

TO ALL KNOWN CREDITORS

25 September 2023

Ref: CGJK/TH/SV/BCD16.1
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.

This report covers the period from 28 February 2023 to 27 August 2023 and should be read in conjunction with the Administrators’ Statement of Proposals (“the Proposals”) dated 23 April 2020 and the previous progress reports.

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

Current term of the Administration

As previously advised the Administration was extended to 27 February 2024.

Summary of progress since last report dated 23 March 2023

Realisation of assets

Realisations from the Company’s contract base

The composition of the value outstanding at the date of appointment is set out in the previous progress reports.

In the period covered by this report there has been an additional £44,910 (net of VAT) of realisations from the Company’s contract debts. These recoveries are reported in the receipts and payments account.

We have recently recovered a further c.£0.3m of realisations outside the reporting period, the details of which will be included in the next report. .

Any further recoveries from the contract debtors will now likely require legal action. Accordingly, we are exploring assigning the legal and / or equitable interest in the remaining contract debtor balances to preserve value in future recoveries for the benefit of the secured creditor (as the party with the only economic interest in the outcome). This approach will enable the administration to be concluded in a timely manner whilst facilitating an ability to recover future value.

Joint Venture interests

Spatial Initiative Limited ("SIL")

The steps taken to deal with the Company's interest in its investment in SIL is documented in the previous reports.

There was also significant outstanding value due to the Company from SIL in relation to live contracts at the date of appointment. We are working to preserve the Company's interest in these contracts on behalf of the secured creditor in conjunction with the other outstanding contract balances.

Dutco Styles & Wood LLC ("DSW")

The liquidation of DSW has now concluded.

There are no other realisations to report in the period.

Receipts and payments account

A summary of our receipts and payments for the period from 28 February 2020 to 27 August 2023 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. No further information has come to light or been provided in the period to merit any further investigation. 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 website of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request to me.

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. For the avoidance of doubt, the Joint Administrators' remuneration has been fixed on a time cost basis.

To date, the Joint Administrators have incurred time costs in respect of the Company of £1,291,054 of which £131,109 has been incurred in the reporting period. This mainly includes time spent on Prescribed Part matters including adjudicating and agreeing 349 unsecured creditor claims and paying a Prescribed Part dividend to unsecured creditors. The costs associated with this area which will be drawn directly from the Prescribed Part.

A number of matters have arisen in the Administration that meant the fee estimate dated 23 April 2020 which was circulated with the Administrators' Proposals ("Original Fee Estimate") is likely to be exceeded. Accordingly, the Joint Administrators issued a revised fee estimate ("Revised Fee Estimate") to the secured and preferential creditors on 28 April 2023 in the sum of £1,217,237 plus VAT. This was approved on 26 May 2023. For the avoidance of doubt, the Administrators will not draw fees to this level and there will be a material shortfall on our time costs.

The matters giving rise to the Revised Fee Estimate include (but are not limited to):

- Seeking to preserve value in the contract debtors on behalf of the secured creditor.
- Dealing with employee matters following the outbreak of Covid-19, which has been an extensive exercise given the number of employees of the Company at the date of Administration;
- Additional time spent in continuing to operate the iSite business and subsequently securing a sale of its assets. These costs have been reimbursed to the Company through arrangements with the customers (so there has been no downside to the administration estate);
- Additional time (not originally forecast) has been spent on tax related matters as the Company has surrendered tax losses via two separate Group relief transactions.
- Additional time has been spent in dealing with the liquidation of Dutco Styles & Wood LLC ("DSW") which was one of the Company's joint venture interests at the date of Administration. The additional time has mainly been due to the location of DSW (UAE based) and the protracted nature of winding down the entity.
- Carrying out work in respect of the amendment and restatement of the wider Utah Group financing arrangements as the Company continued to be a party to these documents;
- Carrying out work to investigate potential claims available to the Company and entering into an assignment agreement with a third party to pursue these on its behalf; and
- There has also been significant additional time on prescribed part matters and dealing with unsecured creditor queries.

Fees of £650,000 have been drawn to date which is below the Revised Fee Estimate.

An analysis of time spent is attached at Appendix 4. 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.

