

The Insolvency Act 1986

**2.24B****Administrator's progress report**

Name of Company Sandstone Trading Limited	Company number 04961459
In the High Court of Justice, Chancery Division, Leeds [full name of court]	Court case number 9 of 2009

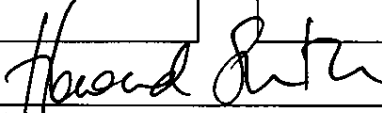
We  
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1 The Embankment  
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Administrators of the above company attach a progress report for the period

from 6 July 2010	to 5 January 2011
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Signed

  
Joint Administrator

Dated

26 January 2011

**Contact Details:**

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to searchers of the public record.

Michael Lewis  
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When you have completed and signed this form, please send it to the Registrar of Companies at -

Companies House, Crown Way, Cardiff CF14 3UZ

DX 33050 Cardiff





**Sandstone Trading Limited**  
**(in administration)**

**Report to Creditors pursuant  
to Rule 2.47 of the  
Insolvency (Amendment)  
Rules 2003**

KPMG LLP  
5 January 2011

HS\SG\MJL\KS



## Notice. About this Report

This Report has been prepared by Howard Smith and Richard Dixon Fleming, the Joint Administrators of Sandstone Trading Limited, solely to comply with their statutory duty to report to creditors under the Insolvency Rules 1986 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 is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Sandstone Trading Limited.

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

Any person that chooses to rely on this Report for any purpose or in any context other than under the Insolvency Rules 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Report.

Howard Smith and Richard Dixon Fleming are authorised to act as insolvency practitioners by the Insolvency Practitioners Association.

The Joint Administrators act as agents for Sandstone Trading Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Report or the conduct of the Administration.



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*Sandstone Trading Limited (in administration)*  
*Report to Creditors pursuant to Rule 2.47 of the Insolvency (Amendment) Rules 2003*  
*KPMG LLP*  
*5 January 2011*

## Glossary

Joint Administrators	Howard Smith and Richard Dixon Fleming of KPMG LLP
The Company	Sandstone Trading Limited (company registration number 04961459)
The Act	The Insolvency Act 1986
Directors	Joseph Cookson and Richard King
RBS / Bank	Royal Bank of Scotland PLC
Towngate	Towngate Homes Limited
Woodsome Avenue	Joint venture development between the Company and Towngate
IR 86	The Insolvency Rules 1986



## **1 Introduction**

Further to my reports dated 13 February 2009, 4 August 2009, 28 January 2010 and 5 July 2010, I set out below my progress report to 5 January 2011. I write to provide an update of the progress of the administration since my last report in accordance with Rule 2.47 IR 86.

This report covers the period 6 July 2010 to 5 January 2011, and should be considered in conjunction with my previous reports.

The appropriate statutory information is set out in Appendix 1. A receipts and payments account for the period of this report is attached at Appendix 3.

Please note that, unless stated otherwise, all amounts referred to in this report and its appendices are net of VAT.

## **2 Progress of the Administration to 5 January 2011**

### **2.1 Woodsome Avenue**

As previously reported, this development is a joint venture with Towngate where the Company acted as the builder with Towngate as the land owner and developer. The development comprises of phase one (infrastructure for whole site), phase two (four terraced and two semi detached houses) and phase three (six detached houses).

To date four plots from phase two have been sold by Towngate, one being sold prior to my appointment as Joint Administrator. Under the terms of the Joint Venture agreement, the Bank receives a share of the proceeds directly upon completion of the sale of each property. The phase three site remains undeveloped.

Towngate provide the Joint Administrators with regular sales updates regarding the interest in the two remaining properties. At present no sale is imminent on either property. At the request of the Bank, the Joint Administrators obtained an extension of the administration to 5 July 2011 to oversee the sale of the two remaining properties.



## **2 2 Craig Waddington**

As previously reported, the Company has a disputed claim against Mr Waddington which relates to an alleged breach of contract. Our solicitors have been in communication with Mr Waddington's solicitors to try to resolve this issue and negotiations are ongoing.

