

# Joint Administrators' progress report from 14 October 2021 to 13 April 2022

**Stonewell Property Company Limited -**  
(in administration)

In the High Court of Justice, Business and Property Courts of  
England and Wales, Manchester District Registry, Insolvency  
and Companies List (ChD)

Case no. CR-2019-MAN-001039

10 May 2022

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# Abbreviations and definitions

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

| Abbreviation or definition            | Meaning   |
|---------------------------------------|---|
| <b>Joint Administrators/we/us/our</b> | Peter David Dickens and Alison Grant  |
| <b>Company</b>                        | Stonewell Property Company Limited  |
| <b>Cumberland</b>                     | Cumberland Building Society, a Secured creditor   |
| <b>Group</b>                          | The Company and its subsidiary companies  |
| <b>Hampshire</b>                      | Hampshire Trust Bank Plc, a secured creditor  |
| <b>HHL</b>                            | Hollinwood Homes Limited - dissolved, formerly in administration  |
| <b>HMRC</b>                           | HM Revenue & Customs  |
| <b>IR16</b>                           | Insolvency (England and Wales) Rules 2016   |
| <b>IA86</b>                           | Insolvency Act 1986   |
| <b>Lloyds</b>                         | Lloyds Bank Plc   |
| <b>MWCL</b>                           | Marcus Worthington and Company Limited - dissolved, formerly in administration  |
| <b>Prescribed part</b>                | 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   |
| <b>Preferential creditors</b>         | Claims for unpaid wages earned in the four months before the insolvency up to £800, holiday pay and unpaid pension contributions in certain circumstances   |
| <b>PwC</b>                            | PricewaterhouseCoopers LLP  |
| <b>Secured creditors</b>              | Creditors with security in respect of their debt, in accordance with section 248 IA86 - see Cumberland and Hampshire above  |
| <b>SIP</b>                            | 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. |
| <b>Unsecured creditors</b>            | Creditors who are neither Secured nor Preferential creditors  |

This report has been prepared by Peter Dickens and Alison Grant 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 administration, 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 <https://www.pwc.co.uk/stonewell>. Unless stated otherwise, all amounts in this report and appendices are stated net of VAT.

Peter Dickens and Alison Grant 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.

# Key messages

## Why we've sent you this report

We're writing to update you on the progress of the administration of the Company in the six months since our last report dated 12 November 2021.

You can still view our earlier reports on our website at [www.pwc.co.uk/stonewell](http://www.pwc.co.uk/stonewell). Please get in touch with Beth Stoker on 0113 289 4000 or at [beth.stoker@pwc.com](mailto:beth.stoker@pwc.com) if you need the password to access the reports.

## How much creditors may receive

The following table summarises the possible outcome for creditors, based on what we currently know.

| Class of creditor             | Estimated recovery (%) | Previous estimate (%) | Forecast timing |
|-------------------------------|------------------------|-----------------------|-----------------|
| <b>Secured creditors:</b>     |                        |                       |                 |
| <b>Cumberland</b>             | Repaid                 | Repaid                | Repaid          |
| <b>Hampshire</b>              | 75-80                  | 70-90                 | 4 months        |
| <b>Lloyds</b>                 | Repaid                 | Repaid                | Repaid          |
| <b>Preferential creditors</b> | N/A                    | N/A                   | N/A             |
| <b>Unsecured creditors</b>    | 0.1 - 0.2              | 0.03 - 0.07           | 4 months        |

### Secured creditors

As you may recall from my earlier reports, Cumberland's lending in the Company was cross-guaranteed across HHL and MWCL, both related entities, as well as by Winckley 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 and the Joint Administrators' appointment over both of these entities has now come to a conclusion following the issuing of final progress reports. In the period covered by this report, further distributions to Cumberland were made totalling £0.69m, bringing the total distributed to £7.65m and the lending was repaid in full.

A second Secured creditor, Hampshire, has been repaid £2.45m against its secured lending of approximately £4m from the sale proceeds of Whittingham Lane, which is a former Company property development over which third party Receivers were appointed. As previously reported, we don't think that Hampshire will be fully repaid the remaining balance of its remaining secured lending of approximately c.£2m, which is due from the Company. Following the sale of the final asset, we are finalising the amount available to distribute to Hampshire. On 25 April 2022 we made a further distribution to Hampshire of £0.8m, bringing the total amount distributed to £3.45m. This is not reflected in the Receipts and Payments account at Appendix A as this did not happen in the period covered by this report.

### Preferential creditors

The Company does not have Preferential claims as it did not have any employees.

### Unsecured creditors

As you may recall, Cumberland's first ranking floating charge pre-dated the introduction of the Prescribed part on 15 September 2003, so no Prescribed part would arise until Cumberland was paid in full. As Cumberland has now been repaid in full from assets subject to its fixed charges, a further review has confirmed that we need to consider the impact of the fixed and floating charges granted in favour of Hampshire. As a result of this, the net floating charge realisations have become subject to Hampshire's post 15 September 2003 floating charge, from which a Prescribed part will be drawn.

We think the Company's Unsecured creditors totalling c.£21.0m will get a dividend of about 0.1 - 0.2% from the Prescribed part based on what we know currently; until such time that as the formal dividend process has been completed, it is not possible to confirm this figure.

We continue to think, as stated in our proposals, that there will be no funds to distribute to Unsecured creditors, other than via the Prescribed part.

