

TO ALL KNOWN CREDITORS

3 September 2019

Ref: R/APW/JF/DM/HAWK/50
Direct line: 0161 234 6475
Email: dmiller5@uk.ey.com

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

On 4 February 2019, the Company entered Administration and S J Woodward, A P Williams and R H Kelly were appointed to act as Joint Administrators (“**Administrators**”). The appointments were made by the Company’s directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986 (“**the Act**”).

We 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 February 2019 to 3 August 2019 and should be read in conjunction with our Statement of Proposals dated 11 February 2019 (“**the Proposals**”).

Statutory information about the Company, the Administration and the office holders is provided at Appendix A.

Summary of progress

Approval of the Proposals

The Proposals were issued to the Company’s creditors on 11 February 2019.

As detailed in the Proposals, we are of the opinion that the Company does not have sufficient property to enable a distribution to be made to unsecured creditors other than by virtue of the Prescribed Part (defined later in this report) and consequently, in accordance with the provisions of paragraph 52(1)(b) of Schedule B1 to the Act, we did not seek a decision of the creditors of the Company on the approval of the Proposals.

As no request for a decision procedure was received from creditors, on 21 February 2019, the Proposals were deemed to be approved.

Asset realisations

Pre-packaged sale of the business and certain assets

As detailed in the Proposals, following a wide marketing process, immediately following our appointment on 4 February 2019 we completed a sale of the Company's business and certain assets to Construction Testing Solutions Limited ("**the Purchaser**") for a total consideration of £350k.

The sale consideration relating to this transaction was paid upon completion and apportioned as follows:

Category of asset	Allocation to fixed charge realisations (£)	Allocation to floating charge realisations (£)	Total (£)
Business and Intellectual Property	1	-	1
Customer List	1	-	1
Equipment	-	10,000	10,000
Goodwill	330,997	-	330,997
Information Technology	1	-	1
Work in Progress	-	9,000	9,000
Total	331,000	19,000	350,000

The Company's cash at bank on appointment and trade and intercompany debtors were not included in the transaction.

As part of the sale of the business and certain assets, a licence to occupy was agreed with the Purchaser. Under this arrangement, the licence fees paid by the Purchaser to the Company have been used to discharge the rent liability for the licence period.

Book debts

We engaged an external collection agent, Hilton-Baird Group ("**Hilton Baird**"), to assist with the collection of book debts. Per the Director's Statement of Affairs ("**SOA**"), which was provided to us on 11 February 2019, the invoiced debtor book was £134k as at 4 February 2019, with an estimated to realise value of £121k. Pre-Administration book debts of £110k have been collected during the period of this report and we do not anticipate that any further collections will be made.

Cash at bank on appointment

The Company held current accounts with National Westminster Bank plc ("**NatWest**") and HSBC Bank plc ("**HSBC**"). As at the date of appointment, the NatWest account was overdrawn, and the HSBC account had a credit balance of c.£5k. We have only recently received bank statements confirming the credit balance of the HSBC account and have requested the credit balance be paid into the Administration estate. We continue to pursue the receipt of these monies.

In addition, the Company previously had a historical invoice discounting facility with the Royal Bank of Scotland plc ("**RBS**"). An associated credit balance of c.£36k existed with RBS at the date of



appointment in relation to debtor receipts and these funds have been received during the period of this report.

Bank interest

The Company has received bank interest to date of £627 and £34 into its fixed and floating charge bank accounts respectively.

Intercompany debtors

The Company was one of six subsidiaries of Hawk Plant (UK) Limited (“**HPUK**”) (collectively “**the Group**”). HPUK and the other five HPUK subsidiaries entered Administration prior to the Company on, 14 January 2019, with S J Woodward, A P Williams and R H Kelly also appointed to act as Joint Administrators.

At the date of appointment, the SOA indicated a total of c.£828k was due to the Company from other companies within the Group. These amounts will rank as unsecured claims in the Administrations of the other Group companies. The only realisations from these balances will be via Prescribed Part distributions to unsecured creditors from the relevant Group companies (where applicable). These claims have not yet been agreed and realisations therefore remain uncertain both in terms of quantum and timing.