## **2 3 Receipts and payments**

The following information provides a brief description of the receipts and payments accounts for the period of this report.

### **2 3 1 Bank Contribution to Realisation Costs**

RBS have made contributions of £5,811 in the period towards expenses relating to the realisation of fixed charge assets, being the Woodsome Avenue properties, as well as for the running costs relating to this site.

### **2 3 2 Bank interest**

Bank interest of £52 has been accrued on funds held by the Joint Administrators during the period.

### **2 3 3 Insurance of Assets**

The Joint Administrators have incurred costs of £1,321 to insure the remaining assets of the Company.

### **2 3 4 Woodsome Avenue Running Costs**

As part of the joint venture agreement the Company is liable for the utility costs and council tax at Woodsome Avenue and £323 has been paid in this respect during the period of this report.

### **2 3 5 Administrators Fees**

A fee on account of £18,000 has been drawn in the period and administrators' expenses of £1,067 have been reimbursed.

### **2 3 6 Storage Costs**

Costs of £362 have been incurred in relation to the collection and storage of Company records.

### **3 Estimated Outcome for Creditors**

#### **3 1 Secured Creditors**

At the date of appointment the Bank was owed in the region of £1 187 million comprising a loan of £878,000 and an overdraft of £309,000. The Company held funds of £49,000 in its deposit account and this has been offset against the secured creditor's claim, reducing the claim to £1 136 million.

To date the Bank has received £460,276 directly in relation to the sale of houses at Woodsome Avenue. Based on current estimates it is unlikely that the Bank will be repaid in full.

During the period the Bank has contributed £5,811 towards the ongoing completion and running costs at Woodsome Avenue. Total contributions to date are £70,746, of which £65,735 has been paid out as expenses by the administrators to date.

#### **3 2 Preferential Creditors**

We estimate that preferential claims in the Administration will be in the region of £35,000. This comprises employees' claims for arrears of wages and holiday pay. Based on current estimates of realisations, the Administrators believe that there may be sufficient funds to repay preferential creditors in full, however this is dependent on the level of floating charge realisations and subject to costs.

#### **3 3 Funds Available under the Prescribed Part**

The Insolvency Act 1986 (Prescribed Part) Order 2003 applies in this case as the qualifying floating charge was created post 15 September 2003. This legislation allows a proportion of the Company's net property to be realised for the benefit of the Company's unsecured creditors.

Net property is defined as the funds available after the payment of the administration costs and preferential creditors that would have been previously paid to the floating charge holder. The Prescribed Part is calculated as a percentage of floating charge realisations (after costs and preferential creditors), being 50% of the first £10,000 and 20% of the balance up to a maximum of £600,000.

Based on current information, the Joint Administrators estimate that a Prescribed Part distribution may be made to unsecured creditors, however this is dependent upon the level of floating charge realisations and administration costs.

#### **3 4 Unsecured Creditors**

The total value of unsecured creditors shown on the directors' statement of affairs is £3 1 million.





Based on the Joint Administrators' current estimates it appears unlikely that any dividend will become available to unsecured creditors over and above any Prescribed Part

## 4 Other matters

EC Regulations will apply to the administration and the proceedings will be the main proceedings as defined in Article 3 of the EC Regulations on Insolvency Proceedings 2000. The Company's registered office and centre of main interest is in the United Kingdom.

This means that the administration will be conducted according to UK Insolvency legislation and is not governed by the insolvency law of any other European Union Member State.

We have carried out our duties as Joint Administrators in respect of reporting on the Directors' actions as required by the Company Directors' Disqualification Act 1986.

## 5 Administrators' time costs

In the period from 6 July 2010 to 5 January 2011, time costs of £31,344 have been incurred representing 118 hours at an average rate of £265 per hour. In addition to this we have incurred expenses of £24 in the period.