As provided for in our proposals, we've asked for outstanding claims from creditors so that we can agree them in principle.

## **What you need to do**

If you haven't already done so, please send your claim to us so that we can agree it. A claim form can be downloaded from our website at [www.pwc.co.uk/stonewell](http://www.pwc.co.uk/stonewell) or you can get one by telephoning Beth Stoker on 0113 289 4000.

All creditors wishing to receive the anticipated dividend payment must submit a proof of debt.

Please note that should you wish to vote in relation to any decision procedure during the administration or object to a decision sought by deemed consent, you'll need to submit a proof of debt.

# Overview of what we've done to date

As you may recall from previous reports, the Company was incorporated in 1975 and owned and operated commercial investment properties. It also has investments in its wholly owned subsidiaries, HHL and MWCL.

The background to our appointment and circumstances surrounding the Company upon entering administration are detailed in our previous reports and are not repeated here.

On administration, the Company owned seven main properties, with a number of small parcels of land from previous developments. It also had potential claims against Group companies and other connected parties.

A review of the properties was carried out by PwC's real estate specialists to identify individual strategies for realising each of the properties for best value. Some of the properties were taken straight to market, but steps were undertaken on certain of the properties to improve their value through active management. The impact of the Covid -19 pandemic shortly after the first properties were placed on the market created greater uncertainty, and in some cases meant that interested parties reconsidered their offers or withdrew.

At the time of our last report, there remained one significant property to sell. We have now sold all properties, realising a total of £10.70m sales proceeds and £0.7m in rental income.

We remain in office to make distributions to the Secured creditors and the Unsecured creditors, and to carry out our statutory obligations, including finalising the tax and VAT positions of the Company.

Progress on these matters are explained in more detail in the next section.

# Progress since we last reported

## Property assets

As we published the previous report, there was one property, Currock Road, Carlisle, remaining to be sold. We had undertaken work with the tenants to renegotiate the leases to make them a more attractive investment for potential purchasers, thereby increasing the value of the property. Following completion of protracted lease renewals, the property agents revised the suggested market price for this asset from £1.2m to £1.75m.

During the period covered by this report the property was marketed for sale and on 8 April 2022 a sale for £1.73m was achieved. Included within the asset sale were a number of unregistered telecom mast leases which resulted in increased levels of interested party due diligence and therefore further costs being incurred in achieving this sale value. Funds were received into our solicitor's client account and had not been paid over to the administration by the end of the current reporting period on 13 April; as such, these receipts are therefore not reflected in the Receipts and Payments account at Appendix A.

In the period covered by this report we collected £47.7k in relation to rental income. As some of this rent was for the period 24 March 2022 to 23 June 2022 this was subsequently paid to the purchaser on completion, leaving the rent due to the administration for the period to the sale of £25.0k.

In our last report we noted that we had agreed a dilapidations claim against a former tenant of the Castle House property at £30k. We can confirm that this was received in the current reporting period.

All commercial properties have now sold. Details of the sales of the other properties can be found in earlier progress reports.

## Realisation of other assets and investigations

You may recall from previous reports the work undertaken to recover funds due to the Company in relation to directors' loans and other antecedent transactions. At the end of the previous reporting period, there remained one agreement where we were awaiting the receipt of the agreed settlement funds. During the current reporting period, the agreed settlement funds of £300k were received.

This completes our anticipated realisations from directors' loans and antecedent transactions.

## Connected party transactions

In the period covered by this report no transactions to connected parties have taken place. Details of transactions that have taken place in previous periods can be found in earlier reports.

## Changes of Joint Administrator

Toby Underwood, one of the previous Joint Administrators, has retired from PwC. To make sure that outstanding issues in the administration continue to be pursued, an application was made to the Court to remove him and appoint Alison Grant as administrator. Alison Grant is licensed in the United Kingdom to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

The application was granted and so Alison Grant replaced Toby Underwood as Joint Administrator with effect from 30 November 2021. Toby Underwood was discharged from all liability in respect of his acts and omissions and otherwise in respect of his conduct as Joint Administrator, 28 days after the date of the advertisement of this order in the London Gazette, and Creditors had 28 days following publication of this notice to apply to the Court to vary or discharge the Court order. No creditor sought to vary or set aside all or any terms of this order in the given period.

## Investigations and actions

Nothing has come to our attention during the period under review to suggest that we need to do any more work in line with our duties under the Company Directors' Disqualification Act 1986 and SIP.2.

## Our receipts and payments account

We set out in Appendix A an account of our receipts and payments in the administration from 14 October 2021 to 13 April 2022.



The main payments in the period were a further distribution to one of the Secured Creditors and a payment towards the Joint Administrators fees, following the approval of the remuneration by the Secured Creditors.

## Our expenses

We set out in Appendix B a statement of the expenses we've incurred to the date covered by this report and an estimate of our future expenses.

Appendix B excludes any potential tax liabilities that we may need to pay as an administration expense in due course because amounts due will depend on the position at the end of the tax accounting period.

## Our fees

We set out in Appendix C an update on our remuneration which covers our fees, disbursements and other related matters in this case.

