The web address is www.deloitte.com/uk/suk.

All documents will be retained on the website which will remain live until two months after the conclusion of the proceedings. Please contact Radha Kaur using any of the contact details given below if you would like to be provided, free of charge, with a hard copy of documents posted, either now or in the future, to the website:

Phone – 0121 695 5049

Email – radkaur@deloitte.co.uk

Post – c/o Deloitte LLP, Four Brindleyplace
Birmingham, B1 2HZ

Please note that, other than notice of intended dividend, no further notice will be given to you when documents are uploaded to the website. It is thus important that you review the website regularly to check for updates, such as notices of decision procedures or our six monthly reports on progress.

Retail - Directors' summary Statement of Affairs

£	Book value	Estimated to realise
Assets subject to fixed charge		
Less: Amounts due to fixed charge holders	-	-
Estimated surplus/(deficiency) to fixed charge holders	-	-
Assets subject to floating charge	-	-
Uncharged assets		
Stock	12,426,675	3,347,967
Trade Fixtures and Fittings	*2,197,072*	*279,000*
Cash in Hand	208,708	208,708
Cash at Bank	2,105,637	2,105,637
Book Debts	2,195,000	248,000
Estimated total assets available for preferential creditors	19,133,092	6,189,312
Preferential creditors		-
Estimated deficiency / surplus to preferential creditors		6,189,312
Estimated prescribed part of net property		(600,000)
Estimated total assets available for floating charge holders		5,589,312
Debt secured by floating charges		12,326,748
Estimated deficiency / surplus after floating charges		(6,737,436)
Estimated prescribed part of net property (brought down)		600,000
Total assets available to unsecured creditors		600,000
Unsecured non-preferential claims		13,257,074
Estimated deficiency / surplus to creditors		(19,394,510)
Called up share capital		3,050,000
Estimate deficiency / surplus to members		**(22,444,510)**

Oldco - Directors' summary Statement of Affairs

£	Book value	Estimated to realise
Assets subject to fixed charge		
Less: Amounts due to fixed charge holders	-	-
Estimated surplus/(deficiency) to fixed charge holders	-	-
Assets subject to floating charge	-	-
Uncharged assets		
Trade Fixtures and Fittings	141,746	18,000
Estimated total assets available for preferential creditors	141,746	18,000
Preferential creditors		-
Estimated deficiency / surplus to preferential creditors		*18,000*
Estimated prescribed part of net property		-
Estimated total assets available for floating charge holders		18,000
Debt secured by floating charges		-
Estimated deficiency / surplus after floating charges		18,000
Estimated prescribed part of net property (brought down)		-
Total assets available to unsecured creditors		18,000
Unsecured non-preferential claims		(1,947,000)
Estimated deficiency / surplus to creditors		(1,929,000)
Called up share capital		(79,983,000)
Estimate deficiency / surplus to members		**(81,912,000)**

Joint Administrators' comments

The Directors' statement of affairs as at 18 March 2019 is available online at www.deloitte.com/suk including a schedule of the names and addresses of all known creditors.

Please note that in accordance with Rule 3.35(4) of the Insolvency Rules 2016, names and addresses for employees and consumers who have paid deposits or in advance for the supply of goods and services will not be shown.

In accordance with the standard format of the statement of affairs, no provision has been made for the costs of the administration (including agents', legal and other professionals' fees).

SUK Retail - Joint Administrators' receipts and payments account
18 March 2019 to 30 April 2019

£	SoA values	Notes	Period	To date
Receipts				
Trading surplus/(deficit)			3,947,219	3,947,219
Cash at Bank	*2,105,637*		1,940,538	1,940,538
Cash held in stores	*208,708*		27,696	27,696
Lease premiums/other debtors			67,945	67,945
Rebates			3,554	3,554
Freehold Land & Property			100	100
Plant & Machinery	*279,000*		25,264	25,264
Book Debts	*248,000*		256,370	256,370
Bank Interest Gross		*2*	1,471	1,471
Insurance claims			9,486	9,486
Total receipts	*2,841,345*		**6,279,643**	**6,279,643**

	Notes	Period	To date
Payments			
Goods not for resale		2,145	2,145
Legal Fees		898	898
Store clearance costs		2,944	2,944
Statutory Advertising		87	87
Taxes and duty		44,661	44,661
Arrears of wages		1,462,114	1,462,114
Total payments		**1,512,850**	**1,512,850**
Balance			**4,766,793**
Made up of:			
VAT Receivable	*1*		235,683
IB Current A/C	*2*		6,683,474
Court Order/AoE			1,394
Other Payroll Deductions			71,668
PAYE Payable			159,965
Nat. Ins. Payable			210,164
Trade Creditors	*3*		(652,025)
VAT Payable	*1*		(1,935,772)
Funds received in error	*5*		(7,759)
Balance in hand	*4*		**4,766,793**

SUK Retail - Notes to the receipts and payments account

Note 1 - All sums shown above are shown net of VAT, which is recoverable and will be accounted for to HM Revenue & Customs in due course.

