

TO ALL KNOWN CREDITORS

25 September 2023

Ref: CGJK/TH/SV/BC/D16.1
Email: bridie.j.clews@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 February 2023 to 27 August 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 22 March 2023

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”)

During the period, the Company received an unsecured dividend in the sum of £67,106 from the prescribed part distribution in the Administration of S&W. This is reported in the receipts and payments account.

Assignment of claims

The Administrators have completed an assignment of the future benefit due to the Company from any rights of action against third parties to the secured creditor. As the prescribed part has been paid at its maximum level, the secured creditor is the only beneficiary of any future recoveries. This approach enables the secured creditor's interest in future recoveries to be preserved whilst not delaying concluding the administration.

Receipts and payments account

A summary of our receipts and payments for the period from 28 February 2020 to 27 August 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 Services. 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 in this regard and the basis of the Joint Administrators' remuneration 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 £200,955 plus VAT of which, £16,990 has been incurred in the reporting period.

Fees of £135,049 plus VAT have been drawn to date, which is below the revised fee estimated dated 21 October 2022. This includes fees incurred under a cost cover arrangement with a third party.

The Administrators will not recover their time costs in full. An analysis of time spent is attached at Appendix 4 for the various areas of work carried out to 27 August 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 been sought for drawing Category 2 disbursements.

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 of £7,500 plus VAT (excluding Administrators fees) in relation to data hosting fees. Total expenses incurred in the Administration are £71,483 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.

Data hosting fees are subject to a cost cover arrangement and continue to be recovered (such that there is no net impact to the general Administration estate).

The increased legal fees are a result of significant additional work in relation to:

- Settling the Southern's intercompany receivable positions due to the Company which was a complex process;
- Assigning potential claims on behalf of the Company including assigning the future benefit to the secured creditor;
- 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 which was a complex matter; 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 creditor 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 favor 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 majority of matters have now been dealt with in the administration including realising the assets (where possible). The Joint Administrators shortly intend to move the administration toward conclusion. The remaining matters to address include:

- Distributing residual sums to the secured creditor;
- Ensuring all statutory reporting and compliance obligations are met;
- Submitting final corporation tax and VAT returns, and obtaining tax clearance;
- Finalising the Administration, including payment of all Administration liabilities and obtaining the Joint Administrators' discharge.

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
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 2355
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 to 27 August 2023

Statement of Affairs Estimated to Realise Values (£)	From 28/02/20 to 27/02/23	From 28/02/23 to 27/08/23	Total
	£	£	£
Receipts			
9,435,000	-	-	-
7,444,000	243,000	67,106	310,106
	25,000	-	25,000
	242	26,693	26,935
	99	54	153
16,879,000	268,341	93,853	362,195
Payments			
	90,000	45,049	135,049
	420	16,644	17,064
	46,651	-	46,651
	194	-	194
	63	-	63
	11	-	11
	46,919	61,693	199,032
Net realisations	221,423	32,160	163,163
Distributions			
	110,338	-	110,338
	3,156	-	3,156
	12,052	-	12,052
	125,546	-	125,546
Funds in Hand			
			30,617
			7,000
			37,617

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.
- The settlement of the c.£9.4m intercompany receivable under the fixed charge was on a non-cash basis.
- The unsecured creditors distribution reflects the 'cash only' element of the dividend.
- £16,644 of expenses have been paid in the period which relate to data hosting fees. These have been recovered under a cost cover arrangement along with £10,049 of Administrators' fees. The corresponding receipt is in Sundry Income.

Appendix 3

Extentia Group Limited (in Administration)

Summary of Joint Administrators' expenses incurred to 27 August 2023

	Per estimate dated 23.04.20	Paid to 27.02.23	Paid in the period	Outstanding	Total to 27.08.23
£					
Legal fees	(10,000)	(46,651)	-	-	(46,651)
Public Notices	(190)	(194)	-	-	(194)
Sundry expenses	-	(63)	-	-	(63)
Storage costs	(500)	-	-	-	-
Bank charges and interest	-	(11)	-	-	(11)
Total	(10,690)	(46,919)	-	-	(46,919)
Category 1 disbursements (see note 2)					
Specific Penalty Bond	(420)	(420)	-	-	(420)
Hosting Fees	-	-	(16,644)	(7,500)	(24,144)
Travel costs (excluding mileage)	-	-	-	-	-
	(420)	(420)	(16,644)	(7,500)	(24,564)
Category 2 disbursements (see note 2)					
Mileage	-	-	-	-	-
Internal bulk copying, printing and postage	-	-	-	-	-
	-	-	-	-	-
Total	(11,110)	(47,339)	(16,644)	(7,500)	(71,483)

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 As previously stated the hosting fees are recharged under a cost cover arrangement.

Appendix 4

Extentia Group Limited (in Administration)

Joint Administrators' time costs to 27 August 2023

	Per revised fee estimate dated 21 October 2022			Actual in this report period			Total actual to 27 August 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	9	2,441	268	83	19,421	233
Bank & Statutory Reporting	176	48,491	276	12	3,119	258	164	42,216	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	17	5,405	318	83	23,824	289
Other Assets	2	578	289	-	-	-	2	578	385
Other Matters	6	1,541	257	-	-	-	15	3,496	239
Prescribed Part	67	17,728	265	-	-	-	67	17,728	267
Statutory Duties	71	19,350	273	22	5,303	241	58	14,353	247
VAT & Taxation	33	8,588	260	3	723	268	28	7,123	251
Total	257	200,190	274	63	16,990	270	758	200,955	265

Summary of work

The Joint Administrators have incurred time costs in dealing with, inter alia, 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.
- Immediate Tasks** – relates to carrying out on appointment tasks and duties such as speaking with the Company directors, requesting key items of information, and carrying out day 1 activities.
- **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 (which is principally recoverable from the Assignee) 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.