

TO ALL KNOWN CREDITORS

24 March 2022

Ref: RHK/CGJK/TH/AN/D16.1
Email: extentiagroup@uk.ey.com

Dear Sirs

Extentia Group Limited (in administration) (“the Company”)

High Court of Justice, The Business and Property Courts in Leeds, Insolvency and Companies List (ChD), CR2020-LDS-000229

I write, in accordance with Rule 18.3 of the Insolvency (England and Wales) Rules 2016, to provide creditors with a report on the progress of the Administration.

On 28 February 2020, the Company entered Administration with R H Kelly, S J Woodward and C G J King appointed to act as Joint Administrators (‘the Administrators’). The appointment was made by the Company’s directors under the provisions of paragraph 22(2) of Schedule B1 to the Insolvency Act 1986.

This report covers the period from 28 August 2021 to 27 February 2022 and should be read in conjunction with the Administrators’ Statement of Proposals (‘the Proposals’) dated 23 April 2020 and the previous progress reports.

Statutory information about the company, the Administration and the office holders is set out at Appendix 1.

As insolvency practitioners, the Joint Administrators are bound by the Insolvency Code of Ethics when carrying out all professional work relating to an insolvency appointment. A copy of the Statement of Insolvency Practice 1 is available from <https://www.icaew.com/-/media/corporate/files/technical/insolvency/regulations-and-standards/sips/england/sip-1-e-and-w-introduction-to-statements-of-insolvency-practice-oct-2015.ashx>

Extension to the Administration

The Administration was previously extended for a period of 12 months by consent of the secured and preferential creditors under Paragraph 78 (2) of Schedule B1 of the Insolvency Act 1986.

On 9 February 2022 a further extension of the Administration was granted by order of the Court pursuant to paragraph 76 of Schedule B1 to the Insolvency Act 1986. The extension was for a period of 24 months and accordingly, the Administration is now due to expire on 27 February 2024.

The purpose of the extension is to enable the Administrators to continue to realise the Company’s assets, receive an unsecured distribution from the administration of Styles & Wood and provide time for an assessment of potential claims to be pursued on behalf of the Company.

Summary of progress since the previous report dated 22 September 2021

Realisation of Assets

Intercompany debtor balances

The Company's main asset relates to intercompany debtor balances owed to it from various Group companies.

Southerns Holdings Limited (“Southerns”)

As previously reported, settlement of the floating charge intercompany receivable completed in the previous reporting period. Settlement of this balance facilitated full payment of preferential creditor claims and a maximum Prescribed Part of £600,000 for the unsecured creditors (which has been distributed – discussed below).

A separate intercompany receivable due to the Company from Southerns was outstanding on appointment which arose as part of the Group reorganisation which took place prior to the Administration.

This receivable was subject to assignment by way of security (in favour of HSBC) along with supporting fixed charge security. Settlement of this balance was achieved in March 2022, subsequent to the period covered by this report. Under the terms of the security documents the proceeds of this settlement have been distributed to the secured creditors.

Styles & Wood Limited (“S&W”)

As previously advised, any recoveries from this balance will be dependent upon a prescribed part distribution in the Administration of S&W. The precise quantum and timing of any dividend from S&W remains uncertain as it is linked to the asset realisation process of that Administration.

Assignment of claims

During the period, the Administrators have, on behalf of the Company, entered into an assignment agreement with a third party to explore a number of potential claims, primarily relating to matters arising from the acquisition of its subsidiary, Styles & Wood Limited. The Administrators are providing reasonable access to the Company's records to assist the Assignee in assessing the relative merits and ultimately to progress the claims which includes establishing a strategy to realise value.

An initial consideration payment of £25,000 was paid to the Administration with a ratchet mechanism put in place to ensure the Company benefits from any future recoveries.

Receipts and payments account

A summary of our receipts and payments for the period from 28 February 2020 to 27 February 2022 is attached at Appendix 2. This includes receipts and payments specifically relating to the period covered by this report. It does not reflect estimated future realisations or costs.

Investigations

We have undertaken investigations into the Company's affairs, in accordance with Statement of Insolvency Practice 2 (Investigations by Office Holders), and the Company Directors Disqualification Act 1986 with the required statutory returns made to the Insolvency Service. No third-party funding has been provided for any investigations.

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 to me.

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.

