

Stonewell Property Company Limited - in administration

**Remuneration Report: Initial Information to creditors
including Fees Estimate**

8 April 2021

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1. Abbreviations and definitions

The following table shows the abbreviations and insolvency terms that may be used during this report:

Abbreviation or definition	Meaning
Joint Administrators/we/us/our	Peter David Dickens and Toby Scott Underwood
Company	Stonewell Property Company Limited
Cumberland	Cumberland Building Society
Group	SPCL and its subsidiary companies
Hampshire	Hampshire Trust Bank Plc
HHL	Hollinwood Homes Limited - in administration
HMRC	HM Revenue & Customs
IR16	Insolvency (England and Wales) Rules 2016
IA86	Insolvency Act 1986
Lloyds	Lloyds Bank Plc
MWCL	Marcus Worthington and Company Limited - in administration
Prescribed part	The amount set aside for unsecured creditors from floating charge funds in accordance with section 176A IA86 and the Insolvency Act 1986 (Prescribed Part) Order 2003
Preferential creditors/claims	Claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances
PwC	PricewaterhouseCoopers LLP
Sch.B1 IA86	Schedule B1 to the Insolvency Act 1986
Secured creditors	Creditors with security in respect of their debt, in accordance with section 248 IA86
SIP	Statement of Insolvency Practice. SIPs are issued to insolvency practitioners under procedures agreed between the insolvency regulatory authorities. SIPs set out principles and key compliance standards with which insolvency practitioners are required to comply.
Unsecured creditors	Creditors who are neither secured nor preferential

This report has been prepared by Peter David Dickens and Toby Scott Underwood as Joint Administrators of the Company, solely to comply with the Joint Administrators' statutory duty to report to creditors under IR16 on the progress of the administrations, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and it is not suitable to be used, to inform any investment decision in relation to the debt of or any financial investment in the Company.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcome for creditors.

Any persons choosing to rely on this report for any purpose or in any context other than under IR16 do so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any liability in respect of this report to any such person.

Please note you should read this report in conjunction with the Joint Administrators' previous reports issued to the Company's creditors, which can be found at www.pwc.co.uk/stonewell. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Peter David Dickens and Toby Scott Underwood have been appointed as Joint Administrators of the Company to manage its affairs, business and property as its agents and act without personal liability. Both are licensed in the United Kingdom to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. The Joint Administrators are bound by the Insolvency Code of Ethics which can be found at: <https://www.gov.uk/government/publications/insolvency-practitioner-code-of-ethics>

The Joint Administrators may act as controllers of personal data as defined by UK data protection law depending upon the specific processing activities undertaken. PricewaterhouseCoopers LLP may act as a 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. Further details are available in the privacy statement on the PwC.co.uk website or by contacting the Joint Administrators.

PricewaterhouseCoopers LLP is a limited liability partnership registered in England with registered number OC303525. The registered office of PricewaterhouseCoopers LLP is 1 Embankment Place, London WC2N 6RH. PricewaterhouseCoopers LLP is authorised and regulated by the Financial Conduct Authority for designated investment business.

2. Background

2.1 Purpose of this initial advice to creditors

If a company or individual is facing financial difficulty they may enter a formal insolvency process under the control of an independent external person (an insolvency practitioner). The costs of the proceedings are paid out of the assets of the company or the individual's estate and include the insolvency practitioner's remuneration, which in this case would be our fees for acting as joint administrators.

We must seek approval on the basis of our remuneration before it is paid and provide the fee approving body with sufficient information for them to make a decision. Insolvency law determines who the fee approving body is (and it depends on the circumstances of the case), but it's usually those creditors who have a direct interest in the amount paid because it impacts on how much those creditors recover.

Before we seek approval of the basis of our fees, we are required to give all known creditors details of the work we expect to carry out during the case and the expenses that are likely to be incurred. Also, if our fees are proposed to include remuneration calculated on a time costs basis, we must provide an estimate of those fees. This report provides all this information and details of where further information can be obtained.

2.2 Action required by you

The following table gives our current estimates on the likely return for the various classes of creditors. We caution creditors against using data in this report as a basis for estimating the value of their claims or their likely eventual entitlement to payment from the Company's assets.