## Other work in the period

During this reporting period we have completed a number of statutory tasks to ensure correct compliance in relation to tax and VAT and the recovery of funds due to creditors. These include but are not limited to:

- Preparation and submission of the fourth progress report;
- Submission of the Corporation tax return to period end 30 December 2020;
- Drafting of the Corporation tax return to period end 30 December 2021;
- Drafting of the final Corporation tax return to close and the request to HMRC for clearance;
- Preparation and submission of quarterly VAT returns to September 21, December 21 and March 22; and
- Calculation of the annual VAT submissions to provide accurate information to HMRC and ensure correct funds are paid to HMRC and recovered from HMRC to distribute to creditors.

The tax and VAT positions are complex due to the intra group transactions and incomplete information regarding some of the properties. This has meant additional work has been undertaken to mitigate capital gains tax and irrecoverable VAT arising from the VAT group's partial exemption position. This work has significantly reduced the costs that would otherwise have fallen as expenses of the administration.

## Pre-administration costs

You can find in Appendix D information about the approval of the unpaid pre-administration costs previously detailed in our proposals. An element of the pre-administration costs was paid following the end of this reporting period; details of this can also be found in Appendix D.

## Creditors' rights

Creditors have the right to ask for more information within 21 days of receiving this report as set out in Rule 18.9 IR16. Any request must be in writing. Creditors can also challenge fees and expenses within eight weeks of receiving this report as set out in Rule 18.34 of IR16. This information can also be found in the guide to fees at:

<https://www.icaew.com/-/media/corporate/files/technical/insolvency/creditors-guides/2021/administration-creditor-fee-guide-1-april-2021.ashx?la=en>

You can also get a copy free of charge by telephoning Beth Stoker on 0113 289 4000

## What we still need to do

In addition to the work set out above, other key areas of work will be as follows:

- To wind down the Company's affairs, including finalising VAT and tax matters; and
- To comply with all relevant insolvency legislation and regulations arising as a result of the insolvency of the Company and our appointment as Joint Administrators. These typically include periodic reports to creditors, internal controls to ensure the administration strategy continues to be appropriate and outstanding matters are being progressed on a timely basis.
- Distributions to Secured and Unsecured creditors

## Next steps

The administration is currently extended until 13 October 2022. At this time, it is not possible to say whether we will have completed the administration by that date, but if there remain significant matters outstanding, we will make an application to court for a further extension.

We are currently considering the best strategy for ending the administration once all assets are realised and all costs discharged. We'll provide an update on this in our next report.

We expect to send our next report to creditors at the end of the administration or in about six months, whichever is the sooner.

If you've got any questions, please get in touch with Beth Stoker on 0113 289 4000

Yours faithfully  
For and on behalf of

A handwritten signature in dark ink, appearing to read 'P. Dickens', with a long horizontal flourish extending to the right.

Peter Dickens  
Joint Administrator

# Appendix A: Receipts and payments

## Stonewell Property Company Limited - In administration

| Statement of Affairs                                      | Total for the period<br>14 October 2019<br>to 13 October 2021 | From 14 October<br>2021 to 13 April<br>2022 | Total as at 13 April<br>2022 |
|---|---|---|------------------------------|
| £   | £   | £   | £                            |
| Receipts subject to fixed charge                          |   |   |                              |
| 5,105,000.00 Investment property                          | 7,850,000.00  | 1,075,000.00                                | 8,925,000.00                 |
| Rental income   | 638,121.99  | 47,723.77                                   | 685,845.76                   |
| <b>5,105,000.00 Total receipts</b>                        | <b>8,488,121.99</b>   | <b>1,122,723.77</b>                         | <b>9,610,845.76</b>          |
| Payments subject to fixed charge                          |   |   |                              |
| Distributions to chargeholders                            | (6,955,920.84)  | (694,387.84)                                | (7,650,308.68)               |
| Legal fees & Expenses                                     | (201,423.87)  | (17,195.53)                                 | (218,619.40)                 |
| Corporation tax   | (4,581.66)  | (108,031.91)                                | (112,613.57)                 |
| Insurance   | (99,016.53)   | (13,815.98)                                 | (112,832.51)                 |
| Rent  | (80.00)   | -   | (80.00)                      |
| Rates   | -   | (1,807.75)                                  | (1,807.75)                   |
| Agents fees - property and assets                         | (107,985.84)  | (12,750.00)                                 | (120,735.84)                 |
| Property and asset expenses                               | (5,210.00)  | (4,000.00)                                  | (9,210.00)                   |
| Inter-company account - MWCL - wages and salaries         | (36,804.06)   | -   | (36,804.06)                  |
| Joint Administrators fees                                 | (951,000.00)  | (505,044.98)                                | (1,456,044.98)               |
| Irrecoverable VAT   | (35,575.78)   | 21,187.00                                   | (14,388.78)                  |
| <b>Total payments</b>                                     | <b>(8,397,598.58)</b>   | <b>- (1,335,846.99)</b>                     | <b>- (9,733,445.56)</b>      |
| <b>Fixed charge balance</b>                               | <b>90,523.41</b>  | <b>(213,123.22)</b>                         | <b>(122,599.80)</b>          |
| Receipts subject to floating charge                       |   |   |                              |
| 4,575,000.00 Investment property                          | 46,000.00   | -   | 46,000.00                    |
| Inter-company account - MWCL                              | 7.00  | -   | 7.00                         |
| Book debts  | 27,514.51   | -   | 27,514.51                    |
| 33,357.00 Cash on appointment                             | 34,859.36   | -   | 34,859.36                    |
| 22,549.00 Sales ledger, other debtors and prepayments     | -   | -   | -                            |
| Directors' settlement agreements and preference claims -1 | 40,000.00   | -   | 40,000.00                    |
| Directors' settlement agreements and preference claims -2 | 32,925.10   | -   | 32,925.10                    |
| Directors' settlement agreements and preference claims -3 | 32,367.57   | -   | 32,367.57                    |
| Directors' settlement agreements and preference claims -4 | 47,994.58   | -   | 47,994.58                    |
| Undercroft settlement                                     | -   | 300,000.00                                  | 300,000.00                   |
| Dilapidations claim                                       | -   | 30,000.00                                   | 30,000.00                    |
| Bank interest   | 201.97  | 93.14                                       | 295.11                       |
| Third party funds   | 21,540.00   | -   | 21,540.00                    |
| <b>4,630,906.00 Total receipts</b>                        | <b>283,410.09</b>   | <b>- 330,093.14</b>                         | <b>613,503.23</b>            |
| 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)                       |
| Third party funds   | (21,540.00)   | -   | (21,540.00)                  |
| Joint administrators fees                                 | -   | (69,955.02)                                 | (69,955.02)                  |
| Pre-appointment legal expenses                            | -   | (4,223.00)                                  | (4,223.00)                   |
| Legal fees & Expenses                                     | -   | (6,280.47)                                  | (6,280.47)                   |
| Irrecoverable VAT   | (3,952.86)  | 2,354.11                                    | (1,598.75)                   |
| <b>Total payments</b>                                     | <b>(25,705.86)</b>  | <b>(78,104.38)</b>                          | <b>(103,810.25)</b>          |
| <b>Floating charge balance</b>                            | <b>257,704.23</b>   | <b>251,988.76</b>                           | <b>509,692.98</b>            |
| VAT control account                                       | (168,818.47)  | 29,732.67                                   | (139,085.80)                 |
| <b>Total balance held in interest bearing account</b>     | <b>179,409.17</b>   | <b>68,598.21</b>                            | <b>248,007.38</b>            |