Since the Joint Administrators' appointment total time costs of £244,331 have been incurred representing 1,087 hours at an average rate of £225 per hour. Total expenses of £1,337 have been incurred since appointment. To date fees of £7,000 have been drawn from fixed charge realisations and £18,000 from floating charge realisations. Expenses of £1,067 have been paid.

Authorisation to draw fees on a time basis has been received from the preferential creditors and authorisation to draw a fee on account of £25,000 has been received from the secured creditor. The Joint Administrators are currently seeking approval from the secured creditor to draw a further fee.

The Administrators have instructed KPMG Tax, Pensions, HSE (Health, Safety & Environment) and VAT specialists to carry out assessments of the Company's position. Their costs are reflected in the total KPMG time costs detailed above.

The statutory provisions relating to remuneration are set out in Rule 2.106 of the Insolvency Rules 1986. Further information is given in the Association of Business Recovery Professionals' publication *A Creditors' Guide to Administrators' Fees*, a copy of which can be obtained by logging on to the R3 website at

[http://www.r3.org.uk/uploads/sip/SIP9\\_v5\\_April\\_2007\(1\).pdf](http://www.r3.org.uk/uploads/sip/SIP9_v5_April_2007(1).pdf) However if you are unable to access this guide and would like a hard copy, please contact Michael Lewis on 0113 231 3191

## 6 Outstanding matters

The Joint Administrators will continue to manage the business and affairs of the Company

The key remaining issues to be dealt with include, but are not limited to

- realisation of remaining Woodsome Avenue properties,
- pursuit of the Company's claim against Craig Waddington,
- finalising the administration, including payment of all administration liabilities,
- payment of any preferential dividend,
- further statutory reporting to creditors on the progress of the administration,
- obtaining tax and VAT clearance,
- any other matters arising, and
- in the event that the above issues can not be resolved in the next six months, seek a further extension of the administration period in due course if appropriate

## 7 Conclusion of the Administration

When the issues set out above have been resolved, the Joint Administrators will send a final report to creditors and file a notice at Companies House that the Company be dissolved. At this point, the Joint Administrators will cease to act and will be discharged of all liabilities as detailed in Paragraph 98 of Schedule B1 to the Insolvency Act 1986



Howard Smith  
*Joint Administrator*



## Appendix 1 - Statutory information

Date of incorporation	12 November 2003
Company registration number	04961459
Present registered office	KPMG LLP, 1 The Embankment Neville Street Leeds LS1 4DW
Previous registered office	14A Longbow Close Bradley Huddersfield West Yorkshire HD2 1GQ
Trading address	14A Longbow Close Bradley Huddersfield West Yorkshire HD2 1GQ
Issued share capital	Ordinary 1
Shareholders	Joseph Richard Cookson
Directors	Joseph Richard Cookson Richard Anthony King
Company secretary	Karen Lesley Dews
Employees	34



## Appendix 2 –Joint Administrators’ time costs 6 July 2010 to 5 January 2011

Consolidated time spent by grade	Partner/Director	Management	Administrators	Support	Total Hours	Total Cost £	Average Rate £
<b>Activity</b>							
<b>Administration &amp; planning</b>							
Appointment related formalities	0.00	0.30	1.60	0.50	2.40	490.00	204.17
Statutory Receipts & Payments	0.00	0.00	0.40	0.00	0.40	90.00	225.00
Strategy documents	0.00	0.00	4.60	0.00	4.60	954.50	207.50
Reports to debenture holders	0.00	4.50	9.75	0.00	14.25	4,252.50	298.42
Books & records	0.00	0.00	5.40	0.00	5.40	891.00	165.00
Checklists & reviews	0.50	3.00	2.25	0.00	5.75	1,957.50	340.43
Fees & WIP	0.50	1.50	3.45	0.00	5.45	1,630.50	299.17
General cashiering	0.00	0.00	5.90	0.00	5.90	1,120.00	189.83
Reconciliations	0.00	0.00	1.50	0.00	1.50	291.00	194.00
Post appointment VAT	0.00	0.00	11.10	0.00	11.10	1,831.50	165.00
Post appointment CT	0.00	6.00	8.60	0.20	14.80	4,250.50	287.20
	1.00	15.30	54.55	0.70	71.55	17,759.00	248.20
<b>Investigation</b>	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>Realisation of assets</b>							
Freehold property	0.00	9.00	4.25	0.00	13.25	4,725.00	356.60
Debtors	0.00	3.00	13.80	0.00	16.80	3,702.00	220.36
Open cover ins	0.00	0.00	0.60	0.00	0.60	144.00	240.00
	0.00	12.00	18.65	0.00	30.65	8,571.00	279.64