Note 2 – All funds are held in an interest bearing account. The associated corporation tax on interest received will be accounted for to HM Revenue & Customs.

Note 3 – The trade creditors balance shows the total amount of payments recorded but are unpaid as at the date to which this report relates.

Note 4 - Rounding errors may be apparent as all entries in the receipts and payments account have been presented for reporting purposes to the nearest whole number.

Note 5 - Funds of £7,759 were paid into the SUK Retail bank account in error, these funds do not form part of the assets and are currently being refunded.

SUK Retail
Joint Administrators' trading account
18 March 2019 to 30 April 2019

£	To date
Receipts	
Sales	7,983,278
Rent receivable / (payable)	191,807
Total receipts	**8,175,085**
Payments	
Sub Contractors	1,873
Direct Labour	946,656
Direct Expenses	32,399
Childcare Vouchers	2,359
Health & Safety	900
Telephone	2,096
Insurance	167
Bank Charges	15
Confidential waste disposal	4,525
Lease/HP Payments	57,991
Repairs & Maintenance	1,965
Waste disposal	3,939
IT Systems	335,994
Delivery/Courier Costs	313,816
Sub Contractor	31,092
Security costs	39,333
ROT settlements	2,382,476
Service Charge	12,965
Consultancy Costs	3,727
Utilities Deposit	2,000
Utilities	3,077
Property Agents	14,903
Bank Charges	33,596
Total payments	**4,227,866**
Trading surplus/(deficit)	**3,947,219**

SUK Retail - Notes to the trading receipts and payments account

The trading account has been prepared on a cash basis. The final position will change upon receipt unallocated sales and payments of unsettled expenses. We currently expect a trading profit of c.£1m.

Oldco - Joint Administrators' receipts and payments account 18 March 2019 to 30 April 2019

£	SoA values	Notes	Period	To date
Receipts				
Fixtures and fittings	18,000	5		-
Rent received from Retail		2		150,000
Total receipts	-		-	**150,000**
Payments				
Legal Fees			1,049	1,049
Rents		2	36,496	36,496
Service Charge			1,064	1,064
Total payments			**38,608**	**38,608**
Balance				**111,392**
Made up of:				
VAT Receivable		1		7,722
IB Current A/c		3		150,000
Trade Creditors		4		(46,330)
Balance in hand				**111,392**

Oldco - Notes to the receipts and payments account

Note 1 - All sums shown above are shown net of VAT, which is recoverable and will be accounted for to HM Revenue & Customs in due course.

Note 2 – Oldco is receiving rent from SUK Retail which will ultimately be paid to the landlords of these properties. To date, £150k of rent has been received by Oldco and £38k of rent/service charge has been paid to landlords.

Note 3 – All funds are held in an interest bearing account. The associated corporation tax on interest received will be accounted for to HM Revenue & Customs.

Note 4 – The trade creditors balance shows the total amount of payments recorded but are unpaid as at the date to which this report relates.

Fees Estimates

Joint Administrators' Estimate of Work to be undertaken – set fee basis

Details of work that the we anticipate will be undertaken and for which a set fee of £975k plus VAT in SUK Retail and £100k plus VAT in Oldco will be charged are provided below:

Statutory Tasks and Administration

- Formulating and implementing an appropriate strategy;
- Case set-up – including data capture and entry;
- Cashiering – payments, receipts and monthly bank reconciliations;
- Statutory reporting - two progress reports; potential extension applications; final report and CDDA;
- Specific issues such as data protection, health and safety; and
- Employee issues (SUK Retail only).

Assets

- Trading the SUK Retail business for a period of four months and subsequent closure of the business including the SUK Retail store portfolio, the distribution centre and head office (SUK Retail only);
- Dealing with Retention of Title claims in respect of the inventory held at appointment;
- Collecting rent from SUK Retail and forwarding to landlords (Oldco only);
- Dealing with landlord matters in respect of the closure of leasehold properties; and
- Realising fixed assets, debtors and any other assets.

Creditors

- Liaising with any preferential creditors in respect of any claims that may be received;
- Receipt, agreement and payment of unsecured creditor claims; and
- Addressing any creditor queries which are received.

Case specific matters

- Tax and VAT filings as required; and
- Any litigation matters that may arise

Joint Administrators' Estimate of Work to be undertaken – percentage basis

In SUK Retail only, having regard to the nature of assets over which we are appointed in this case we propose to seek approval to fix our fees for dealing with the following matters on a percentage basis as follows:

- Ongoing Litigation realisations as a fee of 20% (plus VAT).

Disbursements

These are costs and expenses initially paid by us and for which we will seek reimbursement as and when funds permit.

