



██████████ To All Known Creditors

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The Collective (Living) Limited
(in Administration)

Third Remuneration Report: Information to
Creditors

Glossary

Abbreviation	Definition	Term	Meaning
BEIS	Department for Business, Energy and Industrial Strategy	Administration	The Administration of The Collective (Living) Limited
c.	Approximately	Appointment date	15 September 2021
CDDA	Company Directors Disqualification Act 1986	Joint Administrators / we / our / us /	Matthew Boyd Callaghan, Andrew James Johnson and Lisa Jane Rickelton
CT	Corporation Tax	the Company	TCLL
EBITDAP	Earnings Before Interest, Taxes, Depreciation, Amortization and Pension Income	Secured Creditors	Deutsche Bank AG, London Branch; GCP Asset Backed Income (UK) Limited; and AC Advantage – Credit Strategies. Creditors with security in respect of their debt in accordance with Section 248 IA86.
FTI / FTI UK	FTI Consulting LLP and/or FTI Financial Services Limited	the Group / The Collective Group	TCLGL and all its subsidiaries
GLAS	GLAS Trust Corporation Limited, security agent for the Secured Creditors	The Proposals	Our Statement of Proposals including its appendices, dated 5 November 2021
HMRC	HM Revenue & Customs	Preferential creditors	First ranking: Principally employee claims for unpaid wages (max £800 per employee), holiday pay, and certain unpaid pension contributions Second ranking: HMRC in respect to certain specified debts.
HPL	Harewood Properties Limited – In Administration	Prescribed Part	Amount set aside for unsecured creditors from floating charge net realisations in accordance with Section 176A IA86.
IA86	Insolvency Act 1986 (as amended)	Scape	Windmill Opportunities Limited (formerly Scape Student Living Limited) trading as Scape (Company Number: 07120364) and TC Services Limited (Company Number: 13608402)
ICAEW	Institute of Chartered Accountants in England & Wales	Unsecured creditors	Creditors who are neither secured nor preferential. Principally trade creditors, landlords, intercompany debts and utility providers. HMRC and employee-related claims that do not rank preferentially are also included here.
IR16	Insolvency (England and Wales) Rules 2016 (as amended)		
LTO	Licence to occupy leasehold premises		
NDA	Non-Disclosure Agreement		
PAYE	Pay-as-you-earn tax		
RPS	Redundancy Payments Service		
Schedule B1	Schedule B1 to the Insolvency Act 1986		
SIP	Statement of Insolvency Practice		
SIP 2	Investigations by office holders in administration and insolvent liquidations		
SIP 7	Presentation of financial information in insolvency proceedings		
SIP 9	Payments to insolvency office holders and their associates from an estate		
TCLGL	The Collective (Living) Group Limited – In Administration		
TCLL	The Collective (Living) Limited – In Administration		
TUPE	Transfer of Undertakings (Protection of Employment) Regulations 2006		

Important notice

This third Remuneration Report (Information to Creditors) should be read alongside our second remuneration report made available to creditors on our website from 29 June 2022.

- We delivered to creditors (via our website) our second remuneration report dated 29 June 2022, which provided details of:
 - a review of our remuneration in respect of the Administrations of TCLL, HPL and TCLGL; and
 - extensions to the periods of the Administration for both HPL and TCLGL.
- The proposed extensions to the periods of Administration for both HPL and TCLGL, and the proposed increase in our remuneration as detailed in our second remuneration report dated 29 June 2022, were approved by the Secured Creditors on 5 July 2022.
- Since delivering that document to creditors, further discussions have taken place with the Secured Creditors and, as a result, it has been agreed that there should be an extension to the Administration of TCLL for a period of 12 months.
- A consequence of the extended duration of the Administration is the additional work we expect to have to perform. We therefore agreed in principle with the Secured Creditors a revised amount for our remuneration in respect of TCLL.
- Our second remuneration report dated 29 June 2022 should therefore be read alongside this report.
- **As before, this report is for information purposes only and no action is required. It is for the Secured Creditors to provide the formal approval required.**

Purpose of This Remuneration Report

We are seeking an increase in our remuneration for acting as joint administrators of the Company and insolvency legislation requires that we provide certain information to creditors before a determination can be made.

Fee Basis Approved

- In our Statement of Proposals dated 5 November 2021, we explained that in relation to acting as joint administrators of the Company, we would be seeking approval for our fees to be determined as a set amount (a fixed fee). We also explained that, in the circumstances of this Administration and in the absence of a creditors' committee, it would be a matter for the Secured Creditors to decide, as they are the only class of creditor with a financial interest in the Administration.
- In our progress report dated 19 April 2022, we confirmed that the Secured Creditors gave their consent on 19 November 2021. Details of what was approved were provided in our progress report and are set out again later in this document.