## Notes to the R&P

1. Amounts shown exclude VAT. Funds currently held may include monies due to HMRC or other members of a VAT group (the Company was the representative member and is now the only member of the group), or exclude monies which will be received in due course from these parties.
2. As noted earlier in the report, the final property was sold on 8 April 2022. The funds were received by our solicitors and not transferred to the administrator's bank account until after the period covered by this report, and therefore not reflected above. I can confirm we have subsequently received the £1.73m due in relation to this property sale.
3. As explained further in appendix C, our fees are based on time costs. The receipts and payments account shows the amount paid in the period and total to date. There have been no payments made to us, our firm or our associates other than from the insolvent estate of the Company as shown in the receipts and payments account provided above.
4. Funds are held in a non-interest bearing account.
5. During the period covered by this report we have completed the annual VAT reconciliation in relation to the partial exemption. As a result of this the irrecoverable VAT figure for the period was confirmed and the R&P above adjusted accordingly.
6. The brought forward third party funds receipts figure has been adjusted due to an error. This does not affect the total receipts brought forward.
7. Remuneration and expenses have been allocated between fixed and floating.
8. There is an adjustment in the brought-forward rent received and investment property realisations following the identification of an error. This does not affect the brought-forward balance.

# Appendix B: Expenses

Expenses are amounts properly payable by us as Joint Administrators from the Company's realisations and payments estate, but excludes our fees and distributions to Secured or Unsecured creditors.

These include disbursements which are expenses met by and reimbursed to an office holder (in this case the Joint Administrator) in connection with an insolvency appointment.

Expenses fall into two categories:

| Expense    | SIP 9 definition   |
|------------|--|
| Category 1 | Payments to persons providing the service to which the expense relates who are not an associate of the office holder.  |
| Category 2 | Payments to PwC or our associates or which have an element of shared costs (for example, photocopying and mileage disbursements, or costs shared between different insolvent estates). |

We don't need approval from creditors to draw Category 1 expenses as these have all been provided by third parties but we do need approval to draw Category 2 expenses. The body of creditors who approve our fees (in this case the Secured creditors) also has the responsibility for agreeing the policies for payment of Category 2 expenses.

The rate for services provided by the Joint Administrators' own firm (PwC) (being Category 2 expenses) may periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. All other disbursements to be charged at cost.

The following table provides a breakdown of the Category 2 expenses have been incurred by us as Joint Administrators or our associates, together with details of the Category 1 expenses that have been incurred by PwC and will be recharged to the case

| Category                                     | Costs incurred by | Policy  | Costs incurred £ |
|--|-------------------|---|------------------|
| 2  | PwC               | <b>Photocopying</b> - up to 10 pence per side copied, only charged for circulars to creditors and other bulk copying. | 32.63            |
| 1  | PwC               | Storage costs   | 2,425.89         |
| 1  | PwC               | Postage costs   | 255.20           |
| 1  | PwC               | Statutory bonding   | 10.00            |
| <b>Total</b>                                 |                   |   | 2,723.72         |
| <b>Brought forward as at 13 October 2021</b> |                   |   | 33,819.06        |
| <b>Total to 13 April 2022</b>                |                   |   | 36,542.78        |

The expense policy set out above has been approved by Secured creditors.

