

TO ALL KNOWN CREDITORS

1 March 2021

Ref: R/SJW/JF/JT/ENV/50

Email: hawkcreditors@uk.ey.com
Direct line: +44 (0)161 333 3166

Please ask for Jack Troake

Dear Sirs

Enverity Limited (in Administration) (“the Company”)

High Court of Justice, Business and Property Courts in Manchester, Insolvency and Companies List (ChD); Number CR-2019-MAN-000041

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016 (“**the Rules**”), to provide creditors with a report on the progress of the Administration. This report covers the period from 4 August 2020 to 3 February 2021 (“**the Period**”) and should be read in conjunction with our Statement of Proposals dated 11 February 2019 (“**the Proposals**”) and our previous progress reports dated 3 September 2019, 3 March 2020 and 3 September 2020. Statutory information about the Company, the Administration and the office holders is provided at Appendix A.

This document has been made available for viewing and downloading at the following web address: www.ey.com/uk/Hawkgrouppadministration. You may at any time request a hard copy of any or all of the documents currently available for viewing on the website and/or future documents which may be made available. If you wish to receive a hard copy of the document(s), please either telephone, email or write to me, using the contact details at the top of this report and a hard copy will be sent to you.

Summary of progress since last report

Asset realisations

Book debts

As advised previously, we engaged external collection agent Hilton-Baird Group (“**Hilton Baird**”) to assist with the collection of book debts. During the Period, there have been no further pre-Administration book debt realisations, and total realisations to date remain at £110,278.57. We do not anticipate that any further book debt realisations will be recovered.

Bank interest

During the Period, the Company has received bank interest of £5.57 and £1.50 into its fixed and floating charge bank accounts respectively, bringing total interest received to date to £982.96. The Administration bank accounts are now non-interest bearing pending the closure of the Administration and no further bank interest is anticipated to be received.

Extension of Administration

The Administration of the Company was extended by order of the Court made on 8 January 2020 for a period to until 13 January 2021. During the Period a further extension of the Administration of the

Company has been granted by order of the Court made on 18 December 2020 for a period of a further 6 months until 13 July 2021. The reasons for extending the Administration are as follows:

- ▶ to obtain approval from HM Revenue & Customs (“**HMRC**”) for the Company’s VAT registration to be cancelled and for a subsequent final VAT return to be submitted in order to conclude the VAT affairs of the Company; and
- ▶ to conclude any other such actions required to be undertaken by the Administrators to fulfil the purpose of the Administration.

Receipts and payments account

A summary of our receipts and payments for the Period, and cumulatively for the Administration, is attached at Appendix B. The receipts and payment account does not reflect future estimated realisations or costs.

Investigations

As previously reported, we have undertaken an investigation into the Company’s affairs prior to our appointment pursuant to Statement of Insolvency Practice Number 2 (Investigations by Office Holders) and the Company Directors Disqualification Act 1986, with the necessary confidential returns made to the Insolvency Service prior to the Period.

Joint Administrators’ remuneration

The statutory provisions relating to remuneration are set out in Part 18 of the Rules. Further information is given in the Association of Business Recovery Professionals’ publication ‘A Creditors’ Guide to Administrators’ Fees’, a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Rules). Further information is provided in ‘A Creditors’ Guide to Administrators’ Fees’ referred to above.

A statement was made in the Proposals under the provisions of paragraph 52(1) of Schedule B1 to the Insolvency Act 1986 (“**the Act**”) to the effect that there will be no funds available for the unsecured creditors of the Company other than by virtue of the Prescribed Part. A creditors’ committee was not formed.

As stated in my last report, approval from the secured creditors of the Company has been received for the Administrators’ remuneration to be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration.

During the Period, we have incurred time costs totalling £28,302, taking total post-Administration time costs incurred to date to £147,288. Of this sum, £29,584 has been paid and no further fees will be drawn. A summary of these costs is provided at Appendix C.