We estimate that the following disbursements are likely to be incurred in relation to the administration.

Category 1 disbursements

These are payments made by us direct to third parties and for which no approval is required.

Category 2 disbursements

These are costs and expenses which are not generally made to a third party, for example, reimbursement to staff engaged on the case for their mileage costs. These may also include shared or allocated costs. Specific approval is required before these costs and expenses can to be drawn from the administration estate.

Our estimate of Category 1 and 2 disbursements are detailed below. All figures are shown exclusive of VAT.

Retail - Category 1 disbursements

£ (net)	Incurred to 30 April 2019	Future Costs	Total
Train	211	800	1,011
Accommodation	15,730	9,000	24,730
Telephone	62	100	162
Postage/Couriers	2,262	1,200	3,462
Subsistence	3,124	2,500	5,624
Travel - train	706	300	1,006
Specific Penalty Bond	-	230	230
Total disbursements	**22,095**	**14,130**	**36,225**

Retail - Category 2 disbursements

£ (net)	Incurred to 30 April 2019	Future Costs	Total
Mileage	3,209	500	3,709
Website set up	-	500	500
Total disbursements	**3,209**	**1,000**	**4,209**

Oldco - Category 1 disbursements

£ (net)	Incurred to 30 April 2019	Future Costs	Total
Postage/Couriers	7	210	217
Specific Penalty Bond	-	230	230
Total disbursements	**7**	**440**	**447**

Category 2 disbursements

£ (net)	Incurred to 30 April 2019	Future Costs	Total
Mileage	-	-	-
Total disbursements	**-**	**-**	**-**

We do not anticipate there to be any Category 2 disbursements in Oldco.

Mileage is calculated by reference to the mileage properly incurred by the Joint Administrators and their staff, at the prevailing standard mileage rate used by Deloitte at the time when the mileage is incurred (currently up to 45p per mile).

Deloitte charges a fixed cost of £500 for each statutory website set up to cover the costs of setting up and maintaining the website, along with the uploading of statutory notifications, reports and other documents to the website for the duration of the appointment.

The cost of the website has been allocated to SUK Retail.

Joint Administrators' Proposals

Our Proposals will be deemed approved on 23 May 2019 unless a creditors' decision procedure is requisitioned in accordance with Rules 15.18 and 15.19 of the Rules 2016. We will still need to obtain specific approval for the resolutions given below from the Secured Creditor and preferential creditors in SUK Retail:

1. Approval that the basis of the Joint Administrators' remuneration shall be fixed as a percentage of realisations the Interchange Claim being 20% and as a set fee £975,000, plus VAT.
2. Approval that the Joint Administrators' category 1 disbursements and expenses and category 2 disbursements in respect of mileage and statutory websites (as detailed on page 27 be approved and the Joint Administrators be authorised to draw both category 1 and category 2 expenses, (plus VAT where applicable) from the administration estate.
3. Approval that the Joint Administrators be discharged from liability per paragraph 98 of Schedule B1 of the Act immediately upon the registration of the Joint Administrators' final progress report by the Registrar of Companies.

We also need to obtain specific approval for the resolutions given below from the Secured Creditor in Oldco:

1. Approval that the basis of the Joint Administrators' remuneration shall be fixed as a set fee £100,000, plus VAT.
2. Approval that the Joint Administrators' category 1 disbursements and expenses and category 2 disbursements in respect of mileage and statutory websites (as detailed on page 27 be approved and the Joint Administrators be authorised to draw both category 1 and category 2 expenses, (plus VAT where applicable) from the administration estate.
3. Approval that the Joint Administrators be discharged from liability per paragraph 98 of Schedule B1 of the Act immediately upon the registration of the Joint Administrators' final progress report by the Registrar of Companies.

A creditors' committee will not be formed unless we are requested to hold a decision procedure for purposes of forming a creditor's committee; please refer to page 1 of the Proposals for details of the procedure in this regard.

Please note that if you wish to form a creditors' committee, you will also be expected to confirm your willingness to serve or be represented on the creditors' committee, including dealing with any business placed before the creditors' committee throughout the period of the administration and in any follow on liquidation should a creditors' committee be formed.

Appendices

Important notice

Important Notice

This document has been prepared by the Joint Administrators solely to comply with their statutory duty under paragraph 49 of Schedule B1 of the Act to lay before creditors a statement of their Proposals for achieving the purpose 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 document has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Companies.

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

Any person that chooses to rely on this document for any purpose or in any context other than under paragraph 49 of Schedule B1 of the Act does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these Proposals.

The Joint Administrators act as agents of the Companies and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Deloitte LLP does not assume any responsibility and will not accept any liability to any person in respect of this document or the conduct of the administration.

All licensed Insolvency Practitioners of Deloitte LLP are licensed in the UK to act as Insolvency Practitioners.

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