

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

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

12 November 2021

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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
Joint Administrators/we/us/our	Peter David Dickens and Toby Scott Underwood
Company	Stonewell Property Company Limited
Cumberland	Cumberland Building Society, a secured creditor
Group	The Company and its subsidiary companies
Hampshire	Hampshire Trust Bank Plc, a secured creditor
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 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 - see Cumberland and Hampshire above
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 Dickens and Toby 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 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 Toby 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.

Key messages

Why we've sent you this report

I'm writing to update you on the progress of the administration of the Company in the six months since our last report dated 12 May 2021.

You can still view our earlier reports on our website at www.pwc.co.uk/stonewell. Please get in touch with Beth Stoker on 0113 289 4000 or at 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
Secured creditors			
• Cumberland	100	90 - 100	3 months
• Hampshire	70 - 90	0 - 75	6-9 months
• Lloyds	Repaid	Repaid	Repaid
<hr/>			
Preferential creditors	N/A	N/A	N/A
<hr/>			
Unsecured creditors	0.03 - 0.07	0 - 0.15	6 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. To date, distributions of £6.95m have been made to Cumberland from the Company in respect of its secured lending, with a further £0.3m being repaid by Winckley Properties Ltd. There is a further c£690k outstanding to Cumberland and a final distribution is expected to be made in due course, which will repay Cumberland's lending 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 £1.5m, which is due from the Company. The estimated range of recovery above is based on Hampshire's reduced exposure following this disposal.

Preferential creditors

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

Unsecured creditors

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

The covid pandemic significantly disrupted the property market and so realisations from property sales remain uncertain. It is therefore possible that the remaining property realisations will be 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 £1.2m, leading to a Prescribed part fund for unsecured creditors of up to £249k less fees approved by the secured creditor.

We stated in our proposals that we believe there will be no funds to distribute to unsecured creditors, other than via the Prescribed part; this remains our view

We think the Company's unsecured creditors totalling £37.3m will receive a dividend of about 0.3-0.7% from the prescribed part based on what we know currently. The amount of any dividend and when it would be paid are dependent on the amount realised from the final property sale and other assets realised, the costs of realisation and any tax liabilities which cannot be mitigated.

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.

We've started asking for outstanding claims from unsecured creditors so that we can agree them for dividend purposes.

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 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.

We may decide that some or all creditors who are owed £1,000 or less by the Company won't be required to submit a proof of debt in order to receive the anticipated dividend payment.

A creditor who we decide is not required to submit a proof of debt will be notified when we deliver notice of our intention to pay a dividend of the amount we'll treat as their admitted debt for the purpose of the dividend, unless the creditor advises us that the amount is incorrect (in which case a proof of debt will be required) or not owed.

Please note that should you wish to vote in relation to any decision procedure during the administration, or any subsequent liquidation (if applicable), or object to a decision sought by deemed consent, you'll need to submit a proof of debt, even if one is not required for dividend purposes.

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. To date five properties have been sold, realising some £7.84m and £686k collected in rental income.

During the period we concluded negotiations for the settlement of directors' loans and agreed terms for settlement of two antecedent transactions.

As there remained property to realise and other matters in the administration, we applied to court for the administration to be extended by a year to 13 October 2022.

We remain in office to complete the realisation of the Company's remaining assets, making distributions to the Secured creditors and (if applicable) the Unsecured creditors, and carrying 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

During the period of this report we have completed the sale of two of the remaining three main properties, and also the sale of a smaller parcel of land.

The Company's Heaton Street property was sold for a sum of £1.075m shortly before the end of the reporting period. The proceeds of the sale were received into our solicitors client account and had not been remitted to the administrators prior to the end of the period and therefore do not appear in the attached receipts and payments account. We had been in protracted discussions with the tenant at the property, initially with regards to a new lease and subsequently with a view to a possible off-market purchase of the property. When we received an indicative offer for the property from the tenant we approached an unconnected interested party already known to us to provide the opportunity for them to make a competing offer for the property. As a result of this approach this party made an offer for an immediate purchase at a value that our agents advised was unlikely to be bettered through further marketing the property, and the offer was therefore accepted.

The Company owned a property known as Grey Barns, which was adjacent to the home of Russell Worthington, one of the Company's directors. The location, layout and access to the property presented some difficulties in disposing of it other than to an adjacent property owner. Russell Worthington expressed an interest in purchasing the property and after negotiations, an offer of £300k was accepted for the property. Our agent, Armitstead Barnett LLP, as qualified RICS valuers, confirmed that this offer should be accepted, and the sale of the property to Russell Worthington completed in the period.