The time costs incurred to date have exceeded our initial fee estimate by £117,704. The principal reasons for exceeding the fee estimate are as follows:

Category	Explanation of increase in time costs incurred
Accounting and Administration	An additional £27,303 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time spent on management of the case, including treasury and accounting functions, in part due to the extensions of the Administration requiring more administrative tasks to be completed.
Bank and Statutory Reporting	An additional £45,912 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time spent on preparing the Proposals, issuing the SIP16 notification to creditors, preparing the first, second and third progress reports and providing regular reports and correspondence to the secured creditors.
Creditors	An additional £875 of time costs have been incurred in comparison to the fee estimate. Additional time costs have been incurred in dealing with a greater number of creditor queries than anticipated and in recording creditor claims.
Debtors	An additional £635 of time costs have been incurred in comparison to the fee estimate due to time incurred to reconcile book debt receipts and assist Hilton Baird in the debt collection process.
Employee Matters	An additional £862 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of employee queries arising following the TUPE transfer to the purchaser of the business.
Investigations/CDDA	An additional £2,126 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time spent producing the report required under the Company Directors' Disqualification Act.
Legal issues	An additional ££2,867 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time spent dealing with legal matters concerning the extension of the Administration. The fee estimate was prepared on the basis of the Administration concluding without extensions being required.
Property	An additional £3,152 of time costs have been incurred in comparison to the fee estimate. This is due to dealing with landlord queries and the licence to occupy in respect of the Company's trading premises requiring more time than anticipated.
Statutory Duties	An additional £11,465 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time spent dealing with statutory duties immediately following appointment and dealing with the extension of the Administration. The fee estimate was prepared on the basis of the Administration concluding without extensions being required.
VAT & Taxation	An additional £24,273 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time spent preparing and submitting the Company's corporation tax and VAT returns and in submitting an updated corporation tax return for the period to cessation of trade.

Any further time costs which will be incurred in relation to our remaining work between the Period and the end of the Administration are not anticipated to provide a financial benefit to creditors and no further asset realisations are anticipated. Our remaining work is to be carried out in order to complete any outstanding administrative, statutory and reporting requirements only.

Joint Administrators' expenses

During the Period, we have incurred and paid expenses totalling £7,196.14.

A breakdown of expenses incurred in the period and to date can be found at Appendix D of this report.

Pre-Administration costs

A statement of pre-Administration costs was made in the Proposals totalling £118,340.00 plus VAT, including costs of advisors. Of this sum, £50,634.75 has been paid. No further pre-Administration costs will be paid.

As previously advised, approval has been received from all of the secured creditors of the Company that the payment of unpaid pre-Administration costs as disclosed in the Administrators' statement of proposals can be met as an expense of the Administration.

Other matters

VAT

In order to bring the Administration to a close, it is necessary for the VAT affairs of the Company to be concluded by requesting that the VAT registration be cancelled by HMRC ("**VAT deregistration**") and for a final VAT return to subsequently be submitted by the Administrators.

Ordinarily, HMRC will confirm the VAT deregistration and issue a final VAT return for completion within three weeks of a request being made. In this case, the necessary documentation was submitted by the Joint Administrators on 20 November 2020. Accordingly, the Joint Administrators had expected the VAT deregistration to be resolved in advance of the expiry of the previous term of Administration on 13 January 2021. However, there are currently significant delays in relation to HMRC's resolution of certain VAT matters relating to corporate insolvencies.

In spite of continuing efforts, the Joint Administrators have been unable to elicit a response from HMRC regarding the status and likely timescales for the VAT deregistration to be confirmed.

As such, the Administration of the Company has been extended by a period of 6 months to 13 July 2021 in order for VAT deregistration to be confirmed and for final VAT returns to subsequently be submitted.

Notwithstanding these issues, the required periodic VAT returns have been submitted by the Joint Administrators and payments have been made or refunds claimed, where applicable.

Corporation tax

The corporation tax returns for the Company have been prepared and submitted by EY tax specialists during the Period as required. All tax related time costs are included within our total time costs, set out in detail later in this report at Appendix C.

Distributions to creditors

Secured creditors

During the Period, there have been no further distributions made to the Company's secured creditors and total fixed charge distributions to secured creditors remain at £405,286.35, as advised in our previous progress report.