Review of Remuneration

- A number of factors have changed since we issued our Proposals, the initial Remuneration Report contained therein, and the second Remuneration Report to creditors made available to creditors on our website from 29 June 2022. The Administration is now expected to take longer than originally forecast. We are therefore seeking an increase to the quantum of the fixed fees in respect of the Administration of the Company.
- In accordance with insolvency legislation, the increase is again for the Secured Creditors to approve. Agreement in principle has been received and formal approval is being sought in conjunction with issuing this third Remuneration Report.
- Further details of what is proposed and the reasons giving rise to the request, are provided later in this document.

Actions Required by Creditors

- **No actions are required by creditors. This document is for information purposes only.** We will be contacting the Secured Creditors separately with regards to obtaining their formal approval.

Further Information

- You may wish to read this document in conjunction with our Proposals (containing our initial Remuneration Report) first progress report, and our second Remuneration Report, all of which can continue to be found online (see 'How to Contact Us'). You may request a hard copy of this document or those reports, by contacting us using the details provided.
- Our Proposals and progress report provided details of the purpose of the Administration, how we believe the purpose will be achieved and the progress of the Administration in the six months since our appointment. The reports also provided background information on how administrators' fees may be determined and approved, and details of the expenses likely to be incurred.

How to Contact Us

- Creditors can contact us using the preferred methods below:

Email: CollectiveLiving@fticonsulting.com

Post: TCLL (in Administration)
c/o FTI Consulting LLP
200 Aldersgate
Aldersgate Street
London
EC1A 4HD
United Kingdom

Tel: +44 (0)20 3077 0468

- Further information can be found online at:
<https://www.fticonsulting.com/emea/cip/the-collective-living-group-limited>



Matthew Boyd Callaghan
Joint Administrator

Legal Notices

These important notices relate to the provision of information in this document and our appointment as joint administrators.

Agents of the Company

- The affairs, business and property of the Company are being managed by the Joint Administrators, who act as agents of the Company and without personal liability. The Joint Administrators are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales, under Section 390A(2)(a) of the Insolvency Act 1986.

Information on Creditors' Rights

- Information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at www.creditorinsolvencyguide.co.uk/.
- Details about how an office-holder's fees may be approved for each case type are available in a series of Guidance Notes issued with Statement of Insolvency Practice 9, and they can be accessed at www.fticonsulting.com/emea/cip/forms-and-information. Please refer to the version "Guide to Administrators Fees April 2021 England Wales".

Data Protection

- FTI Consulting LLP ("FTI") uses personal information in order to fulfil the legal obligations of its insolvency practitioners under the Insolvency Act and other relevant legislation, and also to fulfil the legitimate interests of keeping creditors and others informed about the insolvency proceedings.
- You can find more information on how FTI uses your personal information on our website at www.fticonsulting-emea.com/~media/Files/emea-files/creditors-portal/cip-emea-forms-info/cip-data-privacy.pdf

Insolvency Code of Ethics

- The Joint Administrators are bound by the Insolvency Code of Ethics which can be found online at www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics.

About this Report

- This report has been prepared by the Joint Administrators solely to comply with their statutory duties under insolvency law and regulation. 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 is not suitable to be used, to inform any investment decision in relation to the debt of (or any financial interest in) the Company.
- Any person that chooses to rely on this report for any purpose or in any context other than under the Insolvency Act 1986 and Insolvency (England and Wales) Rules 2016, does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this report to any such person.
- 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.

Provision of Services Regulations

- To comply with the Provision of Services Regulations, some general information about FTI Consulting LLP, including about our complaints policy and Professional Indemnity Insurance, can be found online at: www.fticonsulting.com/emea/cip.

Estimated Outcome for Creditors

The Administration is being separately funded as the Company has insufficient realisable assets to discharge costs of the process. Consequently, no dividends are expected to any class of creditor.

Key Message

- We do not expect to pay a dividend to any class of creditors, since the Administration is being separately funded by TCS. There will be insufficient assets to repay the non-recourse funding in full. Our Proposals and progress report provide further information on the outcome for creditors, which is summarised below for the purposes of this document.

