

The Insolvency Act 1986

Administrative Receiver's Report

Pursuant to Section 48(1) of the
Insolvency Act 1986 and Rule 3.8(3) of
the Insolvency Rules 1986

To the Registrar of Companies

S.48(1)

For Official Use

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Company Number

01215928

Insert full name of
Company

Name of Company

G01215928 Realisations Limited formerly Gelert Limited

Insert full name and
Address

We David Riley
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Leslie Ross
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Delete as appropriate

Administrative Receivers of the company attach a copy of our report to creditors

Signed

W Ross

Date

29/8/13.

Presenter's name,
address and reference
(if any)

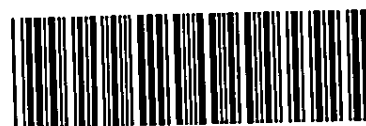
G00895
G01215928 Realisations Limited
formerly Gelert Limited
David M Riley
Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

For Official Use

Insolvency Section

Post Room

TUESDAY



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A20

03/09/2013

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COMPANIES HOUSE

G01215928 Realisations Limited (formerly Gelert Limited)
In receivership (the Company)

Report to creditors pursuant to Section 48 of the Insolvency Act 1986

1 History and events leading up to appointment of administrative receivers

- 1.1 The Company was incorporated on 13 June 1975 and is a wholly owned subsidiary of Bryncir Products Limited (BPL). Matthew Dunham and Leslie Ross of this firm were appointed joint administrative receivers of BPL in January 2012, following a sale of the shares in that company by its shareholders.
- 1.2 The Company designed, sourced and supplied outdoor and camping equipment to national and independent retailers in the UK and Europe, as well as selling direct to consumers through five retail units in Wales and Ireland.
- 1.3 The trading performance of the Company for the three years ended 31 December 2012 and forecasts to 31 December 2013 are summarised below:

	Year ending 31/12/13 (Forecast) £'000	Year ended 31/12/12 (Management) £'000	Year ended 31/12/11 (Management) £'000	Year ended 31/12/10 (Audited) £'000
Turnover	15,152	16,977	27,296	47,752
EBITDA	(2,401)	(5,083)	(3,443)	(3,747)
Profit/(loss) before tax	(3,550)	(6,540)	(4,879)	(4,361)

- 1.4 The Company is an established brand in the marketplace however it suffered from the poor weather conditions which resulted in a decline in consumer spending on camping equipment in the UK over the last three years.
- 1.5 In 2009, the Company commenced a three year trading agreement with Go Outdoors (GO), a significant retail customer, and diversified its product range into cycles, additional apparel and footwear at a time when the retail landscape was becoming increasingly challenging.
- 1.6 In late 2011 and early 2012, the Company exited the GO relationship, streamlined its product range and appointed a new management team.
- 1.7 Throughout this period, the Company's bank, HSBC Bank plc (the Bank), continued to provide additional funding to support the business recovery plan.
- 1.8 Despite the restructuring strategy, the weather and challenging market conditions, caused sales in the 2012 season and early part of the 2013 season to be significantly below expectation, resulting in a further funding requirement.
- 1.9 Having provided significant additional funding to support the business in both 2011 and 2012, the Bank was unable to provide further funding to the business and agreed with the Company that it needed to explore other funding/restructuring options.

- 1 10 In May 2013, Grant Thornton UK LLP (my firm) was appointed to assist the Company and the Bank in identifying and approaching potential financial and trade funders/purchasers for the business in a truncated timescale, such engagements being commonly referred to as an Accelerated Merger and Acquisition process (AMA)
- 1 11 Prior to the above instruction to undertake the AMA process, my firm had carried out limited scope financial reviews of the business and its forecasts on behalf of both the Company and the Bank in April 2011, October 2011 and August 2012

