

AM07

Notice of creditor's decision on administrator's proposals



Companies House

SATURDAY



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19/03/2022

#211

COMPANIES HOUSE

1 Company details

Company number 0 0 5 4 9 0 3 4

Company name in full Studio Retail Group Plc

→ Filling in this form

Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Daniel James Mark

Surname Smith

3 Administrator's address

Building name/number 156 Great Charles Street

Street Queensway

Post town Birmingham

County/Region

Postcode B 3 3 H N

Country

4 Administrator's name ^①

Full forename(s) Daniel Francis

Surname Butters

① Other administrator

Use this section to tell us about
another administrator.

5 Administrator's address ^②

Building name/number 156 Great Charles Street

Street Queensway

Post town Birmingham

County/Region

Postcode B 3 3 H N

Country

② Other administrator

Use this section to tell us about
another administrator.

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Notice of creditor's decision on administrator's proposals

6 Purpose of procedure or meeting

1. Approval of the Joint Administrators proposals.

7 Description of procedure or meeting^③

Approval of the Joint Administrators proposals by deemed consent

^③ Whether it was a virtual or physical meeting, some other decision procedure (please describe), or deemed consent.

8 Address of meeting

If a meeting was held at a physical location, give the address below.

Building name/number

Street

Post town

County/Region

Postcode

Country

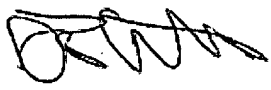
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9	Other platform for decision procedure or meeting¹	
	Creditor Portal	1 If a meeting was not held at (or the decision procedure was not undertaken at) a physical location, tell us what means were used—for example email, videolink
10	Meeting	
	If a meeting was held was the required quorum met? <input type="checkbox"/> Yes <input type="checkbox"/> No	
11	Details of creditors' decisions	
	<div>Details of decisions including any modifications to the proposals approved by the creditors are as follows:</div> <div>Creditors approved the Joint Administrators proposals with no modifications</div>	
12	Details of any resolutions passed	
	<div>Give details of any resolutions which were passed.</div> <div>N/A</div>	

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13	Date and time of decision made or resolution passed																
Date	d	1	d	7	m	0	m	3	y	2	y	0	y	2	y	2	
Time	h	1	h	1	:	m	5	m	9								
14	Sign and date																
Administrator's signature	Signature																
													X				
Signature date	d	1	d	8	m	0	m	3	y	2	y	0	y	2	y	2	

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Notice of creditor's decision on administrator's proposals



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

Contact name Vinay Mistry

Company name Teneo Financial Advisory Ltd

Address 156 Great Charles Street
Queensway

Post town Birmingham

County/Region

Postcode B 3 3 H N

Country

DX

Telephone +44 121 619 0120



Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

- ☐ The company name and number match the information held on the public Register.
- ☐ You have signed the form.



Important information

All information on this form will appear on the public record.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ.
DX 33050 Cardiff.



Further information

For further information please see the guidance notes on the website at www.gov.uk/companieshouse or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.gov.uk/companieshouse

Studio Retail Group Plc (in administration) **(“the Company”, “SRG”)**

JOINT ADMINISTRATORS’ STATEMENT OF PROPOSALS PURSUANT TO PARAGRAPH 49 OF SCHEDULE B1 OF THE INSOLVENCY ACT 1986 (AS AMENDED) (“the Act”).

Daniel James Mark Smith and Daniel Francis Butters (“the Joint Administrators”) were appointed Joint Administrators of Studio Retail Group Plc on 24 February 2022 by the directors of the Company. The affairs, business and property of the Company are managed by the Joint Administrators. The Joint Administrators act as agents of the Company and contract without personal liability. All licensed Insolvency Practitioners of Teneo Financial Advisory Limited (“Teneo”) are licensed in the UK to act as Insolvency Practitioners by the Institute of Chartered Accountants in England and Wales.

For the purposes of paragraph 100(2) of Schedule B1 of the Insolvency Act 1986 (as amended), (“the Act”), the Joint Administrators confirm that they are authorised to carry out all functions, duties and powers by either of them jointly and severally.

As stated in the administration appointment documents, these are COMI proceedings (i.e. the centre of main interests is in the UK).

03 March 2022



The Global CEO Advisory Firm

Teneo Financial Advisory Limited
156 Great Charles Street
Queensway
Birmingham
B3 3HN
UK
Tel: +44 (0)
www.teneo.com/service/restructuring

This Statement of Joint Administrators' Proposals ("the Proposals" or "our Proposals") has been prepared pursuant to paragraph 49 of Schedule B1 of the Act, which requires that we, as the Joint Administrators, provide creditors with details of our Proposals to achieve the purpose of the administration.

It appears that the Company may have sufficient property to enable a distribution to be made to unsecured creditors. As such we are required in accordance with paragraph 51 of Schedule B1 of the Insolvency Act 1986 to seek creditors' approval of our Proposals.

We propose to seek approval of our Proposals by deemed consent, Notice of which has been posted to the website on Form ADM_F03. The proposed decision to approve our Proposals will be treated as having been made by creditors unless objected to, using the appropriate procedure as set out in the Notice, by 10% or more in value of creditors. Should that happen, the decision on approval will not be made and a further decision procedure will be held. Unless you object to our Proposals, no action is required from you. Please refer to the website for further details including forms and guidance.

Please refer to the Frequently Asked Questions section on the case website for more information about decision procedures in insolvency proceedings.

Please also note that hard copies of any of these documents will be provided free of charge on request.








We have also included the following information in this report:

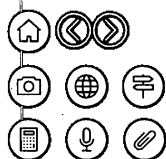
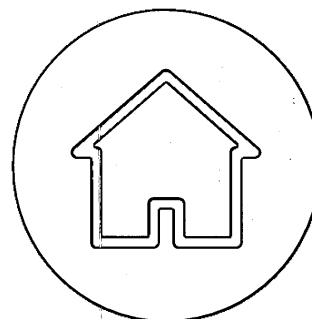
- background of the Company
- the circumstances giving rise to the appointment of the Joint Administrators;
- the progress of the administration to date; and,
- the Joint Administrators' Proposals for achieving the objective of the administration (Appendix C).

Yours faithfully

For and on behalf of the Company

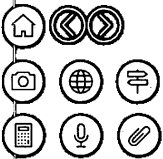
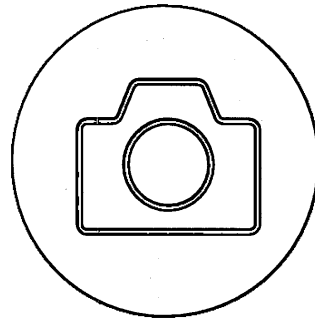
Joint Administrators

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Key messages



Key messages

Joint Administrators of the Company

Daniel James Mark Smith

Daniel Francis Butters

Teneo Financial Advisory Limited

156 Great Charles Street

Queensway

Birmingham

B3 3HN

Contact details

Email: Vinay.Mistry@teneo.com

www.ips-docs.com

Tel: 0121 619 0149

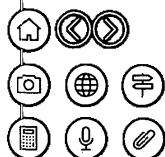
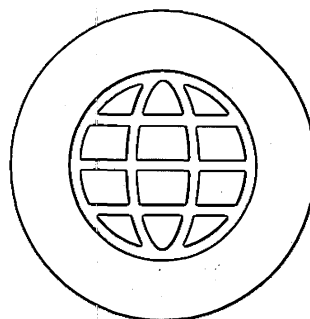
Date Proposals delivered to creditors: 3 March 2022



	Commentary
Purpose of the administration	<ul style="list-style-type: none">The purpose of the administration is to achieve a better result for the Company's creditors as a whole than a liquidation.
Pre pack	<ul style="list-style-type: none">The assets of SRG were sold on 24 February 2022 as detailed in our SIP 16 Statement dated 3 March 2022 a copy of which can be viewed here www.ips-docs.com.
Joint Administrators' strategy	<ul style="list-style-type: none">The Company ceased trading on 24 February 2022 following the pre packaged sale of the business and assets. We are now working to realise the residual assets, as detailed on page 13 and to complete our obligations under the sale agreement with the Purchaser.
Approval of the Proposals	<ul style="list-style-type: none">As we anticipate that funds may be available for distribution to unsecured creditors we are required to seek a decision from unsecured creditors on approval of our Proposals. We intend to take the decision by deemed consent, Notice of which has been posted to the case website together with guidance on what action if any is required.
Estimated Timescale	<ul style="list-style-type: none">On current information the duration of the administration is not likely to exceed 12 months following which it is anticipated that the Company will move to dissolution as detailed at page 17.
Estimated Costs	<ul style="list-style-type: none">We propose to seek approval to charge our fees on the following basis: by reference to our time costs.We have provided a fees estimate showing a breakdown of our anticipated time costs and actual costs to date at Appendix B.We anticipate that third party expenses in relation to legal and other professional fees will be in the region of £155k over the duration of the appointment as detailed on page 20.
Estimated Outcomes	<p>On current information, we anticipate the following outcome for each category of creditor:</p> <ul style="list-style-type: none">Secured creditors – We are not aware of any remaining secured creditor liabilities.Preferential creditors – That sufficient funds will become available to enable a distribution to be made to preferential creditors.Secondary Preferential creditor – That sufficient funds will become available to enable a distribution to be made to secondary preferential creditors.Unsecured creditors – That subject to the value of the preferential creditor claims ultimately agreed, there may be funds available to distribute to unsecured creditors.
Shareholders	<ul style="list-style-type: none">There is no prospect of a return to shareholders of the Company. Additional information for shareholders can be found on page 23.
Proposals	<ul style="list-style-type: none">Our Proposals for managing the business and affairs of the Company can be found on page 14.

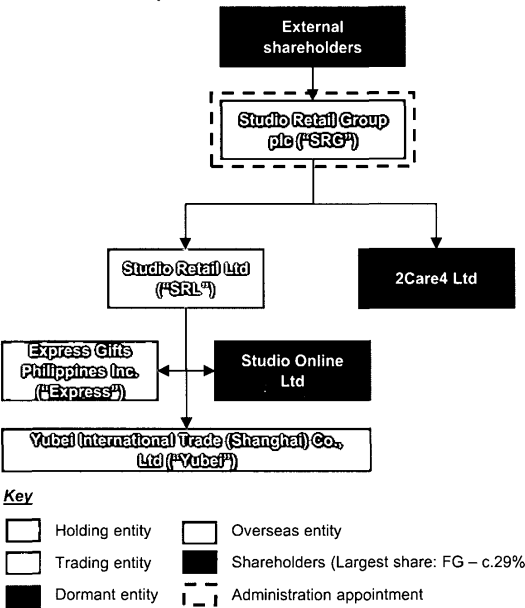
Background

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Background
The Company/Group

Summarised Group structure chart



A summarised group structure chart (at the date of our appointment) is set out above. Please note that this is not a full group structure and excludes a number of dormant companies within the group.

Definitions

The Group – SRG and its subsidiaries (including SRL) ("the Group").
SRG – In Administration. The Group's listed holding company with 18 employees providing central functions such as legal, internal audit and governance.
SRL – The main trading entity of the Group which provides an integrated consumer credit offering and is regulated by the Financial Conduct Authority ("FCA"). Prior to the Transaction, it was a wholly owned subsidiary of SRG.

Background

SRG was a holding company incorporated in 1955 with shares listed on the London Stock Exchange, and was the parent company of the Group. Its key assets were investments in subsidiary undertakings and a freehold property.
SRG owned 100% of the share capital in SRL which was the main trading entity within the Group prior to the Transaction.
SRL is a FCA regulated online and mail order fashion, homeware and electrical retailer with an integrated consumer credit offering with representative Annual Percentage Rates ("APRs") of c.40%. Customers utilising this credit offering account for c.85% of sales.
SRL has a Chinese subsidiary, Yubei International Trade (Shanghai) Co. Ltd, which acts as a buying agent to acquire stock directly from Asian suppliers.
SRL offers a wide range of products, the majority of which are sourced either directly from Asia or indirectly through UK intermediaries, and include:

- Clothing and footwear: men, women, children's clothing, accessories and footwear;
Household goods: furniture and furnishings, household textiles, appliances and tableware; and
Recreation and culture: games, toys and hobbies, garden equipment and pets.