The Proposals stated that in the event a creditors' meeting is not requisitioned and a creditors' committee is not formed, the Joint Administrators would seek to have their remuneration fixed by the secured and preferential creditors, in accordance with Rule 18.8(4) of the Insolvency (England and Wales) Rules 2016. Accordingly, the Administrators requested that their remuneration be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration.

The Administrators separately corresponded with the secured and preferential creditors regarding the basis of the Joint Administrators' remuneration, and this was fixed by the secured and preferential creditors on 16 October 2020. For the avoidance of doubt, the Joint Administrators' remuneration has been fixed on a time cost basis.

To date, the Joint Administrators have incurred time costs in respect of the Company of £150,221 of which, £32,475 has been incurred in the reporting period.

Fees of £60,000 have been drawn to date which is below the fee proposal dated 23 April 2020. The Administrators will not recover their time costs in full and we will not draw remuneration in excess of the fee proposal without the prior approval of the secured and preferential creditors.

An analysis of time spent is attached at Appendix 4 for the various areas of work carried out to 27 February 2022. A description of work undertaken in relation to the time cost categories is also provided at Appendix 4.

Joint administrators' statement of expenses incurred

The secured and preferential creditors approval has also been sought for drawing Category 2 disbursements (see Appendix 3 for further details).

Further detailed commentary and analysis in relation to the expenses of the Administration is provided at Appendix 3.

During the period covered by this report, we have incurred Administration expenses totalling £6,374 plus VAT. This primarily relates to legal fees. Total expenses incurred in the Administration are £32,580 which compares to £11,110 set out in the expense estimate dated 23 April 2020.

The expenses incurred in the Administration have exceeded those estimates provided in the expense estimate dated 23 April 2020 primarily due to the level of legal fees incurred. This has resulted from significant additional work in relation to:

- ▶ Closing out intercompany receivable positions due to the Company;
- ▶ Assigning potential claims on behalf of the Company;
- ▶ Acting on behalf of the Company in relation to the amendment and restatement of wider group financing facility arrangements (which the Company remained party to);
- ▶ Providing advice in respect of the unsecured dividend process and subordinated claims; and
- ▶ Extending the Administration.

Outcome for creditors

We provide below, for information, an indication of the current position with regard to creditors' claims.

Secured creditors

The Group's secured lenders are HSBC UK Bank plc ("HSBC") and Toscafund GP Limited ("Tosca").

The Company had secured indebtedness of c.£48.6m at the date of appointment which related to cross guarantees provided in favour of HSBC and Tosca.

HSBC and Tosca both have fixed and floating charges over the assets of the Company. The order of priority is as follows:

- ▶ HSBC – c.£20.9m; then
- ▶ Tosca – c.£27.7m

A cash distribution of £110,338 has been paid to Tosca under its floating charge security and this is reflected in the receipts and payments account. These funds were distributed pursuant to the direction given by HSBC under the terms of the settlement of the intercompany receivable.

We do not expect HSBC or TDC to recover its exposure in full.

Preferential creditors

Preferential claims totalling £3,155.94 have been paid in full.

Non-preferential creditors

During the period of this report, the Administrators paid a first and final distribution to unsecured creditors equating to the maximum prescribed part of £600,000 (before costs of dealing with the prescribed part). This equated to 1.2p in the £.

The receipts and payments account only reflects the cash required to settle the proportion of the Prescribed Part payable to third party unsecured creditors along with costs of the Administration. The remaining realisations are on a non-cash basis as a significant proportion of unsecured claims were subordinated in favour of the secured creditors.

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.

As advised, a maximum Prescribed Part of £600,000 (before costs of dealing with the Prescribed Part) was made available to the unsecured creditors.

Remaining work

The Joint Administrators will continue to manage the affairs, business and property of the Company to achieve the purpose of the Administration. This will include, inter alia:

- ▶ Realising any remaining assets of the Company;
- ▶ Supporting work to be undertaken under the claims assignment process;
- ▶ Ensuring all statutory reporting and compliance obligations are met;
- ▶ Dealing with corporation tax and VAT matters which includes filing statutory returns and gaining tax clearance;
- ▶ Finalising the Administration, including payment of all Administration liabilities.

Next report

We will report to you again at the conclusion of the Administration or in six months' time, whichever is the sooner. Should you have any queries with any of the matters outlined in this report, please contact my colleague David Cameron at the email address provided above.

