

AM03

Notice of administrator's proposals



Companies House

SATURDAY



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base

use

1 Company details

Company number 0 2 9 1 0 5 6 7

Company name in full Property Portfolio (No. 14) Ltd

→ Filling in this form
Please complete in typescript or in
bold black capitals.

2 Administrator's name

Full forename(s) Zelf

Surname Hussain

3 Administrator's address

Building name/number PricewaterhouseCoopers LLP

Street 7 More London

Riverside

Post town London

County/Region London

Postcode S E 1 2 R T

Country

4 Administrator's name

Full forename(s) Peter David

Surname Dickens

① Other administrator
Use this section to tell us about
another administrator.

5 Administrator's address

Building name/number PricewaterhouseCoopers LLP

Street 1 Hardman Square

Post town Manchester

County/Region

Postcode M 3 3 E B

Country

② Other administrator
Use this section to tell us about
another administrator.

AM03
Notice of Administrator's Proposals

6 Statement of proposals



I attach a copy of the statement of proposals

7 Sign and date

Administrator's
Signature

Signature



J. Maclellan



Signature date

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AM03

Notice of 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 Sian Barraclough

Company name PricewaterhouseCoopers LLP

Address Level 8, Central Square,

29 Wellington Street

Post town Leeds

County/Region

Postcode L S 1 4 D L

Country United Kingdom

DX

Telephone



Checklist

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- ☐ You have attached the required documents.
- ☐ You have signed and dated the form.



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Continuation page

Name and address of insolvency practitioner

✓ **What this form is for**
Use this continuation page to tell us about another insolvency practitioner where more than 2 are already jointly appointed. ❶
Attach this to the relevant form.
Use extra copies to tell us of additional insolvency practitioners.

✗ **What this form is NOT for**
You can't use this continuation page to tell us about an appointment, resignation, removal or vacation of office.

→ **Filling in this form**
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1 Appointment type

Tick to show the nature of the appointment:

- ☒ Administrator
- ☐ Administrative receiver
- ☐ Receiver
- ☐ Manager
- ☐ Nominee
- ☐ Supervisor
- ☐ Liquidator
- ☐ Provisional liquidator

❶ You can use this continuation page with the following forms:

- VAM1, VAM2, VAM3, VAM4, VAM6, VAM7
- CVA1, CVA3, CVA4
- AM02, AM03, AM04, AM05, AM06, AM07, AM08, AM09, AM10, AM12, AM13, AM14, AM19, AM20, AM21, AM22, AM23, AM24, AM25
- REC1, REC2, REC3
- LIQ02, LIQ03, LIQ05, LIQ13, LIQ14,
- WU07, WU15
- COM1, COM2, COM3, COM4
- NDISC

2 Insolvency practitioner's name

Full forename(s)

Yulia

Surname

Marshall

3 Insolvency practitioner's address

Building name/number

PricewaterhouseCoopers LLP

Street

7 More London

Riverside

Post town

London

County/Region

Postcode

S E 1 2 R T

Country

United Kingdom

Blue Group (certain companies in administration)

**Joint administrators' proposals for achieving the purpose
of administration**

Date 8 July 2020

Anticipated to be delivered on 9 July 2020

**In accordance with Paragraph 49 of Schedule B1 of the
Insolvency Act 1986 and Rule 3.35 of the Insolvency (England
and Wales) Rules 2016**

The following table shows the companies that are the subject of this report. Also shown are the court references, company registration numbers and abbreviations we may use to describe them. In all cases, the relevant court is the High Court of Justice Business and Property Courts of England and Wales Insolvency & Companies List (ChD).

Company		Abbreviation	Court reference	Company number
Blue Group UK Furniture Limited		BGUF	CR-2020-002918	02237159
Blue Group Hold Co Limited		BGHC	CR-2020-002915	12040448
Blue Group UK Beds Limited	*	BGUKB	CR-2020-002902	08431253
Blue Group UK Manufacturing Limited	*	BGUKM	CR-2020-002897	04209321
Blue Group UK Retail Limited	*	BGUKR	CR-2020-002906	00040754
Blue Group UK Group Properties Limited	*	BGUKGP	CR-2020-002903	01024575
Formation Furniture Limited	*	FFL	CR-2020-002905	03223063
Homestyle Group Operations Limited	*	HGOL	CR-2020-002904	03130486
Property Portfolio (No 1) Limited		PP1	CR-2020-002919	00281055
Property Portfolio (No 2) Limited		PP2	CR-2020-002917	02910567
Property Portfolio (No 7) Limited		PP7	CR-2020-002922	00548337
Property Portfolio (No 8) Limited		PP8	CR-2020-002921	02347258
Property Portfolio (No 11)		PP11	CR-2020-002923	02236968
Property Portfolio (No 14) Limited		PP14	CR-2020-002926	02910567
Property Portfolio (No 15) Limited		PP15	CR-2020-002925	00884341
Property Portfolio (No 17) Limited		PP17	CR-2020-002924	02287644
Relyon Group Limited	*	RGL	CR-2020-002901	00859590
Relyon Limited	*	RL	CR-2020-002899	00470381
Serais Investments Limited	*	SIL	CR-2020-002908	01264703
Unitrans UK Limited	*	UUK	CR-2020-002896	05523545
Unitrans Logistics (UK) Limited	*	ULUK	CR-2020-002898	05523550
Unitrans Limited	*	UL	CR-2020-002900	01372780

** only these companies have granted security over their business and assets*

The current registered office of each company is: 3rd Floor, The Globe Centre, 1 St James Square, Accrington, Lancashire, England, BB5 0RE

This will shortly be changing to: Level 8, Central Square, 29 Wellington Street, Leeds, LS1 4DL

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Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used in this report:

Abbreviation or definition	Meaning
Joint Administrators / we / us / our	Zelf Hussain, Peter David Dickens and Yulia Marshall in respect of all the Companies except Formation Furniture Limited. Zelf Hussain, Peter David Dickens, Yulia Marshall and Ross David Connock in respect of Formation Furniture Limited.
Blue Group The Companies	All of the companies listed on page 1
BEIS	Department for Business, Energy & Industrial Strategy
CVL	Creditors' voluntary liquidation
Group	The Blue Group Hold Co Limited and its subsidiaries (see Group Structure)
HMRC	HM Revenue & Customs
Hilco	Hilco Valuation Services
IA86	Insolvency Act 1986
IR16	Insolvency (England and Wales) Rules 2016
Preferential creditors	Primarily employee claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
Prescribed part	The amount set aside for unsecured creditors from floating charge funds in accordance with Section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
Purchasers	Bensonsforbedsretail Limited, Bensonsforbedsmanufacturing Limited and BlueGroup Propco Limited
PwC	PricewaterhouseCoopers LLP
RPS	Redundancy Payments Service, part of the Insolvency Service, which is an executive agency sponsored by BEIS, and which authorises and pays the statutory claims of employees of insolvent companies under the Employment Rights Act 1996
Secured creditor	A creditor with security in respect of their debt, in accordance with Section 248 IA86. The only secured creditor of the Companies is Alteri Investors ("Alteri")
Shoosmiths	Shoosmiths LLP (a law firm)
Sch B1 IA86	Schedule B1 to the Insolvency Act 1986
SIP	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply
SIP 9	Statement of Insolvency Practice 9: Payments to insolvency office holders and their associates
SIP 13	Statement of Insolvency Practice 13: Disposal of assets to connected parties in an insolvency process

Abbreviation or definition	Meaning
SIP 16	Statement of Insolvency Practice 16: Pre-packaged sales in administrations
SPA	The agreement for the sale and purchase of the business and assets dated 30 June 2020 and made between the Companies (excluding Blue Group Hold Co Limited) and the Purchasers.
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006
Unsecured Creditors	Creditors who are neither secured nor preferential

This report has been prepared by the joint administrators of the Companies, solely to comply with their statutory duty to report to creditors under IR16 on the administrations, 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 report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Companies.

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

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Zelf Hussain, Peter David Dickens and Yulia Marshall have been appointed as joint administrators of Blue Group Hold Co. Limited, Blue Group UK Retail Limited, Blue Group UK Group Properties Limited, Blue Group UK Furniture Limited, Serais Investments Limited, Homestyle Group Operations Limited, Blue Group Furniture Limited, Blue Group UK Manufacturing Limited, Relyon Group Limited, Relyon Limited, Blue Group UK Beds Limited, Unitrans UK Limited, Unitrans Logistics (UK) Limited, Unitrans Limited, Property Portfolio (No 1) Limited, Property Portfolio (No 11), Property Portfolio (No 14) Limited, Property Portfolio (No 15) Limited, Property Portfolio (No 17) Limited, Property Portfolio (No 2) Limited, Property Portfolio (No 7) Limited and Property Portfolio (No 8) Limited to manage their affairs, business and property as their agents and act without personal liability.

Zelf Hussain, Peter David Dickens, Yulia Marshall and Ross David Connock have been appointed as joint administrators of Formation Furniture Limited to manage its affairs, business and property as its agents and act without personal liability.

The Joint Administrators are licenced in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrators' appointment. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

Why we've prepared this document

On 30 June 2020, the Companies listed on page 1 were all placed into administration by their directors under Paragraph 22 Sch B1 IA86 and (where required) with the consent of the secured creditor.

Zelf Hussain, Peter Dickens and Yulia Marshall were appointed as joint administrators in respect of all the Companies except Formation Furniture Limited. Zelf Hussain, Peter Dickens, Yulia Marshall and Ross Connock were appointed as joint administrators in respect of Formation Furniture Limited.

We tell you in this document why the Companies were put into administration. We give you a brief history and set out our proposals for achieving the purpose of administration. We include details of the Companies' assets and liabilities, and say how likely we are to be able to pay each class of creditor.

According to IA86, the purpose of an administration is to achieve one of these objectives:

- (a) rescuing the companies as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a)
- (b) achieving a better result for the companies' creditors as a whole than would be likely if the companies were wound up (without first being in administration), or finally, if that is not possible
- (c) realising the companies' assets to pay a dividend to secured or preferential creditors.

In this case, we're pursuing objective (b) as it was not reasonably practical to rescue the Companies as a going concern and/or achieve a better result for creditors than would be likely if the Companies were wound up (without first being in administration).

Our job is to manage the Companies' business, property and affairs until creditors agree our proposals for achieving the purpose of administration and we've implemented them so far as possible. After that the administrations will end.

The whole of this document and its appendices form our statement of proposals for achieving the purpose of administration.

We're not seeking a decision from the creditors to approve our proposals because we think the Companies don't have enough assets to pay a dividend to unsecured creditors other than (in certain of the Companies) from the prescribed part.

So, our proposals will be treated as approved unless enough creditors ask us to seek a decision to approve them. This would happen if at least 10% in value of the total creditors ask us to do so (in line with Rule 15.18 IR16) within eight business days of the date we deliver the proposals to you.

If you've got any questions, please get in touch by emailing us at uk_bluegroup_creditors@pwc.com.



Signed

.....
Yulia Marshall
Joint administrator of the Companies

At a glance

Pre-pack transaction of certain business and assets

Following our appointment as joint administrators of the Companies on 30 June 2020, we completed the immediate sale of certain of the Companies' business and assets. The transaction largely relates to the Bensons for Beds business.

