

TO ALL KNOWN CREDITORS

22 September 2021

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 February 2021 to 27 August 2021 and should be read in conjunction with the Administrators’ Statement of Proposals (‘the Proposals’) dated 23 April 2020 and the previous progress reports dated 24 September 2020 and 25 March 2021.

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>

Summary of progress since last report dated 25 March 2021

Realisation of Assets

Intercompany debtor balances

As previously reported, the Company’s main asset relates to intercompany debtor balances owed to it from various Group companies.

Southerns Holdings Limited (“Southerns”)

Since the previous report the Administrators have now achieved full settlement of the intercompany debtor balance owing from Southerns.

Settlement of this balance has facilitated full payment of preferential creditor claims and a maximum Prescribed Part of £600,000 for the unsecured 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 quantum and timing of any dividend from S&W remains uncertain as it is linked to the asset realisation process of that Administration.

Receipts and payments account

A summary of our receipts and payments for the period from 28 February 2020 to 27 August 2021 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 Services. As part of our ongoing role we will continue to make investigations into the background and circumstances giving rise to the Administration. 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.

To date, the Joint Administrators have incurred time costs in respect of the Company of £117,747 of which £45,612 has been incurred in the reporting period. No fees have been drawn to date.

An analysis of time spent is attached at Appendix 4 for each grade of staff for the various areas of work carried out to 27 August 2021. 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 £22,787 relating to legal fees, bank charges, public notices and sundry expenses.

Outcome for creditors

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

Secured creditors

The Group's main 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

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

We have commenced the process of paying non-preferential creditor claims. The last date for proving non-preferential claims was 18 August 2021. The distribution to non-preferential creditors will be paid within two months of the last date for proving.

Total non-preferential claims of c.£50m were submitted in the Administration comprising:

- ▶ Trade creditors and accruals - £0.4m;
- ▶ HMRC - £0.3m;

- ▶ Unsecured shareholder loans and other loan notes - £48.9m; and
- ▶ Employees unsecured claims – £0.3m.

The only distribution that will be available to non-preferential creditors is 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.

As advised, there is a maximum Prescribed Part of £600,000 (before costs of dealing with the Prescribed Part) available to the unsecured creditors. The Joint Administrators do not intend to make an application to the Court under section 176A(5) of the Insolvency Act 1986 for an order not to distribute the prescribed part.

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:

- Distributing the Prescribed Part;
- 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 Alex Nicholls at the email address provided above.

Yours faithfully
for the Company



CGJ King
Joint Administrator



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 number(s):	8582 / 8985 / 12030
Administrators' address(es):	RH Kelly and CGJ King of Ernst & Young LLP, 1 Bridgewater Place, Water Lane, Leeds, LS11 5QR and SJ Woodward of Ernst & Young LLP, 2 St Peter's Square, Manchester, M2 3DF
Telephone number:	0113 298 2522
Name of alternative person to contact with enquiries about the case:	Alex Nicholls

Appendix 2

Extentia Group Limited (in Administration)

Joint Administrators' Summary of Receipts and Payments from 28 February 2020 to 27 August 2021

Statement of Affairs Estimated to Realise Values (£)	From 28/02/20 to 27/02/21	From 28/02/21 to 27/08/21	Total
	£	£	£
Receipts			
9,435,000 Amounts due from Group Companies (fixed)	-	-	-
7,444,000 Amounts due from Group Companies (floating)	170,000	73,000	243,000
Bank interest	2	8	10
16,879,000	170,002	73,008	243,010
Payments			
Legal Fees	3,000	22,670	25,670
Bank charges and interest	-	3	3
Public Notices	-	99	99
Sundry expenses	-	14	14
	3,000	22,787	25,787
Net realisations	167,002	50,221	217,223
<i>Distributions</i>			
Preferential creditors distribution	-	3,156	3,156
	-	3,156	3,156
<i>Funds in Hand</i>			
Cash at Bank	166,402	42,511	208,913
Net VAT receivable/payable	600	4,554	5,154
	167,002	47,065	214,067

Notes

1. Receipts and payments are stated net of VAT.
2. The Receipts and payments account reflects the cash only element of the intercompany settlement estimated to be required to settle 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.

Extentia Group Limited (in Administration)

Summary of joint administrators' expenses incurred

	Paid to 27.08.20	Paid in the period	Total to 27.08.21
£			
Legal fees	3,000	22,670	25,670
Bank charges and interest	-	3	3
Public Notices	-	99	99
Sundry expenses	-	14	14
Total	3,000	22,787	25,787
Category 1 disbursements (see note 2)			
Specific Penalty Bond	-	-	-
Travel costs (excluding mileage)	-	-	-
	-	-	-
Category 2 disbursements (see note 2)			
Mileage	-	-	-
Internal bulk copying, printing and postage	-	-	-
	-	-	-
Total	3,000	22,787	25,787

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):
 - Category 1 expenses are payments to persons providing the service to which the expense relates who are not an associate of the office holder
 - 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
- 4 To date, certain expenses incurred by the Company have been paid by S&W and will be recharged at a future point. Examples include public notices, bonding and certain legal expenses.

Extentia Group Limited (in Administration)

Joint administrators' time costs for the period from 28 February 2020 to 27 August 2021 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 August 2021		
	Total hours	Time costs (£)	Average	Total hours	Time costs (£)	Average	Total hours	Time costs (£)	Average
			hourly rate (£)			hourly rate (£)			hourly rate (£)
Accounting & Administration	10	2,305	243	6	1,265	230	6	1,265	230
Bank & Statutory Reporting	49	13,070	269	6	1,480	260	87	22,550	260
Creditors	13	3,445	265	21	4,980	237	59	15,100	258
Debtors	13	4,055	312	7	2,505	358	32	11,388	358
Employee Matters	31	8,468	278	101	24,546	242	116	29,169	251
Immediate Tasks	2	770	385	-	-	-	2	770	385
Investigation & CCDA	31	7,930	260	-	-	-	37	12,381	336
Legal Issues	2	696	302	5	1,459	317	26	8,015	312
Other Assets	1	290	290	-	-	-	1	385	385
Other Matters	-	-	-	-	-	-	1	290	290
Prescribed Part	57	15,185	257	32	9,088	284	33	9,473	287
Statutory Duties	43	10,090	246	1	290	290	23	5,297	233
VAT & Taxation	7	1,700	243	-	-	-	6	1,665	303
Total	257	68,003	264	178	45,612	256	427	117,747	276

Summary of work

The Joint Administrators have incurred time costs (or will incur future time costs) in dealing with, inter alia, the following matters:

- ▶ **Accounting and Administration** – includes general administrative duties, such as cashiering, filing, 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 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.
- ▶ **Debtors** - pursuing the outstanding debts due to the Company, most notably, intercompany debtor balances.
- ▶ **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.
- ▶ **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 any distribution of a 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

▶ **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.