In relation to the remaining commercial property, we are seeking to agree new leases with existing tenants and will shortly market the property for sale.

We continue to prepare and issue applications for payment and VAT invoices in respect of the rental sums due for the tenanted properties and during the current reporting period, we have realised £83,052 of rental income for the Company, the full amount due for quarters in this period.

In addition to the main properties listed above, the Company owned a number of small strips of land relating to former developments and a number of freeholds of long leasehold developments with peppercorn ground rents. One of the residual freehold titles (known as Corporation Street) was sold during the period of this report, realising £46k. The remaining freehold titles are thought to have no commercially recoverable value for the estate.

We are currently in discussion with representatives of the former tenant of Castle House, a property which was sold in a prior period in relation to a potential dilapidations claim. A realisation of this claim against the former tenant should generate £30,000 for the benefit of the estate. This is anticipated to be received into the estate in the next period and we will provide an update when we next write to creditors.

Our expectation is that we will be able to finalise realisations from the last remaining commercial property asset, Currock Road, in Q1 FY22. However, this timeline is contingent on a number of factors including the broader economic climate and the effect that COVID-19 continues to have on the property market. With this in mind, there remains a possibility that the disposal could be delayed beyond this timeframe. .

Realisation of other assets and investigations

The Company's records showed that certain amounts were owed to the Company by the directors under directors' loans. The directors asserted that certain counterclaims should be taken into account and set off against the amounts they owed. In addition, the administrators of Marcus Worthington Properties Limited ("MWPL") asserted that some of the advances made to the directors which formed part of the loan balances were made by MWPL and any repayment from the directors should be made to MWPL.

In order to understand the position, we undertook considerable investigations into the records of the Company and discussions with the directors and the administrators of MWPL. We identified areas of uncertainty over the recoverability of some of the balances showing as outstanding, as well as uncertainty as to which company had the valid claim against the directors. Extensive negotiations therefore took place between the directors and MWPL's administrators to reach an overall settlement and a total of £113k was received in full and final settlement of these balances during the period of this report.

The investigations also identified a number of transactions which could be open to challenge as antecedent transactions, of which two had sufficient commercial value to pursue:

- A director's loan had been paid off through the set-off of another balance shortly prior to the administration. We challenged this as a preference to a connected creditor. and a settlement of this claim was agreed in the sum of £40k. This amount has been received during the period.
- Land had been transferred from the Company to a family trust connected to the directors with the consideration being the set off of a receivable balance; again we challenged this as a preference to a connected creditor. A settlement of this has been agreed at £300k with payment expected prior to the end of November 2021. This value was based on a valuation of the land which had been undertaken for the directors pre-administration and which was checked by our agents prior to the settlement. A charge has been granted over the land in favour of the Company by way of security for this consideration.

In assessing the settlement of these claims, we have taken legal and professional advice on the likelihood of claims succeeding if pursued through the courts and the market value of the property as assessed by our agents. We have also considered the costs of keeping the administration open to pursue such claims, the amount of irrecoverable costs that could be incurred through legal action and other litigation risk. Based on these considerations, we concluded that the settlements reached with the directors and connected parties were in the best interest of creditors.

Once the outstanding preference monies have been received, we think that all claims against the directors and connected parties will have been finalised and no further claims are likely.

Connected party transactions

We have a duty (under SIP13) to disclose any disposal of assets in the administrations to a director or other connected party, regardless of the nature or value of the assets concerned.

As noted above, during the period of this report, we completed a number of settlements with connected parties:

- the sale of the Company's property known as Grey Barns for £300k;
- the settlement for £300k of a claim against a trust connected to the Company's directors in respect of land transferred to the trust prior to the administration;
- the settlement of the directors' loan accounts for a total of £113k; and
- settlement of a preference claim against Marcus Worthington for £40k.

Details of the transactions, claims and settlements are set out in the report above. In respect of each of these transactions we have taken legal advice and obtained market valuations from property specialists (factoring in the impact of COVID-19 on the property market). As a result we consider these transactions and settlements to provide the best return for creditors possible in the circumstances.

Statutory and Compliance

During the period covered by this report we have undertaken the following statutory and compliance work:

- Undertaken period case reviews to ensure compliance with our statutory requirements and have provided regular updates and communications with the Secured creditors;
- Liaised with lawyers, agents and the Secured creditors with regards to ongoing asset realisations;
- Prepared and distributed our third progress report for the period 14 April 2020 to 13 October 2021;
- Preparing and issuing notice of extension of the administration to 13 October 2022;
- Prepared VAT returns for the relevant periods;
- Liaised with our specialist tax team to ensure the tax position is in order; and
- Liaised with insurance brokers to ensure appropriate cover in place for the Company.