The sale resulted in 1,899 employees transferring to the Purchasers (with the associated reduction in preferential and unsecured claims), along with a licence to occupy 247 of the Companies' leasehold premises. The Purchasers have also committed to fulfilling all open customer orders in relation to both the Bensons for Beds and Harveys businesses. Therefore the sale also helped significantly mitigate the level of unsecured creditor claims in relation to customer deposits, leases that are expected to transfer and contractual claims that could have arisen from supply contracts.

Additional realisations are expected from assets that were excluded from the sale. In particular, the Harveys furniture stores and those manufacturing facilities that were not acquired by the Purchasers are continuing to trade in administration whilst options are explored.

Estimated outcome for creditors

Secured creditor

The secured creditor was owed £42m at the time the Companies entered into administration. We indicated on page 1, those companies that had granted security over their assets to the secured creditor. The above sale immediately reduced the secured creditor's indebtedness by £23m. Further recoveries are expected for the secured creditor from the assets excluded from the sale. We currently estimate that the secured creditor's overall recovery from the administrations will be in the region of 61% to 69%.

Preferential creditors

We expect preferential claims to arise in BGUKR, BGUKF, RL, FFL and UL only. We expect there to be sufficient assets available to pay these claims in full, except in BGUKF where no dividend is expected. Distributions to preferential creditors are expected to happen in around 6 to 12 months time, once the RPS has finished paying the statutory elements of these claims and all claims have been agreed.

Unsecured creditors

We do not expect there will be a dividend to unsecured creditors (from the prescribed part or otherwise) in relation to these companies: BGHC, BGUF, UUK, ULUK, UL, SIL, PP1, PP2, PP7, PP8, PP11, PP14, PP15 and PP17. In the table below, we set out our current expectations on the dividend prospects in relation to all other companies. Please note that where dividends are available, these will be from the statutory prescribed part funds only.

Company	Estimated value of net property (£k)	Estimated prescribed part (£k)	% dividend	Timing
BGUKR	30,611	600	1-2	12-18 months
BGUKP	3,393	600	0-1	6-12 months
HGOL	56	14	0-1	6-12 months
FFL	1,504	304	8-12	12-18 months
BGUKM	351	73	1-2	6-12 months
RGL	289	61	5-10	6-12 months
RL	1,914	386	3-6	12-18 months
BGUKB	5,988	600	10-15	6-12 months

In line with the standard format for the directors' statement of affairs, the above estimates do not include the costs of realising the Companies' assets or other expenses of the administration. Furthermore, we have not yet received a Statement of Affairs from the Companies' directors showing the level of the Companies' liabilities. Therefore, the above estimates are based on initial information from the Companies' records. Until we have received and adjudicated all unsecured creditor claims and confirmed the costs of doing so, we are unable to give a reliable estimate of the net amount available to distribute and the dividend that will be paid. Please note that this guidance is only an indication and should not be used as the main basis for any bad debt provision.

Our work in the administration

Whilst we have completed the sale of a large part of the Companies' business and assets, there remains a significant amount of work to do in the administrations. In broad terms, this is expected to include:

- Working with the Purchasers on post-sale matters connected to the orderly transfer of the Bensons for Beds business and fulfillment of outstanding customer orders;
- Continuing to trade the remainder of the business and exploring options for the realisation of its assets;
- Collecting licence fees from the Purchasers and making ongoing payments of rent (and associated costs) for the period of ongoing occupation;
- Assisting the Purchasers in the assignment of property leases;
- Fulfilling our statutory duties as joint administrators, including responsibility for the Companies' VAT and tax affairs; and
- Winding down the Companies' affairs generally with a view to their dissolution in due course.

In just over six months' time, we will update creditors on the progress of the administrations, including the above matters.

Actions required by you

As the only dividends to unsecured creditors likely to be available are by virtue of the prescribed part funds, it is not necessary for us to seek a decision of creditors to approve these proposals. Instead they will be deemed approved unless sufficient creditors say otherwise, in the manner described earlier.

However, due to the potential for dividends to be available to unsecured creditors of certain companies, we are inviting creditors to submit their claims to us. We will shortly be providing guidance on how to submit a claim via an online creditors portal. Our preferred method for creditors to submit claims and supporting documents is via the Turnkey (IPS) online portal, as this is the most efficient and cost effective way for us to deal with your claim and also allows you to better track its status, so we recommend the use of the online portal for claim submission. Your unique login details will be sent to you separately.

The above is a brief summary of the key information for creditors based on what we know so far. Please continue to read the rest of this document. Further information on the administrations can be found online at www.pwc.co.uk/bluegroup.

Brief history of the Companies and why they are in administration

We've enclosed at Appendix C, the information required to be provided to you by SIP16. Some of that information is repeated below where beneficial or necessary to do so for the purpose of these proposals.

Background

At the time of the administration, the Group was a vertically integrated UK retailer that operated a multi-channel strategy through stores, online and telesales. The principal activities of the Group were the manufacture, distribution and retail of beds/mattresses and home furniture products. The retail group operated under the brands of:

- Bensons for Beds, a leading UK retailer selling a comprehensive assortment of leading bed brands; and
- Harveys, a leading home retail specialist in the UK focusing on upholstery, dining and living room furniture.

The Group was supported by a vertically integrated network in manufacturing, warehousing and logistics and distributions:

- Relyon Limited - a bedding manufacturer;
- Blue Group UK Beds Limited - a bedding manufacturer;
- Formation Furniture Limited (formally Steinhoff UK Upholstery Limited) - an upholstery manufacturer; and
- Unitrans Limited - providing warehousing and logistics.

The Group traded across over 262 retail stores in the UK and employed 3,469 people across the Group.

Geographically, the integrated support network was situated throughout the UK, with head offices for key business units located in Accrington and Dartford, a national distribution centre at Magna Park (Rugby); alongside four other distribution centres and five outbase sites. Four manufacturing sites were also located across England and Wales. A summary of the Group's recent financial results is set out below:

£m	FY18 Actual	FY19 Actual	FY20 3+9 (F)
Turnover			
Retail	505.1	480.9	506.4
Manufacturing	98.2	94.3	101.9
Total turnover	606.3	575.2	608.3
Gross Margin			
Retail	254.5	237.3	259.7
Manufacturing	24.8	23.8	26.2
Other	3.5	(0.2)	-
Total gross margin	282.8	260.09	285.9
Overheads			
Retail	(275.8)	(271.6)	(266.6)
Manufacturing	(17.9)	(18.2)	(19.4)
Other	(10.8)	(6.3)	(2.6)
Total overheads	(304.5)	(296.1)	(288.6)
EBITDA			
Retail	(21.3)	(34.2)	(6.9)
Manufacturing	6.9	5.6	6.8
Other	(7.3)	(6.5)	(2.6)
Total EBITDA	(21.7)	(35.1)	(2.7)

The circumstances leading to our appointment

Since 2017, the Group has experienced a combination of challenges including the financial performance of its ultimate parent entity, challenging economic environment and global events which have disrupted trading.

In June 2019, the Group completed a significant restructuring which simplified the intercompany debt structure, secured continued funding of the defined benefit pension scheme and transferred this scheme to Homestyle Pension Company Limited (a Steinhoff entity outside of the Group, and backed by parent guarantees) and introduced a new credit facility, provided by the shareholder, to support cash requirements in the near term.

In November 2019, contracts for a sale of the Group to Alteri Investors ("Alteri") were exchanged, subject to FCA approval, with completion of the transaction taking place on 26 February 2020. As part of this acquisition, Alteri acquired the £40m secured loan facility from the Group's previous lenders.

Due to ongoing trading underperformance and then the initial impacts of the COVID19 pandemic, the Group forecast a significant funding requirement, alongside ongoing breaches of covenants in relation to its lending facility. The shareholders and lenders to the Group were not prepared to provide additional funding and re-set covenants and so the Group was marketed for sale.

Details of the marketing process, which was conducted by BDO LLP, are set out in Appendix C. No offers were received from third parties contacted. Due to the global coronavirus pandemic and resultant restrictions imposed by the UK government, the business was mothballed in March 2020. In June 2020, with the gradual re-opening of the UK retail sector, Alteri submitted an offer for certain elements of the Group's business and assets.

Given no other offers had been received during BDO's marketing exercise and as the Alteri offer represented the best value for creditors in the circumstances, it was accepted. Whilst the joint administrators were not directly involved in the sale process conducted by BDO on behalf of the Group, we are satisfied as to the adequacy of the marketing undertaken.

Pre-administration costs

As explained in Appendix C, PwC had been supporting the Group since February 2020 with contingency planning in the event BDO's sale process did not find a buyer to complete a solvent transaction. Whilst our work was suspended during the temporary closure of the business due to COVID-19, we restarted the planning and preparations once the business began to reopen in June 2020, in particular from 9 June 2020 when the offer from Alteri confirmed that the Companies were unlikely to avoid insolvency..

In Appendix B, we provide further information on the work this included, which in summary related to preparations for the administration appointments, performing all necessary work to be able to complete the sale of the Bensons for Beds business and planning for the seamless continuation of the remaining businesses.

At the date of our appointment as joint administrators, the unpaid pre-administration costs were as shown below.

Firm	Services	Amount unpaid (£)
PwC	Administrators-in-waiting	606,943
Shoosmiths	Sale and purchase agreement and administration planning	360,000
Eversheds Sutherland	Appointment documents	-
BDO	Marketing and sale process	50,000
Hilco	Valuation services	38,127
Total		1,055,070

All these figures are exclusive of VAT and in Appendix B we set out how they are divided across the various companies. These costs were all incurred with a view to the Companies entering administration.

To the best of our knowledge and belief, no fees or expenses were charged by any other insolvency practitioner.

The payment of unpaid pre-administration costs as an expense of the administration is subject to approval under Rule 3.52 IR16 and doesn't form part of our proposals, which are subject to approval under Paragraph 53 Sch B1 IA86.

If creditors elect a creditors' committee, it will be up to the committee to give this approval under Rule 3.52 IR16. But if there's no committee, and because we've said we think the Companies don't have enough assets to pay anything to unsecured creditors other than via the prescribed part (in certain cases), it will be for the secured creditor and (where appropriate) the preferential creditors to do so instead. We will seek approval from those classes of creditors in due course. In those companies where there are no secured or preferential creditors and no dividend for unsecured creditors is expected, these costs may need to be approved by the Court.

By its nature, a pre-pack transaction involves the performance of work in the period prior to the appointment of administrators, with the sale completing shortly after the appointment. We think that PwC's role in preparing and planning for our appointment over the Companies made a significant contribution towards achieving the purpose of the administrations. It enabled us to separate the Bensons for Beds and Harveys businesses, so that we could maximise value through a combination of a pre-packaged sale and trading the remainder of the business; overall maximising value for creditors.

Our planning work meant that we were able to quickly take control of the business and assets which were excluded from the transaction with the Purchasers, being the Harveys store portfolio and residual manufacturing and distribution sites.