We continue to anticipate that collectively the secured creditors will suffer a shortfall against their indebtedness and do not anticipate any further distributions to be made to the Company's secured creditors from the Administration.

Preferential creditors

As previously advised, all of the Company's employees transferred to the purchaser of the business and we do not anticipate that any preferential claims will be received.

Unsecured creditors

As previously advised, we do not anticipate that there will be sufficient surplus funds to enable a distribution to be made to the unsecured creditors of the Company (either via the Prescribed Part or otherwise).

Remaining work

We will continue to deal with the Administration in line with the stated objectives outlined in the Proposals. Future tasks will include, but may not be limited to, the following:

- ▶ dealing with creditor enquires, where applicable;
- ▶ finalising the Administration including the payment of all Administration period liabilities;
- ▶ preparing and filing final VAT and corporation tax returns upon confirmation of VAT deregistration by HMRC;
- ▶ completion of statutory and reporting requirements of the Administration; and
- ▶ any such actions required to be undertaken by the Administrators to fulfil the purpose of the Administration.

Next report

We will report to you again at the conclusion of the Administration, or in six months' time, whichever is the sooner.

Yours faithfully
for the Company



A P Williams
Joint Administrator

S J Woodward is licensed in the United Kingdom to act as an insolvency practitioner by The Institute of Chartered Accountants in England and Wales. A P Williams is licensed in the United Kingdom to act as an insolvency practitioner by The Insolvency Practitioners Association. R H Kelly is authorised in the United Kingdom to act as an Insolvency Practitioner by The Institute of Chartered Accountants of Scotland.

The affairs, business and property of the Company are being managed by the Joint Administrators, S J Woodward, A P Williams and R H Kelly, who act as agents of the Company only and without personal liability.

The Joint Administrators may act as data controllers of personal data as defined by the UK General Data Protection Regulation (as incorporated in the Data Protection Act 2018), depending upon the specific processing activities undertaken. Ernst & Young LLP and / or the Company may act as a data processor on the instructions of the Joint Administrators. Personal data will be kept secure and processed only for matters relating to the Joint Administrator's appointment. The Office Holder Data Privacy Notice can be found at www.ey.com/uk/officeholderprivacy.

Encl:

- Appendix A – Information about the proceedings, the Company and the office holders
- Appendix B – Joint Administrators' receipts and payments accounts
- Appendix C – Administrators' time costs
- Appendix D – Summary of expenses incurred

Information about the proceedings, the company and the office holders, as required by Rule 18.3(1) of the Insolvency (England and Wales) Rules 2016

Name of Court:	High Court of Justice, Business & Property Courts in Manchester Insolvency & Companies List (ChD)
Court reference:	CR-2019-MAN-000041
Registered name of the Company:	Enverity Limited
Registered office address of the Company:	c/o Ernst & Young LLP, 2 St Peter's Square Manchester, M2 3EY
Registered number:	06930692
Country of incorporation (for a company incorporated outside the United Kingdom):	N/A
Date of appointment of the Joint Administrators:	4 February 2019
Details of any changes of Administrator:	None
Full names of the Administrators:	Samuel James Woodward, Alexander Paul Williams and Robert Hunter Kelly
Office holder number(s):	S J Woodward – 12030 A P Williams – 22270 R H Kelly – 8582
Administrators' address(es):	S J Woodward - Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3EY A P Williams - Ernst & Young LLP, 1 More London Place, London, SE1 2AF and R H Kelly - Ernst & Young LLP 1, Bridgewater Place, Water Lane, Leeds, LS11 5QR
Telephone number:	0161 333 3166
Name of alternative person to contact with enquiries about the case:	Jack Troake

Enverity Limited (in Administration) (“the Company”)

Joint Administrators' summary of receipts and payments for the period from 4 August 2020 to 3 February 2021