Our receipts and payments account

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

The main receipts in the period have been from the sale of property, rent collections and the settlements with the directors and connected parties.

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.

The statement 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.

Pre-administration costs

You can find in Appendix D information about the approval of the unpaid pre-administration costs previously detailed in our proposals.

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. 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 realise maximum value from the remaining assets and claims the Company has. This will include realising the Company's remaining property, collecting the funds due under the preference settlement and the outstanding dilapidations claim;
- 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, if applicable, 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 the Company



Peter Dickens
Joint Administrator

Appendix A: Receipts and payments

Stonewell Property Company Limited - In administration

Statement of Affairs (£)		Total for the period 14 October 2019 to 13 April 2021 (£)	Total for the period 14 April 2021 to 13 October 2021 (£)	Total for the period 14 October 2019 to 13 October 2021 (£)
	Receipts subject to fixed charge			
5,105,000.00	Investment property	7,496,362.68	346,000.00	7,842,362.68
	Rental income	602,870.24	83,052.29	685,922.53
	Total receipts	8,099,232.92	429,052.29	8,528,285.21
	Payments subject to fixed charge			
	Distributions to chargeholders	(6,455,920.84)	(500,000.00)	(6,955,920.84)
	Legal fees & Expenses	(108,601.51)	(92,822.36)	(201,423.87)
	Corporation tax	(4,581.66)	-	(4,581.66)
	Insurance	(62,652.84)	(36,363.69)	(99,016.53)
	Rent	(80.00)	-	(80.00)
	Agents fees - property and assets	(107,985.84)	-	(107,985.84)
	Joint Administrators fees	-	(951,000.00)	-
	Total payments	(6,739,822.69)	(1,580,186.05)	(8,320,008.74)
	Fixed charge balance	1,359,410.23	(1,151,133.76)	208,276.47
	Receipts subject to floating charge			
4,575,000.00	Investment property	-	-	-
	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
	Bank interest	201.97	-	201.97
	Third party funds	27,376.78	-	27,376.78
	Total receipts	89,959.62	153,287.25	243,246.87
	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)	(2,400.00)	(5,210.00)
	Third party funds	(21,540.00)	-	(21,540.00)
	Inter-company account - MWCL - wages and salaries	-	(36,804.06)	(36,804.06)
	Irrecoverable VAT	-	(39,528.64)	(39,528.64)
	Total payments	(24,563.00)	(78,732.70)	(103,295.70)
	Floating charge balance	65,396.62	74,554.55	139,951.17
	VAT control account	176,206.11	(345,024.58)	(168,818.47)
	Total balance held in interest bearing account	1,601,012.96	(1,421,603.79)	179,409.17

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, or exclude monies which will be received in due course from these parties.
2. 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 as shown in the receipts and payments account provided above.
3. Funds are held in an interest bearing account.
4. Remuneration and expenses have been allocated to fixed charges on the basis of the realisations being fixed realisations.
5. On 15 October 2021 we received the funds relating to the sale of Heaton Street, £1,075,000. This is not reflected on the receipts and payments account above as this was following the period covered by this report.

Appendix B: Expenses

Expenses are amounts properly payable by us as Joint Administrators from the estate, but excludes our fees and distributions to any creditors.

These include disbursements, which are expenses met by and reimbursed to an office holder 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 our firm 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 have the responsibility for agreeing the policies for payment of Category 2 expenses).

In this instance there was a reallocation of post administration employee costs between the Company estate and MWCL. It was recognised that MWCL had settled a quantity of costs that had benefited the Company and it was therefore appropriate to reimburse MWCL. This transaction was approved by the secured creditors and amounted to £36,804.06, it is disclosed as Inter Company account in the enclosed receipts and payments account..

