

TO ALL KNOWN CREDITORS

25 March 2021

Ref: RHK/CGJK/TH/SA//D16.1
Email: stylesandwood@uk.ey.com

Dear Sirs

Styles & Wood Limited (in Administration) (“the Company”)

High Court of Justice, The Business and Property Courts in Leeds, Insolvency and Companies List (ChD), CR2020-LDS-000222

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.

On 28 February 2020, the Company entered Administration with R H Kelly, S J Woodward and C G J King appointed to act as Joint Administrators (‘the Administrators’). The appointment was made by the Company’s directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986.

This report covers the period from 28 August 2020 to 27 February 2021 and should be read in conjunction with the Administrators’ Statement of Proposals (‘the Proposals’) dated 23 April 2020 and the previous progress report dated 25 September 2020.

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

As insolvency practitioners, the Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. A copy of the Statement of Insolvency Practice 1 is available from <https://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations-and-standards/sips/england/sip-1-e-and-w-introduction-to-statements-of-insolvency-practice-oct-2015.ashx>.

Extension to the Administration

The Administration was extended by a period of 12 months commencing from 28 February 2021. This was effected by consent of the secured and preferential creditors under Paragraph 78 (2) of Schedule B1 of the Insolvency Act 1986. Accordingly, the Administration is now due to expire on 27 February 2022 unless further extensions are sought.

The purpose of the extension is to provide further time to enable the Administrators to continue to realise the Company’s assets (most notably the outstanding contract debtors) in conjunction with distributing net recoveries to the Company’s creditors.

Summary of progress since the progress report dated 25 September 2020

Realisation of assets

Sale of business and assets

Technologies

In September 2020 (referenced in the previous progress report), the Administrators completed a sale of the assets of the iSite and Arctick business to 7FC LLP ("7FC"). This has resulted in net realisations of c.£0.1m after associated costs and a 'one-off' settlement paid to the software developer. This is reported in the receipts and payments account.

Realisations from the Company's contract base

As previously advised, the Administrators engaged a firm of quantity surveyor agents, Leslie Keats, to assist in realising value from the Company's live and completed contracts.

At the date of appointment there was c.£16.2m of outstanding amounts across the Company's contract base analysed as follows:

- ▶ Contract debtors - £5m;
- ▶ Applications for payment - £4.9m;
- ▶ Work in progress - £3.4m;
- ▶ Retentions - £2.4m; and
- ▶ Certified amounts (not yet invoiced) - £0.5m;

In the period covered by this report there has been a further c.£0.2m of recoveries. Total recoveries to date are c.£1.7m from the outstanding contract debt. This is reflected in the receipts and payments account.

Negotiations remain ongoing with a number of counterparties regarding finalising outstanding positions, some of which remain subject to completion of the outstanding works and rectification of any defects.

The contract realisation process is envisaged to continue for a minimum of a further 18 months. This timetable stems from contractual provisions whereby in the event of an insolvency of the contractor, the employer has a legal right to defer any settlement of outstanding balances until contract completion or the end of the defect period. There is also the potential requirement for legal action to recover some of the outstanding value which may result in further protraction of the timeline.

We will continue to work with Leslie Keats to recover value from the Company's contract base.

St Ann's Square Adjudication

As previously reported, the Company was awarded £675,000 plus interest following an adjudication hearing on 9 April 2020.

Following the adjudication award, the Administrators commenced enforcement proceedings to convert the full award plus accrued interest. The enforcement hearing took place on 4 September 2020 and resulted in the Company being granted summary judgement for the full decision sum, interest and a contribution to costs.

The Administrators entered into a formal Settlement Agreement with the counterparty on 17 September 2020 and the gross settlement sum of £0.7m was received and is reflected in the receipts and payments account. Associated costs of realisation (mainly legal and professional fees) equate to c.£0.2m (also reflected in the receipts and payments account) resulting in net realisations of £0.5m.

Joint Venture interests

Spatial Initiative Limited

There remains significant outstanding value due to the Company from SIL in relation to live contracts at the date of appointment. The Administrators via Leslie Keats continue to pursue recovery, however the timing of this remains uncertain as it will be subject to completion of the contracts and a final account reconciliation thereafter. As such this is unlikely to conclude before December 2021.