Table 1 – Dividend prospects

Class of creditor	Estimated recovery (%)	Previous estimate (%)	Forecast timing
Secured creditors			
• Cumberland	90 -100	90 - 100	6 - 12 months
• Hampshire	0 - 75	0 - 50	6 - 12 months
• Lloyds	Repaid	Repaid	Repaid
Preferential creditors	N/A	N/A	N/A
Unsecured creditors	0 - 0.15	0 - 0.15	6-18 months

Cumberland's lending to the Company is cross guaranteed by HHL and MWCL, both related entities, as well as by Winkley Properties Ltd, a separate legal entity over which we are not appointed. We were appointed as administrators over MWCL on 30 September 2019 and HHL on 14 October 2019. Based on what we currently know, there is a possibility that Cumberland may be repaid its secured lending of £7.9m in full from a combination of the Company's and the guarantors' assets. To date, distributions of £6.45m have been made to Cumberland from the Company in respect of its secured lending.

As previously reported, we don't think that Hampshire will be fully repaid its remaining secured lending of £4m, which is due from the Company. During the period, Hampshire was repaid £2.65m of its secured lending from the sale proceeds of Whittingham Lane, which is a former Company property development over which third party Receivers were appointed. The estimated range of recovery above is based on Hampshire's reduced exposure following this disposal.

There may be funds available to unsecured creditors from the Prescribed part, but this will only be the case if Cumberland recovers its lending in full. This is because Cumberland's first ranking floating charge pre-dates the introduction of the Prescribed part on 15 September 2003. If Cumberland is repaid in full, then any surplus asset

realisations will become subject to Hampshire's post 15 September 2003 floating charge, from which a Prescribed part would be drawn.

The ongoing covid pandemic has significantly disrupted the property market and so realisations from property sales remain uncertain. It is therefore possible that the remaining property realisations are insufficient to pay Cumberland in full, in which case the Company's net property and Prescribed part would be nil. However, at the upper end of estimated values for the properties, we currently think that the Company's net property could be up to £1.3m, leading to a prescribed part fund for unsecured creditors of £265k.

We have stated in our proposals that we believe there will be no funds to distribute to unsecured creditors, other than via the prescribed part. The company does not have any preferential claims as it had no employees.

Therefore if no committee is appointed, the secured creditors have the responsibility for fixing the basis of our fees, Category 2 disbursements (as defined in Section 4.1), together with responsibility for the approval of payment of pre-appointment costs. We will seek such fee approval for the following resolutions separately in due course:

1. THAT the Administrators' fees for work other than in relation to the prescribed part be fixed by reference to time properly given by the Administrators and their staff attending to the matters arising in the administration, as set out in this Remuneration Report dated 8 April 2021;
2. THAT the Administrators' fee for work in relation to dealing with the unsecured creditors, adjudicating unsecured creditor claims, and paying a distribution from the Prescribed part be fixed at 25% of the prescribed part fund;
3. THAT the Administrators be authorised to draw disbursements from time to time for services provided by their own firm (Category 2 disbursements) as follows:

- Photocopying - charged for circulars to creditors and other bulk copying only at 10p per sheet; and
- mileage - at a maximum of 71p per mile (up to 2,000 cc) or 93p per mile (over 2,000cc)

These rates may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration.

4. THAT the pre-administration fees and expenses as disclosed in our Proposals dated 22 November 2019 and the Remuneration Report dated 8 April 2021 are paid as an expense of the administration as follows:

- Pre-administration fees - £89,422 (plus VAT); and
- Pre-administration expenses - £4,223 (plus VAT)

5. THAT the Administrators' be discharged from liability pursuant to Paragraph 98(1) of Schedule B1 to the Insolvency Act 1986 in respect of any action of theirs as administrators 14 days after they cease to be joint administrators of the company.

With respect to unsecured creditors, this Remuneration Report is therefore for information purposes only and no action is required.

Creditors' rights

You can find information on administrators' fees and your rights at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2017/administration-creditor-fee-guide-6-april-2017.ashx?la=en>

2.3 How fees are calculated

Insolvency law currently allows fees to be calculated in three ways:

- As a percentage of the value of the property which we deal with (often referred to as a “percentage basis”);
- By reference to the time properly given by us and our staff attending to the matters arising (“time costs basis”); or
- A set amount (a “fixed fee”).

The basis of our fees can be a combination of the above and different bases can be used for different parts of our work. The fee approving body decides which basis (or combination of bases) should be used to calculate fees, once it is satisfied that the fee basis proposed represents the most appropriate mechanism in the circumstances of the case.

