

TO ALL KNOWN CREDITORS

22 March 2023

Ref: CGJK/TH/SV/BC/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.

This report covers the period from 28 August 2022 to 27 February 2023 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.

Current term of the Administration

As previously advised the Administration was extended to 27 February 2024.

Summary of progress since the previous report dated 26 September 2022

Realisation of Assets

Intercompany debtor balances

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

Southern Holdings Limited (“Southern”)

All matters relating to the Southern’s intercompany receivable have been concluded, the details of which have been provided in previous progress reports.

Styles & Wood Limited (“S&W”)

Any recoveries from this balance will be dependent upon a prescribed part distribution in the Administration of S&W. It is anticipated that the prescribed part in that Administration will not exceed 1p in the £.

Assignment of claims

We continue to provide the Assignee with access to records to assist their information gathering and claims assessment process. We are working to agree a route to enable any claims to be pursued without delaying the ability to conclude the Administration. Any recoveries will be available to the secured creditors as there is material secured indebtedness still outstanding and the prescribed part has been paid at its maximum level.

Receipts and payments account

A summary of our receipts and payments for the period from 28 February 2020 to 27 February 2023 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 website 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 £179,986 of which, £11,992 has been incurred in the reporting period.

A number of matters have arisen in the Administration that have resulted in the Original Estimate being exceeded. These matters were not foreseen when preparing the Original Estimate and include (but are not limited to):

- Significant work to agree settlements of the intercompany receivable balances owing by the Southern businesses which has been a complex matter to resolve;
- Dealing with employee matters following the outbreak of Covid-19;
- Carrying out work in respect of the amendment and restatement of the wider Utah Group financing arrangements as the Company continued to be a party to these documents;
- Continuing to support the work being undertaken in respect of certain claims that have been assigned to a third party. The majority of the time costs associated with this work will be dealt with via a cost cover arrangement under the terms of the assignment; and
- Undertaking more detailed work in respect of unsecured claims due to the existence of subordinated creditor positions, potential guarantee claims and bonding arrangements.

As a result, the Joint Administrators issued a revised fee estimate to the secured and preferential creditors on 21 October 2022 in the sum of £200,190. This was approved on 18 November 2022.

Fees of £90,000 have been drawn to date. The Administrators will not recover their time costs in full and we will not draw remuneration in excess of the revised fee estimate 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 2023. 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 £7,362 plus VAT. This primarily relates to data hosting fees. Total expenses incurred in the Administration are £63,982 compared 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 data hosting fees and the level of legal fees incurred. The data hosting fees are subject to a cost cover arrangement and will be recharged to and recovered from the Assignee. The increased legal fees is a result of significant additional work in relation to:

- ▶ Closing out intercompany receivable positions due to the Company which was a complex process;
- ▶ 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 regarding 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.

Realisations in the Administration will be insufficient to discharge the secured indebtedness in full.

Preferential creditors

Preferential claims totalling £3,156 have been paid in full.

Non-preferential creditors

The Administrators have paid a 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.

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:

- ▶ Supporting work to be undertaken under the claims assignment process with a view to structuring a route of the Administration to be closed;
- ▶ Receiving a non-preferential unsecured dividend from the Administration of Styles & Wood Limited;
- ▶ Making further distributions to the secured creditors of the Company (if applicable);
- ▶ 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; and
- ▶ 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 Bridie Clews at the email address provided above.

Yours faithfully
for the Company



C G J King
Joint Administrator

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, 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: | Robert Hunter Kelly resigned from his position as Joint Administrator on 24 June 2022 |
| Full names of the Administrators: | Samuel James Woodward and Charles Graham John King |
| Office holder numbers: | 12030 / 8985 |
| Administrators' addresses: | 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: | Bridie Clews |

Appendix 2

Extentia Group Limited (in Administration)

Joint Administrators' Summary of Receipts and Payments from 28 February 2020 to 27 February 2023

| Statement of Affairs Estimated to Realise Values (£) | From 28/02/20 to 27/08/22 | From 28/08/22 to 27/02/23 | Total |
|--|------------------------------|------------------------------|------------------|
| | £ | £ | £ |
| Receipts | | | |
| 9,435,000 | - | - | - |
| 7,444,000 | 243,000 | - | 243,000 |
| | 25,000 | - | 25,000 |
| | 25 | 74 | 99 |
| | 242 | - | 242 |
| 16,879,000 | 268,267 | 74 | 268,341 |
| Payments | | | |
| | (46,651) | - | (46,651) |
| | (10) | (1) | (11) |
| | (194) | - | (194) |
| | (60,000) | (30,000) | (90,000) |
| | (420) | - | (420) |
| | (63) | - | (63) |
| | (107,338) | (30,001) | (137,338) |
| Net realisations | 160,929 | (29,927) | 131,003 |
| Distributions | | | |
| | (110,338) | - | (110,338) |
| | (3,156) | - | (3,156) |
| | (12,052) | - | (12,052) |
| | (125,546) | - | (125,546) |
| Funds in Hand | | | |
| Cash at Bank | | | 457 |
| Net VAT receivable/payable | | | 5,000 |
| | | | 5,457 |