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

During the period covered by this report, we have incurred Administration expenses totalling £14,584 (plus VAT) of which, £11,795 have been paid (the balance remains outstanding at this time). This excludes Administrators' fees. Expenses incurred in the period principally relate to the costs associated with recovering value on the contract debts which are structured to a contingent fee arrangement and paid out of gross contract realisations. Other costs in the period relate to legal fees and third-party costs associated with adjudicating unsecured creditor claims.

Gross expenses have exceeded the expenses estimate dated 23 April 2020. However, we would highlight that this includes the costs associated with the adjudication and subsequent enforcement action on the St Ann's contract. These costs have been settled from gross realisations from that enforcement (which were not originally forecast).

In addition, a number of the cost items (e.g. certain staff, property and IT costs) have been recharged and recovered under the support fee arrangement for the Technologies division.

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.

To date, HSBC has received distributions totalling £2.5m under its floating charge security, of which £0.6m was distributed during this reporting period.

Tosca

At the date of appointment, Tosca had an outstanding debt of £27.7m which formed part of the senior debt but subordinated to HSBC. No distributions have been made to Tosca to date.

Preferential creditors

Preferential creditor claims totalling £249,317 have been paid in full.

Non-preferential creditors

The administration has accrued a maximum prescribed part of £600,000 (before costs of dealing with the prescribed part). This broadly equates to a dividend of c.0.81p in the pound.

On 12 July 2023, the Joint Administrators paid a dividend to those unsecured creditors whose claims had been admitted for dividend purposes. This is reported in the receipts and payments account.

The dividend was paid after making provision for a material claim that is still being investigated due to its size and complexity. Adjudication of this claim requires specialist third party input. Once the outcome of adjudicating this is known, the remaining prescribed part funds will be distributed to the entitled parties. If the outstanding claim is adjudicated at below the gross claim value, there is likely to be a small further dividend for other unsecured creditors.

Prescribed Part

Due to the shortfall to the secured creditors, the only funds 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 Prescribed Part has accrued at its maximum value of £600,000 (before costs).

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:

- ▶ Working to preserve the creditors' interests in the outstanding contract debtor balances in a way that enables the Administration to be concluded.
- ▶ Finalising the adjudication of the remaining unsecured creditor claim and paying a further dividend subsequent to the outcome of that adjudication;
- ▶ Making further distributions to the secured creditors of the Company;
- ▶ Dealing with corporation tax and VAT matters which includes filing statutory returns;
- ▶ 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 Bridie Clews at the email address provided above.

Yours faithfully
for the Company



C G J King
Joint Administrator

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, 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 Administrator's 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:	Robert Hunter Kelly resigned from his position as Joint Administrator on 24 June 2022
Full names of the Administrators:	Samuel James Woodward and Charles Graham John King
Office holder numbers:	12030 / 8985
Administrators' addresses:	C G J King of Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR and S J Woodward of Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3DF
Telephone number:	0113 298 2355
Name of alternative person to contact with enquiries about the case:	Bridie Clews

Appendix 2

Styles & Wood Limited (in Administration)

Joint Administrators' Summary of Receipts and Payments to 27 August 2023

Statement of Affairs Estimated to Realise Values (£)	From 28/02/20 to 27/02/23	From 28/02/23 to 27/08/23	Total
	£	£	£
Receipts			
3,900,000 Recoveries on contracts	2,105,104	44,910	2,150,014
1,131,233 Cash on appointment	1,180,311	-	1,180,311
Technologies gross trading income	711,912	-	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	-	-	-
Receipts from Joint Venture Interests	53,432	-	53,432
Prepayments	11,302	-	11,302
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	20,820	-	20,820
Group relief surrender income	94,418	-	94,418
Sundry income	10,744	4,369	15,113
Bank interest	6,025	7,467	13,492
5,447,111	5,879,072	56,746	5,935,817
Payments			
Gross Wages & Salaries	782,736	-	782,736
Administrators' Fees	650,000	-	650,000
Contract Debt Collection Costs	333,368	6,737	340,105
St Ann's Legal Fees	203,104	-	203,104
IT Costs	118,231	-	118,231
Legal Fees	96,307	2,524	98,831
Technologies settlement	50,000	-	50,000
Property costs	101,091	-	101,091
Professional Fees	36,228	-	36,228
Sundry Expenses	35,402	475	35,877
Administrators' Disbursements	14,624	-	14,624
Insurance	8,264	-	8,264
Contractor Costs	6,010	-	6,010
Claim Adjudication Expenses (Prescribed Part)	-	2,059	2,059
	2,435,366	11,795	2,447,161
Net realisations	3,443,705	44,950	3,488,656
Distributions			
Secured creditor - HSBC	1,900,000	572,000	2,472,000
Preferential creditors distribution	249,317	-	249,317
Unsecured creditors distribution	-	403,801	403,801
	2,149,317	975,801	3,125,118
Represented by (funds in hand)			
Cash at Bank			363,512
VAT overpayment suspense			(4,815)
Net VAT receivable/(payable)			4,841
			363,538