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<b>Trading</b>	Purchases & costs	0.00	1.00	0.00	0.00	1.00	425.00	425.00
		0.00	1.00	0.00	0.00	1.00	425.00	425.00
<b>Creditors</b>	Creditor correspondence	0.00	0.00	0.20	0.00	0.20	48.00	240.00
	Reports to creditors	1.30	2.50	1.90	0.00	5.70	1,898.00	332.98
	Agree unsecured claims	0.00	0.00	0.10	0.00	0.10	17.50	175.00
	Secured creditors	0.00	3.00	0.00	0.00	3.00	1,275.00	425.00
	Employee correspondence	0.00	0.00	6.00	0.00	6.00	1,350.00	225.00
		1.30	5.50	8.20	0.00	15.00	4,588.50	1,397.98
<b>Total hours/cost</b>		2.30	33.80	81.40	0.70	118.20	31,343.50	265.17

		<b>Fees drawn</b>		<b>Hours/Costs to date</b>	
B/f			7,000.00	968.90	212,987.00
In the period			18,000.00	118.20	31,343.50
C/f			25,000.00	1,087.10	244,330.50

**Notes**

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.



## Expenses

	£
Employment specialists	23.99
<b>Total expenses</b>	<b>23.99</b>

## KPMG charge out rates

	1 October 2008 – 31 March 2009 (£)	From 1 April 2009 (£)	From 1 October 2010 (£)
Partner	465	515	535
Associate Partner	400	440	460
Director	400	440	460
Senior Manager	365	405	425
Manager	290	320	345
Assistant Manager	205	225	240
Case Administrator	150	165	175
Support	95	105	110



## Appendix 3 - Abstract of Administrators' Receipts & Payments accounts for the period 6 July 2010 to 5 January 2011

Sandstone Trading Limited  
(In Administration)  
Administrators' Abstract of Receipts & Payments