In this case we are proposing that our remuneration for the majority of our work is on a time costs basis, for the following reasons:

- It ensures that creditors are only charged for work that is performed;
- We are required to perform a number of tasks which do not relate to the realisation of assets (for example: reporting to creditors, investigating the conduct of the directors and distributing surplus funds, if any);
- There remains considerable uncertainty over the length of time that will be needed to complete the realisation of the remaining property assets and whether any changes in strategy may be needed in response to changes in the property market; and
- We are therefore unable to estimate with certainty the total amount of fees necessary to complete all tasks required in the administration.

In the next section, we include details of our fees estimate.

In relation to our work in dealing with the unsecured creditors, adjudicating their claims and paying a dividend to the unsecured creditors from the Prescribed part, we are proposing that our fees are fixed as a percentage of the Prescribed part fund we have to deal with. The size of the fund is uncertain at this time, and our current estimates range from nil to £265,000. There is an amount of work we have to undertake regardless of the size of the Prescribed part, but as the fund increases, greater verification work is required on claims and more creditors submit claims as it becomes commercially worthwhile them doing so. Using a percentage basis aligns the administrators’ fees with the outcome for Unsecured creditors and means that if the funds are low, they are not all used up in meeting the administrators’ costs.

Insolvency law says that in determining the basis of our remuneration, regard must be had to the following:

- The complexity (or otherwise) of the case;
- Any exceptional responsibility falling on us;
- The effectiveness with which we are carrying out, or to have carried out, our duties; and

The value and nature of the property with which we have to deal.

In the rest of this report, we set out some further information on the work we have undertaken to date and propose to do in future, together with details of the other costs of the administration and the professionals we have used to assist us.

3. Our fees estimate

3.1 Summary

This section provides the following information:

- Details of the work we propose to undertake;
- The hourly rates we propose to charge for each part of that work;
- The time we anticipate each part of the work will take; and
- Whether we think it will be necessary to seek approval to exceed the amount of the estimate, and if so, why.

The total amount of our fees estimate is £1,898,073, representing the total incurred and budgeted time costs for work other than dealing with the unsecured creditors and the prescribed part.

Our total remuneration (for work other than in relation to the Unsecured creditors and the Prescribed part) cannot exceed the total amount of this fees estimate without prior consent from the fee approving body.

The following tables summarise these anticipated time costs and then provide more detail on each area of work. Time costs are shown at the hourly rates set out later. We do not anticipate that the Company will be placed into liquidation and therefore haven't included an estimate of our fees and the expenses for any subsequent liquidation.

In the period since our appointment to 26 February 2021, we have incurred time costs of £1,556,137 representing 82% of the total fees estimate.

Table 2 – Time costs

Category of work	Hours	Fees estimate (£)	Average hourly rate (£/hour)	Hours incurred to 26 February 2021	Time costs incurred to 26 February 2021 (£)	Average hourly rate for time costs incurred to 26 February 2021 (£/hour)
Accounting and Treasury	93.55	29,539.50	315.76	68.55	20,464.50	298.53
Assets	2,386.01	1,306,659.905	547.63	2,072.51	1,072,079.40	517.29
Investigations	148.40	44,785.00	301.79	148.40	44,785.00	301.79
Secured Creditors	158.25	89,696.50	566.80	124.25	72,316.50	582.02
Statutory and Compliance	478.19	194,885.85	407.55	432.19	177,860.85	411.53
Strategy and Planning	191.55	85,890.50	448.40	170.55	79,145.50	464.06
Tax and VAT	353.80	146,615.25	414.40	208.3	89,485.25	429.60
Total hours and fees estimate	3,809.75	1,898,072.50	498.21	3,224.75	1,556,137.00	482.56

The above table provides an estimate of the anticipated time likely to be required on the various areas of work and in future reports we will provide an update by reference to actual costs incurred. To facilitate such a comparison, we are likely to report costs on the same basis and use our normal rates. In the circumstances of this case, we do not expect to draw these costs in full as we expect to agree with the fee approving body to limit the amount we draw to reflect the changing circumstances of the case.

We have not included in the table the time spent in dealing with the Company's Unsecured creditors, in agreeing claims of Unsecured creditors, or the anticipated costs of paying a dividend to Unsecured creditors from the

prescribed part as we are requesting that our fees for this work is by way of a percentage of the Prescribed part fund, and this work does not therefore form part of our time costs fees estimate.