The table below provides details of the expenses incurred in the administration:

| Nature of Expense                         | Brought forward<br>as at 13<br>October 2021 | Incurred in the<br>period under<br>review | Cumulative          | Estimated<br>future | Anticipated total   | Initial estimate    | Variance          |
|---|---|---|---------------------|---------------------|---------------------|---------------------|-------------------|
|   | (£)   | (£)                                       | (£)                 | (£)                 | (£)                 | (£)                 | (£)               |
| <b>Post appointment expenses</b>          |   |   |                     |                     |                     |                     |                   |
| Office holders' fees                      | 1,894,866.25                                | 202,825.85                                | 2,097,692.10        | 180,307.90          | 2,278,000.00        | 1,898,072.50        | 379,927.50        |
| Office holders' expenses                  | 33,819.06                                   | 2,823.72                                  | 36,642.78           | 9,905.63            | 46,548.41           | 32,890.35           | 13,658.06         |
| Rent                                      | 80.00                                       | -   | 80.00               | -                   | 80.00               | 80.00               | -                 |
| Agents fees - property and assets         | 108,485.84                                  | 12,750.00                                 | 121,235.84          | 30,000.00           | 151,235.84          | 79,094.32           | 72,141.52         |
| Property and asset expenses               | 5,210.00                                    | 4,000.00                                  | 9,210.00            | -                   | 9,210.00            | 2,810.00            | 6,400.00          |
| Legal fees                                | 254,713.36                                  | 27,699.00                                 | 282,412.36          | 40,000.00           | 322,412.36          | 201,891.00          | 120,521.36        |
| HM Land Registry fees                     | 7.00  | -   | 7.00                | -                   | 7.00                | 7.00                | -                 |
| Professional fees                         | 36,849.00                                   | -   | 36,849.00           | -                   | 36,849.00           | 36,849.00           | -                 |
| Statutory advertising                     | 154.00                                      | -   | 154.00              | 83.00               | 237.00              | 237.00              | -                 |
| Insurance costs                           | 99,016.53                                   | 13,815.98                                 | 112,832.51          | 15,550.00           | 128,382.51          | 20,000.00           | 108,382.51        |
| Corporation tax                           | 4,581.66                                    | 108,031.91                                | 112,613.57          | -                   | 112,613.57          | -                   | 112,613.57        |
| <b>Total post-administration expenses</b> | <b>2,437,782.70</b>                         | <b>371,946.46</b>                         | <b>2,809,729.16</b> | <b>385,277.36</b>   | <b>2,822,560.06</b> | <b>2,271,931.17</b> | <b>550,628.89</b> |
| Pre appointment expenses                  |   |   | -                   |                     |                     |                     |                   |
| Pre-appointment office holders' fees      | 89,422.00                                   | -   | 89,422.00           | -                   | 89,422.00           | -                   | 89,422.00         |
| Pre-appointment legal fees                | 4,223.00                                    | -   | 4,223.00            | -                   | 4,223.00            | -                   | 4,223.00          |
| <b>Total pre-administration expenses</b>  | <b>93,645.00</b>                            | <b>-</b>                                  | <b>93,645.00</b>    | <b>-</b>            | <b>93,645.00</b>    | <b>-</b>            | <b>93,645.00</b>  |
| <b>Total expenses ( excl VAT)</b>         | <b>2,531,427.70</b>                         | <b>371,946.46</b>                         | <b>2,903,374.16</b> | <b>385,277.36</b>   | <b>2,916,205.06</b> | <b>2,271,931.17</b> | <b>644,273.89</b> |

The table excludes any future potential tax liabilities that we may need to pay as an administration expense because amounts becoming due will depend on the position at the end of the tax accounting period.

The table should be read in conjunction with the receipts and payments account at Appendix A, which shows expenses actually paid during the period and the total paid to date.

We think that our expenses will exceed the estimate provided to all creditors before the basis of our fees was fixed. This is as a result of a number of factors, including delays around sale of properties as a result of the COVID-19 pandemic, which increased agent and property costs, Joint Administrators' time costs and insurance, some of which has been mitigated by additional rental income or recharges to tenants.. As noted in Appendix C, despite this, we do not intend to seek further approval to take fees in excess of our original fee estimate beyond that in our remuneration report.

We have also incurred additional legal fees to those originally anticipated. These have been as a result of, but not limited to;

- additional due diligence in relation to property sales following the increased perceived risk caused by COVID-19; and
- protracted dialogue with directors with regards to directors loans and preference settlements, which resulted in funds of some £43k being realised..

# Appendix C: Remuneration update

Our fees were approved on a time costs basis by the Secured Creditors. To date we have drawn fees of £1,526,000 in line with the approval given, as shown on the enclosed receipts and payments account.

Our fees relating to the distribution of the Prescribed Part to Unsecured Creditors were also approved, to be fixed at 25% of the Prescribed Part fund.

The time cost charges incurred in the period covered by this report are £202,826. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

Our time costs will exceed our initial fee estimate of £1,898,073 but at present we are not seeking further approval for these additional costs.

We set out later in this Appendix details of our work to date, anticipated future work, disbursements, subcontracted work and payments to associates.