Statement of Affairs	From 06/07/2010 To 05/01/2011	From 06/01/2009 To 05/01/2011
<b>FIXED CHARGE ASSETS</b>		
827,742.82 Woodsome Avenue	NIL	NIL
Bank contribution to realisation costs	2,200.11	65,782.30
Bank interest, gross	3.49	4.18
Bank interest, net of tax	NIL	1.75
49,846.79 Deposit Account	NIL	NIL
18,464.81 Vehicles Subject to HP	NIL	NIL
	<u>2,203.60</u>	<u>65,788.23</u>
<b>FIXED CHARGE COSTS</b>		
Administrators' fees	NIL	7,000.00
Legal fees	NIL	3,000.00
Woodsome Avenue Completion Costs	NIL	41,305.00
Bank charges	NIL	20.00
Insurance of Assets	1,321.32	9,466.35
	<u>(1,321.32)</u>	<u>(60,791.35)</u>
<b>FIXED CHARGE CREDITORS</b>		
(896,054.42) Fixed charge creditor	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
<b>ASSET REALISATIONS</b>		
113,071.08 Freehold property	NIL	NIL
10,000.00 Furniture & equipment	NIL	9,049.65
164,423.00 Work in progress & unpaid certified work	NIL	NIL
41,673.07 Pre-appointment book debts	NIL	NIL
63,246.00 VAT refunds (pre-appointment)	NIL	63,245.52
Premier Guarantee Admin Costs	NIL	350.00
	<u>NIL</u>	<u>72,645.17</u>
<b>OTHER REALISATIONS</b>		
Bank interest, gross	48.63	77.60
Bank interest, net of tax	NIL	40.07
Utility refund	NIL	30.51
515,605.36 Intercompany debtors	NIL	NIL
	<u>48.63</u>	<u>148.18</u>
<b>COST OF REALISATIONS</b>		
Bank contribution to realisation costs	3,610.67	4,963.59
Search Fees	NIL	(10.00)
Woodsome Avenue Running Costs	(322.74)	(4,963.59)
Administrators' fees	(18,000.00)	(18,000.00)
Administrators' expenses	(1,066.90)	(1,066.90)
Agents'/Valuers' fees	NIL	(750.00)
Eversheds Legal Fees	NIL	(2,500.00)
Agent's Disbursements	NIL	(22.55)
IT Ransom Payment	NIL	(3,000.00)
Storage costs	(361.92)	(1,146.38)
Statutory advertising	NIL	(228.24)
Insurance of assets	NIL	(868.35)
Wages & salaries	NIL	(5,798.44)
Bank charges	NIL	(20.60)
Professional Fees	NIL	(6,075.00)
	<u>(16,140.95)</u>	<u>(39,485.92)</u>



*Sandstone Trading Limited (in administration)*  
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*KPMG LLP*  
*5 January 2011*

**Sandstone Trading Limited**  
**(In Administration)**  
**Administrators' Abstract of Receipts & Payments**

Statement of Affairs	From 06/07/2010 To 05/01/2011	From 06/01/2009 To 05/01/2011
	<b>PREFERENTIAL CREDITORS</b>	
(32,721.74) Employees' wage arrears	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
	<b>FLOATING CHARGE CREDITORS</b>	
(308,268.80) Floating charge	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
	<b>UNSECURED CREDITORS</b>	
(3,130,356.40) Trade & expense	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
	<b>DISTRIBUTIONS</b>	
(1.00) Ordinary shareholders	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
<u>(2,563,329.43)</u>	<u>(15,210.04)</u>	<u>38,304.31</u>
	<b>REPRESENTED BY</b>	
		3,414.35
Floating ch. VAT rec'able		7,930.93
Fixed charge current		26,959.03
Floating charge current		<u>38,304.31</u>



## Appendix 4 - Administrators' Receipts & Payments

### Account – Form 2.24

ABSTRACT OF RECEIPTS AND PAYMENTS - 06/07/2010 to 05/01/2011		Appendix to Form 2.24
Sandstone Trading Limited		Page 1
* Delete as appropriate	<b>RECEIPTS</b>	<b>£</b>
	Brought forward from previous Abstract (if Any)	141,523.47
	Bank contribution to realisation costs	5,134.16
	Bank interest, gross	3.49
	Bank interest, gross	48.63
	Bank contribution to realisation costs	676.62
	Fixed charge VAT control	1,542.75
	Carried forward to * continuation sheet / next abstract	148,929.12
* Delete as appropriate	<b>PAYMENTS</b>	<b>£</b>
	Brought forward from previous Abstract (if Any)	89,549.34
	Insurance of Assets	1,321.32
	Woodsome Avenue Running Costs	322.74
	Administrators' fees	18,000.00
	Administrators' expenses	1,066.96
	Storage costs	361.92
	Floating ch. VAT rec'dable	3,414.35
	Floating ch. VAT control	2.53
* Delete as appropriate	Carried forward to * continuation sheet / next abstract	114,039.16

Note - The receipts and payments must severally be added up at the foot of each sheet and the totals carried forward from one abstract to another without any intermediate balance so that the gross totals shall represent the total amount received and paid by the administrator since he was appointed.