What we've done so far and what's next if our proposals are approved

Management and financing of the Companies' affairs and business

Sale of the Bensons for Beds business and assets

Our overriding objective is to achieve the best possible outcome for creditors, typically achieved by maximising asset realisations and minimising costs and claims against the insolvent estates. In this case, we concluded that the best outcome for creditors would include an immediate sale of the Bensons for Beds business and assets to the Purchasers. The transaction included certain elements of the retail manufacturing, warehousing and distribution divisions.

As required by SIP16, a detailed narrative explanation and justification of why a pre-packaged sale was undertaken, is enclosed at Appendix C. In summary:

- There were no offers to acquire the Group (or any part of it) on a solvent basis. Given the Group's financial position, this lack of offers confirmed that it was insolvent and an insolvency process was inevitable.
- The lack of offers other than that from Alteri (for £23m), also strongly indicated that continuing to trade the businesses during an administration process (if funding could be secured) would be unlikely to generate any new or better offers.
- Our assessment showed that a pre-packaged sale to Alteri, in combination with the realisation of assets excluded from the sale, would generate better value for creditors than the break-up value of the assets.
- In addition to acquiring the ongoing Bensons for Beds business, the Purchasers have committed to fulfilling customer orders which were unfulfilled at the date of administration. In relation to these orders, customers had made deposits totalling £27m plus VAT. Therefore, fulfillment of the orders will significantly mitigate the value of BGUKR's unsecured creditors, resulting in a higher dividend to the remaining unsecured creditors from the prescribed part due to a reduced creditor pool;
- The secured creditor of the Companies supported the transaction; and
- The sale resulted in the transfer of 1,899 people to the purchasing companies (representing 55% of the overall workforce) thereby mitigating preferential and unsecured creditor claims. The anticipated formal transfer of a large portion of the Companies' retail store network will reduce or mitigate significant claims from landlords.

Please see Appendix C for an explanation of the alternative options considered and why they were not considered to be viable or would have resulted in a worse outcome for creditors as a whole.

Consideration for the sale was not in the form of cash. As the Purchasers are ultimately controlled by the secured creditor, the offer was a credit bid; meaning instead of the secured creditor receiving the cash proceeds from a sale of the assets, they acquired the assets valued at £23m in consideration for part settlement of their overall indebtedness in the same amount.

Week one strategy

Following the pre-packaged sale of the Bensons for Beds business noted above, the Companies' retained certain business and assets which relate primarily to the Harveys business. We have continued to trade the Harveys retail business and manufacturing sites whilst we explore options to achieve a sale of all or certain divisions.

This includes 20 standalone Harveys stores, 119 stores which are now shared with the Purchasers (where the Purchasers occupy under licence), two manufacturing divisions and two warehousing and distribution sites.

In order to ensure an orderly continuation of trading for both the acquired Bensons for Beds business and remaining Harveys business, transitional service agreements were agreed as part of the pre-packaged transaction. This includes services which the Companies will provide to the Purchasers, such as logistics and provision of staff, whilst also ensuring that the Purchasers continue to provide operational support to the Companies in the form of IT, finance, logistics and other essential services.

In order to protect and control the business from day one, we deployed staff to all of the non-retail sites. Due to the number and spread of the retail stores and in order to oversee day-to-day trading as efficiently as possible whilst maximising value, we appointed European Retail Solutions II Ltd (a specialist in trading retail businesses in distress) to assist us.

We've set out below a high-level summary of the key areas of our work in the short time since our appointment. Accordingly this is not an exhaustive list of all the work we have done.

Briefed employees on appointment

- Attended the warehousing and manufacturing sites to address employees;
- Held a webex announcement for any employees unable to attend, including those on furlough;
- Ensured retail employees were briefed by ERS and were directed to our webex updates; and
- Set up a dedicated call centre team to deal with employee queries.

Implemented temporary additional controls and systems for ongoing trading

- Secured the manufacturing and distribution sites on appointment;
- Updated the Harveys website and social media accounts, including the removal of ordering functionality;
- Agreed terms with ERS as retail agents;
- Commenced the negotiation of terms with key third party customers of the manufacturing divisions and essential suppliers for the continuation of supplies;
- Identified key areas of risk, including health and safety; GDPR and a specific focus on COVID-19 measures;
- Set up new bank accounts and agreed processes for recording sales and cash collections during trading;
- Prepared and introduced new goods ordering systems and other trading controls.

Opened communications with creditors and other stakeholders

- Set up a dedicated helpline, website and mailbox in order to communicate effectively with a variety of stakeholders and interested parties and respond to their queries; and
- Set up a process for creditors asserting retention of title claims.

Commenced marketing of the remaining business and assets

- Prepared and circulated an updated Information Memorandum for the remaining business and assets to a list of interested parties; and
- Commenced initial discussions with interested parties for certain elements of the business.

Complied with immediate statutory obligations

- Gathered information to allow us to fulfil our immediate statutory and regulatory obligations and take control of the Companies tax and VAT affairs;
- Issued our "Initial letter to creditors with SIP 16 report" which is copied at Appendix C;
- Issued statutory notices of our appointment, including to the Registrar of Companies and placing advertisements in the London Gazette; and
- Ensure appropriate insurance cover is in place.

Assets excluded from pre-packaged sale of business and certain other assets

A number of assets were specifically excluded for the sale to the Purchasers. These include the following:

- An element of cash at bank and in hand, which is in the process of reconciliation and allocation across the Companies;
- Certain leasehold and properties, some of which continue to be required by the ongoing businesses and a small number are in the process of being returned to their landlords;
- Book debt realisations, principally relating to approximately £1.6m owed to Relyon Limited that we are now in the process of collecting;
- Stock subject to retention of title (ROT) and we have invited any potential claimants to contact us;
- Certain property, business and assets of the Harvey's retail and manufacturing businesses (see the comments above regarding steps we have taken to date to market these);
- Manufacturing rent deposits; and
- Merchant services cash collateral deposits in the region of £4.5m that are unlikely to be recoverable in the near term.

We are taking steps to realise any value in these assets or otherwise deal with them in the appropriate manner, including providing reasonable assistance to third parties with a proprietary interest in them. A key area of our current and future work is the supervision of ongoing trading of the Harveys business and the realisation of its assets.

Similarly, we are working with the Purchasers for the purpose of agreeing the correct apportionment of cash balances and ongoing receipts into the Companies' bank accounts.

We will provide an update in our first progress report to creditors in approximately six months' time.

Employees

The pre-pack sale of the Bensons for Beds business has preserved 1,899 jobs. The Harveys furniture stores and the manufacturing facilities not acquired by the Purchasers will continue to trade in administration whilst options are explored. As a result, 1,330 employees have been retained to support the trading period while we explore the options for the Harveys furniture business including both the retail and manufacturing businesses.

Like many retailers, the Group has been hit hard by market headwinds and weaker consumer spending. For a retail sector already under severe pressure, the coronavirus outbreak has had a significant impact on trading. Due to the challenging economic situation of the Group, regrettably 240 employees were made redundant immediately on appointment. An employee helpline has been set up in order to support impacted employees.

On our website, we have also published a number of questions and answers that employees frequently ask in these situations and shared various documents provided by agencies who may be able to provide support to employees.

Stock and retention of title

We expect a limited number of suppliers to claim ownership to stock in the Companies' possession at the time of our appointment. Any supplier wishing to claim ROT and has not yet informed us, should write to us at uk_bluegroup_suppliers@pwc.com, as soon as possible.

Property

The Group traded across over 262 retail stores in the UK, operating under various fascias but primarily Benson for Beds and Harveys. As explained earlier, the integrated support network was situated throughout the UK, with head offices for key business units located in Accrington and Dartford, a national distribution centre at Magna Park (Rugby); alongside four other distribution centres and five outbase sites. Four manufacturing sites were also located across England and Wales. The table below summarises the property portfolio:

Entity	LTO	Retail Trade	Retail Exit	Non-Retail	Total
BGUKR	5	-	1	3	9
BGUKP	126	6		5	137
HGOL	47	2	1	-	50
SIL	-	-	1	-	1
UL	-	-	1	-	1
PP1	14	3	-	-	17
PP2	3	-	-	-	3
PP7	-	-	1	-	1
PP8	4	-	1	-	5
PP11	1	-		-	1
PP14	9	1		-	10
PP15	36	8	2	-	46
PP17	1	-	1	-	2
BGUF	1	-	-	-	1
TOTAL	247	20	9	7	283

Included within the sale of business and assets to the Purchasers were two (non-retail) freehold assets owned by RL and BGUP for consideration of £400k and £2m respectively. For completeness, these are also shown in the table above. Further details can be found in Appendix C.

On appointment, we have continued to work through the Companies' records on the property portfolio and the status of each one. We expect there may be adjustments to the figures shown above as more information is provided, reviewed and reconciled.

The sale to the Purchasers included a licence to occupy all of the retail stores. We will be providing reasonable assistance to the Purchasers over the coming months with regards to the assignment or surrender of the leases. In the meantime, our intention is to continue to collect licence fees from the Purchaser as normal during this period and pay ongoing rent (calculated on a daily basis) from the date of appointment. We expect this to be a significant area of ongoing work, reducing over time as the number of properties remaining under licence also reduces.

We are writing to landlords directly with regards to ongoing arrangements. In the meantime, landlords can contact us at: uk_bluegroup_landlordsproperty@pwc.com.

Connected party transactions

Please be advised that the Purchasers, who have acquired certain business and assets of the Companies as described earlier, are connected to the Companies due to having a common ultimate parent (Alteri). Certain directors of the Companies are also involved in the management of the Purchasers. Further details on this relationship and why a sale to a connected party was undertaken can be found in Appendix C.

Directors' conduct and investigations

One of our duties is to look at the actions of anybody who has been a director of the Companies in the three years before our appointment. We have to submit our findings to BEIS within three months of our appointment.

We also have to decide whether any action should be taken against anyone to recover or contribute to the Companies' assets. If you think there is something we should know about and you haven't yet told us, please write to us as soon as possible, or by email to uk_bluegroup_creditors@pwc.com. This is part of our normal work and doesn't necessarily imply any criticism of the directors' actions.

Statutory work we still need to do

In addition to the work set out above, other key areas of work will be as follows:

- We must comply with all relevant legislation and regulations arising as a result of the insolvency of the Companies and our appointments as joint administrators. These typically include periodic reports to creditors, obtaining approval for our remuneration and internal controls to ensure the administration strategy continues to be appropriate and outstanding matters are being progressed on a timely basis.
- During the course of the administration, we will be winding down the Companies' affairs, including responsibility for VAT and tax matters.

Objective of the administration

As explained earlier in this report, we're pursuing statutory objective (b) (being to achieve a better result for the Companies' creditors as a whole than would be likely if the Companies were wound up (without first being in administration)), as it was not practically possible to rescue the Companies as going concerns.

Achieving a better outcome for creditors arises from maximising the value of assets, minimising the costs of realising those assets (and costs of the administrations generally) and reducing the level of creditor claims against the Companies.

The outcome for the secured creditor is expected to have been maximised by virtue of the pre-pack sale and realisation of other assets subject to its security. Preferential creditors are expected to be paid in full. Unsecured creditors are expected to receive a dividend in certain cases that would likely have been reduced or unavailable in other scenarios.