Secured Creditors

- The Group Facility Agreement is secured by way of a debenture creating fixed and floating charges over the assets of the Company as well as other Group entities. It also benefits from a comprehensive net of guarantors across the Group.
- Since our appointment, accrued interest and default interest has been charged to the facilities increasing the total amount owed to £114m (as agreed with the Security Agent).
- It is not expected that Secured Creditors will make recoveries from the realisation of assets in the Company, although the continuation of the central services function in the Company and director appointments at holding company levels, has provided a platform for the Secured Creditors to recover value under their security entitlements elsewhere in the Group.

Preferential Creditors

- TCLL was the only company out of HPL, TCLGL and TCLL that had employees at the time of our appointment. Similarly, it is the only one with debts payable to HMRC that could rank preferentially.
- Whilst preferential claims are expected, there will be insufficient floating charge funds to enable a dividend to be made.

Unsecured Creditors

- Given the insufficient level of assets, costs of the Administration and prior-ranking preferential claims, there will be no dividend to the unsecured creditors, via the Prescribed Part or otherwise.
- Similarly, there will be no return to the Company's shareholders.

TCLL Creditor Class	Amount Owed	Estimated Recovery	Timing of Payment
■ Secured Creditors	£107.5m	0 %	n/a
■ Preferential Creditors	£2.3m	0 %	n/a
■ Unsecured Creditors	£66.2m	0 %	n/a

Please note that this guidance is only an indication and should not be used as the main basis of any bad debt provision. The amounts indicated as owing to the secured creditors are calculated exclusive of make-whole costs.

Proposed Revision to our Remuneration

We are proposing that the quantum of the fixed fees are increased (funded by the Secured Creditors) as a result of the change in circumstances in the Administration and the additional work required.

Approved Basis of our Remuneration

- The table below shows the approval previously given by the Secured Creditors for the Company. The amount approved consists of £3,078,000 as detailed in our Proposals, and approved by the Secured Creditors on 19 November 2021, and £300,000, as detailed in our second Remuneration Report to creditors, and approved by the Secured Creditors on 5 July 2022.
- Funding has been provided by TCS to meet these costs, although such funding must also be used to discharge certain other expenses of the Administration, including legal fees. Therefore, the amount of our remuneration drawn from the Administration may be lower.

Proposed Revision to our Remuneration

- The table also shows the proposed increase in remuneration and the total position. All amounts are on a fixed fee (set amount) basis. We are proposing the increase due to a material and substantial change in the circumstances, which was not taken into account when the original basis and quantum were determined and when the second Remuneration Report was made available to creditors.
- As before, a fixed fee basis provides the Secured Creditors with a degree of certainty and control over the costs of the Administration and we agreed this would be appropriate in the circumstances and subject to certain assumptions regarding the extent of work involved. We believe the basis and quantum are a fair and reasonable reflection of the additional work required.

Approved*	First Increase	Second Increase	Revised Total
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£3,378,000	£65,000	£50,000	£3,493,000
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**The amount approved consists of £3,078,000 as detailed in our Proposals, and approved by the Secured Creditors on 19 November 2021, and £300,000, as detailed in our second Remuneration Report to creditors, and approved by the Secured Creditors on 5 July 2022.*

- We have not repeated all the detail provided in our Proposals, first progress report and second Remuneration Report, regarding all the work we have done and expect to do in this case. Instead we have focussed on the key areas giving rise to the request to revise our remuneration.
- VAT is added at the time the remuneration is invoiced and paid by the Company, and is expected to be fully recoverable.
- The Secured Creditors continue to be the only class of creditor with a financial interest in the conduct of the Administration and the revision set out opposite will again be determined only by the Secured Creditors, in the absence of a creditors' committee.
- The Secured Creditors have agreed the increases in principle and formal approval in accordance with insolvency legislation is being sought in conjunction with issuing this third Remuneration Report.
- In the following section, we have provided details of the additional work required in the Administration, in order for the fee approving body to make an informed judgement about the reasonableness of our request.
- In relation to the 'First Increase' to our remuneration for TCLL, this covers only the work required in the first six-month period of the extension. If the Administration is not able to be concluded by 14 March 2023, the 'Second Increase' will apply, covering anticipated further statutory and administrative work. If any material unforeseen work arises during the second six-month period of the extension, it is likely that we will seek a further review of our fees.
- To conclude the Administrations by 14 March 2023, all remaining work will need to have been substantially completed no later than two months before this date, to give sufficient time to comply with our statutory duties. If this is not the case, funding for the Second Increase will be provided by the Secured Creditors at that time.

Extensions and Expenses

The revision to our remuneration in respect of TCLL relates to the proposed extension of the Administration. Our previous estimate of expenses is largely unchanged.