Trading is highly seasonal with c.40% of sales achieved during Q3 of its financial year (Oct to Dec).

Please see the details below for the Company officers as at the date of the Joint Administrators' appointment:

Table with 3 columns: Name, Position, Shareholding. Lists officers including Mr Michael Arnaouti, Mr Paul Robert Kendrick, Mr Stuart Murdoch Caldwell, etc.



Background

The Company/Group

Debt and security structure

SRG had the following debt facilities:

- A £50m Revolving Credit Facility ("RCF") provided by a syndicate of banks comprising Barclays Bank Plc, HSBC UK Bank Plc and National Westminster Bank Plc (together "the Lenders").
- The RCF was fully drawn to £50m as at the date of the Joint Administrators' appointment.
- The Lenders also provided a number of ancillary trading facilities with exposures totalling c.£3.1m as at the date of the appointment.
- The Lenders had fixed and floating charge security over all the assets of SRG and substantially all of the assets of SRL that was created on 28 June 2021. The security covered the RCF plus the ancillary facilities provided by the Lenders.
- This RCF security was shared with the Group's Pension Fund pursuant to an intercreditor agreement dated 29 June 2021 which provided that any amounts owing to the Pension Fund ranked pari-passu with amounts owing to the Lenders.

In addition, SRL also raised funding secured against its consumer receivables through a £275m Securitisation Facility ("SF") provided by HSBC UK Bank plc (the "SF Lender"). SRG was not an obligor under the SF but was party to the arrangements.



Background

Summary financials

Balance sheet as at 21 January 2022 (P10, FY22)

£m	SRG
Intangible assets	35.3
Tangible assets	7.8
Total Non Current Assets	43.1
Interco debtors	11.7
Trade debtors	0.0
Other debtors & prepayments	4.6
Corporation tax debtor	3.8
Cash at bank and in hand	(55.2)
Total Current Assets	(35.1)
Trade creditor	(0.7)
Interco creditors	(8.2)
Other creditors (Sales Tax)	1.5
Accruals	(3.5)
Provisions	(5.5)
Current Liabilities	(16.4)
Interco Loans	40.0
Deferred tax creditor	(3.0)
Pension scheme obligations	32.8
Non Current Liabilities	69.8
Net Assets	61.4
Share capital	48.7
Retained loss/profit	12.7
Total Equity	61.4

Source: Management Information

Overview of financial information

Extracts from the unaudited Company accounts to 21 January 2022 are shown opposite.

Please note that this information has been prepared by Management and has not been verified by the Joint Administrators or by Teneo Financial Advisory Limited ("Teneo").

Balance sheet commentary

- The table opposite summarises SRG's balance sheet as at 21 January 2022 (P10, FY22).
- Notable assets held on SRG's balance sheet as at 21 January 2022 were:
 - Intangible assets:** included shares held in SRL and other subsidiaries;
 - Property:** Freehold head office building based in Accrington (net book value of £7.8m) and leasehold properties (Clayton le moor and Chadderton) with no balance sheet value; and
 - Intercompany:** £40m receivable due from SRL in relation to funds provided to it for trading purposes. As a result of the Transaction, there is no residual value in this asset.



Background Joint Administrators' appointment



Circumstances giving rise to the appointment of the Joint Administrators

Reasons for failure & financial distress and steps taken to remedy/turnaround

As previously outlined, SRG was the holding company of the Group with trading operations held in SRL.

SRL experienced considerable supply chain disruption during the six months to December 2021, which delayed the receipt of stock into the UK resulting in an inability to meet customer demand and the loss of sales throughout the Group's peak, pre-Christmas, trading period.

Whilst stock was primarily sourced from Asia and committed on long lead times, SRL was unable to cancel late arriving stock which resulted in a sizable stock "overhang".

This, combined with a reduction in Q4 sales, seasonal reduction in availability under the SF and the current level of overdue creditors, resulted in a significant funding shortfall.

In January 2022, prior to our involvement, the Group approached the SF Lender to further extend the SF facility. However, the funding request was declined.

On 31 January 2022, SRG issued a trading statement which set out the Group's downgraded earnings expectations of £28m - £30m (vs £35m - £40m set out in the SRG's November 2021 market update) and referenced the presence of a working capital funding requirement.

The stock market update triggered a decline in SRG's share price from 159p closing price on 28 January 2022 to 103p closing price on 31 January 2022.

SRL also experienced further repercussions from the market update including a number of suppliers putting SRL on stop and indications from Credit Insurers that there may be a future reduction in cover / terms to future supply invoices.

Due to trading underperformance during its peak pre-Christmas period and significant stock build up, the Group identified a forecast funding requirement of at least £35m (prior to any further impact of the filing of Notices of Intention to Appoint Administrators ("NOI") over SRG and SRL and ceasing to trade, as noted opposite).

The funding was forecast to be required during the week ending 4 February 2022, in order to return all suppliers to within credit terms.

It was anticipated that the funding requirement could be reduced by up to £10m (down to £25m) through a number of mitigating actions.

SRG's Board sought to raise the additional funding to meet this requirement from its existing lenders, however this was unsuccessful. Accordingly, the Group faced an immediate cash shortfall.

Absent additional funding, the Group did not have sufficient funds to pay the outstanding amounts due to suppliers. In addition, the Group did not have sufficient cash to meet wage costs beyond the end of February 2022.

When decision to appoint was made

Once it became clear that the Company would be unable to pay its debts once they fell due, the directors of SRG and SRL, respectively, held board meetings on 14 February 2022 to consider placing the companies into administration.

On the same day the respective Boards of Directors filed NOI's for SRG and SRL. Following this, SRL suspended its FCA regulated activities and ceased trading with the website blocked from making any further sales.

As a result, a number of suppliers materially reduced or removed credit terms and the funding requirement necessary to re-start trading and stabilise the supplier base was anticipated to be higher than previously forecast.

Following the filing of NOI's, FG approached the Group to explore options. Following an accelerated period of assessment, an initial written offer was submitted by FG on 17 February 2022.

Background

Joint Administrators' appointment

Involvement of Teneo pre-appointment

Prior to the Administration appointment, Teneo was engaged by the Group and the RCF Lenders to carry out the following advisory engagements:

- Phase 1 – 28 January 2022:
 - Review the Group's short-term (12-week) cash flow forecast; and
 - Advise the Lenders in their negotiations with the Group and other stakeholders, alongside the Lenders' legal counsel and the Group's advisers, with respect to the Group's additional funding requirement.
- Phase 2 – 8 February 2022:
 - Provide short term cash flow monitoring; and
 - Carry out an initial options review (incl. an AMA) and contingency planning.
- Phase 3 – 19 February 2022:
 - Provide contingency planning advice including undertaking the steps necessary to be able to accept an Administration appointment over SRG and/or SRL and deliver a pre-packaged business and assets disposal should it be required; and
 - Carry out planning and execution of an AMA / sales process.
 - Note: work under this engagement commenced on 17 February 2022 due to associated time pressures, with the engagement letter subsequently signed.

Please note that we have not provided any advice to the directors in their personal capacity other than advising them to take independent advice on their own position.

Daniel Smith and Daniel Butters of Teneo were asked to take the pending appointment as Joint Administrators by the Directors of SRG.

Pre-packaged sale

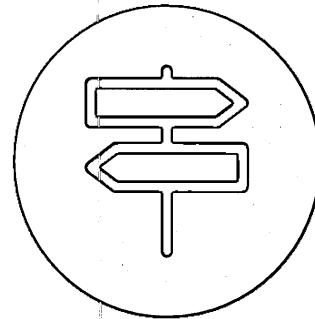
Shortly following the Joint Administrators' appointment on 24 February 2022, SRG's shareholding in Studio Retail Limited, and certain other assets (together, "SRG Assets"), were sold to Frasers Group plc ("FG").

Full details of the pre-pack sale are set out in our SIP 16 Statement, a copy of which is available to view on the case website www.ips-docs.com.



Post-appointment

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Post-appointment Purpose

Appointment of the Joint Administrators

Daniel James Mark Smith and Daniel Francis Butters of Teneo Financial Advisory Limited ("Teneo") were appointed Joint Administrators of the Company by the directors of the Company on 24 February 2022, following the filing of a Notice of Appointment of Joint Administrators by the Company's directors.

Purpose of the administration

The purpose of an administration is split into three parts:

1. To rescue a company as a going concern (in other words, a restructuring which keeps the actual entity intact); and
2. if the first purpose is not reasonably practicable (or the second purpose would clearly be better for the creditors as a whole), then the Administrators must perform their functions with the objective of achieving a better result for creditors as a whole than would be obtained through an immediate liquidation of the company. This would normally envisage a sale of the business and assets as a going concern (or a more orderly sales process than in liquidation).
3. If neither of the first two parts of the purpose are reasonably practicable, the Administrators must perform their functions with the objective of realising property in order to make a distribution to secured and/or preferential creditors as applicable.

The Company had significant levels of borrowing (secured debt) which would need to be restructured in order to rescue the business as a going concern. However, having regard to the likely value of the underlying assets, as based on available financial information, there has been no interest from third parties in a debt restructuring.

Accordingly, the purpose of the administration of SRG is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of the Company.

The purpose of the administration has been achieved by securing a sale of the majority of the assets in SRG and transfer of majority of the employees thus reducing the claims against the estate thereby delivering a better outcome for SRG's creditors than in a wind down scenario.



Post-appointment Joint Administrators' strategy

How the affairs and business of the Company have been managed and financed since appointment, and the Joint Administrators' intended strategy if their Proposals are approved

Sale of business – Pre packaged sale

As detailed in our letter of 3 March 2022, shortly following the Joint Administrators' appointment, SRG's shareholding in SRL, and certain other assets (together, "SRG Assets"), were sold to Frasers Group plc ("FG", "the Purchaser") on 24 February 2022 ("the Transaction").

The SRG Assets comprised the following:

- The entire issued share capital of SRL including its subsidiaries (Yubei International Trade (Shanghai) Co., Ltd, Express Gifts Philippines Inc. and Studio Online Limited);
- The entire issued share capital of 2Care4 Limited;
- Intellectual Property held in SRG (used in SRL's business);
- The freehold property located at Church, Accrington (BB5 4EL/4EB), being the head office and principal warehouse facility ("Freehold Property");
- Leasehold property interests located at Clayton-Le-Moors, Chadderton, and Failsworth (occupied by SRL); and
- Any other assets of SRG relating in whole or in part to SRL's business.

Sale Consideration

The total consideration for the Transaction was £1 plus the release of £53.1m of secured liabilities under SRG's RCF and ancillary facilities.

Immediately following the Transaction, FG acquired SRG's secured lenders' claims against SRG for a c.£26.8 million cash payment and was therefore in a position to procure the release of SRG's liabilities referred to above.

In addition, in contemplation of the Transaction immediately prior to the appointment of the Joint Administrators, SRG was released from all liabilities under Section 75 and 75A of the Pensions Act 1995 in respect of three of the four sections of the Group's pension fund (the "Pension Fund"). To the extent any further payments are due from SRG in respect of these sections, these will be guaranteed by FG, subject to a cap. Following the Transaction, an additional contribution (guaranteed by FG) will be made to the Pension Fund by SRL. The Trustees of the Pension Fund are supportive of these arrangements.

The Trustees also released their security in respect of SRG's liabilities to all four sections of the Pension Fund.

An apportionment of value attributed to the SRG Assets sold to FG is provided below:

Asset description	Fixed Charge Allocation	Floating Charge Allocation
Shares in SRL	£45,515,391	-
Intellectual Property	£500,000	-
Freehold property	£7,000,000	-
Leasehold property interests	£20,000	-
Share capital of 2Care4 Ltd	£1	-
Any other (unspecified) assets	-	£50,000
Total consideration	£53,035,392	£50,000

The above values are notional as the consideration received by SRG for the SRG Assets was primarily the release of SRG's secured liabilities. Only £1 of cash consideration was paid by the Purchaser.