Notes

- Receipts and payments are stated net of VAT.
- The Receipts and payments account reflects the cash only element of the floating charge 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 was distributed to the secured creditors to whom the shareholder loans and other loan notes had been subordinated.
- As advised in the main body of the report, the settlement of the c.£9.4m intercompany receivable was on a non-cash basis.

Appendix 3

Extentia Group Limited (in Administration) Summary of Joint Administrators' expenses incurred

| | Per estimate dated 23.04.20 | Paid to 27.08.22 | Paid in the period | Total to 27.02.23 |
|--|--------------------------------|---------------------|-----------------------|----------------------|
| £ | | | | |
| Legal fees | (10,000) | (46,651) | - | (46,651) |
| Bank charges and interest | - | (10) | (1) | (11) |
| Public Notices | (190) | (194) | - | (194) |
| Sundry expenses | - | (63) | - | (63) |
| Storage costs | (500) | - | - | - |
| Total | (10,690) | (46,918) | (1) | (46,918) |
| Category 1 disbursements (see note 2) | | | | |
| Specific Penalty Bond | (420) | (420) | - | (420) |
| Hosting Fees | - | (9,282) | (7,362) | (16,644) |
| Travel costs (excluding mileage) | - | - | - | - |
| | (420) | (9,702) | (7,362) | (17,064) |
| Category 2 disbursements (see note 2) | | | | |
| Mileage | - | - | - | - |
| Internal bulk copying, printing and postage | - | - | - | - |
| | - | - | - | - |
| Total | (11,110) | (56,620) | (7,362) | (63,982) |

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 2023 and a comparison with the revised fee estimate dated 21 October 2022

| | Per revised fee estimate dated 21 October 2022 | | | Actual in this report period | | | Total actual to 27 February 2023 | | |
|-----------------------------|--|----------------|-------------------------|------------------------------|----------------|-------------------------|----------------------------------|----------------|-------------------------|
| | Total hours | Time costs (£) | Average hourly rate (£) | Total hours | Time costs (£) | Average hourly rate (£) | Total hours | Time costs (£) | Average hourly rate (£) |
| Accounting & Administration | 58 | 13,664 | 236 | 5 | 1,150 | 230 | 57 | 13,001 | 228 |
| Bank & Statutory Reporting | 176 | 48,491 | 276 | 17 | 4,310 | 261 | 152 | 39,097 | 258 |
| Creditors | 67 | 17,069 | 255 | - | - | - | 65 | 16,609 | 256 |
| Debtors | 34 | 11,848 | 348 | - | - | - | 34 | 11,848 | 351 |
| Employee Matters | 101 | 25,666 | 254 | - | - | - | 122 | 30,611 | 251 |
| Immediate Tasks | 2 | 770 | 385 | - | - | - | 2 | 770 | 385 |
| Investigation & CDDA | 32 | 10,918 | 341 | - | - | - | 37 | 12,381 | 336 |
| Legal Issues | 85 | 23,982 | 282 | 6 | 1,725 | 314 | 66 | 18,419 | 281 |
| Other Assets | 2 | 578 | 289 | - | - | - | 2 | 578 | 385 |
| Other Matters | 6 | 1,541 | 257 | 9 | 1,955 | 230 | 15 | 3,496 | 239 |
| Prescribed Part | 67 | 17,728 | 265 | - | - | - | 67 | 17,728 | 267 |
| Statutory Duties | 71 | 19,350 | 273 | 5 | 1,450 | 290 | 36 | 9,050 | 251 |
| VAT & Taxation | 33 | 8,588 | 260 | 6 | 1,402 | 246 | 26 | 6,400 | 249 |
| Total | 257 | 200,190 | 274 | 46 | 11,992 | 260 | 678 | 179,986 | 266 |

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 and general amendments to the inter Group lending facilities.
- ▶ **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.