Other matters

VAT

We have submitted the required VAT returns for the period covered by this report.

Corporation tax

We have instructed EY tax specialists to prepare corporation tax returns for the Company, as required. This work is ongoing, and all tax related time costs are included within our total time costs, set out in detail later in this report. It is anticipated that corporation tax will be payable on the chargeable gain on the sale of the business.

The SOA listed a corporation tax refund due of £1k, however following the work carried out by the EY tax team, this is not considered to be realisable.

Receipts and payments account

A summary of our receipts and payments for the period from 4 February 2019 to 3 August 2019 is attached at Appendix B. Please note that these accounts do not reflect future estimated realisations or costs including our remuneration and disbursements.

Investigations

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.

Joint Administrators' remuneration

The statutory provisions relating to remuneration are set out in Part 18 of the Insolvency (England and Wales) Rules 2016. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which may be accessed from the web site of the Institute of Chartered Accountants in England and Wales at <https://www.icaew.com/en/technical/insolvency/creditors-guides> or is available in hard copy upon written request.

In certain circumstances, creditors are entitled to request further information about our remuneration or expenses, or to apply to court if they consider the costs to be excessive (Rules 18.9 and 18.34 of the Insolvency (England and Wales) Rules 2016). Further information is provided in 'A Creditors' Guide to Administrators' Fees' referred to above.

A statement was made in the Proposals under the provision of paragraph 52(1) of Schedule B1 to 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 and to date we have not taken steps to agree our remuneration however we will shortly seek to agree to our remuneration being charged on a time cost basis with the secured creditors.

During the period covered by this report, we have incurred time costs totalling c.£64k. Of this sum £nil has been paid to date. A summary of these costs is provided at Appendix C.

The time costs incurred to date have exceeded our initial fee estimate by c.£34k. The principal explanations for exceeding the fee estimate are as follows:

Category	Explanation of increase in time costs incurred
Accounting and administration	An additional c.£10.1k of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time being required in management of the case including treasury and accounting functions.
Bank and statutory reporting	An additional c.£11.0k of time costs have been incurred in comparison to the fee estimate. The preparation of the Proposals and issuing the SIP16 notification to creditors required further time than had originally been anticipated.
Creditors	Additional time costs of c.£0.3k have been incurred in dealing with a greater number of creditor queries than anticipated and in reviewing and recording creditor claims.
Employee matters	Additional time costs of c.£0.9k have been incurred in dealing with an increased amount of employee queries which arose following the TUPE transfer to the Purchaser of the business.
Property	Additional time costs of c.£3.2k have been incurred in dealing with landlord queries and agreeing rental invoices in respect of the Company's trading premises which required more time than anticipated.
Statutory duties	Additional time costs of c.£9.9k have been incurred as dealing with statutory duties immediately following appointment required further time than had initially been estimated.

We will not draw remuneration in excess of the initial fee estimate without the prior approval of the appropriate classes of creditor.

Joint Administrators' expenses

During the period covered by this report, we have incurred and paid expenses totalling c.£7.6k plus VAT. There is a breakdown of expenses incurred in this period and to date at Appendix D of this report.

Pre-Administration costs

A statement of pre-Administration costs was made in the Proposals totalling c.£118k plus VAT, including costs of advisors. We will shortly seek approval for payment of unpaid pre-Administration costs from the secured creditors. The payment of unpaid pre-Administration costs as an expense of the Administration is subject to approval under Rule 3.52, and not part of the Proposals subject to approval under paragraph 53.

Distributions to creditors

Secured creditors

The Group was funded through a facility provided jointly by Wells Fargo Capital Finance (UK) Limited (“**Wells**”) and ABN AMRO Asset Finance N.V, UK Branch (“**ABN**”) (together “**the Primary Lenders**”). Aurelius Finance Company Limited (“**Aurelius**”) also provided the Group with funding (subordinated to the Primary Lenders). In addition, BGF Nominees Limited (“**BGF**”), as security trustee on behalf of themselves and other noteholders, provided funding to the Group. The funds provided by the Primary Lenders, Aurelius, and BGF were secured against fixed and floating charges over the Group’s assets. The Primary Lenders have priority ranking over Aurelius, who in turn have priority ranking over BGF.