The following table provides a breakdown of the Category 2 expenses have been incurred by us as 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 £
1	PwC	Printing	10.20
1	PwC	HM Land Registry	3.00
1	PwC	Posting	1,387.87
1	PwC	Storage	6.73
Total for the period			1,417.80
Disbursements brought forward as at 13 April 2021			32,401.26
Total disbursements as at 13 October 2021			33,819.06

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

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

<i>Nature of Expense</i>	<i>Brought forward from preceding period</i>	<i>Incurred in the period under review</i>	<i>Cumulative</i>	<i>Estimated future</i>	<i>Anticipated total</i>	<i>Initial estimate</i>	<i>Variance</i>
<i>(£)</i>	<i>(£)</i>	<i>(£)</i>	<i>(£)</i>	<i>(£)</i>	<i>(£)</i>	<i>(£)</i>	<i>(£)</i>
Post appointment expenses							
Office holders' fees	1,649,276.75	245,589.50	1,894,866.25	289,738.73	2,184,604.98	1,898,072.50	286,532.48
Office holders' expenses	32,401.26	1,417.80	33,819.06	9,905.63	43,724.69	32,890.35	10,834.34
Rent	80.00	-	80.00	-	80.00	80.00	-
Agents fees - property and assets	107,985.84	500.00	108,485.84	30,000.00	137,985.84	79,094.32	58,891.52
Property and asset expenses	2,810.00	2,400.00	5,210.00	-	5,210.00	2,810.00	2,400.00
Legal fees	161,891.00	92,822.36	254,713.36	40,000.00	294,713.36	201,891.00	92,822.36
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	85,685.73	13,330.80	99,016.53	15,550.00	114,566.53	20,000.00	94,567
Corporation tax	4,581.66	-	4,581.66	-	4,581.66	-	4,581.66
Total post-administration expenses	2,081,722.24	356,060.46	2,437,782.70	385,277.36	2,822,560.06	2,271,931.17	550,628.89
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
Total pre-administration expenses	93,645.00	0.00	93,645.00	-	93,645.00	-	93,645.00
Total expenses (excl VAT)	2,175,367.24	356,060.46	2,531,427.70	-	-	-	644,273.89

The table also 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. As noted in Appendix C, we do not intend to seek further approval beyond that in our remuneration report.

We have also incurred additional legal fees than originally anticipated however 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 settlements due to the estate.

Appendix C: Remuneration update

Our fees were approved on a time costs basis by the Secured Creditors. To date we have drawn fees of £950,000 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 was 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 £245,589.50. This amount does not necessarily reflect how much we will eventually draw as fees for this period.

Our time costs will exceed our initial 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 in the period

Aspect of assignment	Partner (Hrs)	Director (Hrs)	Senior Manager (Hrs)	Manager (Hrs)	Senior Associate (Hrs)	Associate (Hrs)	Total (Hrs)	Time cost £	Average hourly rate £
1 Accounting and treasury	-	-	-	1.35	7.45	3.95	12.75	4,773.00	374.35
2 Assets	30.75	1.50	79.55	41.45	20.20	1.80	175.25	112,309.25	640.85
3 Creditors	-	-	0.30	0.90	0.25	0.50	1.95	846.00	433.85
4 Investigations	-	5.00	4.25	-	1.50	-	10.75	6,883.75	640.35
5 Secured creditors	13.25	2.25	4.60	5.25	0.25	-	25.60	18,703.50	730.61
6 Statutory and compliance	4.00	-	3.15	10.70	12.20	-	30.05	15,663.75	521.26
7 Strategy and planning	13.50	1.00	6.65	12.45	4.85	-	38.45	24,345.00	633.16
8 Tax & VAT	0.50	0.50	15.45	17.00	52.45	27.90	113.80	62,065.25	545.39
Total for the period	62.00	10.25	113.95	89.10	99.15	34.15	408.60	245,589.50	601.05
Brought forward at 13 April 2021							3,399.85	1,649,276.75	
Total							3,808.45	1,894,866.25	

Comparison of our time costs to 13 October 2021 with our fees estimate

We set out in the table below an analysis of time incurred in the period and a comparison with our initial fees estimate

Category of work	Fee Estimate			Actual to 13 October 2021			Estimated remaining hours	Estimated remaining timecosts (£)
	Hours	Fees estimate (£k)	Average hourly rate (£/hour)	Hours incurred to 13 October 2021	Time costs incurred to 13 October 2021 (£)	Average hourly rate (£/hour)		
Accounting and Treasury	93.55	29,539.50	315.76	82.05	25,507.75	310.88	25.50	9,689.19
Assets	2,386.01	1,306,659.90	547.63	2307.50	1,218,905.90	528.24	78.50	87,754.00
Creditors	-	-	-	1.95	846.00	433.85	34.60	15,000.00
Investigations	148.4	44,785.00	301.79	159.15	51,668.75	324.65	-	-
Secured Creditors	158.25	89,696.50	566.8	165.60	101,163.75	610.89	38.40	28,055.25
Statutory and Compliance	478.19	194,885.85	407.55	483.70	203,373.10	420.45	60.10	31,797.41
Strategy and Planning	191.55	85,890.50	448.4	246.20	120,649.00	490.04	38.45	24,345.00
Tax and VAT	353.8	146,615.25	414.4	362.30	172,752.00	476.82	170.70	93,097.88
Total	3,809.75	1,898,072.50	498.21	3,808.45	1,894,866.25	497.54	446.25	289,738.73