Dutco Styles & Wood LLC (“DSW”)

The Joint Administrators have been working with the Company's JV partner, Dubai Transport Company LLC, to achieve an orderly wind down of its JV interests in Dubai. Both JV partners are in the process of appointing a Liquidator to wind down DSW's affairs.

In addition, there is one outstanding debtor balance to recover in DSW which (due to the anticipated timings of any recovery) will likely require assigning to the JV partners (according to their respective equity holding) to enable the Liquidation to progress without delay.

The precise timing for completion is uncertain as is the quantum of any future realisations.

Duplicate payment recoveries

To date, £82,191 has been received by the Company in relation to overpayment refunds (reflected in the receipts and payments account).

Chattel assets

To date, gross realisations of £20,820 have been generated which are reflected in the Company's receipts and payments account. No further realisations are envisaged.

Other asset realisations

Tax matters

The Company has received a VAT refund of £137,000 relating to the VAT return filed by the Administrators covering the period to the date of Administration. This is reflected in the receipts and payments account.

Receipts and payments account

A summary of our receipts and payments for the period from 28 February 2020 to 27 February 2021 is attached at Appendix 2. This includes receipts and payments specifically relating to the period covered by this report. It does not reflect estimated future realisations or costs.

Investigations

We have undertaken investigations into the Company's affairs, in accordance with Statement of Insolvency Practice 2 (Investigations by Office Holders), and the Company Directors Disqualification Act 1986 with the required statutory returns made to the Insolvency Services. As part of our ongoing role, we continue to make investigations into the circumstances giving rise to the Administration. No third-party funding has been provided for any investigations.

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/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en> or is available in hard copy upon written request to me.

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.

The Proposals stated that in the event a creditors' meeting is not requisitioned and a creditors' committee is not formed, the Joint Administrators would seek to have their remuneration fixed by the secured and preferential creditors, in accordance with Rule 18.8(4) of the Insolvency (England and Wales) Rules 2016. Accordingly, the Administrators requested that their remuneration be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the administration.

The Administrators separately corresponded with the secured and preferential creditors in this regard and the basis of the Joint Administrators' remuneration was fixed by the secured and preferential creditors on 16 October 2020.

To date, the Joint Administrators have incurred time costs in respect of the Company of £869,892 against which fees of £450,000 have been drawn.

An analysis of time spent is attached at Appendix 4 for each grade of staff for the various areas of work carried out to 27 February 2021. A description of work undertaken in relation to the time cost categories is also provided at Appendix 4.

Joint administrators' statement of expenses incurred

The secured and preferential creditors approval has also been sought for drawing Category 2 disbursements which relate to car mileage reimbursement.

Further detailed commentary and analysis in relation to the Administrators' expenses is provided at Appendix 3.

During the period covered by this report, we have incurred administration expenses totalling c.£0.9m plus VAT. These include administrators' fees, legal fees (principally in relation to the St Ann's adjudication) and staff and property costs. The majority of these staff and property costs have been recharged to third parties under the terms of support agreements with SIL and the Technologies customers.

Total gross administration expenses incurred to date (before accounting for sums recharged to SIL or under the Technologies support fee arrangements) are c.£2.1m.

Outcome for creditors

Secured creditors

The Company had secured indebtedness of c.£48.6m at the date of appointment which related to cross guarantees provided in favour of HSBC UK Bank plc and Toscafund GP Limited ("Tosca").

HSBC and Tosca both have fixed and floating charges over the assets of the Company. The order of priority is as follows:

- ▶ HSBC; then
- ▶ Tosca.

HSBC

At the date of appointment, HSBC had an outstanding debt of c.£20.9m.

The level of realisations to HSBC is expected to be significantly below its exposure. To date, HSBC has received a £1.5m distribution under its floating charge security. This is reported in the receipts and payments account.

Tosca

At the date of appointment, Tosca had an outstanding debt of £27.7m which is part of the senior debt but subordinated to HSBC. There will be insufficient realisations to enable any distribution to Tosca in the Administration.

Preferential creditors

Preferential creditor claims of £247,742 have been paid in full on 5 March 2021 (outside the reporting period for receipts and payments purposes). A further sum (£1,575) is expected to be paid relating to arrears of wages, however further clarity is required on whether this is to be paid to the Redundancy Payments Service or to the specific employees who had outstanding wage arrears at the date of Administration.