Yours faithfully
for the Company



C G J King
Joint Administrator



R H Kelly is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants of Scotland. C G J King and S J Woodward are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales.

The affairs, business and property of the Company are being managed by the Joint Administrators, R H Kelly, S J Woodward and C G J King, 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.

Appendix 1

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, The Business and Property Courts in Leeds, Insolvency and Companies List (ChD)
Court reference:	CR2020-LDS-000229
Registered name of the Company:	Extentia Group Limited
Registered office address of the Company:	C/o Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR
Registered number:	09511322
Country of incorporation (for a company incorporated outside the United Kingdom):	N/A
Date of appointment of the Joint Administrators:	28 February 2020
Details of any changes of administrator:	None
Full names of the Administrators:	Robert Hunter Kelly, Samuel James Woodward and Charles Graham John King
Office holder numbers:	8582 / 12030 / 8985
Administrators' addresses:	R H Kelly and C G J King of Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR and S J Woodward of Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3DF
Telephone number:	0113 298 2402
Name of alternative person to contact with enquiries about the case:	David Cameron

Appendix 2

Extentia Group Limited (in Administration)

Joint Administrators' Summary of Receipts and Payments from 28 February 2020 to 27 February 2022

Statement of Affairs Estimated to Realise Values (£)		From 28/02/20 to 27/08/21	From 28/08/21 to 27/02/22	Total
	Receipts	£	£	£
9,435,000	Amounts due from Group Companies (fixed)	-	-	-
7,444,000	Amounts due from Group Companies (floating)	243,000	-	243,000
	Assignment of claims (initial consideration)	-	25,000	25,000
	Bank interest	10	7	17
	Sundry Income	-	242	242
		<u>243,010</u>	<u>25,250</u>	<u>268,260</u>
	Payments			
	Legal Fees	(25,670)	(6,224)	(31,894)
	Bank charges and interest	(3)	(7)	(10)
	Public Notices	(99)	(95)	(194)
	Administrators fees	-	(60,000)	(60,000)
	Administrators expenses	-	(420)	(420)
	Sundry expenses	(14)	(49)	(63)
		<u>(25,787)</u>	<u>(66,794)</u>	<u>(92,580)</u>
	Net realisations	217,223	(41,544)	175,679
	Distributions			
	Secured Creditors distribution	-	(110,338)	(110,338)
	Preferential creditors distribution	(3,156)	-	(3,156)
	Unsecured creditors distribution	-	(12,052)	(12,052)
		<u>(3,156)</u>	<u>(122,390)</u>	<u>(125,546)</u>
	Funds in Hand			
	Cash at Bank			35,389
	Net VAT receivable/payable			<u>14,744</u>
				<u>50,133</u>

Notes

- Receipts and payments are stated net of VAT.
- The Receipts and payments account reflects the cash only element of the intercompany settlement required to settle Administration costs, preferential creditor claims and the proportion of the Prescribed Part payable to third party unsecured creditors. The remaining balance was settled on a non-cash basis and will be distributed to the secured creditors to whom the shareholder loans and other loan notes had been subordinated.
- A cash distribution of £110,338 has been paid to Tosca under its floating charge security as reflected above. These funds were distributed pursuant to the direction given by HSBC under the terms of the settlement of the intercompany receivable.
- Similarly, the amount paid to unsecured creditors by virtue of the application of section 176A, Insolvency Act 1986 (the prescribed part) was £12,052 which relates to amounts due to third party unsecured creditors. All other payments were on a non-cash basis as these claims were subordinated.

Appendix 3

Extentia Group Limited (in Administration) Summary of joint administrators' expenses incurred

£	Per estimate dated 23.04.20	Paid to 27.08.21	Paid in the period	Total to 27.02.22
Legal fees	(10,000)	(25,670)	(6,224)	(31,894)
Bank charges and interest	-	(3)	(7)	(10)
Public Notices	(190)	(99)	(95)	(194)
Sundry expenses	-	(14)	(49)	(63)
Storage costs	(500)	-	-	-
Total	(10,690)	(25,787)	(6,374)	(32,160)
<u>Category 1 disbursements (see note 2)</u>				
Specific Penalty Bond	(420)	(420)	-	(420)
Travel costs (excluding mileage)	-	-	-	-
	(420)	(420)	-	(420)
<u>Category 2 disbursements (see note 2)</u>				
Mileage	-	-	-	-
Internal bulk copying, printing and postage	-	-	-	-
	-	-	-	-
Total	(11,110)	(26,207)	(6,374)	(32,580)

