

TO ALL KNOWN CREDITORS

23 March 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 August 2022 to 27 February 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 24 March 2022

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 £280,376 (net of VAT) of realisations from the Company’s contract debts. These are reported in the receipts and payments account. Total recoveries to date are c.£2.1m.

We are assessing the options available to recover value on the outstanding contracts.

Joint Venture interests

Spatial Initiative Limited

There was significant outstanding value due to the Company from SIL in relation to live contracts at the date of appointment. We are considering the potential value recovery options in conjunction with the other outstanding contract balances.

Dutco Styles & Wood LLC (“DSW”)

The liquidation of DSW has now concluded and no further matters are outstanding in respect of this area of the Administration.

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 February 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. As part of our ongoing role, we are continuing to make further investigations into the background and circumstances giving rise to the Administration but currently await further third-party information to be able to progress this. 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 £1,159,945 of which £95,101 has been incurred in the reporting period. During this period, the process of eliciting and

adjudicating unsecured non-preferential claims has commenced. This is included in the time reported but any fees in respect of this activity will be drawn directly from the Prescribed Part (discussed below).

Fees of £650,000 have been drawn to date. This is below the level forecast in the fee estimate dated 23 April 2020.

The Administrators will not recover their time costs in full and we will not draw remuneration in excess of the fee proposal without the prior approval of the secured and preferential creditors.

An analysis of time spent is attached at Appendix 4 for the various areas of work carried out to 27 February 2023. 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 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 paid Administration expenses totalling £50,751 plus VAT (excluding Administrators fees), primarily relating to debt collection expenses (which are paid out of contract realisations) and legal fees.

Debt collection expenses are lower than forecast and are, in effect, self-funding as they are paid on a contingent fee arrangement.

Gross expenses have exceeded the original expenses dated 23 April 2020. However, we would highlight that this includes the costs associated with the adjudication and enforcement on the St Ann's contract. These costs have been settled from gross realisations from that enforcement (these 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.

The level of realisations to HSBC is expected to be significantly below its exposure. To date, HSBC has received distributions totalling £1.9m under its floating charge security. No distributions were made to HSBC 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.

Preferential creditors

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

Non-preferential creditors

Non-preferential creditor claims continue to be submitted. To date we have received over 200 claims with a total value in excess of c.£50m.

Although outside the reporting period, the Administrators have issued a Notice of Intended Dividend to all known unsecured creditors on 17 March 2023. This states that the last date for proving claims is 12 May 2023. Details of how to submit a claim is contained in the notice.

We estimate the distribution will be made before the end of June 2023.

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.

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.£3m; and
- ▶ This is estimated to result in the value of the Prescribed Part being £600,000 (before the costs of dealing with the Prescribed Part), which is the maximum value of the Prescribed Part for this Administration. Due to the level of claims we anticipate the unsecured dividend will not exceed 1p in the pound.

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:

- ▶ Working to consider the potential options available to extract value from the outstanding contract balances. .
- ▶ Agreeing unsecured creditor claims and distributing the Prescribed Part;
- ▶ 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 from 28 February 2020 to 27 February 2023

Statement of Affairs Estimated to Realise Values	From 28/02/20 to 27/08/22	From 28/08/22 to 27/02/23	Total
	£	£	£
Receipts			
3,900,000 Recoveries on contracts	1,824,728	280,376	2,105,104
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	-	10,744
Bank interest	2,670	3,355	6,025
5,447,111	5,595,341	283,731	5,879,071
Payments			
Gross Wages & Salaries	782,736	-	782,736
Administrators' Fees	600,000	50,000	650,000
Contract Debt Collection Costs	291,312	42,056	333,368
St Ann's Legal Fees	203,104	-	203,104
IT Costs	118,231	-	118,231
Legal Fees	87,757	8,550	96,307
Technologies settlement	50,000	-	50,000
Property costs	101,091	-	101,091
Professional Fees	36,228	-	36,228
Sundry Expenses	35,258	144	35,402
Administrators' Disbursements	14,624	-	14,624
Insurance	8,264	-	8,264
Contractor Costs	6,010	-	6,010
	2,334,615	100,751	2,435,366
Net realisations	3,260,725	182,981	3,443,705
Distributions			
Secured creditor - HSBC	1,900,000	-	1,900,000
Preferential creditors distribution	249,317	-	249,317
	2,149,317	-	2,149,317
Represented by (funds in hand)			
Cash at Bank			1,282,518
VAT overpayment suspense			(4,815)
Net VAT receivable/(payable)			16,685
			1,294,389

