

TO ALL KNOWN CREDITORS

3 March 2020

Ref: R/APW/JF/JT/HAWK/50

Direct line: 0161 333 3166
Email: jack.troake@uk.ey.com

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 2019 to 3 February 2020 (**'the Period'**) and should be read in conjunction with our Statement of Proposals dated 11 February 2019 (**'the Proposals'**) and our previous progress report dated 3 September 2019. Statutory information about the Company, the Administration and the office holders is provided at Appendix A.

Summary of progress since last report

Asset realisations

Cash at bank on appointment

As previously reported, the Company held current accounts with National Westminster Bank plc (**'NatWest'**) and HSBC Bank Plc (**'HSBC'**). As at the date of appointment, only the HSBC account had a credit balance. During the Period, the credit balance of £5,390.19 has been received into the Administration estate.

Bank interest

During the Period, the Company has received bank interest of £152.21 and £18.67 into its fixed and floating charge bank accounts, bringing total realisations to date to £831.25.

Intercompany debtors

As previously reported, 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.

During the period, a first and final dividend of 0.79p (rounded to two decimal places) in the pound was paid from the Administration of one of the Group companies, Hawk Plant Hire Limited (**'HPHL'**). The Company's claim in the sum of £134,312.74 was admitted for dividend purposes and a dividend in the sum of £1,064.47 has been received into the Company's fixed charge bank account.

It is not anticipated that any further intercompany dividends will be received from any other companies in the Group.

Other matters

VAT

We have submitted the required VAT returns during the Period and payments have been made or refunds claimed, where applicable.

Corporation tax

As previously advised, we instructed EY tax specialists to prepare corporation tax returns for the Company. During the Period, the Company's corporation tax return for the period to the cessation of trade has been prepared and submitted. A payment of £5,122.08 has been made in respect of tax due on the chargeable gain on the sale of the business. All tax-related time costs are included within our total time costs, set out in detail later in this report at Appendix C.

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.

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.

On 9 September 2019, we requested approval from the secured creditors to our remuneration being charged on a time cost basis. Approval has not yet been received from all of the secured creditors, as required and as such, approval for our remuneration has not yet been obtained. We will continue to seek approval of our fees, either via the secured creditors or via court, in the period following this report.

During the Period, we have incurred time costs totalling £33,230. 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 £67,310. The principal explanations for exceeding the fee estimate are as follows:

Category	Explanation of increase in time costs incurred
Accounting and Administration	An additional £14,041 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.
Bank and Statutory Reporting	An additional £27,682 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 and providing regular reports and correspondence to the secured creditors.
Creditors	An additional £303 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.
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.
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 £10,731 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 an extension being required.
VAT & Taxation	An additional £10,640 of time costs have been incurred in comparison to the fee estimate. This is due to an increased amount of time spent preparing the Company's corporation tax and VAT returns.

Joint Administrators' expenses

During the period covered by this report, we have incurred and paid expenses totalling £5,133.88.

A breakdown of expenses incurred in this 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 plus VAT, including costs of advisors.

On 9 September 2019, we requested approval from the secured creditors to the above payment of unpaid pre-Administration costs as an expense of the Administration. Approval was not received from all of the secured creditors, as required. As such, approval for payment of the pre-Administration costs has not yet been obtained. We will continue to seek approval of our pre-Administration costs, either via the secured creditors or via court, in the period following this report.

Distributions to creditors

Secured creditors

As previously advised, the Group was funded through a facility provided jointly by Wells Fargo Capital (UK) Limited (**‘Wells’**) and ABN AMRO Asset based finance N.V. UK Branch (**‘ABN’**) (together, **‘Primary Lenders’**). Aurelius Finance Company Limited (**‘Aurelius’**) also provided the Group with funding (subordinated to the Primary Lenders). In addition, BGF Nominees Ltd (**‘BGF’**), as security trustee on behalf of themselves and other noteholders, provided funding to the Companies. The funds provided by the Primary Lenders, Aurelius, and BGF were secured against fixed and floating charges over the Companies’ assets.

BGF and another noteholder subsequently released their security in order to participate in the Prescribed Part dividend paid to unsecured creditors from the Administration of HPHL.

According to the Directors’ Statement of Affairs, at the date of appointment the Group owed c.£35.4m to the Primary Lenders and Aurelius. We understand that this amount included certain interest and charges. The amounts owed, as per the Statement of Affairs, are as follows:

Secured creditor	Estimated secured claim value (£m)
Wells (as security agent, including for itself and ABN)	29.4
Aurelius	6.0
Total	35.4

No distributions have been made to the secured creditors during the Period and, to date, fixed charge distributions totalling £350k have been made by the Company to Wells (as security agent to the Primary Lenders).

We continue to anticipate that collectively the secured creditors will suffer a shortfall against their indebtedness.

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

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).

Extension of the Administration

The Administration of the Company was extended by order of the Court made on 8 January 2020 until 13 January 2021. The reasons for extending the Administration were as follows:

- ▶ to obtain approval of the Joint Administrators' remuneration and Category 2 disbursements and approval to draw the Joint Administrators' unpaid pre-Administration costs;
- ▶ to make final distributions to certain of the secured creditors from the Administration of the Company, as applicable; and
- ▶ to conclude any other such actions required to be undertaken by the Administrators to fulfil the purpose of the Administration.

