

City Link Limited - in Compulsory Liquidation (formerly in Administration) ("the Company")

Progress Report to Creditors pursuant to Section 104A of the
Insolvency Act 1986 and Rule 18.7 of the Insolvency Rules 2016

3 December 2021

Ernst & Young LLP



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Abbreviations

The following abbreviations are used in this report:

the Company	City Link Limited
Manolete	Manolete Partners plc
SIP	Statement of Insolvency Practice
The Act	The Insolvency Act 1986
The Joint Liquidators	R H Kelly & C G J King
The Rules	The Insolvency Rules 2016

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1. Introduction

On 20 November 2019, following the restoration of the Company to the Register of Companies, a winding up order was made against the Company in the High Court of Justice, Business and Property Courts of England and Wales, on a petition presented on 1 October 2019 by BECAP12 GP Limited (as General Partner of BECAP12 GP LP, as General Partner of BECAP 12 Fund LP, the Company's secured creditor).

Simultaneously, the Court appointed R H Kelly and me as Joint Liquidators of the Company.

This report on the progress of the Liquidation covers the period from 20 November 2020 to 19 November 2021.

In accordance with the provisions of the Insolvency Rules 2016 we are required to provide certain information about the Company and the Liquidators. This information is attached at Appendix C.

2. Progress of the Liquidation

2.1.1 Legal claim

As detailed in the letter to creditors dated 10 December 2019, the purpose of the liquidation is to provide support to a legal claim which may enable a further distribution to creditors of the Company.

Manolete, who purchased the full rights and future proceeds of the legal claim during the Administration, have agreed to set aside a proportion of any realisations for the Company subject to the Company's ongoing support of the claim (principally by making information requests of relevant parties).

During the course of the period covered by this report, we understand that there have been no significant developments to report in respect of the legal claim. As detailed in our previous progress report we anticipate that any realisations, if achieved, may take a number of years to materialise given the complexity and size of the legal claim.

3. Receipts and payments

In the 12-month period to 19 November 2021, there have been no receipts and no payments from the liquidation estate. This does not reflect estimated future realisations or costs.

As detailed in the letter to creditors dated 10 December 2019, Manolete have agreed that they will underwrite the costs of the liquidation up to the point where any claim proceeds are received. Liquidation expenses, therefore, will only be payable from the Company's assets should claim proceeds be received by the Company.

4. Outcome for creditors

4.1 Secured Creditors

Further distributions (if any) to the secured creditor are dependent on the level of the realisations from the legal claim.

4.2 Preferential Creditors

During the course of the Administration, preferential creditors were paid in full. Consequently, there are no preferential claims in the Liquidation.

4.3 Non-preferential Creditors

It is not possible at this early stage in the liquidation to forecast the quantum and timing of any potential realisations and therefore estimate any dividend prospects for creditors.

However, due to the anticipated shortfall to the secured creditor, the only distribution available to unsecured creditors will be by virtue of the Prescribed Part (see below).

As the liquidation did not immediately follow the administration of the Company, in accordance with Rule 14.1(3) of the Insolvency Rules 2016, creditors are required to prove their debts in the liquidation in order to participate in any potential Prescribed Part distribution.

However, given the inherent uncertainty of any realisations and subsequent distribution, the Joint Liquidators do not require that creditors submit their claims at this stage. The Joint Liquidators will write to creditors with further details once the position has developed sufficiently.

4.4 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.

The Prescribed Part is capped at £600,000.

The Joint Administrators do not currently intend to make an application to the Court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the Prescribed Part.

5. Liquidators' remuneration and disbursements

5.1 Basis of the Joint Liquidators' remuneration and disbursements

As detailed in the letter to creditors dated 10 December 2019, Manolete have agreed that they will underwrite the Joint Liquidators' remuneration and disbursements up to the point where any claim proceeds are received.

The Joint Liquidators' remuneration, therefore, will only be payable from the Company's assets should claim proceeds be received by the Company.

In the event of realisations from the legal claim, the Joint Liquidators' remuneration is based on the following in accordance with a resolution which was passed by the creditors of the Company on 18 May 2021:

- A fee equivalent to 5% of gross realisations; and
- A fee for distributing the Prescribed Part equivalent of £50,000 or 30% of the value of the Prescribed Part (whichever is the lower).

For the avoidance of doubt, if there are no realisations from the legal claim then Manolete will meet any costs including the Joint Liquidators' remuneration required to close the liquidation.