Statement of Affairs Estimated to Realise	Note	Period to 3 August 2020	Period from 4 August 2020 to 3 February 2021	Cumulative total
(£)	1, 2	(£)	(£)	(£)
Fixed charge realisations				
113,444.00		35,778.87	-	35,778.87
		892.74	5.57	898.31
121,295.00		110,278.57	-	110,278.57
1.00		1.00	-	1.00
331,000.00		330,997.00	-	330,997.00
1.00		1.00	-	1.00
1.00		1.00	-	1.00
-		1,064.47	-	1,064.47
		479,014.65	5.57	479,020.22
Fixed charge expenses				
		-	(25,000.00)	(25,000.00)
		-	(10,000.00)	(10,000.00)
		(7.00)	-	(7.00)
3		(6,137.93)	624.00	(5,513.93)
		-	(4,624.00)	(4,624.00)
		-	(28,588.94)	(28,588.94)
		(6,144.93)	(67,588.94)	(73,733.87)
Fixed charge distributions to creditors				
		(405,286.35)	-	(405,286.35)
		(405,286.35)	-	(405,286.35)
Floating charge realisations				
		0.14	-	0.14
		83.15	1.50	84.65
5,392.00		5,386.69	-	5,386.69
1,260.00		-	-	-
		25.00	-	25.00
10,000.00		10,000.00	-	10,000.00
		2,041.67	-	2,041.67
9,000.00		9,000.00	-	9,000.00
		26,536.65	1.50	26,538.15
Floating charge expenses				
		-	(4,584.00)	(4,584.00)
		-	(4,634.75)	(4,634.75)
		(10.10)	(1.50)	(11.60)
		(5,122.08)	-	(5,122.08)
		-	(1,498.50)	(1,498.50)
		-	(7,411.06)	(7,411.06)
		-	(29.64)	(29.64)
		(2,739.04)	-	(2,739.04)
		-	(420.00)	(420.00)
		(87.48)	-	(87.48)
		(7,958.70)	(18,579.45)	(26,538.15)
Balance in hand		86,161.32	(86,161.32)	-
Represented by				
Represented by				
				9,953.29
				(9,828.49)
				(124.80)
				-

Notes:

- Receipts and payments are stated net of VAT.
- This receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
- The credit in this Period relates to a refund of debt collection fees from Hilton Baird.
- All funds are now held in non-interest bearing accounts pending the closure of the Administration.

Enverity Limited (In Administration) (“the Company”)
Joint Administrators’ time costs from 4 August 2020 to 3 February 2021

	Per fee estimate			Prior period			Actual time in the period			Total to reporting date		
	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)
Accounting and Administration	12.0	4,233	353	61.1	20,870	342	30.9	10,666	345	92.0	31,536	343
Bank & Statutory Reporting	15.0	6,428	429	114.2	44,476	389	21.3	7,864	369	135.5	52,340	386
Creditors	8.5	2,758	324	12.3	3,633	295	-	-	-	12.3	3,633	295
Debtors	9.0	2,943	327	14.6	3,422	234	0.3	156	520	14.9	3,578	240
Employee Matters	1.5	645	430	2.3	1,507	655	-	-	-	2.3	1,507	655
Immediate Tasks	1.0	468	468	1.0	450	450	-	-	-	1.0	450	450
Investigation/CDDA	8.0	2,468	309	7.6	4,594	604	-	-	-	7.6	4,594	604
Job Acceptance & Strategy	1.5	765	510	1.0	450	450	-	-	-	1.0	450	450
Legal Issues	1.0	468	468	1.0	475	475	5.5	2,860	520	6.5	3,335	513
Other Assets	1.5	765	510	1.0	475	475	-	-	-	1.0	475	475
Other Matters	2.0	567	284	-	-	-	0.2	63	315	0.2	63	-
Property	0.5	178	356	6.7	3,330	497	-	-	-	6.7	3,330	497
Public Relations issues	0.5	225	450	-	-	-	-	-	-	-	-	-
Retention of Title	1.5	645	430	0.4	232	580	-	-	-	0.4	232	580
Statutory Duties	9.5	3,113	328	39.9	13,844	347	2.2	734	334	42.1	14,578	346
VAT & Taxation	7.5	2,915	389	50.4	21,229	421	14.2	5,959	420	64.6	27,188	421
Total	80.5	29,584	368	313.5	118,987	380	74.6	28,302	379	388.1	147,288	380

