

TO ALL KNOWN CREDITORS

22 September 2021

Ref: RHK/CGJK/TH/AN/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 February 2021 to 27 August 2021 and should be read in conjunction with the Administrators’ Statement of Proposals (“the Proposals”) dated 23 April 2020 and the previous progress reports dated 25 September 2020 and 25 March 2021.

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

As insolvency practitioners, the Joint 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 previously 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.

It is anticipated a further extension will be required to enable to asset realisation process to progress.

## Summary of progress since last report dated 25 March 2021

### Realisation of assets

#### 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 an additional £24,816.45 (net of VAT) of further recoveries. Total recoveries to date are c.£1.7m from the outstanding contract debt. The latest receipt is not reflected in the receipts and payments account as we are still awaiting funds from our quantity surveyor agents.

The contract realisation process is envisaged to continue for a minimum of a further 12 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.

### 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 timing of any recovery remains uncertain as it will be subject to completion of the contracts and a final account reconciliation thereafter.

#### *Dutco Styles & Wood LLC ("DSW")*

Since our previous report DSW has been placed into liquidation and is in the process of being wound down. It is anticipated there will be a recovery in the Administration relating to a shareholder distribution from residual funds held by the JV. The precise timing and quantum remain to be confirmed.

## **Other asset realisations**

### ***Group relief surrender***

In the period of this report the Company surrendered tax losses of £4,244,865 via Group relief which related to losses incurred in the pre-appointment trading period. The losses were surrendered for total consideration of £241,957, of which £66,791 was paid in cash and allocated to the Prescribed Part. The balance would have been available to distribute to the secured creditor and was dealt with on a non-cash basis and therefore does not appear in the receipts and payment account.

## **Leasehold Property**

The leases of all leasehold properties have now been formally surrendered.

## **Receipts and payments account**

A summary of our receipts and payments for the period from 28 February 2020 to 27 August 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 will continue to make investigations into the background and 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/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.

To date, the Joint Administrators have incurred time costs in respect of the Company of £953,591 of which £83,699 has been incurred in the reporting period. Fees of £450,000 have been drawn to date. The Administrators do not intend to seek to recover the time costs in full.

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 August 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.

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 £85,857 plus VAT primarily relating to legal fees and property related costs e.g. rates.

### **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 of which c.£0.4m was distributed in the reporting period. 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 totalling £247,742 have been paid in the period. The remaining balance of c.£1,575 is expected to be paid in due course, subject to clarification of a particular claim.

### **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.

### **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.£2.87m; and
- ▶ This is estimated to result in the value of the Prescribed Part being c.£0.58m (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 value from the contracts;
- Conclude the Company's interests in relation to DSW;
- Agreeing unsecured creditor claims and distributing the Prescribed Part;
- Dealing with unsecured creditor queries;
- 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 Alex Nicholls 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 Administrator's appointment. The Office Holder Data Privacy Notice can be found at [www.ey.com/uk/officeholderprivacy](http://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 298 2522
Name of alternative person to contact with enquiries about the case:	Alex Nicholls

## Appendix 2

### Styles & Wood Limited (in Administration)

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

Statement of Affairs Estimated to Realise Values (£)	From 28/02/20 to 27/02/21	From 28/02/21 to 27/08/21	Total
	£	£	£
<b>Receipts</b>			
3,900,000 Recoveries on contracts	1,721,529	-	1,721,529
1,131,233 Cash on appointment	1,179,944	367	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	-	-	-
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	-	66,791	66,791
Sundry income	7,540	2,288	9,828
Bank interest	2,182	60	2,242
<b>5,447,111</b>	<b>5,328,930</b>	<b>80,808</b>	<b>5,409,739</b>
<b>Payments</b>			
Gross Wages & Salaries	781,035	1,701	782,736
Administrators' Fees	450,000	-	450,000
Contract Debt Collection Costs	275,832	-	275,832
St Ann's Legal Fees	203,104	-	203,104
IT Costs	118,231	-	118,231
Legal Fees	50,581	22,809	73,390
Technologies settlement	50,000	-	50,000
Property costs	48,874	52,218	101,091
Professional Fees	35,878	-	35,878
Sundry Expenses	26,697	6,469	33,165
Administrators' Disbursements	14,624	-	14,624
Paid on behalf of Extentia	6,318	-	6,318
Contractor Costs	6,010	-	6,010
	<b>2,067,183</b>	<b>83,196</b>	<b>2,150,380</b>
Net realisations	3,261,747	- 2,388	3,259,359
<i>Distributions</i>			
Secured creditor - HSBC	1,500,000	400,000	1,900,000
Preferential creditors distribution	-	247,742	247,742
	<b>1,500,000</b>	<b>647,742</b>	<b>2,147,742</b>
<i>Funds in Hand</i>			
Cash at Bank	1,766,420	(660,694)	1,105,726
VAT overpayment suspense	(4,806)	-	(4,806)
Net VAT receivable/(payable)	133	10,564	10,697
	<b>1,761,747</b>	<b>(650,130)</b>	<b>1,111,617</b>