Notes

- Receipts and payments are stated net of VAT.
- Where applicable, the VAT receivable position includes invoices raised for agreed contract debt settlements where the proceeds are awaited. This timing difference will reverse once the invoices are settled.
- Group relief surrender income is reported as the cash only element of the transaction as the remaining balance was paid on a non-cash basis.

Appendix 3

Styles & Wood Limited (in Administration)

Summary of Joint Administrators' expenses incurred to 27 August 2023

£	Per estimate dated 23.02.20	Paid to 27.02.23	Paid in the period	Outstanding	Total to 27.08.23
Gross wages and salaries	(579,100)	(642,338)	-	-	(642,338)
Employers NIC	(34,711)	(76,468)	-	-	(76,468)
Employers Pension	(21,136)	(40,655)	-	-	(40,655)
Rent, rates and service charge	(54,030)	(90,819)	-	-	(90,819)
Insurance	(7,204)	(8,264)	-	-	(8,264)
Security	(2,814)	-	-	-	-
Public notices	(190)	(95)	(94)	-	(189)
IT	(121,371)	(118,231)	-	-	(118,231)
Employee mileage	(79)	(1,223)	-	-	(1,223)
Sundry expenses	(2,941)	(14,498)	-	-	(14,498)
Contractor fees	(1,650)	(6,010)	-	-	(6,010)
Postage	(60)	(60)	-	-	(60)
Light, Heat and Water	(1,000)	(10,272)	-	-	(10,272)
Waste and cleaning services	(2,076)	-	-	-	-
Telephone, Internet and Fax	(384)	(5,767)	-	-	(5,767)
Storage	(1,000)	(11,209)	(283)	-	(11,492)
Bank Charges	(750)	(551)	(98)	-	(649)
Debt Collection Expenses	(500,000)	(333,368)	(6,737)	-	(340,105)
Legal Fees and Costs (St Ann's)	-	(203,104)	-	-	(203,104)
Legal Fees and Costs (other)	(300,000)	96,307	(2,524)	-	(98,831)
Technologies settlement	-	(50,000)	-	-	(50,000)
Hilco Agent Fees	(1,000)	(36,228)	-	-	(36,228)
Statement of Affairs Costs	-	(2,000)	-	-	(2,000)
Salaries paid on behalf of Extentia Group Ltd	(19,738)	(23,275)	-	-	(23,275)
Claim Adjudication Expenses (Prescribed Part)	-	-	(2,059)	-	(2,059)
Total	(1,651,234)	(1,770,742)	(11,795)	-	(1,782,537)
Category 1 disbursements (see note 2)					
Specific Penalty Bond	(420)	(420)	-	-	(420)
Meals	-	(1,761)	-	-	(1,761)
Accommodation	-	(5,349)	-	-	(5,349)
Travel costs (excluding mileage)	(13,000)	(2,517)	-	-	(2,517)
Sundry	-	(90)	-	-	(90)
Total	(13,420)	(10,137)	-	-	(10,137)
Category 2 disbursements (see note 2)					
Mileage	(1,500)	(2,563)	-	-	(2,563)
Internal bulk copying, printing and postage	-	(1,924)	-	(6,330)	(8,254)
Total	(1,500)	(4,487)	-	(6,330)	(10,817)
Total	(1,666,154)	(1,785,366)	(11,795)	(6,330)	(1,803,491)