## Our hours and average rates

| Aspect of assignment                      | Partner (Hrs) | Director (Hrs) | Senior Manager (Hrs) | Manager (Hrs) | Senior Associate (Hrs) | Associate (Hrs) | Total (Hrs)     | Time cost £         | Average hourly rate £ |
|---|---------------|----------------|----------------------|---------------|------------------------|-----------------|-----------------|---------------------|-----------------------|
| Accounting and treasury                   | -             | -              | 0.15                 | 4.95          | 10.80                  | 11.20           | 26.90           | 10,403.50           | 386.75                |
| Assets                                    | 27.75         | 0.35           | 57.20                | 15.20         | 14.45                  | 0.90            | 115.85          | 75,500.50           | 651.71                |
| Creditors                                 | 1.75          | -              | 4.90                 | 3.60          | 13.55                  | 0.80            | 24.60           | 12,466.50           | 506.77                |
| Secured creditors                         | 0.75          | 2.80           | 0.15                 | 3.95          | 1.35                   | -               | 9.00            | 5,494.50            | 610.50                |
| Statutory and compliance                  | 3.50          | 3.25           | 4.85                 | 29.65         | 25.45                  | 0.20            | 66.90           | 34,937.25           | 522.23                |
| Strategy and planning                     | -             | 0.30           | -                    | 3.75          | 1.15                   | -               | 5.20            | 2,717.00            | 522.50                |
| Tax & VAT                                 | -             | -              | 18.80                | 23.80         | 33.40                  | 34.94           | 110.74          | 61,306.60           | 553.61                |
| <b>Total for the period</b>               |               |                |                      |               |                        |                 | <b>359.19</b>   | <b>202,825.85</b>   | <b>564.68</b>         |
| <b>Brought forward at 13 October 2021</b> |               |                |                      |               |                        |                 | <b>3,808.45</b> | <b>1,894,276.25</b> |                       |
| <b>Total</b>                              |               |                |                      |               |                        |                 | <b>4,167.64</b> | <b>2,097,102.10</b> |                       |

## Comparison of our time costs to 13 April 2022 with our fees estimate

| Category of work            | Fee estimate    |                     |                     | Actual to 13 April 2022 |                     |                     | Estimated remaining Hrs | Estimated remaining £ |
|-----------------------------|-----------------|---------------------|---------------------|-------------------------|---------------------|---------------------|-------------------------|-----------------------|
|                             | Hrs             | Fee estimate (£)    | Average hourly rate | Hrs                     | Fee estimate (£)    | Average hourly rate |                         |                       |
| Accounting and treasury     | 93.55           | 29,539.50           | 315.76              | 108.95                  | 35,911.25           | 329.61              | 18.50                   | 10,403.50             |
| Assets                      | 2,386.01        | 1,306,659.90        | 547.63              | 2,423.35                | 1,294,406.40        | 534.14              | -                       | -                     |
| Investigations              | 148.40          | 44,785.00           | 301.79              | 159.15                  | 51,668.75           | 324.65              | -                       | -                     |
| Secured creditors           | 158.25          | 89,696.50           | 566.80              | 174.60                  | 106,658.25          | 610.87              | 3.00                    | 2,747.25              |
| Statutory and compliance    | 478.19          | 194,885.85          | 407.55              | 550.60                  | 238,310.35          | 432.82              | 28.45                   | 34,937.25             |
| Strategy and planning       | 191.55          | 85,890.50           | 448.40              | 251.40                  | 123,366.00          | 490.72              | 8.40                    | 5,434.00              |
| Tax & VAT                   | 353.80          | 146,615.25          | 414.40              | 473.04                  | 234,058.60          | 494.80              | 9.23                    | 20,435.53             |
| <b>Total for the period</b> | <b>3,809.75</b> | <b>1,898,072.50</b> | <b>498.21</b>       | <b>4,141.09</b>         | <b>2,084,379.60</b> | <b>503.34</b>       | <b>67.58</b>            | <b>73,957.53</b>      |

\*Please note, some categories of work, such as creditors were not provided for in our fee estimate and some, such as investigations have no time in the period as no time costs have been incurred for this category of work. Creditors were not included in the initial fee estimate as the administrators sought approval from the Secured creditors that fees be taken as a percentage of the Prescribed Part fund. We have included this in the actual time to 13 April 2022 to enable creditors to see the total time costs on the case to 13 April 2022.



## Our time charging policy and hourly rates

We and our team charge our time for the work we need to do in the administration. We delegate tasks to suitable grades of staff, taking into account their experience and any specialist knowledge that is needed and we supervise them properly to maximise the cost effectiveness of the work done. Anything complex or important matters of exceptional responsibility are handled by our senior staff or us.

All of our staff who work on the administration (including our cashiers, support and secretarial staff) charge time directly to the case and are included in any analysis of time charged. Each grade of staff has an hourly charge out rate which is reviewed from time to time. Work carried out by our cashiers, support and secretarial staff is charged for separately and isn't included in the hourly rates charged by partners or other staff members. Time is charged in six minute units. The minimum time chargeable is three minutes (i.e. 0.05 units). We don't charge general or overhead costs.

We set out below the maximum charge-out rates per hour for the grades of our staff who already or who are likely to work on the administration.

We call on colleagues in our Tax, VAT, Real Estate and Pensions departments where we need their expert advice. Their specialist charge-out rates vary but the following are the maximum rates by grade per hour.

| Grade                        | With effect from 1 July 2021 |                                      |
|------------------------------|------------------------------|--------------------------------------|
|                              | Maximum rate per hour (£)    | Specialist maximum rate per hour (£) |
| Partner                      | 980                          | 1,680                                |
| Director                     | 740                          | 1,540                                |
| Senior Manager               | 625                          | 1,425                                |
| Manager                      | 525                          | 860                                  |
| Senior Associate - Qualified | 425                          | 640                                  |
| Associate                    | 280                          | 345                                  |
| Support Staff                | 280                          | N/A                                  |
| Offshore professionals       | 130                          | 345                                  |

In common with many professional firms, our scale rates may rise to cover annual inflationary cost increases.