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 any remaining assets of the Company, if applicable;
- ▶ making further distributions to the secured creditors;
- ▶ dealing with unsecured creditor enquiries, 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; and
- ▶ any other 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 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 333 3166
Name of alternative person to contact with enquiries about the case:	Jack Troake

Appendix B

Enverity Limited (in Administration) ('the Company')

Joint Administrators' summary of receipts and payments for the period from 4 August 2019 to 3 February 2020

Statement of Affairs Estimated to Realise	Note	Period from 4 February 2019 to 3 August 2019	Period from 4 August 2019 to 3 February 2020	Cumulative total
(£)	1,2	(£)	(£)	(£)
Fixed charge realisations				
331,000.00	Goodwill	330,997.00	-	330,997.00
121,295.00	Book debts	109,981.07	3.50	109,984.57
0.00	Intercompany debtors	-	1,064.47	1,064.47
113,444.00	Bank - CID facility	35,778.87	-	35,778.87
	Bank interest	626.58	152.21	778.79
1.00	Customer list	1.00	-	1.00
1.00	Information technology	1.00	-	1.00
1.00	Intellectual property	1.00	-	1.00
		477,386.52	1,220.18	478,606.70
Fixed charge expenses				
	Debt collection fees	(4,783.88)	-	(4,783.88)
	Bank charges	-	(3.50)	(3.50)
		(4,783.88)	(3.50)	(4,787.38)
Fixed charge distributions to creditors				
	Secured creditors	(350,000.00)	-	(350,000.00)
		(350,000.00)	-	(350,000.00)
Floating charge realisations				
10,000.00	Equipment	10,000.00	-	10,000.00
9,000.00	Work in progress	9,000.00	-	9,000.00
	³ Licence fees	2,450.00	(408.33)	2,041.67
	Bank interest	33.79	18.67	52.46
1,260.00	Corporation tax	-	-	-
5,392.00	Cash at bank on appointment	-	5,390.19	5,390.19
		21,483.79	5,000.53	26,484.32
Floating charge expenses				
	Property costs	(2,739.04)	-	(2,739.04)
	Statutory costs	(87.48)	-	(87.48)
	Bank charges	(1.80)	(8.30)	(10.10)
	Corporation tax	-	(5,122.08)	(5,122.08)
		(2,828.32)	(5,130.38)	(7,958.70)
Balance in hand				
		141,258.11	1,086.83	142,344.94
Represented by				
	⁴ Cash at bank	85,243.25	2,102.34	87,345.59
	⁵ Cash held in book debt trust accounts	54,995.85	3.50	54,999.35
	VAT receivable	1,019.01	(1,019.01)	-
		141,258.11	1,086.83	142,344.94

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. Licence fees were shown as a gross amount in the previous progress report. The movement in this period represents the VAT payable.
4. All funds are held in interest bearing accounts.
5. Funds held in CID facility account on trust for Wells.

Enverity Limited (In Administration) ('the Company')

Joint Administrators' time costs from 4 August 2019 to 3 February 2020

	Per fee estimate			Actual in this reporting 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 (£)
Accounting and Administration	12	4,233	353	12.8	3,914	306	53.3	18,274	343
Bank & Statutory Reporting	15	6,428	429	50.2	16,670	332	83.9	34,110	407
Creditors	9	2,758	324	-	-	-	11.2	3,061	273
Debtors	9	2,943	327	-	-	-	12.9	2,538	197
Employee Matters	2	645	430	-	-	-	2.3	1,507	655
Immediate Tasks	1	468	468	-	-	-	1.0	450	450
Investigation/CDDA	8	2,468	309	0.3	143	475	7.6	4,594	604
Job Acceptance & Strategy	2	765	510	-	-	-	1.0	450	450
Legal Issues	1	468	468	1.0	475	475	1.0	475	475
Other Assets	2	765	510	-	-	-	1.0	475	475
Other Matters	2	567	284	-	-	-	-	-	-
Property	1	178	356	-	-	-	6.7	3,330	497
Public Relations issues	1	225	450	-	-	-	-	-	-
Retention of Title	2	645	430	-	-	-	0.4	232	580
Statutory Duties	10	3,113	328	1.8	855	475	39.9	13,844	347
VAT & Taxation	8	2,915	389	26.3	11,174	425	31.4	13,555	432
Total	80.5	29,584	368	92.4	33,230	360	253.6	96,894	382

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' first progress report. ▶ Regular reporting to the Company's secured creditors.
Investigations/CDDA	<ul style="list-style-type: none"> ▶ Investigations into the Company's affairs in accordance with Statement of Insolvency Practice 2 "Investigations by Office Holders".
Legal Issues	<ul style="list-style-type: none"> ▶ Liaising with solicitors in respect of the court application for the extension of the Administration. ▶ Preparation of application and witness statement in respect of the extension of the Administration.
Statutory Duties	<ul style="list-style-type: none"> ▶ Completion of statutory requirements of the Administration, including notifications to creditors and members, and filing statutory reports at Companies House. ▶ Seeking to agree the basis of the Administrators' remuneration and approval of pre-Administration costs. ▶ Completion of the statutory requirements in relation to the extension of the Administration.
VAT & Taxation	<ul style="list-style-type: none"> ▶ Preparing and submission annual corporation tax and quarterly VAT returns, with input from EY tax specialists, as applicable ▶ Payment of corporation tax due on the chargeable gain realised. ▶ 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 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	4,784	NIL	500	5,284
Storage	300	NIL	NIL	300	300
Insurance	500	NIL	NIL	NIL	500
Bank charges	100	5	12	83	100
Legal fees	2,500	NIL	NIL	2,500	2,500
Statutory costs	500	87	NIL	413	500
Corporation tax ⁵	TBC	NIL	5,122	NIL	5,122
Total	13,850	7,615	5,134	3,796	17,045
Category 1 disbursements²					
Specific bond	200	NIL	NIL	200	200
Postage and printing	200	NIL	NIL	NIL	NIL
Total	400	NIL	NIL	200	200

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.
- 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 be 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).