Notes

- 1 Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member.
- 2 Expenses are divided into those that do not need approval before they are charged to the estate (Category 1) and those that do require prior approval (Category 2):
 - Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder
 - Category 2 expenses are payments to associates or which have an element of shared costs.
- 3 Expenses also include disbursements. Disbursements are payments which are first met by the office holder and then reimbursed to the office holder from the estate. Disbursements fall into either Category 1 or Category 2.
- 4 There are outstanding expense payments of £6,330 plus VAT relating to printing and postage, of which £2,789 were incurred in the reporting period. These costs are principally associated with Prescribed Part matters and will be recharged appropriately.

Styles & Wood Limited (in Administration)

Joint Administrators' time costs for the period from 28 February 2020 to 27 August 2023 and a comparison with the revised fee estimate dated 28 April 2023

	Per revised fee estimate dated 28 April 2023			Actual in this report period			Total actual to 27 August 2023		
	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)
Accounting & Administration	414	96,714	234	38	9,172	239	428	100,144	234
Bank & Statutory Reporting	445	116,553	262	43	11,969	280	433	113,741	263
Creditors	476	114,885	241	1	377	290	443	107,090	242
Debtors	208	62,154	299	19	5,688	298	208	62,169	299
Employee Matters	1,277	305,474	239	27	7,267	272	1,312	313,932	239
Immediate Tasks	109	26,523	243	-	-	-	109	26,523	243
Investigation & CDDA	85	23,343	275	-	-	-	80	21,973	275
iSite	458	131,818	288	-	-	-	458	131,818	288
Job Acceptance & Strategy	2	460	230	-	-	-	2	460	230
Legal Issues	46	14,661	319	12	3,926	330	52	16,406	318
Other Assets	242	66,941	277	2	578	385	242	66,966	277
Other Matters	95	25,100	264	1	261	290	96	25,361	264
Prescribed Part	187	52,096	279	250	70,483	281	414	112,417	272
Property	114	27,782	244	-	-	-	114	27,782	244
Retention of Title	13	3,183	245	-	-	-	13	3,183	245
Statutory Duties	198	48,863	247	43	11,220	262	206	51,040	248
Trading	15	3,785	252	-	-	-	15	3,785	261
VAT & Taxation	388	96,904	250	43	10,170	235	424	106,267	251
Total	4,772	1,217,239	255	479	131,109	274	5,046	1,291,054	256

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, maintaining the Joint Administrators' accounting records including providing the treasury and cashing function.
- ▶ **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. Also includes separate reporting to the secured creditors.
- ▶ **Creditors** – relates to correspondence with creditors, answering specific creditor queries. Also includes time spent investigating creditor positions or matters brought to the Administrators' attention.
- ▶ **Debtors** – time spent in collecting the outstanding contract balances which are due to the Company. Also includes time spent in working to find a route to preserve value in the outstanding contracts whilst progressing the administration towards conclusion.
- ▶ **Employee matters** – relates to correspondence and calls with redundant employees, answering queries, filing forms, liaising with the Redundancy Payments Service, processing claims. It 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. It also includes time spent adjudicating employee unsecured claims in preparation for the prescribed part distribution.
- ▶ **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 & CDDA** – 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, creditor related matters, positions on contracts, 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 corresponding with c.755 unsecured creditors, requesting further information to substantiate claims, conducting initial reviews of claims, issuing notices to submit claims (including notice of intended dividend) and adjudicating unsecured creditor claims. Further, it also includes time calculating and paying the distribution of a dividend. As previously noted, the time spent on this area of the Administration will be funded directly from the Prescribed Part but the fees taken will be materially lower than the time incurred.
- ▶ **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, pursuing potential sale opportunities for the Company's Technologies business and executing a sale of its assets.
- ▶ **Statutory duties** – time spent in complying with statutory matters including filing letters and forms advising the Joint Administrators' appointment.
- ▶ **Trading** – time spent in insuring continuity of supply of certain services during the period the Administrators continued to occupy the Company's premises.
- ▶ **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. This also includes time spent on the Group Relief surrender transactions.

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.