Notes

1. Receipts and payments are stated net of VAT.
2. 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.
3. Group relief surrender income is reported as the cash only element available.

Appendix 3

Styles & Wood Limited (in Administration)

Summary of Joint Administrators' expenses incurred

£	Per estimate dated 23.02.20	Paid to 27.08.22	Paid in the period	To be paid	Total to 27.02.23
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)	-	-	(95)
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)	(11,068)	(141)	-	(11,209)
Bank Charges	(750)	(548)	(3)	-	(551)
Debt Collection Expenses	(500,000)	(291,312)	(42,056)	-	(333,368)
Legal Fees and Costs (St Ann's)	-	(203,104)	-	-	(203,104)
Legal Fees and Costs (other)	(300,000)	(117,227)	(8,551)	-	(125,778)
Technologies settlement	-	(50,000)	-	-	(50,000)
Hilco Agent Fees	(1,000)	-	-	-	-
Statement of Affairs Costs	-	(2,000)	-	-	(2,000)
Salaries paid on behalf of Extentia Group Ltd	(19,738)	(23,275)	-	-	(23,275)
Total	(1,651,234)	(1,713,234)	(50,751)	-	(1,763,985)
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)	-	(3,541)	(5,465)
Total	(1,500)	(4,487)	-	(3,541)	(8,028)
Total	(1,666,154)	(1,727,858)	(50,751)	(3,541)	(1,782,150)

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 is outstanding expense payments of £3,541 plus VAT relating to printing and postage. These costs are principally associated with Prescribed Part matters and will be deducted from the Prescribed part when it is distributed.

Styles & Wood Limited (in Administration)

Joint Administrators' time costs for the period from 28 February 2020 to 27 February 2023 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 2023		
	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)
Accounting & Administration	86	21,686	252	36	8,247	232	390	90,972	234
Bank & Statutory Reporting	316	82,695	262	22	5,940	270	390	101,772	261
Creditors	177	43,285	245	40	9,689	240	441	106,713	242
Debtors	229	68,635	300	14	3,783	270	189	56,481	299
Employee Matters	524	125,828	240	48	12,191	253	1,285	306,665	239
Immediate Tasks	99	24,223	246	-	-	-	109	26,523	243
Investigation & CDDA	82	22,995	280	-	-	-	80	21,973	275
iSite	341	101,447	297	-	-	-	458	131,818	288
Job Acceptance & Strategy	2	460	230	-	-	-	2	460	230
Legal Issues	39	11,800	306	5	1,525	324	40	12,490	314
Other Assets	221	63,851	288	-	-	-	240	66,388	277
Other Matters	27	6,605	245	-	-	-	95	25,100	264
Out of Scope	9	2,265	266	-	-	-	-	-	-
Prescribed Part	340	92,300	271	163	41,935	257	163	41,935	257
Property	66	16,759	253	-	-	-	114	27,782	244
Retention of Title	9	1,955	230	-	-	-	13	3,183	245
Statutory Duties	119	30,885	258	16	3,851	245	163	39,820	245
Trading	7	1,610	230	-	-	-	15	3,785	261
VAT & Taxation	77	20,527	266	33	7,942	243	381	96,097	252
Total	2,769	739,611	267	377	95,101	253	4,567	1,159,945	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, 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.
- ▶ **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.4300 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, ultimately managing 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 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, 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.