## Payments to associates

No payments have been made to associates or any party who could reasonably be perceived as an associate during the period of this report. Relevant parties have been chosen due to their specific area of expertise or technical knowledge and payments to those parties based on standard commercial terms.

## Our work in the period

Earlier in this section we have included an analysis of the time spent by the various grades of staff. Whilst this is not an exhaustive list, in the following table we provide more detail on the key areas of work:

| Work undertaken  | Why the work was necessary                                  | What, if any, financial benefit the work provided to creditors OR whether it was required by statute             |
|--|---|--|
| <b>Accounting and treasury</b>   |   |  |
| <ul style="list-style-type: none"> <li>Process receipts and payments</li> <li>Carry out bank reconciliations</li> </ul>  | Ensure secure stewardship of funds                          | To ensure correct management of funds for distribution to creditors  |
| <b>Assets</b>  |   |  |
| <ul style="list-style-type: none"> <li>Complete the changes to the leases with the Currock Road tenants to increase the investment covenant value of the property. Appoint agents and market property. Review offers and pursue sale to preferred bidder. Complete sale at £1.73m.</li> <li>Secure, maintain and insure the Currock Rd property</li> <li>Prepare and issue applications for payment and VAT invoices for tenants</li> <li>Deal with any pre and post sale enquiries in relation to the sale of remaining assets</li> <li>Settle expenses arising from the properties including legal and agents marketing costs</li> <li>Collect Heaton St dilapidations claim of £30k</li> <li>Collect in Undercroft preference settlement of £300k.</li> </ul> | Realise assets to maximise returns for creditors            | To realise assets in order to secure funds for distribution to the Secured and Unsecured creditors               |
| <b>Unsecured creditors</b>   |   |  |
| <ul style="list-style-type: none"> <li>Maintain and update dedicated website for delivery of ongoing communications and reports</li> <li>Receive and file proofs of debt</li> <li>Agree Unsecured claims and preparation for making a distribution if possible from the Prescribed part</li> <li>Deal with all incoming creditor enquiries</li> <li>Update systems as required for creditor details</li> </ul>   | Update creditors and keep them informed of case progression | To update creditors and keep them informed of case progression<br>To pay a dividend to Unsecured creditors       |
| <b>Secured creditors</b>   |   |  |
| <ul style="list-style-type: none"> <li>Update Secured creditors on progress of administrations</li> <li>Respond to Secured creditor queries</li> <li>Make distributions in accordance with security entitlements</li> </ul>  | Update creditors and keep them informed of case progression | To update creditors and keep them informed of case progression<br>To make distributions to the Secured creditors |

|  |   |   |
|--|---|---|
| <b>Statutory and compliance</b>  |   |   |
| <ul style="list-style-type: none"> <li>• Issue fourth progress report to creditors</li> <li>• Prepare and issue fifth progress reports to creditors</li> <li>• Filing and case management</li> </ul>   | To comply with regulatory requirements            | Required by statute                                 |
| <b>Strategy and Planning</b>   |   |   |
| <ul style="list-style-type: none"> <li>• Monitor and internally report on costs</li> <li>• Team strategy and progress meetings</li> <li>• Prepare and implement closure strategies</li> </ul>  | To ensure timely case progression and management  | To ensure orderly and efficient management of cases |
| <b>Tax and VAT</b>   |   |   |
| <ul style="list-style-type: none"> <li>• Liaise with internal tax and VAT teams to prepare the required returns</li> <li>• Prepare and submit annual tax returns including details of assets sold in the period</li> <li>• Prepare and submit final tax returns following the sale of the final assets</li> <li>• Prepare and submit quarterly VAT returns for period to September 2021, December 2021 and March 2022</li> <li>• Review of annual VAT recovery and initial review of calculation for partial exemption, followed by confirmation at the end of the year, to be included in a submission to HMRC</li> <li>• Liaising with HMRC regarding the delayed release of VAT refunds due to the Company, as HMRC has raised queries over the allocation of the tax charges paid by the Joint Administrators</li> </ul> | To ensure compliance with regulatory requirements | Required by statute or regulation                   |

## Our future work

We still need to do the following work to achieve the purpose of administration.

| Work undertaken   | Estimated cost £ | What, if any, financial benefit the work provided to creditors OR whether it was required by statute |
|---|------------------|--|
| <b>Accounting and treasury</b>  |                  |  |
| <ul style="list-style-type: none"> <li>• Process receipts and payments</li> <li>• Carry out bank reconciliations</li> <li>• Close down bank accounts</li> </ul> | £10,404          | To ensure correct management of funds for distribution to creditors                                  |
| <b>Creditors - Secured and Unsecured</b>  |                  |  |
| <ul style="list-style-type: none"> <li>• Receive and file proofs of debt</li> </ul>   | £15,214          | To update creditors and keep them informed of case   |