Notes

1. Statement of Insolvency Practice No.9 defines expenses as any payments from the insolvency estate which are neither an office holder's remuneration or a distribution to a creditor or member.
2. Expenses are divided into those that do not need approval before they are charged to the estate (Category 1) and those that do require prior approval (Category 2):
 - a. Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder
 - b. Category 2 expenses are payments to associates or which have an element of shared costs.
3. Expenses also include disbursements. Disbursements are payments which are first met by the office holder and then reimbursed to the office holder from the estate. Disbursements fall into either Category 1 or Category 2

Extentia Group Limited (in Administration)

Joint administrators' time costs for the period from 28 February 2020 to 27 February 2022 and a comparison with the fee estimate dated 23 April 2020

	Per fee estimate dated 23 April 2020			Actual in this report period			Total actual to 27 February 2022		
	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)	Total hours	Time costs (£)	Average hourly rate (£)
Accounting & Administration	10	2,305	243	27	6,118	230	32	7,383	230
Bank & Statutory Reporting	49	13,070	269	21	5,045	240	108	27,595	256
Creditors	13	3,445	265	6	1,509	240	65	16,609	256
Debtors	13	4,055	312	2	460	230	34	11,848	351
Employee Matters	31	8,468	278	6	1,442	249	122	30,611	250
Immediate Tasks	2	770	385	-	-	-	2	770	385
Investigation & CDDA	31	7,930	260	-	-	-	37	12,381	336
Legal Issues	2	696	302	25	6,573	260	51	14,588	286
Other Assets	1	290	290	-	-	-	1	385	385
Other Matters	-	-	-	-	-	-	1	290	290
Prescribed Part	57	15,185	257	34	8,255	246	67	17,728	267
Statutory Duties	43	10,090	246	6	1,578	263	29	6,875	240
VAT & Taxation	7	1,700	243	7	1,495	230	12	3,160	263
Total	257	68,003	264	133	32,475	244	560	150,221	268

Summary of work

The Joint Administrators have incurred time costs dealing with the following matters:

- ▶ **Accounting and Administration** – includes general administrative duties, such as cashiering and treasury, filings, as well as maintaining the Joint Administrators' accounting records.
- ▶ **Bank and Statutory Reporting** – includes statutory reporting to all classes of creditors. Reports include the Joint Administrators Proposals to creditors, separate reporting to the secured lenders, six monthly progress reports and filings of documents at Companies House.
- ▶ **Creditors/Members** – relates to correspondence with creditors and members and answering specific creditor/member queries. Time has also been spent investigating creditor positions under potential guarantee claims and corresponding with creditors in this regard.
- ▶ **Debtors** - pursuing the outstanding debts due to the Company, most notably, intercompany debtor balances and achieving settlement agreements in respect of these.
- ▶ **Employee matters** – there were 11 employees of the Company at the date of appointment and 17 who had recently transferred to other group companies. The time spent relates to dealing with former employees of the Company, including assistance with their preferential creditor claims and paying those claims. It also relates to dealing with retained employees, including processing payroll and dealing with employees that had transferred to other Group companies.
- ▶ **Investigations** – carrying out investigations required by Statement of Insolvency Practice No.2 and any matters which the Administrators are made aware of by creditors or other parties.
- ▶ **Legal Issues** – relates to general legal advice during the Administration. It also includes undertaking work associated with the assignment of claims.
- ▶ **Other assets** – time spent ascertaining whether the Company has any other realisable assets.
- ▶ **Other matters** – relates to time spent on matters arising from the Administration.
- ▶ **Prescribed Part Matters** – time spent in adjudicating unsecured creditor claims and making payment of the unsecured dividend. We would highlight that the time spent on this area of the

Administration will be funded directly from the Prescribed Part as a cost of dealing with the Prescribed Part.

▶ **Statutory duties** – time spent in complying with statutory matters and filing statutory returns.

▶ **VAT and taxation** - investigating the Company's VAT and corporation tax position up to the date of appointment, preparation and submission of VAT and corporation tax returns for the post appointment period.