Category of work	Description of work completed in the Period
Accounting & Administration	<ul style="list-style-type: none"> ▶ Overall management of the case, treasury and accounting functions, statutory compliance, case diaries and time cost reporting.
Bank and Statutory Reporting	<ul style="list-style-type: none"> ▶ Preparing and issuing the Joint Administrators' third progress report. ▶ Reporting to the Company's secured creditors.
Debtors	<ul style="list-style-type: none"> ▶ Reconciling book debt collections with collection agents Hilton Baird.
Legal Issues	<ul style="list-style-type: none"> ▶ Obtaining legal advice in relation to assignment of certain rights and claims to a third party. ▶ Review and amendment of deed of assignment. ▶ Preparing the Court applications for the extensions of the Administration. ▶ Dealing with other ad hoc legal issues.
Other Matters	<ul style="list-style-type: none"> ▶ Dealing with assignment of certain rights and claims to a third party.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the Administration, including matters relating to the extensions of the Administration.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing annual corporation tax and quarterly VAT returns, with input from EY VAT and tax specialists where necessary. ▶ Dealing with the Company's VAT deregistration and corresponding with HMRC.

Enverity Limited (In Administration) (“the Company”)

Summary of Joint Administrators’ expenses incurred

Type of Expense	Per initial Estimate	Paid in previous period	Paid in Period	Estimated outstanding ⁴	Total
Payments made from the estate which are not disbursements^{1,2,3}	£	£	£	£	£
Rent – transferring premises	2,450	2,739	NIL	NIL	2,739
Agents’ fees	7,500	6,138	(624) ¹	NIL	5,514
Storage	300	NIL	NIL	NIL	NIL
Insurance	500	NIL	NIL	NIL	NIL
Bank charges	100	21	2	NIL	23
Legal fees	2,500	(25) ²	6,747	NIL	6,722
Statutory costs	500	87	NIL	NIL	87
Corporation tax ⁵	TBC	5,122	NIL	NIL	5,122
Total	13,850	14,082	6,125	NIL	20,207
Category 1 disbursements²					
Specific bond	200	NIL	420	NIL	420
Postage and printing	200	NIL	30	NIL	30
Total	400	NIL	450	NIL	450

¹ Negative expenses shown in the Period due to refund of £624 of debt collection charges from Hilton Baird.

² Negative expenses shown in prior period due to refund of £25 a Court Fee in respect of the first extension application which was charged to the case in error.

Expenses exceeding initial estimate

- ▶ Rent – transferring premises – cost of occupation slightly higher than initially anticipated.
- ▶ Legal fees – total legal fees will exceed the original estimated as legal advice has been sought on specific matters including the extensions of the Administration via applications to Court, and the assignment of certain rights and potential claims.
- ▶ Specific bond – additional costs not forecast in the estimate have been incurred to ensure adequate insurance cover has been in place for each Joint Administrator.

Notes

- 1 Statement of Insolvency Practice 9 (SIP 9) defines expenses as amounts properly payable from the insolvency estate which are not otherwise categorised as office holders' remuneration or distributions to creditors.
- 2 SIP 9 defines disbursements as a type of expense which is met by, and reimbursed to, an office holder in connection with an insolvency appointment. Disbursements fall into two categories: Category 1 and Category 2.
 - ▶ Category 1 disbursements are payments to independent third parties where there is specific expenditure directly referable to the appointment;
 - ▶ Category 2 disbursements are expenses which are directly referable to the appointment but not a payment to an independent third party. They may include shared and allocated costs.
 - ▶ No category 2 disbursements are estimated to be incurred.
- 3 Payment of pre-Administration costs are subject to specific approval and are not included in the above analysis.
- 4 Outstanding expenses are estimated amounts and final expense amounts paid may exceed those shown.
- 5 Further corporation tax may be payable should surplus floating charge realisations be available (in accordance with Rule 3.51 of the Rules).