According to the SOA, at the date of appointment the secured creditors were owed £37.1m with charges across the Group. We understand that this amount included certain interest and charges. The amounts owed (per the SOA) are detailed below:

Secured creditor	Estimated secured claim value (£m)
Wells (as security agent, including for itself and ABN)	29.4
Aurelius	6.0
BGF (as security agent, including for itself and Steve Corcoran)	1.7
Total	37.1

During the period, fixed charge distributions totalling £350k have been made by the Company to Wells (as security agent to the Primary Lenders).

It is currently anticipated that further distributions will be made to the Primary Lenders only and that collectively the secured creditors will suffer a shortfall against amounts owed.

Preferential creditors

All 12 of the Company’s employees transferred to the Purchaser via the Transfer of Undertakings (Protections of Employment) Regulations 2006 (“**TUPE**”) following the sale of the business, on 4 February 2019. As such, we do not anticipate any preferential claims will be received.

Unsecured creditors

We continue to receive claims from non-preferential unsecured creditors of the Company. According to the SOA, it is estimated non-preferential unsecured claims, including intercompany positions between the Group companies, will be in the region of c.£368k.

We continue to estimate that there will be no realisations available to unsecured creditors other than by virtue of the Prescribed Part.

Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured creditors pursuant to section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003.

We estimate, to the best of our knowledge and belief, that (after costs of the Administration), the value of the Company's net property is under £10k. As such, we may choose not to pay the Prescribed Part, if the cost of making a distribution to unsecured creditors is disproportionate to the benefits.

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:

- ▶ realising the remaining assets of the Company;
- ▶ making further distributions to the secured creditors;
- ▶ recording creditor claims and dealing with unsecured creditor enquiries;
- ▶ distributing amounts due to unsecured creditors under the Prescribed Part (if applicable);
- ▶ finalising the Administration including the payment of all Administration period liabilities;
- ▶ preparing and filing corporation tax and VAT returns;
- ▶ completion of statutory and reporting requirements of the Administration;
- ▶ agreeing the Administrators' basis of remuneration;
- ▶ seeking an extension to the Administration if required; and
- ▶ any such other 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 handwritten signature in black ink, appearing to read 'A. P. Williams'.

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 General Data Protection Regulation 2016/679, 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.

Appendix A

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 234 6475
Name of alternative person to contact with enquiries about the case:	Daniel Miller

Appendix B

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

Joint Administrators' summary of receipts and payments for the period from 4 February 2019 to 3 August 2019

Statement of Affairs Estimated to Realise (£)	1, 2	Period from 4 February 2019 to 3 August 2019 (£)
Fixed charge realisations		
331,000.00	Goodwill	330,997.00
121,295.00	Book debts	109,981.07
113,444.00	Bank - CID facility	35,778.87
	Bank interest	626.58
1.00	Customer list	1.00
1.00	Information technology	1.00
1.00	Intellectual property	1.00
		477,386.52
Fixed charge expenses		
	Debt collection fees	(4,783.88)
		(4,783.88)
Fixed charge distributions to creditors		
	Secured creditors	(350,000.00)
		(350,000.00)
Floating charge realisations		
10,000.00	Equipment	10,000.00
9,000.00	Work in progress	9,000.00
	Licence fees	2,450.00
	Bank interest	33.79
1,260.00	Corporation tax	-
5,392.00	Cash at bank on appointment	-
		21,483.79
Floating charge expenses		
	Property costs	(2,739.04)
	Statutory costs	(87.48)
	Bank charges	(1.80)
		(2,828.32)
Balance in hand		141,258.11
Represented by		
	³ Cash at bank	85,243.25
	⁴ Cash held in book debt trust accounts	54,995.85
	VAT receivable	1,019.01
		141,258.11

Notes:

1. Receipts and payments are stated net of VAT.
2. This receipts and payments account has been prepared on a cash basis and does not reflect future estimated receipts and payments.
3. All funds are held in interest bearing accounts.
4. Funds held in CID facility account on trust for Wells

Appendix C

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

Joint Administrators’ time costs from 4 February 2019 to 3 August 2019 and a comparison with the fee estimate dated 11 February 2019

	Per fee estimate			Actual in this reporting period		
	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)
Accounting and Administration	12.0	4,233	353	40.5	14,360	355
Bank & Statutory Reporting	15.0	6,428	429	33.7	17,440	518
Creditors	8.5	2,758	324	11.2	3,061	273
Debtors	9.0	2,943	327	12.9	2,538	197
Employee Matters	1.5	645	430	2.3	1,507	655
Immediate Tasks	1.0	468	468	1.0	450	450
Investigation/CDDA	8.0	2,468	309	7.3	4,451	610
Job Acceptance & Strategy	1.5	765	510	1.0	450	450
Legal Issues	1.0	468	468	-	-	-
Other Assets	1.5	765	510	1.0	475	475
Other Matters	2.0	567	284	-	-	-
Property	0.5	178	356	6.7	3,330	497
Public Relations issues	0.5	225	450	-	-	-
Retention of Title	1.5	645	430	0.4	232	580
Statutory Duties	9.5	3,113	328	38.1	12,989	341
Trading	-	-	-	-	-	-
VAT & Taxation	7.5	2,915	389	5.1	2,381	467
Total	80.5	29,584	368	161.2	63,664	451

Category of work	Description of work completed
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 the Joint Administrators' Statement of Proposals. ▶ Regular reporting to the Company's secured creditors and SIP16 notification to creditors.
Creditors	<ul style="list-style-type: none"> ▶ Receipt and recording of creditor claims. ▶ Correspondence with creditors. ▶ Processing distributions to the secured creditors.
Debtors	<ul style="list-style-type: none"> ▶ Reconciliation of debtor receipts. ▶ Liaising with and assisting collection agents Hilton Baird.
Employee Matters	<ul style="list-style-type: none"> ▶ Writing to employees regarding TUPE related matters. ▶ Dealing with employee enquiries.
Investigations	<ul style="list-style-type: none"> ▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders". ▶ The Joint Administrators' report on the conduct of the directors under the Company Directors Disqualification Act 1986.
Property	<ul style="list-style-type: none"> ▶ Dealing with receipt of licence fees and payment of rent due under the licence to occupy agreement with the Purchaser. ▶ Dealing with landlord enquiries regarding the leasehold property.
Retention of Title	<ul style="list-style-type: none"> ▶ Assessment of claims for retention of title from the Company's suppliers.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the Administration, including notifications to creditors and members, advertising the appointment and sending to creditors and filing at Companies House.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing annual corporation tax and quarterly VAT returns, with input from EY tax specialists. ▶ Assessment of the VAT and tax treatment of transactions and agreements entered into during the Administration.

Appendix D

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

Summary of Joint Administrators’ expenses incurred

Type of Expense	Per initial Estimate	Paid in Period	Outstanding	Total
Payments made from the estate which are not disbursements ^{1,2}	£	£	£	£
Rent – transferring premises	2,450	2,739	NIL	2,739
Agents’ fees	7,500	4,784	500	5,284
Storage	300	NIL	300	300
Insurance	500	NIL	500	500
Bank charges	100	5	95	100
Legal fees	2,500	NIL	2,500	2,500
Statutory costs	500	87	413	500
Corporation tax*	TBC	NIL	TBC	TBC
Total	13,850	7,615	4,308	11,923
Category 1 disbursements ²				
Specific bond	200	NIL	200	200
Postage and printing	200	NIL	NIL	NIL
Total	400	NIL	200	200

*NB: Corporation tax: estimate of chargeable gain remains to be finalised, it is currently too soon to provide an estimate of costs.

Expenses exceeding initial estimate

- ▶ Rent – transferring premises: cost of occupation slightly higher than initially anticipated

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.