

TO ALL KNOWN CREDITORS

25 March 2021

Ref: RHK/CGJK/TH/SA//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 2020 to 27 February 2021 and should be read in conjunction with the Administrators’ Statement of Proposals (‘the Proposals’) dated 23 April 2020 and the progress report dated 24 September 2020.

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 extended by a period of 12 months commencing from 28 February 2021. This was effected by consent of the secured and preferential creditors under Paragraph 78 (2) of Schedule B1 of the Insolvency Act 1986. Accordingly, the Administration is now due to expire on 27 February 2022 unless further extensions are sought.

The purpose of the extension is to enable the Administrators to continue to realise the Company’s assets (most notably the pre-appointment intercompany debtor balances) in conjunction with distributing net recoveries to the Company’s creditors.

Summary of progress since the last progress report dated 24 September 2020

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")

The Administrators have focused on the settlement of the intercompany balance owing from Southerns with full settlement now expected to be achieved by the end of April 2021. To date, the Administrators have received an interim payment of £170,000 with a written undertaking from Southerns to settle the remaining balance imminently.

We remain in active dialogue with Southerns regarding settlement of this balance which will result in full payment of preferential creditor claims and a maximum Prescribed Part for the unsecured creditors.

Styles & Wood Limited

There is also an intercompany balance due from Styles & Wood Limited ("S&W") which is in Administration. 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 February 2021 is attached at Appendix 2. 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/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en> 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 in this regard and the basis of the Joint Administrators' remuneration 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 £71,365 of which £42,172 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 February 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 £3,000 relating to legal fees.

Outcome for creditors

We provide below, for information, an indication of the current position with regard to creditors' claims. The figures have been compiled by the Company's management and have not been subject to independent review or statutory audit.

These figures do not include any estimates for contingent claims that may arise from liabilities arising under Parent Company Guarantee 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

It is anticipated that HSBC will receive a distribution as a result of recoveries from the intercompany debtor realisations. However, this will not result in full recovery of HSBC's exposure. No distributions to Tosca are envisaged.

Preferential creditors

To date, preferential claims received total £1,632.

We have recently commenced the process of paying preferential creditor claims which we expect to settle in full by the end of April 2021.

Non-preferential creditors

The directors' Statement of Affairs estimates that non-preferential creditors will amount to c.£45.7m. These are broken down as follows:

- ▶ Trade creditors and accruals - £0.4m;
- ▶ HMRC - £0.1m;
- ▶ Unsecured shareholder loans - £45.2m; and
- ▶ Employees unsecured claims – value to be confirmed.

Creditor claims continue to be submitted and final claims in the Administration may be higher due to contingent claims and other non-preferential creditor amounts not included in the Statement of Affairs.

It is not anticipated that there will be sufficient realisations to enable a distribution to the non-preferential creditors other than by virtue of the Prescribed Part.

Prescribed Part

Due to the anticipated shortfall to the secured creditors, the only distribution that will be available to unsecured creditors is the 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.

Assuming the remaining intercompany balance from Southern's is fully recovered, we expect there to be a maximum Prescribed Part of £600,000 (before costs of dealing with the Prescribed Part) being available to the unsecured creditors. The Joint Administrators do not currently 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.

Due to the quantum of amounts owed to unsecured creditors, we estimate that the dividend to non-preferential creditors under the Prescribed Part in the Administration will not exceed 1.5p in the pound in any event.

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 the assets of the Company, most notably the intercompany debtor positions;
- ▶ Dealing with corporation tax and VAT matters which includes filing statutory returns;
- ▶ Dealing with unsecured creditor enquiries;
- ▶ Distributing realisations to the secured and preferential creditors of the Company;
- ▶ Agreeing unsecured creditor claims and distributing the Prescribed Part;
- ▶ Ensuring all statutory reporting and compliance obligations are met; 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 Sam Allen at the email address provided above.

Yours faithfully
For the Company



CGJ 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 Administrators' 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 236 4427
Name of alternative person to contact with enquiries about the case:	Sam Allen

Appendix 2

Extentia Group Limited (in Administration)

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

Statement of Affairs Estimated to Realise Values (£)	From 28/02/20 to 27/08/20	From 28/08/20 to 27/02/21	Total
	£	£	£
Receipts			
9,435,000 Amounts due from Group Companies (fixed)	-	-	-
7,444,000 Amounts due from Group Companies (floating)	-	170,000	170,000
Bank interest	-	2	2
16,879,000	-	170,002	170,002
Payments			
Legal fees	-	3,000	3,000
	-	3,000	3,000
Net realisations	-		167,002
<i>Funds in Hand</i>			
Cash at Bank	-	166,402	166,402
Net VAT receivable/payable	-	600	600
	-	167,002	167,002

Notes

1. Receipts and payments are stated net of VAT.

Appendix 3

Extentia Group Limited (in Administration)

Summary of Joint Administrators' expenses incurred

£	Paid to 27.08.20	Paid in the period	Total to 27.02.21
Legal fees	-	3,000	3,000
Total	-	3,000	3,000
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	-	-	-
	-	-	-

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.
- 3 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 February 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 February 2021		
	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	-	-	-	-	-	-
Bank & Statutory Reporting	49	13,070	269	38.3	10,205.5	266	81	21,070	260
Creditors	13	3,445	265	37.5	10,120.0	270	38	10,120	270
Debtors	13	4,055	312	18.3	6,665.5	364	25	8,883	358
Employee Matters	31	8,468	278	4.5	1,245.0	277	15	4,623	308
Immediate Tasks	2	770	385	-	-	-	2	770	385
Investigation & CDDA	31	7,930	260	16.5	6,120.0	371	32	10,456	329
Legal Issues	2	696	302	15.6	4,628.5	297	21	6,556	311
Other Assets	1	290	290	-	-	-	1	385	385
Other Matters	-	-	-	-	-	-	1	290	290
Prescribed Part	57	15,185	257	1.0	385.0	385	1	385	385
Statutory Duties	43	10,090	246	7.2	1,687.0	234	25	6,162	249
VAT & Taxation	7	1,700	243	3.5	1,115.0	319	6	1,665	303
Total	257	68,003	264	142	42,172	296	246	71,365	290

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 including making submission to The Insolvency Service under the provisions of the Company Directors Disqualification Act 1986, filing letters and forms advising the Joint Administrators' appointment.
- ▶ **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.