|  |         |   |
|--|---------|---|
| <ul style="list-style-type: none"> <li>• Issue NOID in respect of Prescribed Part dividend and following this prepare and pay distribution to Unsecured creditors</li> <li>• Pay distributions to Secured creditors and provide updates to the Secured creditors</li> <li>• Deal with all incoming creditor enquiries</li> </ul> |         | <p>progression</p> <p>To pay a dividend to unsecured creditors from the Prescribed part</p> |
| <b>Statutory and compliance</b>  |         |   |
| <ul style="list-style-type: none"> <li>• Prepare, review and Issue the fifth report to creditors</li> <li>• Prepare, review and issue the final report to creditors</li> <li>• Internal compliance and closure procedures</li> </ul>   | £39,937 | Required by statute   |
| <b>Strategy and Planning</b>   |         |   |
| <ul style="list-style-type: none"> <li>• Monitor and internally report on costs</li> <li>• Team strategy and progress meetings</li> <li>• Prepare and implement closure strategies</li> </ul>  | £5,434  | To ensure orderly and efficient management of cases   |
| <b>Tax and VAT</b>   |         |   |
| <ul style="list-style-type: none"> <li>• Liaise with internal tax and VAT teams</li> <li>• Prepare and submit periodic and final tax and VAT returns.</li> <li>• Deal with any follow up questions from HMRC re final returns and clearance requests</li> </ul>  | £20,436 | Required by statute or regulation   |

## Our relationships

We have no business or personal relationships with the parties who approve our fees or who provide services to the administration where the relationship could give rise to a conflict of interest.

## Details of subcontracted work

We have not subcontracted any work during the period covered by this report.

## Legal and other professional firms

We've instructed the following professionals on this case:

| Service provided   | Name of firm / organisation  | Reason selected                                   | Basis of fees                                |
|--|--|---|--|
| <b>Legal services, including:</b><br><br>Appointment related matters<br>Advice regarding intangible assets<br>Advice regarding sale of property                              | Eversheds Sutherland<br>Shepherd and Wedderburn LLP<br>CG Professional   | Industry knowledge and<br>insolvency expertise    | Time costs                                   |
| <b>Insurance advice, including:</b><br><br>Review initial insurance requirements<br>Insurance premiums,<br>including Insurance Premium tax                                   | Marsh Limited (formerly JLT)   | Industry knowledge<br>and insolvency<br>expertise | Fixed premium                                |
| <b>Chattel agents and valuers</b>  | Walker Singleton (Asset Management) Ltd  | Industry knowledge                                | % of realisations                            |
| <b>Property agents and others, including:</b><br><br><ul style="list-style-type: none"> <li>Security</li> <li>Property marketing and valuation</li> <li>Surveyors</li> </ul> | Moorcroft Property Guardians<br>M.N.S Commercial Protection Limited<br>Richard Barber and Company<br>Armistead Barnett<br>Robert Pinkus and Co LLP<br>Lamb and Swift Commercial<br>Shepherd and Wedderburn<br>Gooch Cunliffe Whale LLP<br>Avison Young<br>Sanderson Weatherall LLP | Industry knowledge                                | Time costs and<br>disbursements<br>Fixed fee |
| <b>IT Services</b>   | Sentinel IT Services Ltd   | Previous company knowledge                        | Fixed fee                                    |

# Appendix D: Pre-administration costs

The following costs incurred before our appointment with a view to the Company going into administration were approved for payment .

| Nature of costs  | Amount (£)       |
|--|------------------|
| Our fees as administrators in waiting                                      | 89,422.00        |
| Expenses incurred as administrators in waiting - Evershed Sutherlands fees | 4,223.00         |
| <b>Total</b>   | <b>93,645.00</b> |

This work was performed with a view to the Company entering administration.

This work entailed:

- Work preparing for the administration and agreeing strategy;
- Review of property portfolio and Group structure;
- Identifying key areas of risk and health and safety matters;
- Working with Cumberland and its legal advisors in preparing for the administration;
- Statutory documentation and declarations required for effecting the appointment;
- Internal procedures in preparation for accepting the appointment; and

Addressing Group employees and other day 1 tasks following the appointment.

Since the end of this reporting period, we have drawn fees of £67,081.50 in relation to our fees as administrators in waiting and in line with our fee approval.

Details of legal fees paid can be found in the Receipts and Payments account at Appendix A.

# Appendix E: Other information

|  |  |
|--|--|
| <b>Court details for the administration:</b>                       | In the High Court of Justice, Business and Property Courts of England and Wales, Manchester District Registry, Insolvency and Companies List (ChD)<br><br>CR-2019-MAN-001039   |
| <b>Company's registered name:</b>                                  | Stonewell Property Company Limited   |
| <b>Trading name:</b>   | Stonewell Property Company Limited   |
| <b>Registered number:</b>  | 02327137   |
| <b>Registered address:</b>   | Central Square, 8th Floor, 29 Wellington Street, Leeds, LS1 4DL  |
| <b>Date of the joint administrators' appointment:</b>              | 14 October 2019  |
| <b>Joint administrators' names, addresses and contact details:</b> | Peter David Dickens, 1 Hardman Square, Manchester, M3 3EB and<br>Alison Grant, (from 30 November 2021) 8th Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL<br>Former Joint Administrator Toby Scott Underwood, (14 October 2019 to 30 November 2021) 8th Floor Central Square, 29 Wellington Street, Leeds, LS1 4DL<br>Contact: 0113 289 4067 |
| <b>Extensions to the initial period of appointment:</b>            | Twelve month extension to 13 October 2021 as approved by the Secured creditors<br>Twelve month extension to 13 October 2022 as approved by the Court   |