Excluded assets

Following the Transaction, there are the following residual assets of the Company to realise:

- Cash held in SRG's bank accounts as at the date of the Joint Administrators' appointment.
- Certain pre-payments in relation to properties. The recovery of the property prepayments is to be sought from FG as part of SRL's ongoing occupation of the relevant leasehold properties interests noted opposite.

Other matters

We are working to agree preferential creditors' claims and to complete our obligations under the sale agreement with the Purchaser.



Post-appointment Joint Administrators' Proposals

The Joint Administrators' Proposals

Our Proposals for the administration include:

- continuing to manage the affairs and any remaining assets of the Company and the settlement of all administration expenses;
- assessing the affairs of the Company and reviewing and reporting on the conduct of its directors and, where required, providing assistance to any regulatory authorities with any investigation into the affairs of the Company or its management;
- agreement of the claims of any secured, preferential and unsecured creditors against the Company unless we conclude, in our reasonable opinion, that the Company will have no assets available for distribution;
- distributing funds to any secured, preferential creditors and, where applicable, to unsecured creditors under the Prescribed Part as and when their claims are agreed and funds permit, and to make distributions to unsecured creditors, other than out of the Prescribed Part if the court gives permission following an appropriate application;
- that, following the realisation of assets and resolution of all matters in the administration, and as quickly and efficiently as is reasonably practicable, we will implement the most appropriate exit route to formally conclude the administration; and
- that, if the Company is to be placed into Creditors' Voluntary Liquidation ("CVL"), we (or any person appointed as a replacement office holder) propose to be appointed Joint Liquidators and for the purposes of section 231 of the Act the Joint Liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

We will seek specific approval from the creditors to fix the basis of and the ability to draw our remuneration and expenses, including pre administration costs and expenses, and to agree the time of our discharge on conclusion of the administration.

Please refer to Appendix C for further details.



Post-appointment Outcome for creditors

Estimated outcome for creditors

Secured creditors

Following the Transaction, we are not aware of any remaining secured creditor liabilities. Further details of the secured creditors as at the date of the Joint Administrators' appointment are provided below:

The Lenders

The Lenders have confirmed that, at the date of our appointment, the following amounts were owed to them:

- RCF: £50m
- Ancillary facilities: £3.1m

These amounts are secured by way of fixed and floating charges granted by the Company on 28 June 2021.

As a result of the Transaction, the Lenders released their security over SRG (releasing it from the respective liabilities), in return for a payment of c.50p/£ against its debts.

Pension Fund

SRG has been released from all liabilities under Section 75 and 75A of the Pensions Act 1995 in respect of three of the four sections of the Group's pension fund (the "Pension Fund"). To the extent any further payments are due from SRG in respect of these sections, these will be guaranteed by FG, subject to a cap.

The Trustees also released their security in respect of SRG's liabilities to all four sections of the Pension Fund.

Preferential creditors

Preferential claims consist of amounts owed to employees for arrears of holiday pay and pension contributions. We estimate that there will be preferential claims totalling c.£11k. On present information we anticipate that sufficient funds will become available to enable a distribution to be made to preferential creditors.

Secondary Preferential Debts due to HM Revenue and Customs ("HMRC")

Secondary preferential debts are debts due to HMRC in respect of deducted taxes, including VAT, PAYE, employee NICs. We estimate that HMRC will have a secondary preferential claim of c.£4.7m. On present information we anticipate that sufficient funds will become available to enable a distribution to be made to secondary preferential creditors.

VAT liabilities will be minimised as a result of the Transaction. SRG and SRL were in the same VAT Group and as SRL continues to trade as a result of the Transaction it is anticipated it will meet outstanding VAT liabilities.

Unsecured creditors

We are currently awaiting the Directors' statement of affairs which will be sent to Companies House once received and published on the case website.

On present information, and subject to the value of preferential creditor claims ultimately agreed, there may be funds available to distribute to unsecured creditors.

Prescribed Part

The Prescribed Part is an amount set aside for unsecured creditors from asset realisations that would otherwise be paid to secured creditors under their floating charge, (referred to as the net property), as set out under section 176A of the Act. It applies only where the charge was created on or after 15 September 2003.

The Prescribed Part is calculated as a % of the net property and is subject to a statutory maximum of £800,000 per company.

Where the value of the Prescribed Part is so small as to make the costs of distributing it disproportionate, the court may, on our application, disapply it.

As there are no remaining floating charge creditors following the Transaction, the Prescribed Part provisions will not apply to this case.



Post-appointment Outcome for creditors

Claims process

Subject to the value of preferential creditor claims ultimately agreed, there may be a dividend payable to unsecured creditors, however, the amount of any such dividend is likely to be very low.

We nonetheless invite creditors to claim, following the guidance in the paragraphs below.

Creditors with debts of £1,000 or less

You do not need to prove your debt for dividend purposes if the amount you are owed, according to the Company's statement of affairs, is £1,000 or less. Instead, we will notify you if funds become available for dividend purposes and provide you with details of the amount at which your claim has been admitted. If you disagree with that amount, you will be provided with an opportunity to notify us of the correct amount.

Please note that should you wish to vote in a decision procedure, you will then need to submit a proof of claim to us.

Creditors with debts of more than £1,000

Unsecured creditors with claims of more than £1,000 are invited to submit their claims to us either directly via the case website at www.ips-docs.com or by downloading and completing a proof of debt form from the case website and which should be sent to the address on the cover page. Alternatively, a hard copy proof of debt form will be provided free of charge on request.

We do not currently intend to undertake any work to agree any creditor claims received. This work will only be performed once the dividend prospects for unsecured creditors are more certain.



Post-appointment Extensions & exit routes

Exit routes

In accordance with the provisions of the Act, all administrations automatically come to an end after one year, unless an extension is granted by the court or with consent of the creditors.

There are several possible exit routes from administration. Based on current information, we consider the following exit routes may be appropriate:

- *Dissolution* – If there is no further property which might permit a distribution to the Company's creditors, we may file notice to that effect with the Registrar of Companies and the Company will be dissolved three months later.
- *Compulsory Liquidation ("WUC")* – Where there is a possibility, but no certainty, of recoveries being made or matters such as property to disclaim or further enquiry, it may be appropriate to ask the court to end the administration and to make an order to wind up the Company.
- *Creditors' Voluntary Liquidation ("CVL")* - Where a distribution to unsecured creditors will be made, other than by virtue of the Prescribed Part, we may file a notice to that effect with the Registrar of Companies. The administration will cease on the date that notice is registered and the Company will be wound up.

Please note that if the Company is placed into CVL, the Joint Administrators (or any person appointed as a replacement office holder) propose to be appointed as Joint Liquidators. The creditors may nominate a different person to be liquidator(s) provided the nomination is made before the Proposals are deemed approved by creditors on 17 March 2022.

- Any creditors' committee appointed in the administration will become a liquidation committee and the basis of the Joint Administrators' remuneration fixed during the administration will apply in the liquidation.
- For the purposes of section 231 of the Act the liquidators will each be authorised to carry out all functions, duties and powers either jointly or severally.

Discharge of Joint Administrators' liability

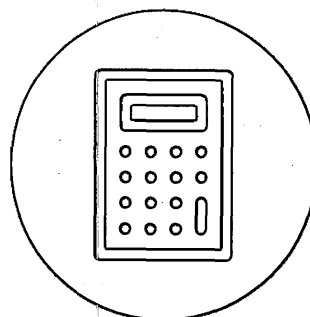
Pursuant to paragraph 98 of Schedule B1 of the Act, the Joint Administrators' discharge of liability in respect of their actions as administrators takes effect at the specific time appointed by either the court, the creditors (either via the creditors' committee or by decision of the creditors) or, in specific circumstances, by the secured (and preferential) creditors.

In this case, we will request approval from the creditors for us to be discharged from liability as at the date the Registrar of Companies registers the Joint Administrators' final progress report.



Remuneration and expenses

Creditors' Guide to Administrators' Remuneration	19
Pre-administration costs	21



Remuneration and expenses

Creditors' Guide to Administrators' Remuneration

A Creditors' Guide to Administrators' Remuneration" is appended to SIP 9 and is provided on the administration website and also available for download www.ips-docs.com

Should you require a paper copy, please send your request in writing to the Joint Administrators at the address on page 4 and this will be provided to you at no cost.



Basis of Administrators' remuneration

Pursuant to Rule 18.16 of the Insolvency Rules 2016 ("the Rules"), the basis of the Joint Administrators' remuneration may be fixed:

- as a percentage of the value of the property with which the Joint Administrators have to deal;
- by reference to time properly given by the insolvency practitioners and their staff in attending to matters arising in the administration;
- as a set amount;
- or, any combination of the above.

We intend to invite the creditors, or the creditors' committee should one be formed, to formally approve that the basis of our remuneration be fixed by reference to our time costs incurred in attending to matters arising in the administration. In advance of seeking that approval we have set out in more detail what our anticipated time costs will be in our Fee Estimate on pages 26 and 27.

We will seek this approval through a further decision procedure once the outcome of the decision on approval of our proposals is known.

This further decision procedure will be held by correspondence. We will give formal Notice of this together with the resolutions being requested in respect of our remuneration and expenses, voting forms and general guidance via the website www.ips-docs.com and which we anticipate doing within the next 8 weeks. We will also provide hard copies of any of these documents to you on request to vinay.mistry@teneo.com.

Please note that in the event that a creditors' committee is formed, the resolutions tabled in this decision procedure will be determined by that committee.

Remuneration and expenses

Creditors' Guide to Administrators' Remuneration and Expenses

Joint Administrators' Remuneration

Fees Estimate

A Fees Estimate is provided at Appendix B in which we have tried to provide you with as accurate an estimate as we can of our likely time costs for the duration of the appointment. We have based this estimate on experience in other similar matters and the cost of work done to date and estimate that our time costs will be circa £866k.

Joint Administrators' – Expenses

Expenses are payments from the estate which are neither remuneration payable to us as officeholders nor a distribution to a creditor or a member. Expenses includes disbursements; disbursements are payments first made by us out of our own funds and later reimbursed to us (to the extent possible) out of estate funds.

Expenses are divided into those that do not need approval before they are charged to (and recovered from) the estate ("Category 1") and those that do ("Category 2") and as described below:

- Category 1 Expenses - are payments to persons providing the service to which the expense relates and who are not an associate of the officeholder. These expenses can be paid out of the estate by us without creditor approval.
- Category 2 Expenses - are payments to us (as officeholder) or our associates or payments which have an element of shared costs. These expenses require creditor approval in the same manner as our remuneration.

Category 1 Expenses - Other professional costs

Prior to instructing providers of specialist advice and or services, we have evaluated whether the work/advice is both warranted and also that the cost of same represents best value for the estate. We review all such arrangement periodically to ensure that best value continues to be obtained. Further details are provided below.

- We have instructed Linklaters LLP, a firm of lawyers with the appropriate expertise and experience in dealing with these types of administrations, to advise on the following legal matters:
 - Review the validity of our appointment.
 - Provide ongoing advice in relation to matters arising out of the sale agreement (including dealing with the freehold and leasehold property interests).
 - Act and advise in relation to general administration matters.
- They have estimated that their fees will be in the region of c. £150k (plus VAT).
- We have instructed Avison Young (UK) Limited ("AY") to provide valuation services in respect of the Freehold Property (estimated fees £5k plus VAT).

Whilst we are not required to seek creditor approval for any of the foregoing expenses, we confirm that all professional costs are reviewed by us and analysed in detail before payment is approved or made.

Category 2 Expenses

As indicated, these expenses require creditor approval in the same manner as our remuneration.

Based on current information we do not anticipate that any Category 2 expenses will be incurred.



Remuneration and expenses

Pre-administration costs

Statement of pre-administration costs

In the following paragraphs we have provided an explanation of the work carried out by us, Linklaters LLP and FTI Consulting LLP in the period prior to the administration and which was carried out with the intention of helping to achieve the objective of the administration.

Joint Administrators

The Joint Administrators are not proposing to seek payment of any pre-appointment fees, as fees were paid up to date as at the date of the appointment.