Non-preferential creditors

Non-preferential creditor claims continue to be submitted and it is not possible to provide an accurate estimate of claims at this stage.

The timing of any distribution to non-preferential creditors remains uncertain as it will be subject to concluding the asset realisation process. At this stage it is not possible to provide a precise indication of the timing or quantum of a distribution to non-preferential creditors. The Company has insufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the prescribed part.

Prescribed Part

Due to the anticipated shortfall to the secured creditors, the only distribution that will be available to unsecured creditors is 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 level of forecast recoveries currently remains uncertain and will depend on the success of the contract recoveries which remain ongoing.

Our latest estimates indicate that:

- ▶ The value of the Company's net property (i.e. after costs of realisation and preferential creditor distribution) will be in the region of c.£2m; and
- ▶ This is estimated to result in the value of the Prescribed Part being c.£0.4m (before the costs of dealing with the Prescribed Part).

Until contract debt positions have been finalised, the above estimates could be subject to change.

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.

Remaining work

The Joint Administrators will continue to manage the affairs, business and property of the Company to achieve the purpose of the Administration. This will include, inter alia:

- ▶ Continue to realise the assets of the Company, most notably the outstanding contract base;
- ▶ Continue to seek to realise value from the Company's JV interests in Dubai;
- ▶ Dealing with corporation tax and VAT matters which includes filing statutory returns;
- ▶ Dealing with unsecured creditor enquiries;
- ▶ Further distributions to the secured creditors of the Company;

- ▶ Agreeing unsecured creditor claims and distributing the Prescribed Part;
- ▶ Ensuring all statutory reporting and compliance obligations are met; and
- ▶ Finalising the Administration, including payment of all Administration liabilities.

Next report

We will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner. Should you have any queries with any of the matters outlined in this report, please contact my colleague Sam Allen at the email address provided above.

Yours faithfully
For the Company



CGJ King
Joint Administrator

R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland. C G J King and S J Woodward 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, R H Kelly, S J Woodward and C G J King, 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 UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), 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 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

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, The Business and Property Courts in Leeds, Insolvency and Companies List (ChD)
Court reference:	CR2020-LDS-000222
Registered name of the company:	Styles & Wood Limited
Registered office address of the company:	C/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Registered number:	01568060
Date of appointment of the joint administrators:	28 February 2020
Details of any changes of administrator:	None
Full names of the administrators:	Robert Hunter Kelly, Samuel James Woodward and Charles Graham John King
Office holder number(s):	8582 / 8985 / 12030
Administrators' address(es):	RH Kelly and CGJ King of Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR and SJ Woodward of Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3DF
Telephone number:	0113 236 4427
Name of alternative person to contact with enquiries about the case:	Sam Allen

Appendix 2

Styles & Wood Limited (in Administration)

Joint Administrators' Summary of Receipts and Payments from 28 February 2020 to 27 February 2021

Statement of Affairs Estimated to Realise Values (£)	From 28/02/20 to 27/08/20	From 28/08/20 to 27/02/21	Total
	£	£	£
Receipts			
3,900,000 Recoveries on contracts	1,502,417	219,112	1,721,529
1,131,233 Cash on appointment	1,179,944	-	1,179,944
Technologies gross trading income	704,246	7,666	711,912
St Ann's gross settlement	-	702,459	702,459
Cost cover receipts	476,592	-	476,592
Technologies asset sale consideration	-	150,000	150,000
Pre-appointment VAT receipt	-	136,893	136,893
365,878 Overseas taxation	-	-	-
Duplicate payment recoveries	82,191	-	82,191
Recharges and support receipts	53,868	-	53,868
Other debtors	50,000	-	50,000
50,000 Sale of interest in joint ventures	33,000	-	33,000
Fixtures and Fittings	8,185	12,635	20,820
Sundry income	2,917	4,623	7,540
Bank interest	2,044	138	2,182
	<u>4,095,406</u>	<u>1,233,525</u>	<u>5,328,930</u>
5,447,111			
Payments			
Gross Wages & Salaries	722,222	58,814	781,035
Administrators' Fees	-	450,000	450,000
Contract Debt Collection Costs	242,965	32,867	275,832
St Ann's Legal Fees	-	203,104	203,104
IT Costs	111,949	6,282	118,231
Legal Fees	39,338	11,243	50,581
Technologies settlement	-	50,000	50,000
Property costs	-	48,874	48,874
Professional Fees	21,972	13,906	35,878
Sundry Expenses	22,184	4,513	26,697
Administrators' Disbursements	-	14,624	14,624
Paid on behalf of Extentia	6,318	-	6,318
Contractor Costs	6,010	-	6,010
	<u>1,172,957</u>	<u>894,226</u>	<u>2,067,183</u>
Net realisations	2,922,448	339,299	3,261,747
<i>Distributions</i>			
Secured creditor - HSBC	-	1,500,000	1,500,000
	<u>-</u>	<u>1,500,000</u>	<u>1,500,000</u>
<i>Funds in Hand</i>			
Cash at Bank	2,882,995	(1,116,575)	1,766,420
Net VAT receivable/(payable)	39,453	(44,126)	(4,673)
	<u>2,922,448</u>	<u>(1,160,701)</u>	<u>1,761,747</u>