2 The disposal process (the Process)

- 2 1 Under the terms of our engagement my firm
- agreed with the Company a target list of potential funders/purchasers
 - prepared and circulated a teaser document and information memorandum to the agreed target list
 - invited funding propositions and/or offers for the purchase of the business
- 2 2 As a result of this Process, two formal offers for certain assets of the business were received and discussions were entered into with both interested parties in order to improve the level thereof and clarify/eliminate the conditionality therein
- 2 3 Whilst these discussions continued, Edward Symmons LLP was instructed to value the two properties owned by the Company, being a part of the former head office site in Porthmadog and the retail site at Bedgellert (the remainder of the retail units and other sites occupied by the Company being leasehold)
- 2 4 Given the offers were for certain assets of the business, assuming a sale on a pre-packaged basis (pre-pack), the director continued to take legal advice in respect of the decision to continue to trade whilst one of the offers was brought to fruition for the benefit of the creditors of the Company
- 2 5 Following the AMA process, the options available became
- a pre-pack sale to one of the offerors
 - a trading insolvency appointment in the event that no sale could be achieved
- 2 6 At the time of the AMA process, the Bank debt exceeded both the book and realisable value of the assets of the Company and the Bank's security pre-dates the Enterprise Act 2003 (meaning that no amounts would be set aside in an insolvency for the benefit of unsecured creditors in accordance with the provisions therein)
- 2 7 Accordingly, in any insolvency scenario, there was unlikely to be any return to creditors other than the secured creditors and any preferential creditors arising as a result of the failure

2 8 The best offer received from the AMA process

- provided a return to the Bank in excess of that expected from a traditional insolvency
- avoided the need for the insolvency practitioner to seek funding for the working capital required to release the stock at the docks (estimated at between £1 5 million and £2 million)
- provided for the continuation of employment of almost all of the Company's staff, thus minimising the crystallisation of preferential creditors
- provided the best likelihood of
 - continuity of supply to the customers in time for the key trading season
 - on-going income for the majority of the landlords, at least in the short term
 - the completion of the purchase of stock ordered but not received/released prior to the insolvency

2 9 As a result of these factors, we recommended to the Bank and the Company that the delivery of a pre-packaged sale was in the best interests of the creditors of the Company

2 10 In order to achieve this, on the 20 June 2013 the director requested that the Bank appoint administrative receivers to the Company. Leslie Ross and I were appointed joint administrative receivers on the 21 June 2013

The sale

2 11 Immediately following our appointment, three associated companies of the Sports Direct group (SD) purchased such right and title the Company held in

- the entirety of the business carried out by the Company save for the retail trading activity in Dublin
- the trading assets of the Company, save for those located in Dublin
- the owned retail unit in Bedgellert, Porthmadog
- the goodwill and trading names associated with the acquired business

2 12 The purchase price of £4 75 million was paid in full in cash on completion. In addition, we also received a payment of £128,440 plus VAT relating to a licence fee to secure an additional three months' occupation of the Company's head office, showroom and retail outlets

2 13 The sale did not include

- the trade debtors and/or any other non-trading assets of the Company
- the element of the former head office/warehouse premises in Porthmadog owned by the Company, subject to a fixed charge in favour of Clydesdale Bank
- any assets located in the Dublin retail outlet and the business undertaken therefrom

2 14 These assets are being dealt with during the insolvency process

2 15 I attach at Appendix A an account of my receipts and payments for the period 21 June 2013 to 9 August 2013

3 Asset realisations

Debtors

3 1 At the date of appointment, the Company records suggested that trade debtors at appointment totalled c£2.2 million

3 2 Receipts into the HSBC Invoice Finance (HSBCIF) accounts since appointment are of the order of £685,000

3 3 We now have direct visibility on the HSBCIF accounts as part of our overall strategy to get closer to the collections, given the competing demands on the Company's finance staff

Dublin retail outlet

3 4 Following our appointment we traded the Dublin outlet for a short period and then repatriated the remaining stock to the Widnes site by agreement with SD

3 5 The book value of the stock repatriated to the UK was estimated at c£90,000 and this was sold to SD, subject to any valid ROT claims, for £25,000

4 Director and senior management

4 1 The director assisted in the above AMA process and has continued to assist the joint administrative receivers in the fulfilment of their duties