In a number of cases there is no secured debt or dividends to any class of creditors. This typically relates to entities that held leases that were included in the sale, for relatively low value. If our investigations into the affairs of those companies, including a review of the directors' statements of affairs, conclude that objective (b) is not appropriate in the circumstances, then we will arrange for those administrations to be concluded and our appointments to cease to have effect at the earliest practical opportunity.

We'll continue to manage and finance the Companies' businesses, affairs and assets from asset realisations. We may also investigate and, if appropriate, pursue any claims the Companies might have. We'll also do anything else we think appropriate, to achieve the purpose of the administrations or to protect and preserve the Companies assets or to maximise realisations or for any other purpose incidental to these proposals.

Estimated outcome for creditors

Secured creditor

In our SIP16 report in Appendix C, we provide details of the security granted by the Companies to the secured creditor.

The secured creditor was owed £41.7m at the time the Companies entered into administration. We indicated on page 1, those companies that had granted security over their assets to the secured creditor.

The above sale immediately reduced the secured creditor's indebtedness by £23m. Further recoveries are expected for the secured creditor from the assets excluded from the sale. We currently estimate that the secured creditor's overall recovery from the administrations will be in the region of 61% to 69%.

Preferential creditors

We expect preferential claims to arise in BGUKR, RL, FFL and UL only. We are pleased to confirm that we expect there to be sufficient assets available to pay these claims in full. This is expected to happen in around 6 to 12 months time, once the RPS has finished paying the statutory elements of these claims and all claims have been agreed.

Unsecured creditors

In an administration, amounts become available for creditors potentially from two sources: (1) any prescribed part fund and (2) any surplus remaining after secured debts have been repaid in full.

The prescribed part is a fund that has to be made available for unsecured creditors. It's paid out of 'net property' which is floating charge realisations after costs, and after paying – or setting aside enough to pay – preferential creditors in full. But it only has to be made available where the floating charge was created on or after 15 September 2003. The prescribed part applies in this case as there is a floating charge created on or after 15 September 2003.

The amount of the prescribed part is:

- 50% of net property up to £10,000; plus
- 20% of net property above £10,000; but
- Subject to a maximum of £600,000.

We think there will be a prescribed part dividend for unsecured creditors in certain of the Companies, based on what we currently know. Our estimates were set out earlier in this report.

If we think the costs of agreeing claims and paying a prescribed part dividend will be disproportionate to the benefits, we can apply for a court order not to pay the prescribed part to unsecured creditors. At the moment we don't plan to make such an application.

However, we can't yet give you a realistic estimate of the dividends that will be paid from the prescribed part because of the uncertain final level of claims from unsecured creditors. The level of costs incurred in agreeing claims, declaring and paying dividends will also be a factor, as these are paid from the prescribed part funds with the net amount available to creditors.

In addition to any prescribed part, we don't think there will be any dividend for unsecured creditors (in any of the Companies) based on what we know currently.

Our fees and disbursements

We intend to propose that our fees be determined as one, or a combination, of the following:

1. based on the time we and our staff spend on the administrations at our normal charge out rate for this type of work (a time cost basis);
2. a set fee.

We also intend to propose that disbursements for services provided by our firm (defined as Category 2 disbursements in SIP9) are charged as per our firm's policy.

It will be up to the creditors' committee to fix the basis of our fees and Category 2 disbursements. But if there's no committee, and because we've said we think the Companies don't have enough assets to pay anything to unsecured creditors other than via the prescribed part (in certain cases), it will be for the secured creditor and (where appropriate) the preferential creditors to do so instead. We will seek approval from those classes of creditors in due course.

If creditors or the committee do not fix the basis of our fees and Category 2 disbursements, we may apply to the court to fix them no later than 18 months after the date of our appointment. In those companies where there are no secured or preferential creditors and no dividend for unsecured creditors is expected, these costs may need to be approved by the Court.

However, before the basis of our fees can be approved, we must provide all creditors with the following:

- Details of the work we have done and propose to do (much of which has been included in this report);
- Details of the expenses we expect to incur; and
- If any element of our remuneration is to be paid on a time cost basis, an estimate of the hours likely to be incurred and the hourly rates for that work (a fees estimate).

We will circulate a further report containing this information in due course.

Ending the administration

Our exit routes will depend on the outcome of the administrations. At the moment we think that the most likely exit routes are as set out below.

As we've said above, we think there will be a dividend for unsecured creditors from the prescribed part for certain of the Companies. If that is the case, once we've paid the prescribed part dividend and we've finished our work, we'll file notices with the Registrar of Companies and the Companies will be dissolved three months later.

In the very unlikely event that funds become available to pay a distribution other than from the prescribed part, we will apply to the court for permission to pay any surplus to the unsecured creditors. Should this be granted, once we have paid the dividend and finished our work, we will end the administration by filing notices with the Registrar of Companies and the Companies will be dissolved three months later.

If we don't get permission to pay the dividend, we'll put the relevant company into creditors' voluntary liquidation, or comply with any Court order if different. If that happens, we propose that Zelf Hussain, Peter David Dickens and Yulia Marshall are appointed as joint liquidators (or, if replacement administrator(s) are appointed, any person(s) appointed as administrator(s) at the time of the registration of notice of moving from administration to creditors' voluntary liquidation per Paragraph 83(4) Sch B1 IA86) and that any act required or authorised to be done by the joint liquidators can be done by either or all of them. Creditors may, before these proposals are approved, nominate a different person or persons as liquidator(s), in accordance with Paragraph 83(7)(a) Sch B1 IA86 and Rule 3.60(6) IR16.

Where no dividends are available to unsecured creditors, it is mostly likely that we'll file notices with the Registrar of Companies and the Companies will be dissolved three months later.

If necessary to achieve the objective of any administration and complete our work, we may seek an extension to the period of the administration (beyond the statutory period of one year), by consent of the appropriate class of creditor, or by an order of the Court.

We'll be discharged from liability in respect of any of our actions as joint administrators at a time set by consent of the appropriate class of creditors, or by an order of the Court.

Please note that the administrations may end in different ways and at different times.

Estimated financial position

The directors have not yet given us a statement of affairs for the Companies. This is because we have issued these proposals as soon as reasonably practicable and the directors are still in the process of preparing the statements. A copy of the statements will be filed at Companies House in due course.

Pending submission of the directors' statements of affairs, we set out in Appendix D the estimated financial position of the Companies as at 30 June 2020. As required by law, this includes details of the creditors' names, addresses and debts, including details of any security held, to the best of our knowledge at this time.

The book values are based on information provided to us by the Companies from available management information; they may not be up to date and have not been checked by management or audited. They may, therefore, differ from the figures in the directors' statements of affairs when these are produced.

In line with the statutory format for a statement of affairs, our estimates of the Companies' financial positions do not include any estimates of the costs of the administrations; which are payable from the assets available prior to any distributions to creditors.

We recognise creditors may want to contact each other to discuss certain aspects of the case. If you need more information to be able to do this, please write to us or email your request to: uk_bluegroup_creditors@pwc.com.

Statutory and other information

On page 1 we listed all the Companies that are the subject of this report and are now in administration. That list provided the legal name of the company, its registered number and court reference for the administration. In this section we provide further information on each of the Companies and the appointment of administrators (which in all cases was on 30 June 2020).

Information relating to all the Companies

Appointer's/applicant's name and address:	Court order following an application by the directors of each company, based at 3rd Floor, The Globe Centre, 1 St James Square, Accrington, Lancashire, England, BB5 0RE.
Administrators' names and addresses:	<p>In relation to all the Companies except Formation Furniture Limited:</p> <p>Zelf Hussain of PwC, 7 More London, Riverside, London, SE1 2RT Peter David Dickens of PwC, 1 Hardman Square, Manchester, M3 3EB Yulia Marshall of PwC, 7 More London, Riverside, London, SE1 2RT</p> <p>In relation to Formation Furniture Limited:</p> <p>Zelf Hussain of PwC, 7 More London, Riverside, London, SE1 2RT Peter David Dickens of PwC, 1 Hardman Square, Manchester, M3 3EB Yulia Marshall of PwC, 7 More London, Riverside, London, SE1 2RT Ross David Connock of PwC, 2 Glass Wharf, Bristol, BS2 0FR</p> <p>Contact: uk_bluegroup_creditors@pwc.com</p>
Objective being pursued:	<p>Objective (b) - achieving a better result for the company's creditors as a whole than would be likely if the company was wound up (without first being in administration).</p> <p>If our investigations into the affairs of any company, including a review of the directors' statement of affairs, conclude that objective (b) is not appropriate in the circumstances, then we will arrange for the administration to be concluded and our appointment to cease to have effect at the earliest practical opportunity.</p>
Split of the Administrators' responsibilities:	In relation to Paragraph 100(2) Sch.B1 IA86, during the period for which the administration order is in force any act required or authorised under any enactment to be done by either or all of the Administrators may be done by any one or more of the persons for the time being holding that office.
Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on Insolvency Proceedings (recast)	The Regulation applies this administration and the proceedings are main proceedings.
Shareholdings held by the directors and secretary	None
Trading styles	Bensons for Beds Harveys / Harveys Furniture Formation Furniture Relyon

Directors and Company Secretaries

Company	Directors	Company Secretary
Blue Group UK Furniture Limited	GF, MXJ	None
Blue Group Hold Co Limited	MXJ, JJFW	JHR
Blue Group UK Beds Limited	ACAC, MXJ, MAD	JHR
Blue Group UK Manufacturing Limited	JJFW, ACAC, MXJ	JHR
Blue Group UK Retail Limited	MXJ, JJFW	JHR
Blue Group UK Group Properties Limited	GF, MXJ, PS	JHR
Formation Furniture Limited	ACAC, MXJ, JW	JHR
Homestyle Group Operations Limited	GF, MXJ, PS	None
Property Portfolio (No 1) Limited	GF, MXJ	None
Property Portfolio (No 2) Limited	GF, MXJ	None
Property Portfolio (No 7) Limited	GF, MXJ	None
Property Portfolio (No 8) Limited	GF, MXJ	None
Property Portfolio (No 11)	GF, MXJ	None
Property Portfolio (No 14) Limited	GF, MXJ	None
Property Portfolio (No 15) Limited	GF, MXJ	None
Property Portfolio (No 17) Limited	GF, MXJ	None
Relyon Group Limited	ACAC, MXJ	JHR
Relyon Limited	ACAC, MXJ, MAD	JHR
Serais Investments Limited	GF, MXJ, PS	JHR
Unitrans UK Limited	DBH, MXJ, GDM	None
Unitrans Logistics (UK) Limited	DBH, MXJ, GDM	None
Unitrans Limited	DBH, MXJ, GDM	JHR

MXJ = Mark Xavier Jackson

JJFW = Joseph James Francis Wykes

GF = Gordon Forsyth

PS = Paul Stanworth

JHR = John Henry Robins

ACAC = Alan Charles Addison Chapman

JW = Julian Waite

MAD = Mark Alexander Duff

DBH = Darren Brian Hall

GDM = Gary David McDonald

Receipts and payments account

At the time of writing, the only amount received relates to a £9m transfer from one of the Companies' pre-appointment accounts into the administration account for Blue Group UK Retail Limited.