3.2 Work we propose to undertake

Our proposals and previous progress reports set out the strategy followed by the administrators and our progress in the administration up to 13 October 2020. Copies of these documents are available on the website at www.pwc.co.uk/stonewell and creditors may find it useful to read these documents to provide more information and context to the detailed description set out later in this section.

Overview of the administration strategy and work undertaken

The Company owned and operated commercial investment properties and was the holding company of a small group which included subsidiaries undertaking residential and commercial developments. In certain circumstances these developments were undertaken for the Company, or for other companies or individuals connected to the Company's directors and shareholders. We are also appointed administrators over three of the Company's subsidiaries, and also a further two companies which held property for a trust in which the Company had a 25% beneficial interest.

Another property development group controlled by the Worthington family, for which the Company had a number of ongoing contracts, subsequently went into administration with administrators from Deloitte LLP appointed. Trading balances between the various entities were often settled by means of intercompany accounts which involved other Group and connected companies, rather than directly between the principal contracting companies. In addition, there was trading with and funds transfers with the directors with outstanding amounts owed by the directors and connected parties at the date of the Company's administration. These various inter-twined relationships meant that understanding and unravelling the Company's affairs has proved complex.

An initial review of the Group was carried out to explore whether certain contracts should be continued in administration, but this concluded it was not viable. We commenced the process to secure and realise the Company's assets. The Company owns seven main properties, together with a number of small strips of land which are residual from previous developments.

A review of the properties was carried out by PwC's real estate specialists to identify individual strategies for maximising the value of each property. For certain of the properties, this has meant taking the property straight to market, but for others we have sought to improve them through active management so they are more attractive to potential purchasers. The impact of the covid pandemic starting shortly after the first properties were put to market has created greater uncertainty, and in some cases has meant that interested parties have reconsidered or withdrawn. To date four properties have been sold realising some £7.5m and £565k collected in rental income.

The Company's records indicated that c.£719k was owed from certain directors. We have also identified a number of pre-administration transactions which could be challengeable. Considerable investigation was required to establish the position on these matters, including the relationship with other connected entities and parties. We have taken steps to recover value for these loans/claims, including attempting to negotiate potential settlements with the debtors and exploring options to assign the claims to third parties for value. These negotiations are ongoing.

Progress since our last report

Asset Realisations

We continue to negotiate with existing tenants of the Company's remaining commercial properties in order to agree new leases on more favourable terms. We believe this exercise will enhance the realisable value of the assets when compared with an immediate sale and will generate greater realisations for the administration estate.

An offer for Grey House Barns has been received and we are taking steps to progress this offer to completion.

We have continued to progress negotiations with certain directors of the Company in order to recover amounts due in respect of both directors' loans and certain antecedent transactions.

Statutory and administrative matters

Since the date of prior progress report, the major unsecured creditor claim for Marcus Worthington Properties Limited has been adjudicated and agreed. All other unsecured creditor claims will be adjudicated once asset realisations are complete.

Finally, we have also undertaken period case reviews to ensure compliance with our statutory requirements and have provided regular updates and communications with the secured creditors.

Work we propose to do

The following table provides details of the work we propose to do (indicated by ☐) , have already done (✓) or which is in progress (☐). It provides a brief summary for each category rather than an exhaustive list of all possible tasks. The fees estimate for each category is also shown, together with costs incurred to 22 January 2021.

Table 3 – Work we propose to do (fees estimate)