Set out at Appendix A is an analysis of the time spent and charge out rates for each grade of staff for the various areas of work carried out to date as required by the Statement of Insolvency Practice No.9. We would comment that, as our remuneration is being paid by Manolete up to the point where any claim proceeds are received, this information has been provided for reference only.

A statement of the Joint Liquidators' policy on charging remuneration is included at Appendix B.

5.2 Payment to other professionals

The Joint Liquidators have engaged the following professional firms to assist them. They were chosen on the basis of their experience in similar assignments.

Name of firm	Nature of service	How contracted to be paid
Clarion Solicitors	Legal advice	Time cost basis

As noted above, Manolete will underwrite the costs of the liquidation, including legal fees, up to the point where any claim proceeds are received.

5.3 Creditors' right to request further information about, and challenge, remuneration and expenses

The statutory provisions relating to remuneration are set out in Chapter 4 of Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Liquidators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to the Joint Liquidators.

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

6. Reporting

The next report will be delivered within two months from the next anniversary date being 19 November 2022, or at the conclusion of the Liquidation, whichever is sooner.

Should you wish to discuss any aspect of this report, please do not hesitate to contact John Louden on 0113 298 2315.

Yours faithfully
for the Company



C G J King
Joint Liquidator

Robert Hunter Kelly is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants of Scotland and Charles Graham John King is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales.

The Joint Liquidators 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 Company may act as a data processor on the instructions of the Joint Liquidators. Personal data will be kept secure and processed only for matters relating to the Joint Liquidators appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Appendix A Summary of Joint Liquidators' time-costs from 20 November 2019 to 19 November 2021

Period - SIP9 Reporting Table
Covering period from 20 November 2020 to 19 November 2021

	Staff Grade				Total Hours	Total Cost £	Average Rate £
	Associate Partner	Manager	Executive	Analyst			
Creditors	-	-	-	-	-	-	-
General	-	-	-	-	-	-	-
Immediate Tasks	-	-	-	-	-	-	-
Legal Issues	-	-	-	-	-	-	-
Reporting	3.0	5.0	-	-	8.0	5,315.00	664.4
Statutory Duties	-	7.5	1.5	-	9.0	4,477.50	497.5
VAT & Taxation	-	-	1.7	-	1.7	739.50	435.0
Total Hours	3.0	12.5	3.2	-	18.7		
Time Costs (£)	2,715.00	6,500.00	1,317.00	-		10,532.00	
Average Hourly Rate (£)	905.0	520.0	411.6	-		563.2	

Cumulative - SIP9 Reporting Table
Covering period from 20 November 2019 to 19 November 2021

	Staff Grade				Total Hours	Total Cost £	Average Rate £
	Associate Partner	Manager	Executive	Analyst			
Creditors	-	2.5	-	-	2.5	1,187.50	475.0
General	-	-	-	-	-	-	-
Immediate Tasks	1.0	-	-	-	1.0	805.00	805.0
Legal Issues	5.0	-	-	-	5.0	4,125.00	825.0
Reporting	3.0	11.0	-	-	14.0	8,435.00	602.5
Statutory Duties	-	15.5	1.5	-	17.0	8,277.50	486.9
VAT & Taxation	-	-	1.7	1.4	3.1	1,215.50	392.1
Total Hours	9.0	29.0	3.2	1.4	42.6		
Time Costs (£)	7,645.00	14,607.50	1,317.00	476.00		24,045.50	
Average Hourly Rate (£)	849.4	503.7	411.6	340.0		564.4	

Note: time is recorded in six minute intervals

Appendix B Statement of Joint Liquidators' charging policy on remuneration and disbursements

Office Holders' Charging Policy for Fees

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

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

Hourly rates

Grade	Hourly rate effective:		
	July 2019	July 2020	July 2021
Partner	900	1010	1060
Associate Partner	805	905	950
Director	690	780	820
Assistant Director	610	680	715
Senior Executive	475	520	545
Executive	340	385	405
Analyst and support	190 - 270	222-315	235-330

Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories.

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment.

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn.

Appendix C Summary of Statutory Information

Information about the Company and the Joint Liquidators

Company Name:	City Link Limited
Registered Office Address:	c/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Registered Number:	01080872
Date of appointment of the Joint Liquidators	20 November 2019
Details of any changes of liquidator	None
Full names of the Liquidators	Robert Hunter Kelly and Charles Graham John King
Office holder numbers	8582 and 8985
Liquidators' address	Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Telephone number	0113 298 2315
Name of alternative person to contact with enquiries about the case	John Loudon