4 2 For the avoidance of doubt, neither the director nor any of the senior management team was involved in the business of the purchaser prior to the acquisition

4 3 The contracts of employment of the senior management team have now transferred, together with all other employees involved in the business activities acquired, to the purchaser in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006

4 4 We are not aware that any guarantees have been given by the director to any funder or other supplier to the Company

5 Secured and preferential creditors

5 1 The amount due to the Bank at the date of our appointment was of the order of c£15 million to which interest continues to accrue

5 2 As noted above, the employees' contracts of employment transferred to the purchaser and, therefore, there will be no preferential creditors in this case from UK employees

- 5 3 As a result of the closure of the Dublin outlet we may receive a preferential claim from the Irish Redundancy Payments Service in respect of accrued holiday entitlement

6 Outcome as regards unsecured creditors

- 6 1 Unsecured creditors are currently estimated at £1,540,049

- 6 2 There will be insufficient funds available to permit a dividend to this class of creditor

7 Other matters

- 7 1 We have formally requested a statement of the Company's affairs, as at the date of our appointment, from the director which is yet to be received

- 7 2 A copy of the notice convening a meeting of creditors is attached. At the meeting, this report will be presented to creditors who will be able to vote on appointing a creditors' committee

- 7 3 The administrative receivers fees in this matter will be agreed by the secured creditor

Notice to creditors of creditors' meeting
Section 48 Insolvency Act 1986 and Rule 3.9 Insolvency Rules 1986

Company name	G01215928 Realisations Limited (formerly Gelert Limited)
Company number	01215928
Registered office	Grant Thornton UK LLP, 4 Hardman Square, Spinningfields, Manchester, M3 3EB
Principal trading address	Gelert House, Penamser Road, Porthmadog, Gwynedd, LL49 9NX
Registered name(s) in previous 12 months	
Trading name(s)	
Nature of business	The distribution and retail of outdoor leisure products
Name of office holder 1	David Riley
Office holder number 1	8959
Name of office holder 2	Leslie Ross
Office holder number 2	7244
Address of office holder(s)	4 Hardman Square, Spinningfields, Manchester, M3 3EB
Capacity of office holder(s)	Administrative receiver
Email address or phone number	0161 953 6386
Name of alternative contact	Matthew Drinkwater

A creditors' meeting under section 48(2) of the Insolvency Act 1986 is to take place at the offices of Grant Thornton UK LLP at 11 00am on 29 August 2013 for the purpose of receiving the administrative receivers' report and to consider establishing a creditors' committee

A creditor wishing to vote must give to the administrative receivers, not later than 12 00 noon on the business day before the day fixed for the meeting, details in writing of the debt which they claim to be due to them and must lodge with the administrative receivers any proxy which they intend to be used on their behalf. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.

Creditors should note that the meeting is not being held for the purposes of appointing a liquidator.

Rule 8.1

Insolvency Act 1986

Proxy (Administrative Receivership)

**Notes to help completion
of form**

G01215928 Realisations Limited – In administrative receivership
(formerly Gelert Limited)

Please give full name and
address for communication

Name of creditor

Address

Please insert name of
person (who must be 18 or
over) or the "chairman of
the meeting" If you wish
to provide for alternative
proxy-holders in the
circumstances that your
first choice is unable to
attend, please state
name(s) of the alternatives
as well

Name of proxy-holder

Please delete words in
brackets if the proxy-holder
is only to vote as directed
i.e. he has no discretion

I appoint the above person to be my/the creditor's proxy-holder at the
meeting of creditors to be held on 29 August 2013 or at any adjournment of
that meeting The proxy-holder is to propose or vote as instructed below
[and in respect of any resolution for which no specific instruction is given,
may vote or abstain at his/her discretion]

Voting instructions for resolutions

for the appointment of

as a member of the creditors' committee

This form must be signed

Signature

Date

Name in CAPITAL LETTERS

Only to be completed if the
creditor has not signed in
person

Position with creditor or relationship to creditor or other authority for
signature

Remember There may be resolutions on the other side of this form