**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.

## Appendix 3

### Styles & Wood Limited (in Administration)

#### Summary of joint administrators' expenses incurred

£	Paid to 27.02.21	Paid in the period	Total to 27.08.21
Gross wages and salaries	(642,338)	-	(642,338)
Employers NIC	(74,767)	(1,701)	(76,468)
Employers Pension	(40,655)	-	(40,655)
Rent, rates and service charge	(38,601)	(52,218)	(90,819)
Insurance	-	-	-
Security	-	-	-
Public notices	(95)	-	(95)
Public notices on behalf of Extentia	(95)	-	(95)
IT	(118,231)	-	(118,231)
Employee mileage	(1,223)	-	(1,223)
Sundry expenses	(14,498)	-	(14,498)
Contractor fees	(6,010)	-	(6,010)
Postage	(60)	-	(60)
Light, Heat and Water	(10,272)	-	(10,272)
Waste and cleaning services	-	-	-
Telephone, Internet and Fax	(368)	(5,399)	(5,767)
Storage	(7,987)	(1,008)	(8,995)
Bank Charges	(467)	(62)	(528)
Administrators' Fees and expenses	(464,624)	-	(464,624)
Debt Collection Expenses	(282,589)	-	(282,589)
Legal Fees and Costs	(289,028)	(22,809)	(311,838)
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)
<b>Total</b>	<b>(2,067,184)</b>	<b>(83,196)</b>	<b>(2,150,380)</b>
<b>Category 1 disbursements (see note 2)</b>			
Specific Penalty Bond	(420)	(1,839)	(2,259)
Meals	(2,035)	-	(2,035)
Accommodation	(4,721)	-	(4,721)
Travel costs (excluding mileage)	(2,246)	-	(2,246)
	<b>(9,422)</b>	<b>(1,839)</b>	<b>(11,261)</b>
<b>Category 2 disbursements (see note 2)</b>			
Mileage	(2,652)	-	(2,652)
Internal bulk copying, printing and postage	(2,549)	(822)	(3,372)
	<b>(5,202)</b>	<b>(822)</b>	<b>(6,024)</b>
<b>Total</b>	<b>(2,081,808)</b>	<b>(85,857)</b>	<b>(2,167,665)</b>

## 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

## Styles & Wood Limited (in Administration)

### Joint administrators' time costs for the period from 28 February 2020 to 27 August 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 August 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	26	6,632	253	289	74,987	259
Employee Matters	524	125,828	240	94	22,359	238	1,171	276,519	236
Debtors	229	68,635	300	5	1,370	304	162	49,086	302
Creditors	177	43,285	245	37	10,405	280	386	92,971	241
Prescribed Part	340	92,300	271	-	-	-	-	-	-
iSite	341	101,447	297	-	-	-	458	131,818	288
Accounting & Administration	86	21,686	252	58	13,354	231	283	66,389	234
Other Assets	221	63,851	288	5	1,628	326	230	63,393	276
Property	66	16,759	253	13	3,170	244	114	27,782	244
VAT & Taxation	77	20,527	266	66	16,740	253	222	56,353	254
Statutory Duties	119	30,685	258	9	2,340	260	113	27,406	242
Investigation & CDDA	82	22,995	280	1	193	385	80	21,973	274
Legal Issues	39	11,800	306	4	1,015	290	30	9,297	313
Immediate Tasks	99	24,223	246	-	-	-	109	26,523	244
Trading	7	1,610	230	1	290	290	15	3,785	261
Retention of Title	9	1,955	230	-	-	-	13	3,183	239
Other Matters	27	6,605	245	15	4,205	290	82	21,668	264
Job Acceptance & Strategy	2	460	230	-	-	-	2	460	230
Out of Scope	9	2,265	266	-	-	-	-	-	-
<b>Total</b>	<b>2,769</b>	<b>739,611</b>	<b>267</b>	<b>332</b>	<b>83,699</b>	<b>252</b>	<b>3,759</b>	<b>953,591</b>	<b>254</b>

### 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. This also includes time spent on the Group Relief surrender transaction.

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.