A full reconciliation is required to determine the beneficiaries of those funds - whilst it is expected to primarily belong to Blue Group UK Retail Limited (in administration), a bank reconciliation performed by the Purchasers and agreed by the joint administrators is required to determine which funds relate to ongoing trade of the Companies or the Purchasers after 30 June 2020 where receipts have been paid into the Companies' account(s).

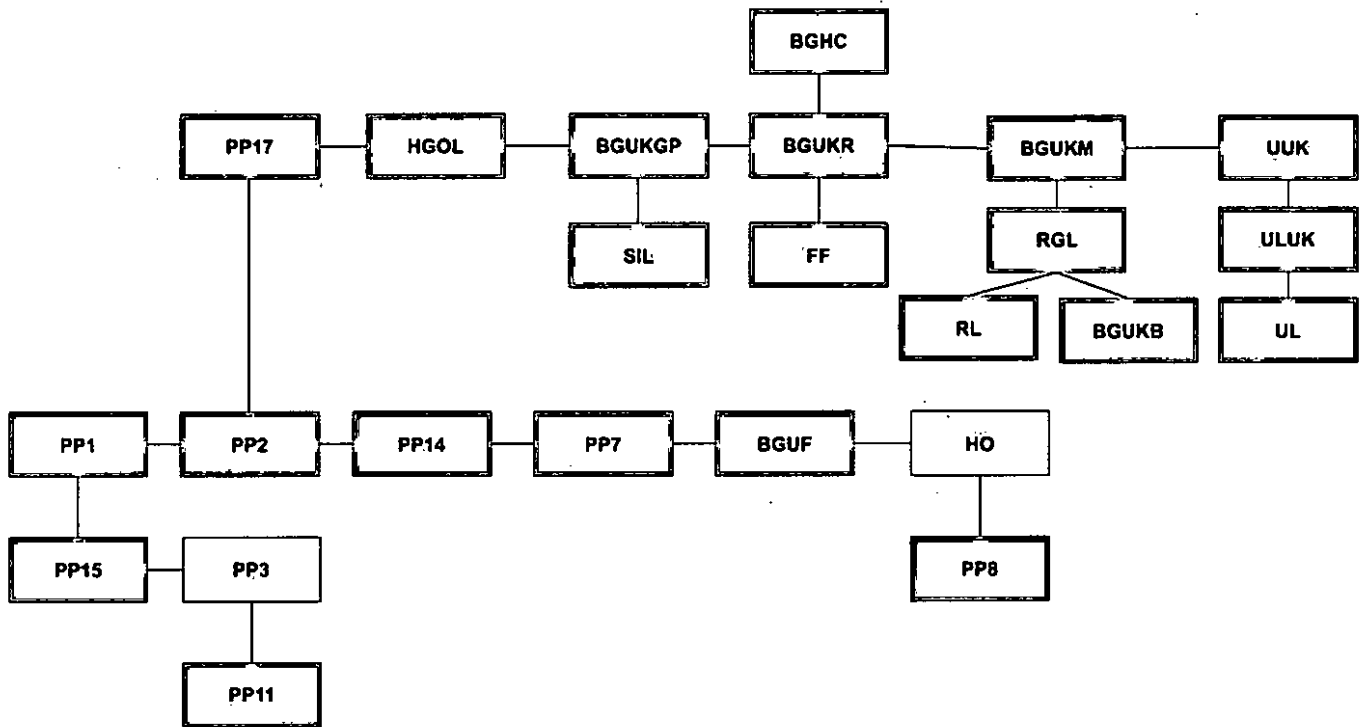
Part of the transaction included the acquisition of certain of the Companies' cash balances, in the amount of £6.5m. As the Purchasers anticipated delays in opening new bank accounts, it was agreed as part of the transitional service agreements that we would retain this £6.5m and facilitate any payments the Purchasers were required to make for the newly acquired business, until its new accounts were available.

The £6.5m should be allocated among a number of entities in administration, not solely Blue Group UK Retail Limited. Work is ongoing to determine the exact split of this between the various individual companies in administration. However, at the time of writing, £6.5m remains in BGUKR, due to the other entity bank accounts still in the process of being opened.

This fund (less payments made or retention held with the agreement of the Purchasers) will be passed to the Purchasers in due course.

We have also made a small number of payments in relation to Formation Furniture Limited (in administration), in the sum of £66k, including VAT. In the short-term, these have been paid from the funds held in BGUKR and will be refunded by Formation Furniture Limited (in administration) when funds permit.

Appendix A: Group structure



Notes

All subsidiaries are 100% owned by its immediate parent company.

PP3 - Property Portfolio (No3) Limited

HO - Homestyle Operations Limited

Appendix B: Pre-administration costs

The table below provides details of costs which were incurred before our appointment as Administrators but with a view to the Companies entering administration. Details of the work done and expenses incurred follow.

	Unpaid amount (£)	Paid amount (£)
Our fees as Administrators-in-waiting	606,943	n/a
Expenses incurred by us as joint Administrators-in-waiting	448,127	5,533
Fees charged by other persons qualified to act as an insolvency practitioner	n/a	n/a
Expenses incurred by other persons qualified to act as an insolvency practitioner	n/a	n/a
Total	1,055,070	5,533

Our fees as administrators-in-waiting

We were first engaged to commence contingency planning for the Companies on 19 February 2020. This included planning for an administration scenario, with appointments anticipated to occur a short time following the conclusion of BDO's sale process, should it become clear that an insolvency process was required. The sale process had an initial deadline for offers set at 20 March 2020.

Our contingency planning stopped on 23 March 2020, following the UK government's announcement of COVID-19 restrictions. The Companies' retail businesses were mothballed as part of the government restrictions and remained closed until 9 June 2020, when the Companies initiated a phased reopening plan. On the same day, Alteri submitted its offer for part of the business and assets, which (and in the absence of any other offers) confirmed that the Companies could not avoid an insolvency process. Accordingly, our planning and preparations for the administrations restarted the same day.

Our fees have been calculated on time cost basis, using our usual charge out rates for work of this nature. Our work, performed with a view to the Company entering administration, included:

- Negotiating and finalising the terms of the sale contracts with the Purchasers, in conjunction with Shoosmiths and including the operational practicalities of the transitional services agreements;
- Developing a strategy for the post appointment trading period (including customers and suppliers) and the realisation of the key assets;
- Consideration and analysis of liquidity requirements and potential recoveries, including the production of estimated outcome statements and cashflows;
- Preparation for the sale of the two manufacturing businesses including compiling a list of potential buyers and preparation of Information Memorandums and a dataroom;
- Analysis of landlord considerations in respect to leased properties (warehouses, depots, etc);
- Working with the Company's directors in preparing for the administrations;
- Completing our internal procedures in preparation for accepting the appointments;
- Developing a 'day one' strategy for our team, which included the preparation of immediate communications to stakeholders and ensuring a PwC presence at the Companies non-retail main locations immediately following the appointments;

- Reviewing the Company's employee information, considering the employee strategy and preparing communications to the employees;
- Identifying key areas of risk and how these could be mitigated; and
- Preparing statutory documentation and declarations required for effecting the administration appointment and liaising with our legal advisors in this regard.

Please note that the above is indicative of the key areas of work performed and is not an exhaustive list. We believe that the above work was necessary in order to achieve the objective of the administration, maximise realisations and minimise losses for creditors. Had this work not been carried out, the Companies are likely to have entered an insolvency process in an uncontrolled manner, which is likely to have had a detrimental effect on the outcome for all creditors.

Expenses incurred

The expenses in the table on the previous page, refer to the following:

Firm	Service provided	Unpaid amount (£)	Paid amount (£)
Shoosmiths LLP	Legal services: <ul style="list-style-type: none"> • Contract work on the pre-pack sale; • Contingency planning for administration; • Providing advice on applications for vehicle operators licences; • Preparation and advice on non-disclosure agreement for potential sale; and, • Advice regarding miscellaneous administration matters. 	360,000	-
Eversheds Sutherland *	• Preparation of administration appointment documents on behalf of the directors	-	5,533
BDO	• Sale and marketing process described in Appendix C	50,000	-
Hilco	• Asset valuation services as described in Appendix C	38,127	-
Total		448,127	5,533

* we understand Eversheds Sutherland were engaged and paid directly by the Companies.

Approval of pre-administration costs

Pre-administration costs will be paid (subject to approval), by either or a combination of a) the secured creditor under a separate funding agreement, or b) from assets realisation as an expense of the administration. Where unpaid pre-administration costs exist, we expect only the secured creditor to have a financial interest in the amount to be paid.

The payment of unpaid pre-administration costs as an expense of the administration is subject to approval under Rule 3.52 IR16 and doesn't form part of our proposals, which are subject to approval under Paragraph 53 Sch B1 IA86.

If creditors elect a creditors' committee, it will be up to the committee to give this approval under Rule 3.52 IR16. But if there's no committee, and because we've said we think the Companies don't have enough assets to pay anything to unsecured creditors other than via the prescribed part (in certain cases), it will be for the secured creditor and (where appropriate) the preferential creditors to do so instead. We will seek approval from those classes of creditors in due course. In those companies where there are no secured or preferential creditors and no dividend for unsecured creditors is expected, these costs may need to be approved by the Court.

Appendix C: Copy of our report to creditors on the sale of part of the business and assets

When viewed on our website, this appendix can be viewed by clicking the link:

Initial letter to creditors with SIP16 report

Appendix D: Estimated financial position including creditors' details

As the directors have not yet given us a statement of affairs for the Companies, we have set out in this appendix the estimated financial position of the Companies as at 30 June 2020.

When viewed on our website, the lists of creditors provided by the Companies in relation to each entity, can be viewed by clicking the link:

Creditor lists received from the Companies (6 July 2020)

The liabilities shown in the estimated financial position for each company are derived from information previously provided by the Companies. The lists of creditors were received shortly prior to issuing this report and therefore we have been unable to undertake a reconciliation of the previous and latest estimates in the time available. However we have noted that there are differences (perhaps due to timing issues or the exclusion of individual creditors*) which we expect will be clarified once we receive the directors' statement of affairs for each company.

** For data protection reasons and in line with the disclosure requirements for the directors' statements of affairs, these lists do not include the names and addresses of any creditors who may be current or former employees of the Companies, or customers who have made deposits against unfulfilled orders.*

Blue Group UK Retail Limited - in administration
Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		
Assets not specifically pledged		
Goodwill and intangibles	5,155	-
Property, plant and equipment	15,653	605
Stocks	33,777	10,631
Trade debtors	2,004	1,428
Other debtors, prepayments & rebates	15,236	-
Cash	8,938	5,452
Assets / Purchase consideration	-	13,468
Total floating charge realisations		31,784
Total assets available for preferential creditors		31,784
Preferential employee claims		(1,173)
Prescribed part		(600)
Surplus/(deficit) available for floating charge creditors		30,011
Less Aleri floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(11,989)
Customer deposits	(22,709)	-
Trade creditors	(7,299)	(7,299)
HMRC	(17,565)	(17,565)
Unsecured employee claims	-	(6,740)
Other	(10,654)	(10,654)
Deficit with regards to unsecured creditors		(42,259)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report.