Linklaters LLP

During the planning for the administration, we were assisted by Linklaters LLP, a law firm with appropriate experience, on matters including:

- Legal advice in connection to the Transaction; and
- Preparation of the sale agreement and other associated Transaction documents.

This work was carried out to enable the Transaction to be delivered via a pre-pack sale.

Linklaters LLP's fees were based on time incurred and £238k (plus VAT) was unpaid at the date of the appointment.

FTI Consulting LLP

In the following paragraphs we have provided an explanation of the work carried out by us and by FTI Consulting LLP in the period prior to the administration and which was carried out with the intention of helping to achieve the objective of the administration.

During planning for the administration, we were assisted by FTI Consulting LLP, an independent restructuring firm with appropriate experience and credentials in insolvency work to undertake an independent review of the Transaction. This work was carried out prior to the appointment of the Joint Administrators to enable the Transaction to be delivered via a pre-pack sale. As outlined earlier, it is considered that the Transaction delivered a better outcome for creditors compared to the alternative scenarios.

FTI's fees were based on time incurred and are estimated to total £95k (plus VAT). These costs were unpaid at the date of the appointment.

Approval of unpaid pre-administration costs

As set out above, we have unpaid pre administration costs and expenses of £333k plus VAT. The payment of these unpaid costs as an expense of the administration is subject to approval under Rule 3.52 of the Rules. In this regard we will invite the creditors to decide whether and to what extent the unpaid pre-administration costs should be approved for payment.



Additional information

Investigations 23

Case specific matters 23



Additional information

Case specific matters and Investigations

The Insolvency (Amendment) (EU Exit) Regulations 2019 (the "Regulations")

As stated in the administration appointment documents, these are COMI proceedings (i.e. the centre of main interests is in the UK).

Third party assets

Should you believe that you own or have a claim regarding items that may have been present at the Company's premises at the date of our appointment please contact us as soon as possible.

Shareholders

We are not obliged to provide further information or reports to shareholders of the Company. However regular updates will be uploaded to the website set up for the administration at: www.ips-docs.com.

Due to the insolvency of the Company and anticipated level of asset realisations compared with the level of creditor liabilities owed by the Company, there is no prospect of a return being made to the shareholders.

Following our appointment, the Company is no longer able to process transfers of shares, nor re-issue unclaimed dividend cheques.

In certain cases, HM Revenue & Customs may declare shares to be of nil value and capital losses may be claimed. Shareholders should contact their local tax office for further information.

Investigations

As part of our duties, we are obliged shortly after our appointment to review all of the information available to us and conduct an initial assessment of whether there are any matters that might lead to a recovery for the benefit of creditors. This initial assessment includes enquiries into any potential claims that may be brought against parties either connected to or who have had past dealings with the Company.

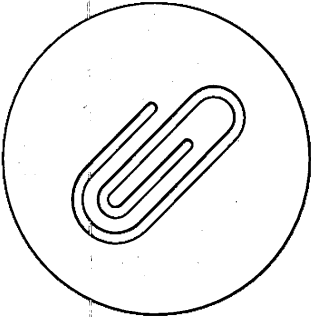
In addition, we are required to consider the conduct of the directors and any person we consider to have acted as a shadow or de facto director in relation to their management of the affairs of the Company and the causes of failure and we will submit a confidential report to the Insolvency Service, a division of the Department for Business, Energy and Industrial Strategy. Creditors who wish to draw any matters to our attention should contact us using the contact details given on page 4 as soon as possible.





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Important notice	31



Appendices

Appendix A

Website

In order to facilitate communication, all statutory reports, documents and notices will be posted on to a website which has been set up specifically for the Company. The web address www.ips-docs.com.

All documents will be retained on the website which will remain live until two months after the conclusion of the proceedings. Please contact Vinay Mistry using any of the contact details given below if you would like to be provided, free of charge, with a hard copy of documents posted, either now or in the future, to the website: www.ips-docs.com.

Phone: 0121 619 0149

Email: vinay.mistry@teneo.com

Postal address: c/o Teneo Financial Advisory Ltd, 156 Great Charles Street, Birmingham, B3 3HN

Please note that, other than notice of intended dividend, no further notice will be given to you when documents are uploaded to the website. It is thus important that you review the website regularly to check for updates, such as notices of decision procedures or our six monthly reports on progress.



Appendices
Appendix B

Fees Estimate

For purposes of the Fees Estimate, the average rate per hour shown for each work activity is based on a blended rate calculated as a factor of the estimated time that each grade of staff will spend on that activity and their specific charge - out rate .

Time Costs to date

These are shown as the average rate per hour for each activity based on the actual time spent by each grade of staff at their specific charge - out rate.

Joint Administrators' Fees Estimate

Our Fees Estimate detailing the work that we anticipate will need to be undertaken for the duration of the appointment together with estimates of the likely cost and amount of time that each part of that work will take to complete, is provided on the next page.

The work anticipated to be undertaken has been categorised by activity which we hope is self explanatory. Please also refer to our Post Appointment Strategy on page 13 where we have talked in more detail about specific tasks on the case.

We have also separately identified and grouped those work activities that are primarily administrative in nature (including tasks required for statutory, regulatory or compliance purposes) from activities which can be seen to directly add value to the case, such as asset realisation or dealing with claims.

Time costs incurred to date

As indicated at page 19 above, we intend to invite the creditors to fix our fees on a time costs basis. An analysis showing our time costs for this work to 28 February 2022 and the average hourly charge for each category of work undertaken to 28 February 2022 is also provided in the Fees Estimate on the next page.

Please note that all staff (including cashiers) assigned to the case record their time spent working on the case on a computerised time recording system. Time spent by secretarial staff working on the assignment is not recorded or recovered. The appropriate staff will be assigned to work on each aspect of the case based upon their seniority and experience, and having regard to the complexity of the relevant work, the financial value of the assets being realised and/or claims agreed. Time is recorded in six minute units.

Time is charged in six minute increments.



Appendices

Appendix B

Joint Administrators' Fee Estimate and time costs incurred from 24 February to 28 February 2022

Activity		Anticipated Time and Costs per Fees Estimate			Actual Time and Costs for Report Period		
		Anticipated hours	Avg Rate £/h	Anticipated fees (£)	Hours incurred in period	Avg Rate £/h	Time costs incurred in period (£)
Administrative activities	Cashiering	15.0	643	9,650	-	-	-
	Case supervision	37.3	985	36,727	-	-	-
	Case reviews	7.4	1,141	8,384	-	-	-
	Case closure matters	26.3	933	24,540	-	-	-
Statutory & compliance	Compliance & IPS diary	71.2	819	58,322	5.0	929	4,645
	Insurance	8.0	815	6,520	-	-	-
	General reporting	174.0	901	156,788	13.5	1,011	13,650
Initial actions	Appointment matters	67.0	1,003	67,210	65.8	854	56,170
	Securing assets	8.0	815	6,520	-	-	-
	Notifications	15.5	721	11,170	15.5	590	9,153
Investigations	CDDA reporting	69.8	826	57,658	-	-	-
Total of above categories		499.5	888	443,488	99.8	838	83,618
Taxation	Tax	24.3	991	24,039	-	-	-
	VAT	68.2	874	59,641	-	-	-
Asset realisations	Property	75.2	878	66,019	2.2	962	2,083
	Sale of business	95.6	985	94,099	19.0	868	16,483
Employees	Correspondence	63.8	844	53,809	8.0	815	6,520
Correspondence	Creditors	77.7	933	72,409	5.0	1,100	5,500
	Press & media queries	33.0	1,014	33,450	9.5	787	7,480
Distributions	Secured creditors	4.3	960	4,129	-	-	-
	Preferential creditors	10.0	380	3,800	-	-	-
	Secondary preferential creditors	9.3	815	7,539	-	-	-
	Unsecured creditors	10.0	380	3,800	-	-	-
Total fees estimate		970.6	892	866,220	143.4	848	121,683



Appendices

Appendix C

Joint Administrators' Proposals

We are required in accordance with paragraph 51 of Schedule B1 of the Insolvency Act 1986 to seek a decision from creditors on the following matters:

1. Approval of our Proposals; and
2. Whether a creditors' committee should be established.

Deemed Consent – Approval of the Joint Administrators' Proposals

We intend to seek approval of our using the deemed consent procedure. This means that unless you wish to object to our Proposals you do not need to take any action. If you do wish to object, you must notify us of your objection before 23.59 hours on 17 March 2022. For further details, please refer to the Notice of Decision to be held by Deemed Consent which has been uploaded to the case website at www.ips-docs.com for viewing and download.

Creditors' Decision Procedure – to be held by correspondence – fixing the basis of our remuneration and other matters

As indicated on page 19 we will also be inviting creditors to decide on other matters, including to fix the way in which our fees will be paid, and as set out below:

1. Approval that the basis of the Joint Administrators' remuneration shall be fixed by reference to the time properly given by the Joint Administrators and their staff in attending to matters arising in the administration plus VAT.
2. Approval that the Joint Administrators' category 2 expenses (if applicable) be approved and the Joint Administrators be authorised to draw both category 1 and category 2 expenses, (plus VAT where applicable) from the administration estate (as applicable).
3. Approval that the Joint Administrators' pre administration fees and expenses, including legal and other professional fees of £238k and £95k plus VAT as detailed on page 21 of the Joint Administrators' Proposals be approved and that the Joint Administrators be authorised to draw the pre-administration fees and expenses and pay the costs of Linklaters LLP and FTI Consulting LLP, plus VAT, from the administration estate.
4. Approval that the Joint Administrators be discharged from liability per paragraph 98 of Schedule B1 of the Act immediately upon the registration of the Joint Administrators' final progress report by the Registrar of Companies.

We are required to take these decisions using a creditors' decision procedure, that is, a procedure which enables creditors to vote for or against the matters under consideration. We propose to do this by correspondence further details of which will be uploaded to the website the next 8 weeks.

As we will be asking creditors to fix the basis on which our fees and expenses are to be paid, a Fees Estimate together with details of the expenses that have been or are likely to be incurred has been included within our Proposals for your information. A copy of "A Creditors' Guide to Administrator's Fees" has also been placed on the website together with Frequently Asked Questions about decision procedures in insolvency proceedings.

Please note that in the event that a creditors' committee is formed, specific approval for resolutions 1,2, 3 and 4 above will be requested from the creditors' committee.



Appendices
Appendix D – No
statement of affairs has
been submitted

Statement of Affairs

The Company's directors were notified on 1 March 2022 that they are required to make out and deliver a statement of the Company's affairs to us by 14 March 2022. Pending receipt of a completed statement of affairs, a schedule of the Company's creditors is given on the following page together with a summary of the Company's financial position as at 21 January 2022 which is given on page 8.