Category of work	General description	Work included
Accounting and treasury Estimate: 94 hours £29,540 Incurred to date: 69 hours £20,465	Accounting and treasury <i>Proper stewardship and safeguarding of the Company's cash assets. Accounting in line with statutory and regulatory requirements.</i>	<ul style="list-style-type: none">• Opening and closing bank accounts and arranging facilities ✓• Dealing with receipts, payments and journals <input type="checkbox"/>• Carrying out bank reconciliations and managing investment of funds <input type="checkbox"/>• Sweeps of monies received into pre-appointment bank accounts <input type="checkbox"/>• Corresponding with bank regarding specific transfers <input type="checkbox"/>• Distribution to secured creditors <input type="checkbox"/>• Closing of bank account(s) <input type="checkbox"/>
Assets Estimate: 2,386 hours £1,306,660 Incurred to date: 2,073 hours £1,072,079	Property <i>Realisation of assets for the benefit of the Company's creditors</i>	<ul style="list-style-type: none">• Carried out property title searches and secured relevant property records ✓• Liaised with valuers and agents to ensure optimum strategy in place for realising value from remaining assets <input type="checkbox"/>• Secured possession freehold property ✓• Liaised with tenants regarding our appointment and any follow up queries they've had <input type="checkbox"/>• Reviewed tenancy documents to identify opportunities to improve the asset value of the properties and provide information for the sale. ✓• Oversaw the management of the properties, including billing and collecting rent, service charges and insurance and undertaking landlord responsibilities. <input type="checkbox"/>• Liaised with residents and addressed their concerns regarding operations at the Aldi site ✓• Liaised with lawyers regarding lease renewals at tenanted properties <input type="checkbox"/>• Liaised with lawyers and agents regarding potential dilapidations claim ✓• Marketed freehold property <input type="checkbox"/>• Dealt with post-sale enquiries <input type="checkbox"/>
	Other assets <i>Realisation of assets for the benefit of the Company's creditors</i>	<ul style="list-style-type: none">• Undertook detailed review of directors loan accounts, investigated antecedent transactions and commenced negotiations with former directors. <input type="checkbox"/>• Liaising with solicitors and other advisors as required to assist with asset realisations <input type="checkbox"/>
	Insurance <i>Safeguarding of the Company's assets</i>	<ul style="list-style-type: none">• Identifying potential issues requiring attention of insurance specialists ✓• Reviewing insurance policies <input type="checkbox"/>• Corresponding with insurer regarding initial and ongoing insurance requirements <input type="checkbox"/>

Investigations Estimate: 148 hours £44,785	Conducting investigations <i>Statutory requirement to report on the conduct of the directors.</i> <i>Identifying claims that the Company may have for the benefit of the creditors.</i>	<ul style="list-style-type: none"> • Collecting company books and records where related to investigatory work ✓ • Reviewing books and records ✓ • Preparing comparative financial statements and deficiency statement ✓ • Reviewing specific transactions and liaising with directors regarding certain transactions as required ✓ • Preparing investigation file and lodging findings with the Department for Business, Innovation and Skills ✓
Incurred to date: 148 hours £44,785		
Secured creditors Estimate: 158 hours £89,697	Secured creditors <i>Provision of information to the secured creditor so they can effectively manage their exposure.</i> <i>Agreement of strategy to enhance realisations of assets.</i>	<ul style="list-style-type: none"> • Notifying secured creditors of appointment ✓ • General updates and preparation of reports to the secured creditors □ • Obtaining agreement for the strategy for the realisation of assets subject to the secured creditors' fixed charges □ • Responding to secured creditors' queries □ • Finalisation of asset consideration and preparation of Estimated Outcome Statement and related matters □ • Making distributions in accordance with security entitlements □
Incurred to date: 124 hours £72,317		
Statutory and compliance Estimate: 478 hours £194,889	Initial letters and notifications <i>Statutory requirement</i>	<ul style="list-style-type: none"> • Preparing and issuing all necessary initial letters and notices regarding the administration and our appointment ✓ • Requesting and providing guidance to the directors with the preparation of the statement of affairs of the Company ✓
Incurred to date: 432 hours £177,861	Remuneration report <i>Statutory requirement and information on the cost of the process</i>	<ul style="list-style-type: none"> • Preparing and circulating to creditors a report giving details of the work we expect to carry out during the case, our fees estimate and the expenses that are likely to be incurred □
	Case reviews <i>Regulatory requirement and aids progression</i>	<ul style="list-style-type: none"> • Conducting case reviews after the first month, then every six months □
	Proposals and initial meeting of creditors <i>Statutory requirement</i>	<ul style="list-style-type: none"> • Drafting and reviewing a statement of proposals to creditors including preparing receipts and payments accounts and statutory information ✓ • Circulating notice of the proposals to creditors, members and the Registrar of Companies ✓
	Progress reports and extensions <i>Statutory requirement</i>	<ul style="list-style-type: none"> • Preparing and issuing periodic progress reports to creditors and the Registrar □ • Making applications to creditors for the extension of the administration and filing relevant notices (if applicable) ✓
	Other meetings / resolutions <i>Statutory requirement</i>	<ul style="list-style-type: none"> • Issuing notices and associated documentation for seeking decisions of creditors □
	Books and records / company data <i>Statutory requirement</i>	<ul style="list-style-type: none"> • Capturing company data by backing up key systems and email accounts □ • Collecting company books and records where not related to investigatory work ✓ • Dealing with records in storage □ • Sending job files to storage □
	Other statutory and compliance <i>Statutory requirement</i>	<ul style="list-style-type: none"> • Filing of documents □ • Updating checklists and diary management system □