Extension to the Period of the Administrations

- Our request seeking approval to the revision of our remuneration will also ask the Secured Creditors to consent to extend our term of office by 12 months.
- This extension is required as we expect there will be a benefit for the Secured Creditors as the US Paper Factory employees sit in entities under TCLL. Ending the Administration of TCLL and moving the Company to dissolution would mean that ownership of those entities would then transfer to the UK Crown. Extending the Administration of TCLL whilst the Paper Factory is sold would allow for the employees to remain under the Collective umbrella and facilitate the sales process. Extending the Administration would also mean that there is more time to sell the intellectual property (TCLL's sole remaining asset).
- Based on discussions with the Secured Creditors, we will be seeking an extension of 12 months to 14 September 2023, which is the maximum extension period that can be approved by the Secured Creditors. However, it is considered likely that all remaining matters will be concluded within the first six months of the extension. If this is not the case, funding for the Second Increase will be provided by the Secured Creditors at the relevant time.
- Once approved, notice of the extensions will be made available for viewing and downloading on our website and no other notice will be delivered to creditors. The website address can be found under 'How to Contact Us' earlier in this document. Creditors may request a hard copy of the extension notice, by contacting us using the details provided.

Expenses Estimates

- In our initial Remuneration Report (within our Proposals), we set out an estimate of the expenses likely to be incurred in the Administration. In our first progress report, we provided an update on those expenses, including the amount incurred in the period and an explanation of the key differences compared to our original estimates.
- We do not believe those recent estimates have materially changed and therefore no further analysis has been performed for the purpose of this document. As mentioned earlier, the progress report continues to be available online should any creditor wish to refer to it.
- We have included an up-to-date receipts and payments accounts for the Company at the end of this report.

Additional Work

The additional work principally relates to the unforeseen work required to extend the Administration, with additional periodic statutory duties as a consequence, and the continuation of supporting the affairs of the wider group, for the benefit of the Secured Creditors.

Area of Work	Description of Work	Reason and Benefit for Creditors
Controlling our Appointment	<ul style="list-style-type: none"> ■ Case reviews: periodic reviews of the Administration, typically every six-months. Due to the proposed extensions of the Company, at least one additional case review will be required. Should the Administration not be concluded within the first six-month period of the proposed extension, a further case review will be required. ■ Financial Management: preparing and maintaining cost budgets, estimated outcome statements etc., as appropriate for the case and throughout the period of the extension. Reconciliations to the bank statements are also undertaken on a monthly basis. ■ Remuneration: giving further information to creditors, seeking a revision to our fee approval in accordance with insolvency legislation requirements, maintaining budgets and drawing fees when approved. 	<ul style="list-style-type: none"> ■ We have a duty to perform our functions as quickly and efficiently as reasonably practicable, in the best interests of the creditors as a whole. ■ Whilst not necessarily generating a direct financial benefit for creditors, these areas of our work ensure that our strategies to maximise realisations and minimise costs (and liabilities where possible), are kept under review and amended as appropriate.
Dealing with Creditors	<ul style="list-style-type: none"> ■ Secured creditors: liaising with / periodic reporting to the Secured Creditors (as required). 	<ul style="list-style-type: none"> ■ The Secured Creditors have requested a 12-month extension to the Administration, which will ultimately benefit the Secured Creditors when assets within the wider Group are disposed of.
Fulfilling Our Statutory Duties	<ul style="list-style-type: none"> ■ Progress reports: preparing and issuing an additional six-monthly progress report to creditors, including receipts and payments accounts. Should the Administration not be concluded within the first six-month period of the proposed extensions, a further progress report will be required. ■ Extensions to the Administration: additional work required in respect of the proposed extensions will include facilitating the extension, including statutory filing of documents and assisting the Secured Creditors with the assistance of legal advisers in completing the steps necessary to allow for the closure of the Administration. 	<ul style="list-style-type: none"> ■ There are statutory requirements to give notice of the extensions to the Administration to affected parties. There is no direct financial benefit to creditors other than the principal benefit to the Secured Creditors outlined above. ■ Many requirements are for the purpose of keeping creditors informed about the Administration and to protect their interests generally.

Additional Work

The additional work principally relates to the unforeseen work required to extend the Administrations, with additional periodic statutory duties as a consequence, and the continuation of supporting the affairs of the wider group, for the benefit of the Secured Creditors.