Blue Group UK Group Property Limited – in administration
Estimated Financial Position

As at 30 June 2020

€'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		
Assets not specifically pledged		
Property, plant and equipment	17,057	-
Trade debtors	3	-
Other debtors, prepayments & rebates	3,640	-
Cash	3,348	890
Assets / Purchase consideration	-	2,503
Total floating charge realisations		3,393
Total assets available for preferential creditors		3,393
Preferential employee claims		-
Prescribed part		(600)
Surplus/(deficit) available for floating charge creditors		2,793
Less Aleri floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(39,207)
Intercompany creditor	(42,204)	(42,204)
Trade creditors	(762)	(762)
HMRC	-	-
Unsecured employee claims	-	-
Landlord creditors	(32,116)	(32,116)
Deficit with regards to unsecured creditors		(75,082)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Homestyle Group Operations Limited – in administration

Estimated Financial Position

As at 30 June 2020

£'000	Book Value ¹	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		
Assets not specifically pledged		
Cash	11	11
Assets / Purchase consideration		45
Total floating charge realisations		56
Total assets available for preferential creditors		56
Preferential employee claims		-
Prescribed part		(14)
Surplus/(deficit) available for floating charge creditors		42
Less Aleri floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(41,958)
Landlord creditors	(48,262)	(48,262)
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		(48,262)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Formation Furniture Limited – in administration
Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Goodwill and intangibles	9	-
Property, plant and equipment	824	339
Stocks	1,761	200
Trade debtors	456	-
Other debtors, prepayments & rebates	149	-
Cash	965	965
Assets / Purchase consideration	-	-
Total floating charge realisations		1,504
Total assets available for preferential creditors		1,504
Preferential employee claims		-
Prescribed part		(300)
Surplus/(deficit) available for floating charge creditors		1,204
Less Alien floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(40,796)
Intercompany creditor	(1,541)	(1,541)
Trade creditors	-	-
HMRC	(253)	(253)
Unsecured employee claims	-	-
Other creditors	(745)	(745)
Deficit with regards to unsecured creditors		(2,539)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Blue Group UK Manufacturing Limited – in administration

Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise ¹
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		
Assets not specifically pledged		
Goodwill and intangibles	28,801	-
Cash	491	-
Assets / Purchase consideration		351
Total floating charge realisations		351
Total assets available for preferential creditors		351
Preferential employee claims		-
Prescribed part		(70)
Surplus/(deficit) available for floating charge creditors		281
Less Aleri floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(41,719)
Intercompany creditor	(5,776)	(5,776)
Trade creditors	(32)	(32)
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors:		(5,809)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Relyon Group Limited – in administration
Estimated Financial Position
As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Goodwill and intangibles	10,000	-
Cash	289	289
Assets / Purchase consideration		-
Total floating charge realisations		289
Total assets available for preferential creditors		289
Preferential employee claims		-
Prescribed part		(61)
Surplus/(deficit) available for floating charge creditors		228
Less Aleri floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(41,772)
Intercompany creditor		
Trade creditors	(729)	(729)
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		(729)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Relyon Limited – in administration
Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	400
Less Aleri fixed charge debt	(42,000)	(42,000)
Surplus/(deficit) on fixed charge		(41,600)
Assets not specifically pledged		
Goodwill and intangibles	6,845	-
Property, plant and equipment	2,149	1,297
Stocks	2,431	-
Trade debtors	1,644	450
Other debtors, prepayments & rebates	306	-
Cash	653	447
Assets / Purchase consideration		206
Total floating charge realisations		2,400
Total assets available for preferential creditors		2,400
Preferential employee claims		(486)
Prescribed part		(400)
Surplus/(deficit) available for floating charge creditors		1,514
Less Aleri floating charge debt	(42,000)	(41,600)
Surplus/(deficit) available for floating charge creditors		(40,086)
Intercompany creditor	(3,659)	(3,659)
Trade creditors	(533)	(533)
HMRC	(600)	(600)
Unsecured employee claims	-	(2,145)
Deficit with regards to unsecured creditors		(6,937)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Blue Group UK Beds Limited – in administration**Estimated Financial Position**

As at 30 June 2020.

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	2,000
Less Aleri fixed charge debt	(42,000)	(42,000)
Surplus/(deficit) on fixed charge		(40,000)
Assets not specifically pledged		
Property, plant and equipment	3,781	-
Goodwill and intangibles	1,209	-
Property, plant and equipment	2,004	-
Stocks	1,963	-
Trade debtors	1,394	124
Cash	1,791	1,791
Assets / Purchase consideration		4,073
Total floating charge realisations		5,988
Total assets available for preferential creditors		5,988
Preferential employee claims		-
Prescribed part		(600)
Surplus/(deficit) available for floating charge creditors		5,388
Less Aleri floating charge debt	(42,000)	(40,000)
Surplus/(deficit) available for floating charge creditors		(34,612)
Intercompany creditor	(1,585)	(1,585)
Trade creditors	-	-
HMRC	(533)	(533)
Other creditors	(2,623)	(2,623)
Deficit with regards to unsecured creditors		(4,741)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Unitrans UK Limited - in administration
Estimated Financial Position
As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Cash	8	8
Assets / Purchase consideration		-
Total floating charge realisations		8
Total assets available for preferential creditors		8
Preferential employee claims		-
Prescribed part		(4)
Surplus/(deficit) available for floating charge creditors		4
Less Aleri floating charge debt	(42,000)	(40,000)
Surplus/(deficit) available for floating charge creditors		(39,996)
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Unitrans (Logistics) UK Limited – in administration
Estimated Financial Position

As at 30 June 2020

€'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Cash	10	10
Assets / Purchase consideration		-
Total floating charge realisations		10
Total assets available for preferential creditors		10
Preferential employee claims		-
Prescribed part		(5)
Surplus/(deficit) available for floating charge creditors		5
Less Aleri floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(41,995)
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Unitrans Limited - in administration

Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Property, plant and equipment	1,973	-
Other debtors, prepayments & rebates	1,721	-
Cash	4	-
Assets / Purchase consideration		-
Total floating charge realisations		-
Total assets available for preferential creditors		-
Preferential employee claims		(348)
Prescribed part		-
Surplus/(deficit) available for floating charge creditors		(348)
Less Aleri floating charge debt	(40,000)	(40,000)
Surplus/(deficit) available for floating charge creditors		(40,348)
Intercompany creditor	(1,080)	(1,080)
Trade creditors	(65)	(65)
HMRC	(10)	(10)
Unsecured employee claims	-	(3,249)
Deficit with regards to unsecured creditors		(4,404)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Serais Investments Limited – in administration
Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Assets / Purchase consideration	-	-
Total floating charge realisations		-
Total assets available for preferential creditors		-
Preferential employee claims		-
Prescribed part		-
Surplus/(deficit) available for floating charge creditors		-
Less Aleri floating charge debt	(42,000)	(42,000)
Surplus/(deficit) available for floating charge creditors		(42,000)
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Other creditors	(185)	(185)
Deficit with regards to unsecured creditors		(185)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report.

Property Portfolio (No. 1) Limited – in administration
Estimated Financial Position
As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Assets / Purchase consideration	-	30
Total floating charge realisations		30
Total assets available for preferential creditors		30
Preferential employee claims		-
Surplus/(deficit) available for unsecured creditors		30
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Property Portfolio (No. 2) Limited – in administration
Estimated Financial Position
As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		
Assets not specifically pledged		
Assets / Purchase consideration	-	15
Total floating charge realisations		15
Total assets available for preferential creditors		15
Preferential employee claims		-
Surplus/(deficit) available for unsecured creditors		15
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Property Portfolio (No. 8) Limited – in administration
Estimated Financial Position
As at 30 June 2020

€'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Assets / Purchase consideration	-	15
Total floating charge realisations		15
Total assets available for preferential creditors		15
Preferential employee claims		-
Surplus/(deficit) available for unsecured creditors		15
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Property Portfolio (No. 11) – in administration**Estimated Financial Position**

As at 30 June 2020

€'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Assets / Purchase consideration	-	-
Total floating charge realisations		-
Total assets available for preferential creditors		-
Preferential employee claims		-
Surplus/(deficit) available for unsecured creditors		-
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Property Portfolio (No. 14) Limited – in administration
Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Assets / Purchase consideration	-	15
Total floating charge realisations		15
Total assets available for preferential creditors		15
Preferential employee claims		-
Surplus/(deficit) available for unsecured creditors		15
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Property Portfolio (No. 15) Limited – in administration
Estimated Financial Position
As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		
Assets not specifically pledged		
Assets / Purchase consideration	-	45
Total floating charge realisations		45
Total assets available for preferential creditors		45
Preferential employee claims		-
Surplus/(deficit) available for unsecured creditors		45
Intercompany creditor	-	-
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		-

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report.

Property Portfolio (No. 7) Limited - in administration
Estimated Financial Position
As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	120	120
Surplus/(deficit) on fixed charge		0
Assets not specifically pledged		
Assets / Purchase consideration	0	0
Total floating charge realisations		0
Total assets available for preferential creditors		0
Preferential employee claims		0
Surplus/(deficit) available for unsecured creditors		0
Intercompany creditor	0	0
Trade creditors	140	140
HMRC	0	0
Unsecured employee claims	0	0
Deficit with regards to unsecured creditors		0

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Property Portfolio (No.17) Limited – in administration**Estimated Financial Position**

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	15	15
Surplus/(deficit) on fixed charge		–
Assets not specifically pledged		
Assets / Purchase consideration	15	15
Total floating charge realisations		15
Total assets available for preferential creditors		15
Preferential employee claims		–
Surplus/(deficit) available for unsecured creditors		15
Intercompany creditor	–	–
Trade creditors	–	–
HMRC	–	–
Unsecured employee claims	–	–
Deficit with regards to unsecured creditors		–

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report.

Blue Group UK Furniture Limited - in administration
Estimated Financial Position

As at 30 June 2020

£'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	251	251
Surplus/(deficit) on fixed charge		<u>0</u>
Assets not specifically pledged		
Assets / Purchase consideration	12	12
Total floating charge realisations		<u>12</u>
Total assets available for preferential creditors		<u>12</u>
Preferential employee claims		(281)
Surplus/(deficit) available for unsecured creditors		<u>(281)</u>
Intercompany creditor	(4,840)	(4,840)
Trade creditors	1	1
HMRC	1	1
Unsecured employee claims		(1,940)
Deficit with regards to unsecured creditors		<u><u>(6,780)</u></u>

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Blue Group Hold Co. Limited – in administration
Estimated Financial Position

As at 30 June 2020

€'000	Book Value	Estimated to Realise
Assets specifically pledged		
Assets / Purchase consideration	-	-
Surplus/(deficit) on fixed charge		-
Assets not specifically pledged		
Assets / Purchase consideration	-	-
Total floating charge realisations		-
Total assets available for preferential creditors		-
Preferential employee claims		-
Surplus/(deficit) available for unsecured creditors		-
Intercompany creditor	(42,687)	(42,687)
Trade creditors	-	-
HMRC	-	-
Unsecured employee claims	-	-
Deficit with regards to unsecured creditors		(42,687)

NB: the analysis above excludes any expenses, professional fees or other associated costs of realisation. We will share more developed estimates of these in our remuneration report

Appendix

Information regarding the sale of certain business and assets of the Companies on 30 June 2020 as required by Statement of Insolvency Practice No.16 (SIP 16)

The purpose of Statements of Insolvency Practice (SIPs) is to promote and maintain high standards by setting out required practice and harmonising the approach of insolvency practitioners to particular aspects of insolvency work.