Strategy and planning Estimate: 192 hours £85,891	Strategy and planning <i>Regulatory requirement. Aids efficient progression of the administration</i>	<ul style="list-style-type: none"> • Completing tasks relating to job acceptance ✓ • Preparing fee budgets & monitoring cost □ • Holding team meetings and discussions regarding status of administration □ • Monitoring progress against key strategy and adjusting strategy where necessary □ • Planning for the most efficient route for closure □
Incurred to date: 171 hours £79,146	Closure procedures <i>Statutory requirement</i>	<ul style="list-style-type: none"> • Obtaining clearances from third parties □ • Completing checklists and diary management system □ • Closing down internal systems and sending job files to storage □
Tax & VAT Estimate: 354 hours £146,615	Tax <i>Statutory requirement. Mitigates costs for the benefit of creditors</i>	<ul style="list-style-type: none"> • Gathering information for the initial tax review ✓ • Carrying out tax review and subsequent enquiries ✓ • Completion of post-appointment returns □ • Liaising with HMRC regarding submissions and clearance to close Administration □
Incurred to date: 208 hours £89,485	VAT <i>Statutory requirement. Mitigates costs for the benefit of creditors</i>	<ul style="list-style-type: none"> • Gathering information for the initial VAT review ✓ • Carrying out VAT review and subsequent enquiries □ • Ad-hoc VAT issues relating to property and option to tax □ • Preparing VAT returns for post-appointment period □ • Liaising with HMRC □ • Deregistration from VAT □

Included in the above table are tasks that we must perform that may not directly benefit creditors financially. These typically relate to fulfilling obligations imposed by statute or regulatory bodies.

Work dealing with the Unsecured creditors and Prescribed part

In addition to the matters listed above, we anticipate undertaking the following work in dealing with the unsecured creditors and prescribed part fund:

Creditor enquiries

- Setting up and maintaining a dedicated website for delivery of initial and ongoing communications and reports □
- Receiving and following up creditor enquiries via telephone, email and post □
- Reviewing and preparing correspondence to creditors and their representatives □

Creditor claims

- Maintaining and monitoring claims submitted by the unsecured creditors via email and post. □
- Adjudicating claims by reference to the Company's records and information provided by the creditors and requesting further information from creditors □

Prescribed part distribution

- Advertising notice of intention to declare a dividend □
- Calculating the dividend rate, preparing the dividend file and making the distribution to creditors □

3.3 Our time charging policy and hourly rates

The time we charge to the administration is by reference to the time properly given by our staff and us in attending to matters arising.

It is our policy to delegate tasks to appropriate members of staff considering their level of experience and any requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by

senior staff or the administrators personally. The core team is reviewed regularly and streamlined as tasks are progressed and matters completed.

Set out below are the relevant maximum charge-out rates per hour worked for the grades of staff actually, or likely to be, involved on this assignment.

All staff who work on this assignment (including cashiers, support and secretarial staff) charge time directly to the assignment and are included within any analysis of time charged. Time is charged by reference to actual work carried out on the assignment in six minute units. The minimum time charged is three minutes (i.e. 0.05 units). There has been/will be no allocation of any general costs or overhead costs. These rates will apply to each part of our work.

Specialist departments with our firm, such as Tax, VAT, Property, Pensions and Offshore Professionals are also used where their expert advice and services are required. Such specialist rates do vary but the figures below provide an indication of the maximum rate per hour.

Table 4 – Charge-out rates

To 30 June 2020 Grade	Maximum rate per hour (£)	Specialist maximum rate per hour (£)
Partner	690	1,520
Director	595	1,465
Senior Manager	515	1,290
Manager	405	775
Senior Associate	310	575
Associate	210	305
Support staff	120	250

With effect from 1 July 2020 Grade	Maximum rate per hour (£)	Specialist maximum rate per hour (£)
Partner	850	1,600
Director	720	1,465
Senior Manager	585	1,355
Manager	475	815
Senior Associate	390	605
Associate	245	325
Support staff	125	230

In common with all professional firms, hourly rates increase from time to time over the period of the administration (for example to cover annual inflationary cost increases). Any material amendments to these rates will be advised to the fee approving body when seeking fee approval, and to creditors in our next statutory report.