Appendices

Appendix D – No statement of affairs has been submitted

Creditor Ledger

Company	Address	£
ALEXANDER COACHING LLP	166 NORTHWOOD WAY, NORTHWOOD, MIDDLESEX HA6 1RB	2,128
ALVAREZ & MARSAL TAXAND UK LLP	PARK HOUSE, 16 - 18 FINSBURY CIRCUS, LONDON, EC2M 7EB	15,413
BARNETT WADDINGHAM LLP	ACCOUNTS DEPT., 2 LONDON WALL PLACE, LONDON, EC2Y 5AU	128,322
BUSINESSWISE SOLUTIONS LTD	16 LINDRED ROAD, LOMESHAYE BUSINESS VILLAGE, NELSON, LANCASHIRE, BB9 5SR	7,200
CONNECT IN HOUSING LTD	12 THE SCHOOL HOUSE, 2nd AVENUE, TRAFFORD PARK, LANCASHIRE, M17 1DZ	8,655
DWF LLP	BRIDGEWATER PLACE, WATER LANE, LEEDS, LS11 5DY	781
EDISON INVESTMENT RESEARCH	280 HIGH HOLBORN, LONDON, WC1V 7EE	68,184
EQUINITI LIMITED	HIGHDOWN HOUSE, YEOMAN WAY, WORTHING, WEST SUSSEX, BN99 3HH	6,203
HARMER SLATER	CURZON HOUSE, 2nd FLOOR, 24 HIGH STREET, BANSTEAD, SM7 2LJ	1,200
HARRISON IP LTD	3 EBOR HOUSE, LONDON EBOR BUSINESS PARK, MILLFIELD LANE, NETHER POPPLETON YORK, YO26 6QY	7,390
ICSA	SAFFRON HOUSE, 6 - 10 KIRBY STREET, LONDON, EC1N 8TS	240
JONATHAN CRYSTAL		1,500
MBL SEMINARS LTD	THE MILL HOUSE, 6 WORSLEY ROAD, WORSLEY, MANCHESTER, M28 2NL	300
MICROSOFT LIMITED	MICROSOFT CAMPUS, THAMES VALLEY PARK, READING, BERKSHIRE, RG6 1WG	215,085
PAN TRUSTEES UK LLP	3 CASTLEFIELD COURT, CHURCH STREET, REIGATE, SURREY, RH2 0AH	24,486
PINSENT MASONS LLP	1 PARK ROW, LEEDS, WEST YORKSHIRE, LS1 5AB	31,290
PREMIER BENEFIT SOLUTIONS LTD	AMP HOUSE, DINGWALL ROAD, CROYDON, CR0 2LX	5,112
PRICEWATERHOUSE COOPERS LLP	1 EMBANKMENT PLACE, LONDON, WC2N 6RH	239,124
SQUIRE PATTON BOGGS (UK) LLP	PO BOX 574, LEEDS, LS3 1ZH	25,083
STIFEL NICOLAUS EUROPE LTD	150 CHEAPSIDE, LONDON, EC2V 6ET	15,000
THOMSON REUTERS UK LTD	PO BOX 123, HEBDEN BRIDGE, HX7 9BF	4,977
TLT LLP	3 HARDMAN SQUARE, MANCHESTER, M3 3EB	3,248
T-MOBILE	TRIDENT PLACE, MOSQUITO WAY, HATFIELD, HERTFORDSHIRE, AL10 9BW	701
TULCHAN COMMUNICATIONS LLP	85 FLEET STREET, LONDON, EC4Y 1AE	25,500
WATERSHED EUROPE LIMITED	AVIARY ROAD, WORSLEY, MANCHESTER, M28 2WF	1,995
CARA DIGITAL LTD	BARCLAY HOUSE, WHITWORTH STREET WEST, MANCHESTER, M1 5NG	21,600
CARNSTONE PARTNERS LIMITED	THIRD FLOOR, 26 FARRINGDON STREET, LONDON, EC4A 4AB	8,400

Note: Based on the Company's books and records.

We are not aware of any security held by any of the above creditors.



Appendices

Important notice

Important Notice

This document has been prepared by the Joint Administrators solely to comply with their statutory duty under paragraph 49 of Schedule B1 of the Act to lay before creditors a statement of their Proposals for achieving the purpose of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This document has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company.

Any estimated outcomes for creditors included in this document are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this document for any purpose or in any context other than under paragraph 49 of Schedule B1 of the Act does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these Proposals.

The Joint Administrators act as agents of the Company and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Teneo Financial Advisory Limited does not assume any responsibility and will not accept any liability to any person in respect of this document or the conduct of the administration.

All licensed Insolvency Practitioners of Teneo Financial Advisory Limited are licensed in the UK to act as Insolvency Practitioners by the Institute of Chartered Accountants in England & Wales.





This document is confidential and prepared solely for your information. Therefore you should not, without our prior written consent, refer to or use our name or this document for any other purpose, disclose them or refer to them in any prospectus or other document, or make them available or communicate them to any other party. No other party is entitled to rely on our document for any purpose whatsoever and thus we accept no liability to any other party who is shown or gains access to this document.

Teneo Financial Advisory Limited is registered in England & Wales with registered number 13192958 and its registered office at 5th Floor, 6 More London Place London, SE1 2DA, United Kingdom



The Global CEO Advisory Firm

Court Case No. CR-2022-MAN-000136
High Court of Justice
Business & Property Courts of England & Wales in Manchester
Insolvency and Companies List (ChD)

Company Number: 00549034

Registered Office:
c/o Teneo Financial Advisory Ltd
156 Great Charles Street
Birmingham
B3 3HN

Studio Retail Group plc – In Administration

(“SRG”)

SIP 16 Statement

3 March 2022



SIP 16 statement

The Transaction – Overview

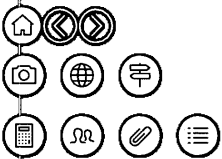
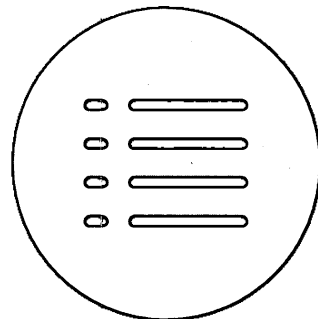
Background Information

Initial Introduction and Pre Appointment Considerations

Marketing

Valuation

The Purchaser and Related Parties



SIP 16 statement

Studio Retail Group plc - In Administration ("SRG")

The Transaction – Overview

The Transaction - Overview

On 24 February 2022 Daniel Smith and Daniel Butters ("the Joint Administrators") of Teneo Financial Advisory Limited ("Teneo") were appointed as Joint Administrators of Studio Retail Group plc ("SRG").

Shortly following the Joint Administrators' appointment, SRG's shareholding in Studio Retail Limited ("SRL"), and certain other assets (together "SRG Assets"), were sold to Frasers Group plc ("FG") ("the Transaction").

The SRG Assets comprised the following:

- The entire issued share capital of SRL including its subsidiaries (Yubei International Trade (Shanghai) Co., Ltd, Express Gifts Philippines Inc. and Studio Online Limited);
- The entire issued share capital of 2Care4 Limited;
- Intellectual Property held in SRG (used in SRL's business);
- The freehold property located at Church, Accrington (BB5 4EL/4EB), being the head office and principal warehouse facility ("Freehold Property");
- Leasehold property interests located at Clayton-Le-Moors Chadderton, and Failsworth (occupied by SRL); and
- Any other assets of SRG relating in whole or in part to SRL's business.

The consideration for the Transaction comprised £1 plus the release of SRG from its liabilities to its secured creditors under its revolving credit facility and ancillary facilities totalling c.£53.1m.

Immediately following the Transaction FG acquired SRG's secured lenders' claims against SRG for a c.£26.8 million cash payment and was therefore in a position to procure the release of SRG's liabilities referred to above.

In addition, in contemplation of the Transaction immediately prior to the appointment of the Joint Administrators, SRG was released from all liabilities under Section 75 and 75A of the Pensions Act 1995 in respect of three of the four sections of the Group's pension fund (the "Pension Fund"). To the extent any further payments are due from SRG in respect of these sections, these will be guaranteed by FG, subject to a cap. Following the Transaction, an additional contribution (guaranteed by FG) will be made to the Pension Fund by SRL. The Trustees of the Pension Fund are supportive of these arrangements.

The Trustees also released their security in respect of SRG's liabilities to all four sections of the Pension Fund.

Statutory Purpose of the administration

The purpose of an administration is split into three parts:

1. To rescue a company as a going concern (in other words, a restructuring which keeps the actual entity intact); and
2. if the first purpose is not reasonably practicable (or the second purpose would clearly be better for the creditors as a whole), then the administrators must perform their functions with the objective of achieving a better result for creditors as a whole than would be obtained through an immediate liquidation of the company. This would normally envisage a sale of the business and assets as a going concern (or a more orderly sales process than in liquidation).
3. If neither of the first two parts of the purpose are reasonably practicable, the administrators must perform their functions with the objective of realising property in order to make a distribution to secured and/or preferential creditors as applicable.

As summarised on the following pages, SRG had significant levels of borrowing (secured debt) and a refinancing of SRG's debts was not achievable. As such the Joint Administrators concluded that the first option was not possible to achieve.

Accordingly, the purpose of the administration of SRG is to achieve a better result for creditors as a whole than would be obtained through an immediate liquidation of SRG. The purpose of the administration has been achieved through the Transaction and the resultant mitigation of creditor claims.

Further details regarding the Transaction are provided on pages 17 and 18.



SIP 16 statement

Studio Retail Group plc - In Administration ("SRG")

The Transaction – Overview

Rationale for the Transaction

Overall, in executing the Transaction, the Joint Administrators consider that they acted with due regard for all of SRG's creditors interests.

The Joint Administrators are satisfied that the Transaction represented the best outcome for SRG's creditors as a whole.

In forming this opinion, the following considerations are noted:

- The Transaction resulted in the release of SRG from its liabilities to its secured creditors under its revolving credit facility and ancillary facilities (c.£53.1m).
- The Transaction provided a better result for the Pension Fund than the most likely alternative in a wind-down scenario and had the support of the Pension Trustees.
- 16 out of SRG's 18 employees transferred to SRL as part of the Transaction reducing any corresponding preferential and unsecured creditor claims. The remaining two employees were made redundant. It is anticipated that there may be a dividend available to preferential creditors.
- Secondary preferential creditor claims with respect to PAYE, NIC and VAT liabilities due to HMRC were minimised as a result of the Transaction. In particular, SRG and SRL were in the same VAT Group. SRL continues to trade as a result of the Transaction and therefore it is anticipated it will meet outstanding VAT liabilities.
- Subject to the value of preferential creditor claims ultimately agreed, there may be funds available to distribute to unsecured creditors in SRG. However, our analysis concluded that they would not receive any dividend in a wind-down of SRG and SRL and therefore are no worse off as a result of the Transaction.

The rationale for the Transaction being delivered as a pre-pack sale in administration is as follows:

- SRG and SRL would have been unable to trade in any meaningful way following the appointment of administrators to allow a longer period to seek a buyer for the business because:
 - The majority of sales were via credit accounts and the Financial Conduct Authority ("FCA") was likely to suspend or withdraw SRL's credit licence;
 - The Group's Lenders indicated they would be unwilling to fund a post-appointment trading period;

- Preliminary offers received during the accelerated sale ("AMA") process indicated that any new third party funding was only likely to be available on a secured basis, and SRG and SRL did not have any unencumbered assets;
- SRL's securitisation funder indicated this facility would not be re-opened in administration and would likely immediately go into a collect out process;
- Stock on hand was likely subject to significant levels of Retention of Title ("ROT") claims.
- Thus, an administration appointment over SRG and SRL without a pre-pack sale would likely have resulted in an immediate wind-down of SRG and SRL.
- The Transaction enabled SRL to continue to trade, preserving the jobs of all of its employees (over 1,500), and protecting the ongoing position for HMRC, trade and other creditors.

Alternative options to the Transaction with FG were considered and are detailed on page 10. Furthermore, the AMA process undertaken by Teneo is outlined on pages 11-14.

Consideration of Connected Party status

FG had a c.29% shareholding in SRG. The Joint Administrators are not aware of any directors or other officers / shadow directors / non-employee associates common to FG and SRG. It is therefore not considered that FG is a connected party of SRG for the purposes of paragraph 60A of Schedule B1 to the Insolvency Act 1986 (shareholding less than 33%).

In any event, Teneo instructed FTI Consulting LLP, an independent restructuring firm with appropriate experience and credentials in insolvency work to undertake an independent review of the Transaction (details provided on page 16).

Teneo also informed FG prior to entering into the Transaction of the potential for enhanced stakeholder confidence in preparing a viability statement for the purchasing entity.

Post appointment – functions and responsibilities

As part of our general duties as Joint Administrators, we are required to manage SRG's remaining business and property, as set out in our proposals which will be uploaded to the website set up for SRG at www.ips-docs.com. Please note that in fulfilling these duties we must act in the best interests of SRG's creditors as a whole.