SIP 16 relates to situations where the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale immediately on, or shortly after, appointment. This is sometimes referred to as a 'pre-packaged sale'.

In the lead up to an administration appointment, an insolvency practitioner may act as an advisor to the company as it seeks to make arrangements for a sale. Their role at this time is to advise the company, rather than the directors or the purchaser.

Following an appointment where no sale agreement has yet been signed, the insolvency practitioner may become the administrator and complete the sale in that role. When considering the manner of disposal of the company's business or assets, an administrator must bear in mind their duties to company's creditors as a whole.

A copy of SIP 16 can be found at the link below:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations-and-standards/sips/english/sip-16-e-and-w-pre-packaged-sales-in-administrations-2015.ashx>

More information regarding the purpose and process of administration can be found at the link below:

https://www.r3.org.uk/media/documents/publications/professional/Creditors_Administration.pdf

Information relating to this sale is set out in the remainder of this Appendix.

At the time of the administration, the Blue Group ("the Group") was a vertically integrated UK retailer that operated under a multi-channel strategy through stores, online and telesales. The principal activities of the Group were the manufacture, distribution and retail of beds/mattresses and home furniture products. The retail group operated under the brands of:

- Bensons for Beds, a leading UK retailer selling a comprehensive assortment of leading bed brands; and
- Harveys, a leading home retail specialist in the UK focusing on upholstery, dining and living room furniture.

The Group was supported by a vertically integrated network in manufacturing, warehousing and logistics and distribution:

- Relyon Limited - a bedding manufacturer;
- Blue Group UK Beds Limited - a bedding manufacturer;
- Formation Furniture Limited - an upholstery manufacturer; and
- The Unitrans Limited - providing warehousing and logistics services to the Group.

The Group traded across 262 retail stores in the UK and employed 3,469 people across the Group.

Geographically, the integrated support network was situated throughout the UK, with head offices for key business units located in Accrington and Dartford, a national distribution centre at Magna Park (Rugby); alongside four other distribution centres and five outbase sites. Four manufacturing sites were also located across England and Wales.

Events leading up to administration

Since 2017, the Group has experienced a number of challenges including the financial performance of its previous ultimate parent entity Steinhoff International, a challenging economic environment and global events which have disrupted trading.

In June 2019, the Group completed a significant restructuring which simplified the intercompany debt structure, secured continued funding of the defined benefit pension scheme as it was transferred to Homestyle Pension Company Limited (a Steinhoff entity outside of the Group, and backed by parent guarantees) and introduced a new credit facility.

Following continued trading issues the Group's shareholders and lenders indicated that there was no appetite to continue providing funding. Consequently, in February 2020, there was a solvent sale of the Group to Alteri Investors ("Alteri"). As part of this acquisition, Alteri also acquired the £40m secured loan facility from the Group's previous lenders.

Due to ongoing trading issues and the impacts on the business of the Covid19 pandemic, there was a forecast funding requirement. Alteri were not prepared to provide additional funding and re-set covenants and so the Group was marketed for sale. Details of the marketing process, which was conducted by BDO LLP, are set out later in this document.

Due to the global coronavirus pandemic and restrictions imposed by the UK government, the business was mothballed in March 2020. In June 2020, with the gradual re-opening of the UK retail sector, Alteri submitted an offer for certain elements of the Group's business and assets, the only offer received.

For the reasons explained throughout this appendix, the Companies' directors and the joint administrators concluded that a pre-packaged sale of the business and assets to Alteri would provide the best possible outcome for creditors and stakeholders in the circumstances. In particular, this was on the basis that:

- There were no other offers to acquire the Group (or any part of it) on a solvent or insolvent basis.
- A pre-packaged sale to Alteri, in combination with the realisation of assets excluded from the sale, would generate better value for creditors than the break-up value of the assets.
- The secured creditor of the Companies supported the transaction.
- The sale resulted in the transfer of 1,899 people to the purchasing companies (representing 55% of the overall workforce) thereby mitigating preferential and unsecured creditor claims. The anticipated formal transfer of a large portion of the Companies' retail store network will reduce or avoid significant claims from landlords.
- The buyer confirmed an intention to honour open customer orders, thus mitigating creditor claims.

The administrators' initial introduction

Zelf Hussain and Peter Dickens were introduced to the Blue Group on 19 February 2020 by Robert Moran, a Partner of PwC.

Yulia Marshall and Ross Connock were introduced to the Blue Group on 22 June 2020 and 24 June 2020 respectively by Zelf Hussain and Peter Dickens as suitable additional prospective joint administrators due to their industry experience and geographical location.

The extent of the administrators' involvement before the appointment

The following is a summary of PwC's relationships with the Group, including its former shareholders.

14 December 2017 - Steinhoff UK Holdings Limited ("SUKH") requested that PwC conduct an options review of the Blue Group (a group of companies comprising the Harveys and Bensons For Beds retail and manufacturing businesses, which was 100% owned by SUKH).

2 August 2018 - Steinhoff UK Retail Limited ("SUKR") engaged PwC to provide a further review of options for the Blue Group.

17 January 2019 - SUKH engaged PwC to advise on the restructure of SUKR's defined benefit pension scheme.

12 February 2019 - PwC was engaged by SUKH to support the restructuring of the Blue Group.

19 June 2019 - SUKH requested PwC to undertake a refreshed options analysis on the Blue Group.

24 July 2019 - SUKH engaged PwC to support the sale of the Blue Group.

All of the work detailed above was led by a separate restructuring PwC partner who was not involved in any subsequent engagements with the Blue Group.

19 February 2020 - the Blue Group's directors requested that PwC, led by Zelf Hussain and Peter Dickens, review the business forecasts. Due to a significant decline in trading, at the request of the Group's directors, PwC did not review these forecasts and instead provided support with contingency planning whilst the

Group's directors explored options. BDO was also appointed by the Group to run a sales process.

Yulia Marshall was first introduced to Blue Group on 22 June 2020, followed by Ross Connock on 24 June 2020. Prior to these dates, neither had any prior professional relationship with the Group or its directors.

Prior to the appointment, advice was provided to the Group. Advice was not provided to the directors personally, nor to any purchaser.

Alternative options considered by the directors before formal insolvency and by the administrators on their appointment and during the administration and the possible outcome(s) of the alternative options

The options considered and compared with the execution of a sale of the business via a pre-pack administration were as follows:

Continuing to trade the businesses with a view to achieving a successful turnaround. Having forecast a significant funding need and breach of covenants under its facility agreement and having notified the secured creditor, it was clear that neither a covenant waiver nor additional funding would be forthcoming. Consequently, the Group would not have had sufficient funds to pay its debts as they fell due.

Allowing the Group to continue trading in these circumstances would almost certainly have resulted in creditor enforcement action, including a likely winding-up petition leading to certain entities entering compulsory liquidation and a cessation of trade. We believe this would not have been in the creditors best interests, for the reasons given further below (see 'Liquidation / immediate shut down').

Refinancing of the Group. Refinancing options had previously been explored and exhausted as described in the background section above.

Company Voluntary Arrangement ("CVA"). A CVA would only be able to compromise unsecured liabilities and would require either the secured creditor to continue to fund the businesses or new lenders to be found, neither of which were considered viable options for the reasons set out above.

Trading administration. We explain below why this was not considered to be an appropriate option for all of the Companies' business and assets in administration.

Liquidation / immediate shut down. A shutdown of the business would have had a greater negative impact on the value of the Group's assets, and increased creditor liabilities due to the termination of contracts and likely significant claims from landlords. In addition, there would have been no prospect of the preservation of employment for the Group's employees, further increasing the liabilities due to redundancy and other claims.

An immediate shutdown would also have resulted in all of the Group's orders being unfulfilled, significantly further increasing the shortfall to the general body of creditors. This option was therefore not considered to be in the best interests of the Group's creditors, compared to the alternative options available.

Why it was not appropriate to trade the business and offer it for sale as a going concern during the administration

The transaction largely relates to the Bensons for Beds business only. Other parts of the Group are continuing to trade in administration. We considered that a trading administration for all elements of the Group's businesses was not appropriate for the following reasons:

- An offer for the Bensons for Beds business had been received. Given the market testing that had been undertaken prior to the pre-packaged sale, there was no indication from the very recent open market sales process to suggest that a trading period for the Bensons for Beds
-

business in an insolvency would have resulted in any better outcome than that which has been achieved.

- The pre-packaged transaction has enhanced value achieved for the general body of creditors as it has ensured continuity of trading and employment for staff of a large part of the Group's business, minimised disruption to the supply chain, reduced uncertainty for customers and preserved an element of the Benson for Beds' manufacturing relationship with the retail division. This would not be possible in a trade out scenario, increasing the level of creditor claims and impacting on value realised for assets.
- Additionally, there was a significant risk and uncertainty associated with trading due to the Group's inability to offer warranties or consumer finance whilst trading in administration. It was expected that a significant number of unfulfilled customer orders could have been cancelled and sales would require heavy discounting of stock prices. Furthermore the brand names for the Bensons for Beds and Harveys businesses were owned by third parties, with no uncertainty that they could be retained and utilised for an administration trading period. A sale of the Bensons for Beds business and assets together with the entire Group's order book, has maximised value and is anticipated to significantly mitigate unsecured claims in respect of customer deposits.
- Notwithstanding that a full trading administration was unlikely to result in enhanced asset values, the professional costs that would have been involved in a wider and more complex trading administration would be significantly higher and thereby would directly further impact net creditor returns.

Whether efforts were made to consult major or representative creditors

The sale process confirmed that the value of the business and assets was such that the party with the principal financial interest in any insolvency process was the secured creditor.

Preferential creditors (mainly amounts related to certain employee liabilities) were forecast to be paid in full; and unsecured creditors would only benefit by virtue of the statutory prescribed part fund in certain of the companies.

Therefore, the proposed joint administrators and the Group engaged with the secured creditor prior to and throughout the process, as described in the sections above.

Requests made to potential funders to fund working capital requirements

The Group's management team did not identify any sources of new funding given the current indebtedness of the Group.

Details of registered charges with dates of creation

The details of registered charges are set out at the end of this appendix.

Whether or not the business or business assets have been acquired from an insolvency practitioner within the previous two years

None of the Group's businesses or assets were acquired from an insolvency practitioner within the previous two years.

Marketing activities conducted by the Company and/or administrators

The Blue Group appointed BDO to run a sales process. The business was marketed to 88 parties including a mix of trade and financial buyers. This constituency of buyers was selected by BDO and agreed with management as an appropriate group of parties that may have had a credible interest in the business.