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 to 30 June 2021		With effect from 1 July 2021	
	Maximum rate per hour (£)	Specialist maximum rate per hour (£)	Maximum rate per hour (£)	Specialist maximum rate per hour (£)
Partner	955	1,600	980	1,680
Director	720	1,465	740	1,540
Senior Manager	585	1,355	625	1,425
Manager	475	815	525	860
Senior Associate	390	605	425	640
Associate	245	325	280	345
Offshore professionals	245	N/A	280	N/A
Support staff	125	230	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:

Area of work	Work undertaken	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Accounting and treasury	<ul style="list-style-type: none"> Processed receipts and payments Carried out bank reconciliations 	Ensure secure stewardship of funds
Assets	<ul style="list-style-type: none"> Liaised with valuers and agents to ensure optimum strategy in place for realising value from remaining assets Completed sales of Corporation Street site, Heaton Street commercial property and Grey Barns for total consideration of £1.42m. 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. Liaised with lawyers and dealt with pre and post sale queries for sold properties Regularly communicated with insurers to ensure adequate cover in place across all assets Liaised with lawyers regarding lease renewals at tenanted properties and concluding lease renewal realising £11,204 Liaised with lawyers and agents regarding potential dilapidations claim re Castle House Investigated antecedent transactions negotiated with directors and connected parties resulting in realisations of £453k. 	Maximise returns for creditors
Secured creditors	<ul style="list-style-type: none"> Updated Secured creditors on progress of administration Responded to Secured creditor queries Made distributions in accordance with security entitlements 	Update creditors and keep them informed of case progression Return of funds to creditors
Statutory and compliance	<ul style="list-style-type: none"> Finalised and issued third progress report to creditors (filed with Companies House on 18 May 2021) Prepared documentation in support of extension of administration (filed return with Companies House on 22 September 2021) Filing on and case management 	To comply with statutory obligations
Strategy and planning	<ul style="list-style-type: none"> Monitored and internally reported on costs Team strategy and progress meetings Consideration of strategy for pursuing claims and realising the properties 	Ensures orderly and efficient management of cases
Tax and VAT	<ul style="list-style-type: none"> Liaised with internal tax and VAT teams Liaised with HMRC regarding VAT group position Ad-hoc VAT issues relating to property and option to tax Reviewed information required for submission of tax computation for period ending 31 December 2020 Prepared and submitted information for group VAT returns for relevant periods 	Required by statute or regulation

Our previous work

As this progress report is the first to be issued following the approval of the basis of our fees, below are details of things done by the administrators in previous periods.

Area of work	Work undertaken	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Accounting and treasury	<ul style="list-style-type: none"> • Opening and bank account and arranging facilities • Arranging cash sweep from Company's pre-appointment bank account • Processed receipts and payments • Distribution to secured creditors • Carried out bank reconciliations 	Ensure secure stewardship of funds
Assets	<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 • Secured possession of Freehold property • 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. • Liaised with lawyers and dealt with pre and post sale queries for sold properties • Regularly communicated with insurers to ensure adequate cover in place across all assets • Liaised with residents and addressed their concerns regarding operations at the Aldi site • Liaised with lawyers regarding lease renewals at tenanted properties • Liaised with lawyers and agents regarding potential dilapidations claim • Undertook detailed review of directors loan accounts, investigated antecedent transactions and commenced negotiations with former directors. 	Maximise returns for creditors
Investigations	<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 	<p>Statutory requirement to report on the conduct of the directors.</p> <p>Identifying claims that the Company may have for the benefit of the creditors.</p>
Secured creditors	<ul style="list-style-type: none"> • Notifying secured creditors of appointment • Updated Secured creditors on progress of administration • Responded to Secured creditor queries • Made distributions in accordance with security entitlements 	<p>Update creditors and keep them informed of case progression</p> <p>Return of funds to creditors</p>