Notes

- Receipts and payments are stated net of VAT.

Styles & Wood Limited (in Administration)

Summary of Joint Administrators' expenses incurred

£	Paid to 27.08.20	Paid in the period	Total to 27.02.21
Gross wages and salaries	(588,575)	(53,763)	(642,338)
Employers NIC	(70,865)	(3,902)	(74,767)
Employers Pension	(39,506)	(1,148)	(40,655)
Rent, rates and service charge	-	(38,601)	(38,601)
Insurance	-	-	-
Security	(2,814)	-	-
Public notices	(95)	-	(95)
Public notices on behalf of Extentia	(95)	-	(95)
IT	(111,949)	(6,282)	(118,231)
Employee mileage	(473)	(750)	(1,223)
Sundry expenses	(12,004)	(2,494)	(14,498)
Contractor fees	(6,010)	-	(6,010)
Postage	(60)	-	(60)
Light, Heat and Water	(2,705)	(7,568)	(10,272)
Waste and cleaning services	(1,999)	-	-
Telephone, Internet and Fax	(368)	-	(368)
Storage	(968)	(7,019)	(7,987)
Bank Charges	(433)	(34)	(467)
Administrators' Fees and expenses	-	(464,624)	(464,624)
Debt Collection Expenses	(249,723)	(32,867)	(282,589)
Legal Fees and Costs	(59,042)	(229,987)	(289,028)
Technologies settlement	-	(50,000)	(50,000)
Hilco Agent Fees	-	-	-
Statement of Affairs Costs	(2,000)	-	(2,000)
Salaries paid on behalf of Extentia Group Ltd	(23,275)	-	(23,275)
Total	(1,172,957)	(899,039)	(2,067,184)
Category 1 disbursements (see note 2)			
Specific Penalty Bond	-	(420)	(420)
Meals	-	(2,035)	(2,035)
Accommodation	-	(4,721)	(4,721)
Travel costs (excluding mileage)	-	(2,246)	(2,246)
	-	(9,422)	(9,422)
Category 2 disbursements (see note 2)			
Mileage	-	(2,652)	(2,652)
Internal bulk copying, printing and postage	-	(2,549)	(2,549)
	-	(5,202)	(5,202)

Notes

- 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.
- 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. As previously highlighted, the secured and preferential creditors' approval has been sought for drawing Category 2 disbursements.

Styles & Wood Limited (in Administration)

Joint Administrators' time costs for the period from 28 February 2020 to 27 February 2021 and a comparison with the fee estimate dated 23 April 2020