Parties that were considered as being likely to disrupt the sales process or who were not deemed credible purchasers were excluded from the process in order to protect value and reduce disruption which could hinder both the sale process and trading of the business in the interim.

For the same reasons and given the number of parties identified, the acquisition opportunity was not formally advertised or marketed via the internet.

Marketing commenced on 11 March 2020 with a teaser document and other information being issued and a deadline set for initial indicative offers of 20 March 2020. BDO defined the transaction parameters and what would be available to parties in advance. An information memorandum and data room were prepared, ready to be provided to buyers who expressed a serious interest.

A total of 20 parties withdrew from the process early after its commencement, due to a number of common concerns, including a reluctance to complete a transaction in the current climate and concerns over being able to complete a transaction within the short timeframe. NDA's were returned by 8 parties who were then given access to the information memorandum and dataroom. However, no offers were received by the initial deadline of 20 March 2020.

Due to challenging market conditions and the impact of Covid-19 restrictions on trading, on 25 March 2020 the Group ceased all trading of the businesses.

Following the reopening of the business for retail trade in June 2020, an offer for certain business and assets, namely those relating to the Bensons for Beds business, was received from Alteri.

Given no other offers had been received and as the Alteri offer represented the best value for creditors in the circumstances, it was accepted. Whilst the joint administrators were not directly involved in the sale process conducted by BDO on behalf of the Group, we are satisfied as to the adequacy of the marketing undertaken.

Valuer's details

Fixtures, fittings and other assets

Hilco Appraisal Limited ("Hilco") carried out a valuation of computer hardware, fixtures and fittings, office equipment, plant and machinery, motor vehicles and commercial vehicles.

The valuation was dated 16 March 2020 and undertaken by Jason Hall who is a RICS Registered Valuer.

Freehold property

Hilco also carried out a valuation of the Group's freehold property assets. The review was carried out by Edward Jeffery MRICS and Jon Cookson MRICS FNARA. Hilco confirmed that it has the relevant experience to value assets of this nature.

Leasehold interests

Hilco also carried out a review of the leases held by the Blue Group. The review was carried out by Edward Jeffery MRICS. Hilco confirmed the valuer had the relevant experience to value assets of this nature.

The valuer responsible for the overall valuation work was Edward Jeffery MRICS who has the appropriate knowledge to oversee an instruction of this nature.

Hilco has confirmed its independence and that it carries appropriate professional indemnity insurance in relation to the valuations provided.

Valuations of the business or the underlying assets

Fixtures, fittings and other assets

A valuation of the fixtures, fittings and other equipment owned by the businesses was undertaken by Hilco with the indicative market values (MV) as shown below.

Valuations were provided on both a going concern (in situ) basis and break-up (ex situ) basis, to directly reflect the options available to realise the Group's assets.

Blue Group UK Beds Ltd

Assets	MV in situ (£'000)	MV ex situ (£'000)
Computers	50	10
Fixtures & Fittings	70	25
Plant & Machinery	1,300	600
Motor Vehicles	880	650
Lorries	95	55
Boxes	35	12
	2,430	1,352

Blue Group UK Retail Limited

Assets	MV in situ (£'000)	MV ex situ (£'000)
Computer hardware	730	195
Fixtures & Fittings	7,000	350
Motor Vehicles	67	35
	7,797	580

Freehold Property

The valuations of the freehold properties were as follows:

1. Horatio Myers, 1 Windover Road, Huntingdon, PE29 7EF

- Market value subject to vacant possession - 180 day disposal
- £3,000,000.

2. Station Mills, Station Road, Wellington, TA21 8NN

- Market value subject to vacant possession (other than areas held under lease by a third party) - 180 day disposal
- £1,750,000 (Relyon Limited only owned approximately one-third of this property)

Leasehold interests

Hilco confirmed that there was no premium value in any of the leasehold interests on a break up basis.

Of the assets included in the sale, only the Group's freehold properties are subject to fixed charge security. All other assets are subject to the secured creditor's floating charge security.

The date of the transaction	30 June 2020
The identity of the purchaser(s)	<p>The purchasers are special purpose vehicles (SPVs) which are controlled by Alteri. The purchasing entities are:</p> <ul style="list-style-type: none"> • Bensonsforbedsretail Limited; • Bensonsforbedsmanufacturing Limited; and, • BlueGroup Propoco Limited.
Any connection between the purchaser(s) and the directors, shareholders or secured creditors of the Company or their associates	The ultimate beneficial owner of both the Group and Purchasers is Alteri, who is also the secured creditor of the Group.
The names of any directors, or former directors (or their associates), of the company who are involved in the management, financing, or ownership of the purchasing entity, or of any other entity into which any of the assets are transferred	<p>We understand that the Purchasers have reached agreement with the following former directors of the Group to continue in management roles in the Purchasers' new business:</p> <ul style="list-style-type: none"> • Mark Xavier Jackson • John Henry Robins • Joseph James Francis Wykes • Darren Brian Hall • Gary David McDonald • Paul Stanworth • Gordan Forsyth • Mark Alexander Duff
Whether the directors had given guarantees to a prior financier	No guarantees given.
Whether the transaction impacts on more than one related company	<p>The transaction impacts the following group entities:</p> <p>Blue Group Hold Co Limited (12040448) Blue Group UK Retail Limited (00040754) Blue Group UK Group Properties Limited (01024575) Blue Group UK Furniture Limited (02237159) Blue Group UK Manufacturing Limited (04209321) Blue Group UK Beds Limited (08431253) Homestyle Group Operations Limited (03130486) Formation Furniture Limited (03223063) Relyon Group Limited (00859590) Relyon Limited (00470381) Unitrans UK Limited (05523545) Unitrans Logistics (UK) Limited (05523550) Unitrans Limited (01372780) Serais Investments Limited (01264703) Property Portfolio (No 1) Limited (00281055) Property Portfolio (No 2) Limited (03511999) Property Portfolio (No 7) Limited (00548337) Property Portfolio (No 8) Limited (02347258) Property Portfolio (No 11) (02236968) Property Portfolio (No 14) Limited (02910567) Property Portfolio (No 15) Limited (00884341) Property Portfolio (No 17) Limited (02287644)</p>

Details of the assets involved and the nature of the transaction	The sale was a transfer of the business and assets (largely relating to the Bensons for Beds business) as a going concern. We have attached a breakdown of the key assets included in the sale agreement together with their allocated consideration.
The consideration for the transaction, terms of payment, and any condition of the contract that could materially affect the consideration	<p>Total consideration for the sale was £23,180,000.</p> <p>As stated above, we have attached a breakdown of the key assets included in the sale agreement together with their allocated consideration.</p>
Any options, buy-back arrangements, deferred consideration or similar conditions attached to the transaction	Not applicable.
If the sale is part of a wider transaction, a description of the other aspects of the transaction.	All aspects of the transaction are described in this document.
Connected party transactions	We informed the Purchasers that they should consider approaching the pre-pack pool. The Purchasers chose not to approach the pre-pack pool and a viability statement has not been provided by the Purchasers.
The sale and the purpose of administration	<p>Joint administrators must perform their functions with the objective of achieving the statutory purpose of administration. The statutory purpose of administration is to achieve one of these objectives:</p> <ol style="list-style-type: none"> rescuing the company as a going concern, or if that is not possible or if (b) would achieve a better result for the creditors than (a) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or finally, if that is not possible realising the company's assets to pay a dividend to secured or preferential creditors. <p>In general, administrators must perform their functions in the interests of the creditors of the company as a whole.</p> <p>In this case, we are pursuing objective (b) as it was not possible to rescue the companies as going concerns. We believe that the sale enables the statutory purpose to be achieved. We also confirm that the outcome was the best available for creditors as a whole in all the circumstances.</p> <p>Further information on the outcome for the various classes of creditors, the timing of any dividends and the work we still need to do in the administrations, is set out in our statement of proposals that is being issued with this letter and can be found online at www.pwc.co.uk/bluegroup.</p>

Details of registered charges with dates of creation

Legal Entity	Charge Date	Security	Secured Creditor
Blue Group UK Retail Limited (BGUKR)	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Blue Group UK Group Properties Limited (BGUKGP)	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Homestyle Group Operations Limited (HGO)	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Formation Furniture Limited	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Blue Group UK Manufacturing Limited (BGUKM)	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Relyon Group Limited	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Relyon Limited (RL)	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Blue Group UK Beds Ltd (BGUKB)	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Unitrans UK Limited	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Unitrans Logistics (UK) Limited	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Unitrans Limited	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Serals Investments Limited	14 November 2019	Debenture	Alteri Blue Group Cayman, Limited
	22 June 2019	Debenture	Steinhoff UK Holdings Limited*
Blue Group Hold Co Limited	N/A	N/A	N/A
Property Portfolio (No 1) Limited (PP1)	N/A	N/A	N/A
Property Portfolio (No 2) Limited (PP2)	N/A	N/A	N/A
Property Portfolio (No 7) Limited (PP7)	N/A	N/A	N/A
Property Portfolio (No 8) Limited (PP8)	N/A	N/A	N/A
Property Portfolio (No 11) (PP11)	N/A	N/A	N/A
Property Portfolio (No 14) (PP14)	N/A	N/A	N/A
Property Portfolio (No 15) Limited (PP15)	N/A	N/A	N/A
Property Portfolio (No 17) Limited (PP17)	N/A	N/A	N/A
Blue Group UK Furniture Limited	N/A	N/A	N/A

* This charge was transferred to Alteri Blue Group Cayman Limited by way of an assignment dated 14 November 2019, becoming effective from 26 February 2020.

Details of the assets involved and consideration for the transaction

Credit bid allocation

Asset class	Security	BGUKR	BGUKGP	BGUKM	RL	BGUKB	TOTAL
Freehold property	Fixed	-	-	-	400,000	2,000,000	2,400,000
PPE	Floating	241,161	-	-	-	2,352,000	2,593,161
Stock	Floating	2,746,255	-	-	-	281,697	3,027,952
Trade debtors	Floating	952,189	-	-	-	-	952,189
Goodwill	Floating	6,027,239	-	-	-	1,439,459	7,466,698
Transferred cash	Floating	3,485,676	2,457,731	350,958	205,635	-	6,500,000
Leasehold properties	Floating	15,000	45,000	-	-	-	60,000
		13,467,520	2,502,731	350,958	605,635	6,073,156	23,000,000
	Fixed	-	-	-	400,000	2,000,000	2,400,000
	Floating	13,467,520	2,502,731	350,958	205,635	4,073,156	20,600,000
		13,467,520	2,502,731	350,958	605,635	6,073,156	23,000,000

Cash allocation

Asset class	Security	HGO	PP1	PP2	PP8	PP14	PP15	PP17	TOTAL
Leasehold properties	Unencumbered	45,000	30,000	15,000	15,000	15,000	45,000	15,000	180,000
	Total	45,000	30,000	15,000	15,000	15,000	45,000	15,000	180,000

Notes:

- PPE is property, plant and equipment
- See the table on the previous page for the definitions used in these tables.