Statutory and compliance	<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 • Conducting case reviews after the first month, then every six months • 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 • Preparing and issuing first periodic progress report to creditors and the Registrar • Making applications to creditors for the extension of the administration and filing relevant notices (if applicable) • Collecting company books and records where not related to investigatory work 	To comply with statutory obligations
Strategy and planning	<ul style="list-style-type: none"> • Completing tasks relating to job acceptance • Preparing fee budgets & monitoring costs • Team strategy and progress meetings 	Ensures orderly and efficient management of cases
Tax and VAT	<ul style="list-style-type: none"> • Gathering information for the initial tax and VAT review • Carrying out tax review and subsequent enquiries • Completion of post-appointment returns • Ad-hoc VAT issues relating to property and option to tax • Liaising with HMRC 	Required by statute or regulation

Our future work

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

Area of work	Work undertaken	Estimated cost still to be incurred £	What, if any, financial benefit the work provided to creditors OR whether it was required by statute
Accounting and treasury	<ul style="list-style-type: none"> • Process receipts and payments • Carry out bank reconciliations • Close down bank accounts 	£9,689.19	Ensure secure stewardship of funds
Assets	<ul style="list-style-type: none"> • Liaise with agents in respect of remaining property assets, placing them on the market when appropriate 	£87,754.00	Maximise returns for creditors

	<ul style="list-style-type: none"> Investigate and realise other assets and claims that the Company may have, including reaching settlements with the former directors and any other associated parties Secure, maintain and insure the remaining properties Prepare and issue applications for payment and VAT invoices for tenants Deal with any pre and post sale enquiries in relation to the sale of remaining assets Settle expenses arising from the properties including 		
Unsecured creditors	<ul style="list-style-type: none"> Maintain and update dedicated website for delivery of ongoing communications and reports Receive and file proofs of debt Agree unsecured claims and make a distribution if possible from the prescribed part Deal with all incoming creditor enquiries Update systems 	£15,000.00	Update creditors and keep them informed of case progression Pay dividend if funds allow
Investigations	<ul style="list-style-type: none"> No further work anticipated 	Nil	Required by statute or regulation Potential recoveries from claims
Secured creditors	<ul style="list-style-type: none"> Update Secured creditors on progress of administrations Respond to Secured creditor queries Make distributions in accordance with security entitlements 	£28,055.25	Update creditors and keep them informed of case progression Return of funds to creditors
Statutory and compliance	<ul style="list-style-type: none"> Issue fourth progress report to creditors Prepare and issue fifth and final progress reports to creditors Filing and case management 	£31,797.41	To comply with statutory obligations
Strategy and planning	<ul style="list-style-type: none"> Monitor and internally report on costs Team strategy and progress meetings Prepare and implement closure strategies 	£24,345.00	Ensures orderly and efficient management of cases
Tax and VAT	<ul style="list-style-type: none"> Liaise with internal tax and VAT teams Prepare and submit periodic and final tax and VAT returns. Obtain tax clearance 	£93,097.88	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
Legal services, including: Appointment related matters Advice regarding intangible assets Advice regarding sale of property	Eversheds Sutherland Shepherd and Wedderburn LLP	Industry knowledge and insolvency expertise	Time costs
Insurance advice, including: Review initial insurance requirements Insurance premiums, including Insurance Premium tax	Marsh Limited (formerly JLT)	Industry knowledge and insolvency expertise	Fixed premium
Chattel agents and valuers	Walker Singleton (Asset Management) Ltd	Industry knowledge	% of realisations
Property agents and others, including: <ul style="list-style-type: none">SecurityProperty marketing and valuationSurveyors	<ul style="list-style-type: none">Moorcroft Property GuardiansM.N.S Commercial Protection LimitedRichard Barber and CompanyArmistead BarnettRobert Pinkus and Co LLPLamb and Swift CommercialShepherd and WedderburnGooch Cunliffe Whale LLPAvison Young	Industry knowledge	Time costs and disbursements Fixed fee
IT Services	Sentinel IT Services Ltd	Previous company knowledge	Fixed fee

Appendix D: Pre-administration costs

As previously advised, the following costs were incurred before our appointment with a view to the Company going into administration.

	Details of agreement including date and parties to it	Paid amount (£)	Unpaid amount (£)	Nature of the payment
Our fees as Administrators-in-waiting	PwC	Nil	89,422.00	N/A
Expenses incurred by us as Administrators-in-waiting	Eversheds Sutherland	Nil	4,223.00	N/A
Total		Nil	93,645.00	N/A

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.

During the period covered by this report we obtained approval for pre administration costs from the Secured Creditors.

Appendix E: Other information

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