	Per fee estimate dated 23 April 2020			Actual in this report period			Total actual to 27 February 2021		
	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)
Bank & Statutory Reporting	316	82,695	262	43.0	11,265.0	262	263	68,355	260
Employee Matters	524	125,828	240	233.3	55,067.0	236	1,077	254,160	236
Debtors	229	68,635	300	38.3	11,748.0	307	158	47,716	302
Creditors	177	43,285	245	122.5	29,436.5	240	349	82,567	237
Prescribed Part	340	92,300	271	-	-	-	-	-	-
iSite	341	101,447	297	23.1	6,233.5	270	458	131,818	288
Accounting & Administration	86	21,686	252	94.5	22,125.0	234	225	53,035	235
Other Assets	221	63,851	288	3.0	870.0	290	225	61,766	274
Property	66	16,759	253	15.0	3,720.0	248	101	24,612	244
VAT & Taxation	77	20,527	266	63.6	15,871.0	250	156	39,614	254
Statutory Duties	119	30,685	258	7.9	1,941.0	246	104	25,066	240
Investigation & CDDA	82	22,995	280	7.0	2,695.0	385	80	21,781	273
Legal Issues	39	11,800	306	12	3,718	310	26	8,282	316
Immediate Tasks	99	24,223	246	-	-	-	109	26,523	244
Trading	7	1,610	230	7	1,885	290	14	3,495	259
Retention of Title	9	1,955	230	-	-	-	13	3,183	239
Other Matters	27	6,605	245	8	2,320	290	68	17,463	259
Job Acceptance & Strategy	2	460	230	-	-	-	2	460	230
Out of Scope	9	2,265	266	-	-	-	-	-	-
Total	2,769	739,611	267	678	168,895	249	3,427	869,892	254

Summary of work

The Joint Administrators have incurred time costs in dealing with, inter alia, the following matters:

- ▶ **Accounting and Administration** – includes general administrative duties, preparation for the Company entering Administration and maintaining the Joint Administrators' accounting records.
- ▶ **Bank and Statutory Reporting** – includes statutory reporting to all classes of creditors. Reports include the Joint Administrators Proposals to creditors, six monthly progress reports and filings of documents at Companies House.
- ▶ **Creditors** – relates to correspondence with creditors, answering specific creditor queries.
- ▶ **Debtors** – time spent in collecting the outstanding contract balances which are due to the Company.
- ▶ **Employee matters** – relates to correspondence and calls with redundant employees, answering queries, filing forms, liaising with the Redundancy Payments Service, processing claims. It also includes time spent assisting employees with their preferential claims and processing the preferential dividend. It also relates to dealing with retained employees and processing the monthly payroll. Time has also been spent dealing with employee matters and enquiries in respect of UK Government measures following the COVID-19 outbreak. There were c.280 employees of the Company to deal with.
- ▶ **Immediate tasks** – relates to carrying out on appointment tasks and duties such as speaking with the Company directors, requesting key items of information and carrying out day 1 activities.

- ▶ **Investigations** – carrying out the investigations required by Statement of Insolvency Practice No. 2 and any issues which the Administrators are made aware by creditors or other parties.
- ▶ **Job Acceptance and Strategy** – time spent in complying with the firm’s internal compliance and job acceptance procedures prior to accepting an appointment.
- ▶ **Legal Issues** – relates to meetings and conversations with our solicitors, Addleshaw Goddard LLP and other legal advisers regarding legal issues arising during the Administration such as dealing ongoing legal claims, adjudications and monies held in the pre-appointment accounts.
- ▶ **Other Assets** – principally relates to dealing with the Company’s Technologies businesses, St Ann’s matters and dealing with its Joint Venture Interests.
- ▶ **Other Matters** – relates to time spent on matters arising from the Administration.
- ▶ **Prescribed Part Matters** – time spent in collecting and adjudicating unsecured creditor claims and managing the distribution of a dividend. We would highlight that the time spent on this area of the Administration will be funded directly from the Prescribed Part i.e. as a cost of dealing with the Prescribed Part.
- ▶ **Property** – time spent dealing with Landlord and other property related issues including arranging vacation of the properties.
- ▶ **Retention of Title** – relates to dealing with Retention of Title claims made against the Company.
- ▶ **iSite** – relates to ongoing trading activities and pursuing potential sale opportunities for the Company’s Technologies business.
- ▶ **Statutory duties** – time spent in complying with statutory matters including filing letters and forms advising the Joint Administrators’ appointment.
- ▶ **VAT and taxation** - investigating the Company’s VAT and corporation tax position up to the date of appointment, preparation and submission of VAT and corporation tax returns for the post appointment period.

Significant time and resource has been expended in dealing with regulatory and statutory matters which the Joint Administrators are required to undertake, however they do not generate any direct financial benefit to creditors.

In particular, these areas relate to time spent on accounting and administration, bank and statutory reporting matters, employee matters, reporting, investigations, job acceptance procedures and statutory duties.

We would highlight that significant time has been spent on dealing with employee matters. This is a key area of the Administration and has also been further impacted by Covid.