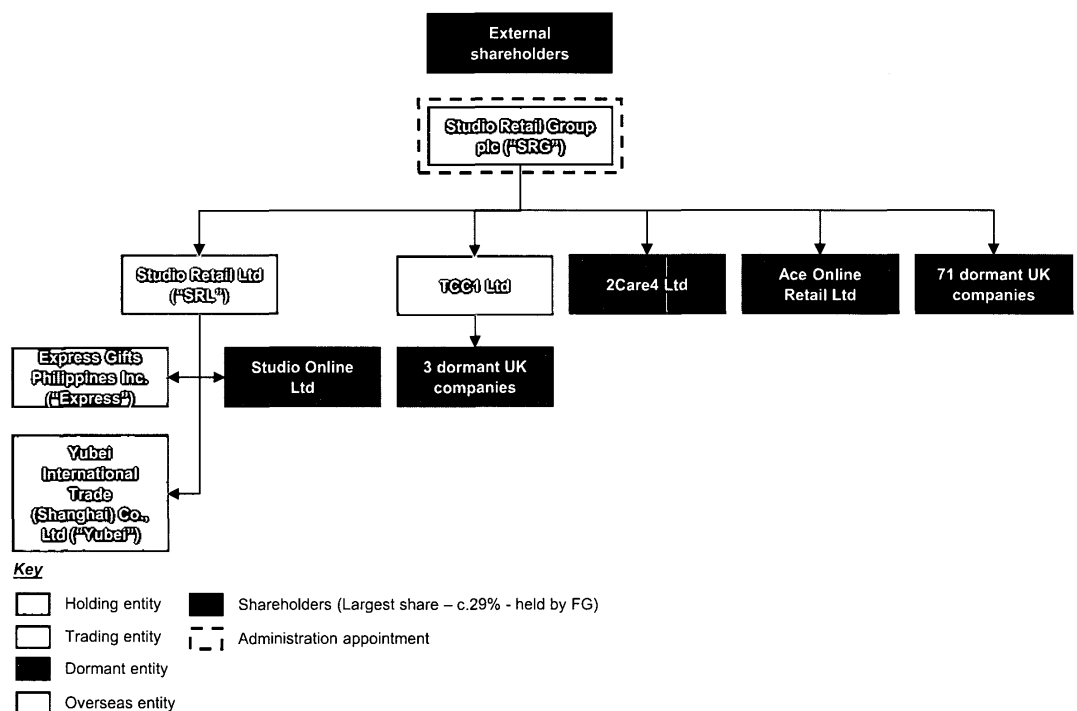
SIP 16 statement

Studio Retail Group plc
- In Administration
("SRG")

Background Information

SIP 16 disclosure

Summarised Group structure chart



Definitions

- The Group** – SRG and its subsidiaries (including SRL) ("the Group").
- SRG** – In Administration. The Group's listed holding company with 18 employees providing central functions such as legal, internal audit and governance.
- SRL** – The main trading entity of the Group which provides an integrated consumer credit offering and is regulated by the FCA. Prior to the Transaction, it was a wholly owned subsidiary of SRG.

SIP 16 statement

Studio Retail Group plc - In Administration ("SRG")

Background Information

Overview

SRG was a holding company with shares listed on the London Stock Exchange, and the parent company of the Group. A Group structure chart is provided on the previous page.

SRG owned 100% of the share capital in SRL which was the main trading entity within the Group prior to the Transaction.

SRL is a FCA regulated online and mail order fashion, homeware and electrical retailer with an integrated consumer credit offering with representative Annual Percentage Rates ("APRs") of c.40%. Customers utilising this credit offering account for c.85% of sales.

SRL has a Chinese subsidiary, Yubei International Trade (Shanghai) Co. Ltd, which acts as a buying agent to acquire stock directly from Asian suppliers.

SRL offers a wide range of products, the majority of which are sourced either directly from Asia or indirectly through UK intermediaries, and include:

- Clothing and footwear: men, women, children's clothing, accessories and footwear;
- Household goods: furniture and furnishings, household textiles, appliances and tableware; and
- Recreation and culture: games, toys and hobbies, garden equipment and pets.

Trading is highly seasonal with c.40% of sales achieved during Q3 of its financial year (Oct to Dec).

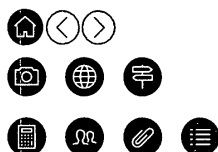
Neither the business nor assets of SRG have been acquired from an Insolvency Practitioner ("IP") within the 24 months prior to the Joint Administrators' appointment.

Debt and security structure

SRG had the following debt facilities:

- A £50m Revolving Credit Facility ("RCF") provided by a syndicate of banks comprising Barclays Bank Plc, HSBC UK Bank Plc and National Westminster Bank Plc (together "the Lenders").
- The RCF was fully drawn to £50m as at the date of the Joint Administrators' appointment.
- The Lenders also provided a number of ancillary trading facilities with exposures totalling c.£3.1m as at the date of the appointment.
- The Lenders had fixed and floating charge security over all the assets of SRG and substantially all of the assets of SRL that was created on 28 June 2021. The security covered the RCF plus the ancillary facilities provided by the Lenders.
- The RCF security was shared with the Group's Pension Fund pursuant to an intercreditor agreement dated 29 June 2021 which provided that any amounts owing to the Pension Fund ranked pari-passu with amounts owing to the Lenders.

In addition, SRL also raised funding secured against its consumer receivables through a £275m Securitisation Facility ("SF") provided by HSBC UK Bank plc ("the SF Lender"). SRG was not an obligor under the SF but was party to the arrangements.



SIP 16 statement

Studio Retail Group plc

- In Administration

("SRG")

Background Information

Group P&L

£m	FY19	FY20	FY21	FY22 YTD
Product	391.0	391.7	516.8	355.6
Financial services	116.9	123.0	133.2	113.9
Revenue	507.9	514.7	650.0	469.5
Product	(260.6)	(260.3)	(332.2)	(248.1)
Financial services	(36.1)	(53.9)	(45.7)	(30.8)
Cost of sales	(296.7)	(314.3)	(377.9)	(279.0)
Gross profit	211.2	200.4	272.1	190.5
Marketing costs	(42.5)	(34.8)	(36.6)	(33.5)
Distribution costs	(47.1)	(37.1)	(48.5)	(35.2)
Admin costs	(70.4)	(92.8)	(116.6)	(86.5)
EBITDA	51.3	35.7	70.5	35.3
Depreciation	(11.7)	(12.1)	(14.1)	(10.4)
Operating profit	39.6	23.6	56.4	24.8
Interest	(9.7)	(8.7)	(7.3)	(6.7)
Other items	(0.1)	(6.7)	(8.1)	4.6
Profit before tax	29.9	8.2	41.0	22.7
Tax	(0.1)	(0.2)	-	(0.1)
Net Profit	29.7	8.1	41.0	22.6

Source: Management information

Notes:

FY22 YTD covers the 10 month period to 21 January 2022.

The information presented has been provided to us by Management. Our procedures did not include verification work or constitute an audit in accordance with auditing standards.

As noted on page 4, SRG was the holding company of the Group. In order to provide an overview of the historical trading performance, we have presented the Profit and Loss of the Group as a whole.

Group trading overview

FY21

- In FY21, the Group's revenue significantly increased as it benefitted from the closure of high street competitors during the COVID-19 pandemic.
- There was a growth in active customer accounts from 1.8m to 2.5m, an increase of 36 percentage points year on year, and online ordering increased to 92.9%. This was driven by an increase in customers who found Studio for the first time during the pandemic.
- The number of customers within this total who now have a credit account increased by 14% to 1.5m. The average annual spend per customer increased by around 5% to £180.

FY22YTD

- In FY22, financial performance started to trend towards levels seen in FY19 and FY20. The Group experienced considerable supply chain disruption during Q2 and Q3 which impacted on its peak, pre-Christmas, trading period, further detail is provided on page 8.



SIP 16 statement

Studio Retail Group plc
- In Administration
("SRG")

Background Information

Balance sheet as at 21 January 2022 (P10, FY22)

£m	SRG
Intangible assets	35.3
Tangible assets	7.8
Total Non Current Assets	43.1
Interco debtors	11.7
Trade debtors	0.0
Other debtors & prepayments	4.6
Corporation tax debtor	3.8
Cash at bank and in hand	(55.2)
Total Current Assets	(35.1)
Trade creditor	(0.7)
Interco creditors	(8.2)
Other creditors (Sales Tax)	1.5
Accruals	(3.5)
Provisions	(5.5)
Current Liabilities	(16.4)
Interco Loans	40.0
Deferred tax creditor	(3.0)
Pension scheme obligations	32.8
Non Current Liabilities	69.8
Net Assets	61.4
Share capital	48.7
Retained loss/profit	12.7
Total Equity	61.4

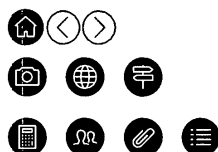
Source: Management Information

Note: The information presented has been provided to us by Management. Our procedures did not include verification work or constitute an audit in accordance with auditing standards.

Balance sheet overview

The table opposite summarises SRG's balance sheet as at 21 January 2022 (P10, FY22).

- Notable assets held on SRG's balance sheet as at 21 January 2022 were:
 - Intangible assets:** included shares held in SRL and other subsidiaries;
 - Property:** Freehold head office building based in Accrington (net book value of £7.8m) and leasehold properties (Clayton-Le-Moors, Chadderton, and Failsworth) with no balance sheet value; and
 - Intercompany:** £40m receivable due from SRL in relation to funds provided to it for trading purposes. As a result of the Transaction, there is no residual value in this asset.



SIP 16 statement Studio Retail Group plc - In Administration ("SRG")

Background Information

Circumstances leading to the appointment of the Joint Administrators

Recent trading

As previously outlined, SRG was the holding company of the Group with trading operations held in SRL.

SRL experienced considerable supply chain disruption during the six months to December 2021, which delayed the receipt of stock into the UK resulting in an inability to meet customer demand and the loss of sales throughout the Group's peak, pre-Christmas, trading period.

Whilst stock was primarily sourced from Asia and committed on long lead times, SRL was unable to cancel late arriving stock which resulted in a sizable stock "overhang".

This, combined with a reduction in Q4 sales, seasonal reduction in availability under the SF and the current level of overdue creditors, resulted in a significant funding shortfall.

In January 2022, prior to our involvement, the Group approached the SF Lender to further extend the SF facility. However, the funding request was declined.

On 31 January 2022, SRG issued a trading statement which set out the Group's downgraded earnings expectations of £28m - £30m (vs £35m - £40m set out in the SRG's November 2021 market update) and referenced the presence of a working capital funding requirement.

The stock market update triggered a decline in SRG's share price from 159p closing price on 28 January 2022 to 103p closing price on 31 January 2022.

SRL also experienced further repercussions from the market update including a number of suppliers putting SRL on stop and indications from Credit Insurers that there may be a future reduction in cover / terms to future supply invoices.

Due to trading underperformance during its peak pre-Christmas period and significant stock build up, the Group identified a forecast funding requirement of at least £35m (prior to any further impact of the filing of Notices of Intention to Appoint Administrators ("NOI") over SRG and SRL and ceasing to trade, as noted opposite).

The funding was forecast to be required during the week ending 4 February 2022, in order to return all suppliers to within credit terms.

It was anticipated that the funding requirement could be reduced by up to £10m (down to £25m) through a number of mitigating actions.

SRG's Board sought to raise the additional funding to meet this requirement from its existing lenders, however this was unsuccessful. Accordingly, the Group faced an immediate cash shortfall.

Absent additional funding, the Group did not have sufficient funds to pay the outstanding amounts due to suppliers. In addition, the Group did not have sufficient cash to meet wage costs beyond the end of February 2022.

In the absence of additional funding options for the Group, and facing imminent insolvency, on 14 February 2022 the respective Boards of Directors filed NOI's for SRG and SRL. Following this, SRL suspended its FCA regulated activities and ceased trading with the website blocked from making any further sales.

As a result, a number of suppliers materially reduced or removed credit terms and the funding requirement necessary to re-start trading and stabilise the supplier base was anticipated to be higher than previously forecast.

Following the filing of NOI's, FG approached the Group to explore options. Following an accelerated period of assessment, an initial written offer was submitted by FG on 17 February 2022.