3.4 Further approval

Creditors should be assured that the provision of a fees estimate will not affect the proper conduct of the administration. If the necessary work exceeds (or is likely to exceed) that included in the fees estimate, we can seek consent, usually from the fee approving body, for our fees to exceed the fees estimate.

Our fees estimate is based on a number of assumptions, which are explained in Section 5. In broad terms and in our experience, the key issues likely to affect the level of costs are the:

- Availability and quality of the books and records;
- Level of co-operation received, for example: from the directors;
- Level of interest in the assets and speed of any sales;
- Any changes to our strategy that might be necessary as a result of the above.

We do not think we will need to seek further approval because the majority of assets have already been realised, or are due to complete shortly.

In our periodic progress reports, we will keep creditors updated on how our fees are compared to the fees estimate. If fees are likely to exceed this fees estimate we will need further approval to draw those fees.

4. Expenses

4.1 What is an expense?

Expenses are defined in SIP9 as amounts properly payable by the office holder from the estate which are not office holders' remuneration or a distribution to creditors. These include disbursements, which are expenses met by and reimbursed to an office holder in connection with an insolvency appointment. They fall into two categories: Category 1 and Category 2:

Disbursement	SIP9 definition
Category 1	Payments to independent third parties where there is specific expenditure directly referable to the appointment in question.
Category 2	Costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that may be incurred by the office holder or their firm, and that can be allocated to the appointment on a proper and reasonable basis.

Our firm's disbursements policy allows for all properly incurred expenses to be recharged to the case. We don't need approval from creditors to draw Category 1 disbursements as these have all been provided by third parties, but we do need approval to draw Category 2 disbursements as these are for services provided by our firm. The body of creditors who approve our fees also have responsibility for agreeing the policies for the payment of Category 2 disbursements, which in this case are as follows:

Photocopying	At 10 pence per sheet copied, only charged for circulars to creditors and other bulk copying.
Mileage	At a maximum of 71 pence per mile (up to 2,000cc) or 93 pence per mile (over 2,000cc).

4.2 Our expenses estimate

The following table shows expenses incurred to date and an estimate of further expenses we consider will be (or are likely to be) incurred.

The total expenses estimate for the case is £431,955.20.

The estimate excludes any potential tax liabilities that may be payable as an expense of the administration in due course because amounts due will depend on the position at the end of the tax accounting period.

Our expenses estimate includes pre-administration costs that if approved would be payable as an expense of the administration and which were explained in more detail in our proposals dated 22 November 2019. Whilst pre-administration costs are subject to approval in the same manner as our remuneration, they do not form part of our remuneration in relation to our work as Joint Administrators following our appointment.

For clarity, of the following expenses, we require approval for only the pre-administration costs. The additional expenses are detailed for information only.

Table 5 – Expenses estimate

	Incurring to date £	Estimated future £	Anticipated total £
Office holders' expenses	32,390.35	500	32,890.35
Rent	80.00	-	80.00
Agents fees - property and assets	39,094.32	40,000.00	79,094.32
Property and asset expenses	2,810.00	-	2,810.00
Legal fees	161,891.00	40,000.00	201,891.00
HM Land Registry fees	7.00	-	7.00
Professional fees	36,849.00	-	36,849.00
Statutory advertising	154.00	83.00	237.00
Insurance costs (note 1)	62,652.84	(42,652.84)	20,000.00
Tax expenses (note 2)	-	-	-
Total post-administration expenses (note 3)	335,982.51	37,930.16	373,858.67
Pre-appointment office holders' fees	89,422.00	-	89,422.00
Pre-appointment legal fees	4,223.00	-	4,223.00
Total pre-administration expenses	93,645.00	-	93,645.00
Total	429,573.51	37,930.16	467,503.67

Note 1 - Insurance costs incurred to date will be mitigated by recovery from commercial tenants, as per the contractual agreements.

Note 2 - this summary currently exclude potential tax expenses, pending a formal review by our specialist tax teams

Note 3 - Save for the category 2 disbursements as detailed in section 4.1, none of these expenses represent payments to the administrators, PwC or any of its associates.

No expenses incurred or anticipated relate to work carried out by associates of the administrators.