Area of Work	Description of Work	Reason and Benefit for Creditors
Managing the Affairs of the Wider Group	<ul style="list-style-type: none"> ■ It has taken the Secured Creditors longer than envisaged to realise their security interests around the Group. ■ This has resulted in a significant amount of additional and continuing work in supporting that process. For example, we have spent considerable amounts of time managing the audit process for the various Group subsidiaries and liaising with their advisers. For the avoidance of doubt, we were not involved in the performance of the audit work itself. 	<ul style="list-style-type: none"> ■ The trading of TCLL and continuation of the central services function provides a platform for the Secured Creditors to maximise and recover value under their security entitlements elsewhere in the wider Group. ■ Extending the Administration for a period time whilst the Paper Factory is sold would allow for those employees to remain under the Collective umbrella and facilitate the sales process. ■ Extending the Administration of TCLL would also mean that the entities sitting below the Company would not transfer to the UK Crown following its dissolution.
Realisation of Assets	<ul style="list-style-type: none"> ■ There have been significant costs incurred in relation to the ongoing efforts to sell the intellectual property held by TCLL and other assets throughout the Group (where the property management agreements are held by TCLL). The sale is yet to complete. 	<ul style="list-style-type: none"> ■ Assets will be realised for the benefit of the Secured Creditors.

Receipts and Payments Account (TCLL)

For the period 15 September 2021 to 18 July 2022

	Notes	Statement of Affairs (Estimated to Realise)	15th September 2021 to 18 July 2022
		£	£
Funding Receipts			
Funding for Trading Expenses	3	-	803,201
Funding for Administration Expenses		-	3,075,490
Secured Creditor Commitments	4	-	(243,519)
Trading Surplus/(Deficit) - see opposite		-	(553,094)
Pre-appointment Commitments		-	(5,166)
Net Funding Balance		-	3,076,913
Floating Charge Receipts			
Bank Interest Gross		-	584
Cash at Bank	5	-	609,803
Intercompany Receivables	6	-	27,081
Other Sundry Refunds		-	891
Office and Computer Equipment	7	1,000	-
Subtotal		1,000	638,359
Floating Charge Payments			
Bank Charges			(94)
IT Expenses			(10,475)
Legal Fees			(166,070)
Pre-Administration Costs (floating)			(90,665)
Professional Fees			(4,283)
Re-Direction of Mail			(385)
Office holders' Fees			(2,249,815)
Office holders' Expenses			(185)
Irrecoverable VAT			(1,859)
Statutory Advertising			(184)
Subtotal			(2,524,014)
Floating Charge Surplus/(Deficit)		1,000	(1,885,655)
Net Receipts and Payments		1,000	1,191,258

Trading Statement	15th September 2021 to 18 July 2022
	£
Income	-
Direct Costs	
Direct Labour	418,811
Direct Expenses	817
Subtotal	419,628
Trading Expenditure	
Rents	19,324
Heat and Light	522
Bank Charges	114
Ransom Payments	106,080
Employee Expenses	200
Agent's Fees	7,225
Subtotal	133,466
Trading Deficit	553,094
Made Up As Follows	
VAT Receivable	484,425
Floating Charge Account	706,833
Total	1,191,258

Notes to the Receipts and Payments Account (TCLL)

For the period 15 September 2021 to 18 July 2022

Notes to the Account

1. All amounts are shown net of VAT, unless otherwise stated. Duress (ransom) payments include VAT.
2. The trading statement is prepared on a cash basis and therefore does not necessarily represent the actual trading position for the period shown.
3. Funding for OpCo (trading) expenses is comprised of:
 - the initial funding (£785,700, being the estimate of costs and expenses anticipated to be incurred by the borrower for providing the initial transitional services); and
 - employee costs recharged to other Group entities (payroll in the amount of £98,635) less a partial refund payment to Lenders pursuant to the funding agreement (£81,134).
4. Secured Creditor Commitments includes an August 2021 pension contribution payment to Scottish Widows funded by the Secured Creditors. Subsequent payments for September and October 2021 pension amounts are also included in this category for consistency, although an element of these relates to the post-appointment period and could alternatively be shown as a trading expense. In any event, all pension amounts were funded by the Secured Creditors.
5. Cash at Bank represents swept cash from NatWest accounts, which at the appointment date was holding the remainder of the Facility C funding provided by the Secured Creditors during the attempted (pre-Administration) sale process that ensured continuity of the business.
6. Full and final settlement of intercompany debt owed by TC Revalerstrasse LLP to TCLL (converted from €33k).
7. Office and Computer Equipment is categorised as a fixed charge asset in the directors' Statement of Affairs, though given the nature of the asset we have recognised the asset as floating charge in this account. In any event, we do not expect to make any realisations from this asset for the reasons explained earlier.