SIP 16 statement

Studio Retail Group plc

- In Administration

("SRG")

Initial Introduction

Pre Appointment Consideration

SIP 16 disclosure

Initial Introduction

Prior to the Administration appointment, Teneo was engaged by the Group and the RCF Lenders to carry out the following advisory engagements:

- Phase 1 – 28 January 2022:
 - Review the Group's short-term (12-week) cash flow forecast; and
 - Advise the Lenders in their negotiations with the Group and other stakeholders, alongside the Lenders' legal counsel and the Group's advisers, with respect to the Group's additional funding requirement.
- Phase 2 – 8 February 2022:
 - Provide short term cash flow monitoring; and
 - Carry out an initial options review (incl. AMA) and contingency planning.
- Phase 3 – 19 February 2022:
 - Provide contingency planning advice including undertaking the steps necessary to be able to accept an Administration appointment over SRG and/or SRL and deliver a pre-packaged business and assets disposal should it be required; and
 - Carry out planning and execution of an AMA / sales process.
 - Note: work under this engagement commenced on 17 February 2022 due to associated time pressures, with the engagement letter subsequently signed.

Please note that the Joint Administrators have not provided any advice to the directors in their personal capacity other than advising them to take independent advice on their own position.

Functions and Responsibilities

Our role during the advisory phases was primarily to act as advisor to the RCF Lenders and the Group (but not the directors in their capacity as such) and entailed assisting the parties in assessing options available. Following our appointment as Joint Administrators we have a statutory obligation to perform our functions in the interests of SRG's creditors as a whole.

Pre-appointment Considerations

Prior involvement

Prior to the matters identified opposite, Teneo had had no prior involvement with SRG or its directors.

Consultation with stakeholders

As noted on page 8, in January 2022, prior to our involvement, the Group approached the SF Lender to further extend the SF facility. However, the funding request was declined.

SRG's Board sought to raise the additional funding requirement from its existing lenders. The Lenders confirmed that they were not in a position to extend further funding to SRG.

The Pension Trustees were kept fully briefed by SRG. Teneo held a number of meetings with the Pension Trustees and their advisers prior to the Transaction.

HMRC was not consulted on the terms of the Transaction. SRG and SRL were in the same VAT Group. SRL continues to trade as a result of the Transaction and therefore it is anticipated it will meet outstanding VAT liabilities.

On 17 February 2022 SRG's Chairman shared correspondence with Teneo and the Lenders from four of SRG's shareholders (c.26% of the issued share capital) providing written non-binding indications of support for an equity raise. However, the SRG Board subsequently concluded that SRG was unable to raise sufficient funding to bridge to any such equity raise and therefore concluded that this option was not practicable.

SRG also had a small number of unsecured creditors.



SIP 16 statement Studio Retail Group plc - In Administration ("SRG")

Alternative options

Pre Appointment Consideration

Alternative options considered

The following alternative options to the Transaction were considered. In all cases, the lack of additional funding available to support the business whilst these options were explored / executed was the primary limiting factor. The Joint Administrators were appointed over SRG only. However, due to the liquidity pressures experienced by the Group as a whole, and the need for SRL to enter administration in the absence of the Transaction, the Joint Administrators considered alternative options with respect to the Group.

Option	Considerations
Equity raise / shareholder loan	<ul style="list-style-type: none"> A non-pre-emptive raise would not have provided sufficient funding to meet the Group's funding requirement. A larger pre-emptive equity raise would have required a timetable of several months with funding required in the intervening period. We understand that on 17 February 2022 SRG's Chairman approached a number of shareholders in SRG seeking indications of support to an equity raise process. Whilst a number of shareholders expressed their likely support for an equity raise, on 18 February 2022 the Lenders received written confirmation from the Chairman that it would not be possible to undertake an equity raise process due to lack of available funding to support the timeline required for such a process.
Administration appointment (SRG and SRL) followed by accelerated M&A process	<ul style="list-style-type: none"> Given the Group's liquidity position, additional funding would have been required to support an M&A process in Administration. Given the size and complexity of the business, a minimum of four weeks would typically have been required for such a process. The Group did not have sufficient funding to support this option.
Administration appointment (SRG and SRL) followed by a limited period of trading	<ul style="list-style-type: none"> It was anticipated that SRL's ability to continue to offer and fund credit sales would be severely limited due to likely FCA restrictions and the lack of access to the securitisation facility. Cash sales in SRL represented only c.15% of sales and therefore would not have provided sufficient realisations to cover the costs of trading the business. Therefore the Group did not have sufficient funding to support this option.
Administration appointment (SRG and SRL) followed by orderly wind-down	<ul style="list-style-type: none"> In this scenario we estimated that SRG's creditors as a whole, including the Lenders, would have suffered a much larger shortfall against their debts than from the Transaction. This scenario would have resulted in significant employee redundancies at SRG and SRL. It was also anticipated that the unsecured creditors would have suffered a significant shortfall with only limited recoveries through the Prescribed Part in SRL.
Re-finance / bridge funding from a new lender	<ul style="list-style-type: none"> Re-finance: not considered viable given the time constraints and lack of up to date financial forecasts for the Group. Bridge funding: this option was not considered viable due to the lack of available security to fund against. Based on the feedback received from the AMA process, a small number of parties noted bridge funding as a possibility but it would have required an asset backed secured position. The Group did not have any unencumbered assets, with the main assets being property and stock which were secured to the Lenders.
CVA and/or Restructuring Plan	<ul style="list-style-type: none"> Due to the immediate funding requirement of the Group, a Company Voluntary Arrangement ("CVA") and /or Restructuring Plan were not considered viable options. CVA: <ul style="list-style-type: none"> Based on prior experience, the CVA process could take c.12 weeks. In addition, it does not provide a moratorium and protection from creditor action. Furthermore, it was not anticipated that an outcome of a CVA would have improved the outcome to creditors of SRG or the Group as a whole compared to the Transaction. Restructuring Plan: There were no funds available to fund the material upfront legal costs of this process.



SIP 16 statement Studio Retail Group plc - In Administration ("SRG")

Marketing

SIP 16 disclosure

Marketing of the Business and Assets

Overview

The Teneo AMA team held an on-site meeting with Management on 15 February 2022 to progress the AMA planning.

The AMA planning workstream was placed on hold by the Board on 16 February 2022 as SRG was pursuing a solvent offer from FG, and the Group did not have sufficient Management time to support both the FG process and the AMA planning workstream in parallel. The Lenders supported this decision by the Board.

Following the receipt of an initial written offer from FG on 17 February 2022 which assumed delivery via pre-packaged insolvency of SRG, the Board decided to immediately recommence the AMA planning workstream with a deadline of 28 February 2022 due to liquidity pressures.

The scope of the AMA planning workstream included the preparation of the following:

- Summary Information Memorandum ("IM") on the Group with an appropriate level of detail within the available time;
- Supplementary data book of financial information;
- List of potential trade and financial buyers to be approached;
- Script for calls with potential buyers;
- Plan for Management to produce financial forecasts for FY23 in a very accelerated timeline (noting that FY23 forecasts were considered to be a key due diligence area for potential buyers and the timing of their availability would have been on the critical path for any potential buyer); and
- Draft Non Disclosure Agreement ("NDA") and process letter and outline timeline targeting a transaction by 28 February 2022.

SRG together with Stifel, its corporate broker, undertook a public sale process to explore the sale of the shares of SRG between December 2020 and April 2021 ("Project Decade"). This process involved discussions with c.76 trade and financial parties but did not result in an offer for the shares of SRG.

The AMA process sought to leverage materials and feedback from Project Decade as much as practically possible.

Summary of parties approached

Teneo initially identified 20 parties to contact, which comprised 10 trade buyers and 10 financial investors. Input was also received from SRG's senior management team.

Key attributes for those parties identified included:

- Trade buyers with interest to acquire an established digital platform and/or extensive customer base;
- Financial investors with experience of retail and/or financial credit businesses;
- Capability to complete a transaction within a highly accelerated timeline (assumed to be no later than 28 February 2022) and based on limited due diligence;
- Availability of required funding;
- Prior knowledge of the Group from Project Decade;
- Pre-existing FCA licence which would have significantly increased their capability to complete a transaction in the available timelines; and
- A deliverable approach towards the SF.

Following the Regulatory News Service ("RNS") announcement of the NOI and subsequent press coverage, inbound interest was received from 15 trade and financial parties (which included 4 parties on our initial list).

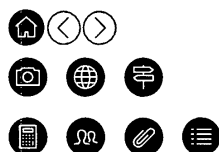
Approaches to the list of 31 parties commenced on 17 February 2022 and the key guidance on the process included:

- Targeting completion by no later than 28 February 2022;
- Seeking indicative offers from interested parties by Wednesday 23 February 2022; and
- A flexible approach towards transaction structure to achieve the optimal sale outcome, however, a likely transaction structure would involve an Administration-led sale of the business and assets of the Group and/or the shares of the subsidiaries of SRG.

Parties expressing interest in the opportunity were provided with the following information (post-agreement of an NDA):

- Summary IM (available on 19 February 2022); and
- Supplementary data book (available on 19 February 2022).

It was also planned to provide FY23 financial forecasts to bidders once these were finalised by Management.



SIP 16 statement

Studio Retail Group plc
- In Administration
("SRG")

Marketing

Marketing of the Business and Assets (continued)

Status of parties contacted (summarised opposite)

31 parties were contacted, of which 12 were trade buyers and 19 were financial buyers. Of these:

- 1 party failed to respond to calls or emails introducing the opportunity or did not provide feedback after the initial discussion;
- 8 declined before signing up to an NDA. Reasons given for not considering the opportunity included being unable to get comfortable in the timeframe, concern around ability to obtain an FCA licence and Studio's offering not being aligned to existing strategy;
- 8 parties expressed interest in specific assets (e.g. stock, securitisation book) and were not progressed at this stage given the focus on a sale of the Group as a going concern;
- 14 parties requested an NDA, of which 9 returned signed copies and were subsequently provided with the Summary Information Memorandum and financial data book; and
- 1 party that received the information pack subsequently withdrew from the process following the announcement on 24 February 2022 that SRG has entered administration.

Teneo provided the following outline guidance to interested parties during the initial approach discussions:

- Targeting completion by no later than 28 February 2022;
- Provision of information would commence on 19 February 2022;
- Availability of Teneo over the w/e of 19/20 February 2022 to support with additional information requests if bidders wished to submit; and
- Seeking indicative offers from interested parties by Wednesday 23 February 2022.

8 parties were understood to be working on the opportunity but had not commenced detailed due diligence and/or submitted a written indicative offer as at the date of the Joint Administrators' appointment. One of those parties verbally indicated a potential offer on 24 February 2022 as discussed overleaf. However, a written indicative offer was not received.

Stage	Trade	Financial	Total
Potential buyers identified	8	8	16
Inbound expression of interest	4	11	15
Total parties approached	12	19	31
NDA sent	6	8	14
NDA signed	5	4	9
Information pack provided	5	4	9
Written offers received	0	0	0



SIP 16 statement
Studio Retail Group plc
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("SRG")

Marketing

Marketing of the Business and Assets (continued)

Interested party

On 24 February 2022 an interested party verbally indicated a potential offer to acquire the RCF debt at 40p/£. The offer was for the RCF debt only and was not a going concern offer for the business. A written indicative offer was not received.

Notwithstanding that, the Joint Administrators have considered the verbal indicative offer and have concluded that it would have provided a less favourable outcome to the creditors of SRG and the Group as a whole compared to the Transaction.



SIP 16 statement Studio Retail Group plc - In Administration ("SRG")

Marketing

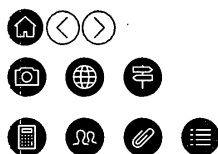
Marketing of the Business and Assets (continued)

Conclusion

Likelihood of an alternative AMA transaction

Due to the specific circumstances and available timeline detailed below, the prospect of achieving a sale of the Group to an alternative purchaser yielding a better outcome for the Group's stakeholders as a whole remained significantly challenging and highly uncertain.