5. Professionals and subcontractors

Table 6 – Professionals and subcontractors

Service provided	Name of firm / organisation	Reason selected	Basis of fees
Legal services, including: <ul style="list-style-type: none"> • Appointment related matters • Advice regarding intangible assets • Advice regarding sale of property 	<ul style="list-style-type: none"> • Eversheds Sutherland 	<ul style="list-style-type: none"> • Industry knowledge and insolvency expertise 	<ul style="list-style-type: none"> • Time costs
Chattel agents and valuers	<ul style="list-style-type: none"> • Walker Singleton (Asset Management) Ltd 	<ul style="list-style-type: none"> • Industry knowledge 	<ul style="list-style-type: none"> • % of realisations
Property agents and others, including: <ul style="list-style-type: none"> • Security • Property marketing and valuation 	<ul style="list-style-type: none"> • Moorcroft Property Guardians • M.N.S Commercial Protection Limited • Richard Barber and Company • Armistead Barnett • Robert Pinkus and Co LLP • Lamb and Swift Commercial • Shepherd and Wedderburn 	<ul style="list-style-type: none"> • Industry knowledge 	<ul style="list-style-type: none"> • Time costs and disbursements • Fixed fee

We require all third party professionals to submit a time costs analysis and narrative or a schedule of realisations achieved in support of invoices rendered. We undertake the following steps to review professional firms' costs:

- comparisons with upfront budgets;
- review of time costs analysis;
- review of disbursements claimed; and
- ongoing dialogues with regards to the work being performed.

No work that would normally be undertaken by the administrators or their staff has been undertaken by subcontractors, nor do we anticipate that this will occur in future.

6. Notes and assumptions

6.1 Fees estimate

- We have assumed the administration will last between two and three years and will be moved to dissolution once matters are complete.
- One extension to the statutory one year period of the administration has already been granted by the appropriate classes of creditors. We believe a further one year extension will be required.
- We have assumed that our hourly charge out rates will increase by up to 5% per year, with increases likely to happen on 1 July.

6.2 Expenses

- Estimated future expenses are based on current estimated time frames.
- Estimated future expenses are based on current estimates with current providers.
- Estimated future expenses assumes all VAT will be recoverable.

6.3 Associates

The administrators have no business or personal relationships with parties responsible for approving remuneration or who provide services to the administrators in respect of the appointment where the relationship could give rise to a conflict of interest.

7. Receipts and Payments Account

Joint Administrators' Abstract Of Receipts And Payments From 14 October 2020 To 26 February 2021

Statement of Affairs (£)		Total for the period 14 October 2019 to 13 October 2020 (£)	Total for the period 14 October 2020 to 26 February 2021 (£)	Total for the period 14 October 2019 to 26 February 2021 (£)
	Receipts subject to fixed charge			
5,105,000.00	Investment property	7,496,362.68	-	7,496,362.68
	Rental income	525,357.04	39,796.10	565,153.14
	Total receipts	8,021,719.72	39,796.10	8,061,515.82
	Payments subject to fixed charge			
	Distributions to chargeholders	(6,455,920.84)	-	(6,455,920.84)
	Legal fees and expenses	-	(108,601.51)	(108,601.51)
	Corporation tax	-	(4,581.66)	(4,581.66)
	Insurance	-	(62,652.84)	(62,652.84)
	Rent	(80.00)	-	(80.00)
	Agents fees - property and assets	(39,094.32)	(68,891.52)	(107,985.84)
	Total payments	(6,495,095.16)	(244,727.53)	(6,739,822.69)
4,575,000.00	Fixed charge balance	1,526,624.56	(204,931.43)	1,321,693.13
	Receipts subject to floating charge			
33,357.00	Investment property	-	-	-
22,549.00	Inter-company account - MWCL	7.00	-	7.00
	Book debts	27,514.51	-	27,514.51
	Cash on appointment	34,859.36	-	34,859.36
	Sales ledger, other debtors and prepayments	-	-	-
	Bank interest	201.97	-	201.97
	Third party funds	27,376.78	-	27,376.78
	Total receipts	89,959.62	-	89,959.62
	Payments subject to floating charge			
	Land registry charges	(7.00)	-	(7.00)
	Professional fees	(45.00)	-	(45.00)
	Statutory advertising	(154.00)	-	(154.00)
	Inter-company account - MWCL	(7.00)	-	(7.00)
	Property and asset expenses	(2,810.00)	-	(2,810.00)
	Third party funds	(21,540.00)	-	(21,540.00)
	Total payments	(24,563.00)	-	(24,563.00)
	Floating charge balance	65,396.62	-	65,396.62
	VAT control account	196,202.07	(27,539.38)	168,662.69
	Total balance held in interest bearing account	1,788,223.25	(232,470.81)	1,555,752.44