- The timeline to conclude an alternative and deliverable offer was only 6 days (i.e. by 28 February 2022), which was a highly accelerated timeline.
- 9 parties (5 trade parties and 4 financial investors) signed NDAs and 8 of these were reviewing information on the transaction opportunity. These parties were only reviewing the Summary IM and supplementary data pack and had not commenced detailed due diligence.
- Two trade buyers responded quickly and received information on 19 February 2022, however, we had concerns around deliverability risk with these parties. The other two trade parties only agreed NDAs and received information on 20 February and 21 February respectively.
- It was considered highly unlikely that any of the trade buyers would get comfortable in providing Administration funding to buy a period of exclusivity and a longer timeline to complete a transaction, particularly with the unavailability of FY23 cash flow forecasts for the Group.
- While parties expressed potential interest in the opportunity in our initial approaches, we would characterise most of the interest received as speculative in nature, with many parties highlighting the process timeline and FCA licence as key challenges to any transaction. However, we continued to follow up on this interest in the event that such parties wished to engage.
- The hurdle value for any alternative offer which did not involve the assignment of the RCF debt from the Lenders to the purchaser was £50m (versus FG offer of c.£25m) as the Transaction resulted in the full release of SRG's liabilities in respect of the RCF (£50m). The Lenders were supportive of the FG offer.
- It was anticipated that the AMA process would be delivered via an insolvency mechanism following a continued period of non-trading (with limited or no warranties and indemnities, operational disruption, impact on key contracts, and potentially negative PR).
- The Group's P&L FY23 forecasts were only finalised by Management and available to be shared with bidders on 22 February 2022. The timing of availability of the FY23 cash flow forecasts was uncertain as Management lacked sufficient bandwidth to finalise these forecasts in parallel with supporting the final due diligence process for the FG offer. As such information was considered to be a critical due diligence area for bidders (who would have required sufficient time to review this information), this had significant implications for the prospect and timeline for any deliverable alternative offer.
- Market issues such as the sustainability of the sub-prime consumer credit business model and the potential FCA credit licence issues currently faced.
- A potential purchaser of the business would have required either an existing FCA licence on completion or be able to obtain their own FCA licence.
 - This narrowed the potential buyer pool to either trade buyers with an existing FCA licence or financial investors with alternative angles (e.g. portfolio companies with FCA licences).
 - Given the targeted timelines for the AMA process, any potential purchaser requiring a new FCA licence would have needed to be comfortable to complete on a transaction with no FCA licence conditionality and then conclude the FCA licence process post completion (given the anticipated timelines for the FCA approval processes).
- Whilst the principal securitisation debt was outside of SRG /SRL, it is likely that a purchaser would have looked to keep this financing structure in place. This would have required a novation of the financing documents and the negotiation of relevant terms to achieve the consent of the SF Lender within the targeted timeline. No bidders had requested or proposed indicative terms with the SF Lender as at the date of the appointment.



SIP 16 statement
Studio Retail Group plc
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("SRG")

Marketing

Marketing of the Business and Assets (continued)

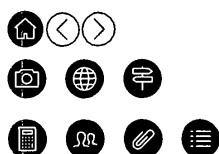
SIP 16 marketing essentials

SIP16 specifies five factors relating to marketing a business ("Marketing Essentials").

For reasons outlined earlier in this section, it was not possible to fully market the business. Therefore, we were unable to fully comply with the Marketing Essentials.

Notwithstanding this, we have outlined below the steps taken to market the business since we were engaged to do so.

Marketing Essentials	Considerations
Broadcast	<ul style="list-style-type: none"> Given the factors outlined below, it was considered that the parties approached provided appropriate market coverage and was proportionate to the size and nature of the business: <ul style="list-style-type: none"> specialist nature of the business, operating in the highly regulated (FCA) consumer credit market; accelerated timescale requiring limited scope due diligence (particularly compared with what would ordinarily be contemplated on a purchase of shares); and limited availability of forecast financial information. In addition, the Group notified the market of the intention to appoint administrators via a RNS announcement on 14 February 2022, providing an opportunity for any interested parties to approach the Group.
Justify the marketing strategy	<ul style="list-style-type: none"> The approach to marketing the business is outlined in the preceding slides, underpinned by a strategy of directly approaching a selection of strategically identified potential buyers. This was considered to represent the most effective strategy in the circumstances.
Independence	<ul style="list-style-type: none"> SRG had undertaken a public sale process to explore the sale of the shares of SRG between December 2020 and April 2021. Whilst due consideration was given to this process in identifying potential interested parties; given the time that has passed the current marketing strategy was devised independently of the Project Decade process.
Publicise rather than simply publish	<ul style="list-style-type: none"> Time available to market the business was limited by the factors outlined earlier. However, the RNS announcement on 14 February 2022 was highlighted in a number of national and local media outlets.
Connectivity	<ul style="list-style-type: none"> As noted above, given the significant time constraints direct approaches to a number of strategically identified interested parties was deemed to be the most appropriate strategy. RNS announcement resulted in a wide spread media and press coverage. 15 inbound enquiries were also considered. Given the nature of the business and the accelerated nature of the process, setting up an online communications channel specifically for marketing purposes (e.g. website) was not considered to be appropriate under the circumstances.
Comply or explain	<ul style="list-style-type: none"> The Transaction resulted from a direct approach from FG to the Group. Although further marketing activity was undertaken as part of the AMA process, the Transaction was considered to deliver the best outcome to SRG's creditors as a whole.



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Valuation

SIP 16 disclosure

Valuation of the Business and Assets

Due to the lack of funding and consequent time constraints to deliver the Transaction, it has not been possible to obtain independent third party valuations of the SRG Assets including SRG's shares in SRL, its Intellectual Property assets and the Freehold Property.

Based on our previous experience, it takes c.4 weeks to complete valuations of shares and assets under such circumstances. However, due to the complexity of the business and high level of distress (NOI filed and SRL's trading ceased) we anticipated that the time required to carry out the valuations would increase further.

Taking account of the circumstances / accelerated timescales and lack of asset valuations, the Joint Administrators took the following mitigating steps:

- FTI Consulting LLP, an independent restructuring firm with appropriate experience and credentials in insolvency work, was instructed by Teneo on 18 February 2022 (engagement letter was signed on 22 February 2022 due to time constraints) to undertake an independent review of the Proposed Transaction.
- The Group had previously engaged Avison Young (UK) Limited ("AY") to provide valuation services in respect of the Freehold Property (see opposite). The Joint Administrators have relied upon the initial outcome of this work, being an informal desktop valuation. AY has since provided a final version of its report to the Joint Administrators.

Business and assets of SRG (excl. property)

FTI has performed an assessment of the Joint Administrators' decision making process and has provided an independent professional view that the Proposed Transaction appears to be in the best interest of SRG's creditors, based on the information provided. and FTI's experience and professional judgement.

The outcome of the independent verification carried out by FTI supported the Joint Administrator's assessment that under the current circumstances, the consideration offered by FG was appropriate and that the Transaction represented the best outcome for the stakeholders of SRG and the Group as a whole.

For the avoidance of doubt, FTI has not performed a valuation of the business, instead it was an independent assessment of the Transaction.

Property

An informal, desktop valuation has valued the Freehold Property at c.£9m-£11m before costs of realisation, assuming a vacant possession sale with a limited marketing period of nine months.

This valuation has been used to inform the Joint Administrators' view on the value of the property. A final report provided to the Joint Administrators showed the value of the freehold property in line with the informal valuation.

Independent IP

FTI confirmed it is appropriately qualified, that it has adequate professional indemnity insurance to undertake this work and has no conflicts of interest.

Valuers

Avison Young confirmed it is appropriately qualified to undertake property valuations, has appropriate professional indemnity insurance to undertake this work and it does not have any conflicts of interest.

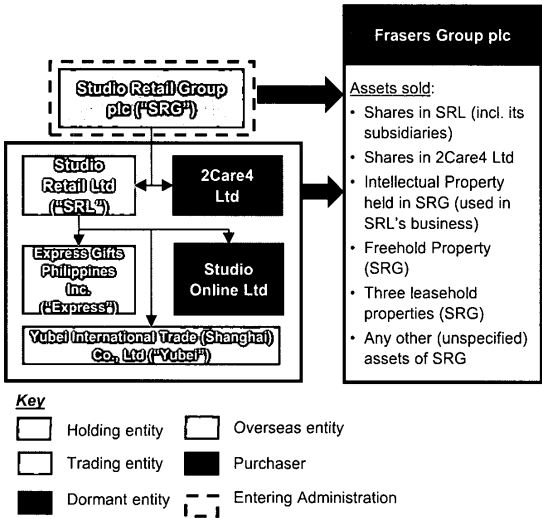


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The Purchaser and
Related Parties

Assets

SIP 16 disclosure



Assets

Shortly following the appointment of the Joint Administrators the following assets of SRG were sold to FG:

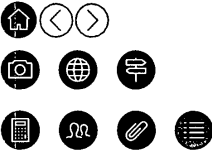
- The entire issued share capital of SRL including its subsidiaries (Yubei International Trade (Shanghai) Co., Ltd, Express Gifts Philippines Inc. and Studio Online Limited);
- The entire issued share capital of 2Care4 Limited;
- Intellectual Property held in SRG (used in SRL's business);
- The freehold property located at Church, Accrington (BB5 4EL/4EB), being the Group's head office and principal warehouse facility ("Freehold Property");
- Leasehold property interests located at Clayton-Le-Moors Chadderton, and Failsworth (occupied by SRL); and
- Any other assets of SRG relating in whole or in part to SRL's business.

Consideration of Connected Party status

FG had a c.29% shareholding in SRG. The Joint Administrators are not aware of any directors or other officers / shadow directors / non-employee associates common to FG and SRG. It is therefore not considered that FG is a connected party of SRG for the purposes of paragraph 60A of Schedule B1 to the Insolvency Act 1986 (shareholding less than 33%).

In any event, Teneo instructed FTI Consulting LLP, an independent restructuring firm with appropriate experience and credentials in insolvency work to undertake an independent review of the Transaction.

Teneo also informed FG prior to entering into the Transaction of the potential for enhanced stakeholder confidence in preparing a viability statement for the purchasing entity.



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Sales Consideration

Sale Consideration

The total consideration for the Transaction was £1 plus the release of £53.1m of secured liabilities under SRG's RCF and ancillary facilities.

Immediately following the Transaction, FG acquired SRG's secured lenders' claims against SRG for a c.£26.8 million cash payment and was therefore in a position to procure the release of SRG's liabilities referred to above.

In addition, in contemplation of the Transaction immediately prior to the appointment of the Joint Administrators, SRG was released from all liabilities under Section 75 and 75A of the Pensions Act 1995 in respect of three of the four sections of the Group's pension fund (the "Pension Fund"). To the extent any further payments are due from SRG in respect of these sections, these will be guaranteed by FG, subject to a cap. Following the Transaction, an additional contribution (guaranteed by FG) will be made to the Pension Fund by SRL. The Trustees of the Pension Fund are supportive of these arrangements.

The Trustees also released their security in respect of SRG's liabilities to all four sections of the Pension Fund.

An apportionment of value attributed to the SRG Assets sold to FG is provided below:

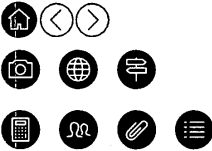
Asset description	Fixed Charge Allocation	Floating Charge Allocation
Shares in SRL	£45,515,391	-
Intellectual Property	£500,000	-
Freehold property	£7,000,000	-
Leasehold property interests	£20,000	-
Share capital of 2Care4 Ltd	£1	-
Any other (unspecified) assets	-	£50,000
Total consideration	£53,035,392	£50,000

The above values are notional as the consideration received by SRG for the SRG Assets was primarily the release of SRG's secured liabilities. Only £1 of cash consideration was paid by the Purchaser.

Additional considerations

In addition to the headline consideration, the following should be noted in respect of the Transaction:

- 16 out of SRG's 18 employees transferred to SRL as part of the Transaction.
- SRG and SRL were in the same VAT Group. SRL continues to trade as a result of the Transaction and therefore it is anticipated it will meet outstanding VAT liabilities.





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