

The Insolvency Act 1986

Administrator's progress report**2.24B**

Name of Company Alex Smiles Limited	Company number 01129156
In the Sunderland County Court	Court case number 06 of 2015

(a) Insert full name(s) and
address(es) of administrator(s)

We (a) Allan David Kelly and Steven Philip Ross, RSM Restructuring Advisory LLP, 1 St James' Gate, Newcastle upon Tyne NE1 4AD and Andrew Beckingham of Leonard Curtis, Second Floor, 30 Queen Square, Bristol BS1 4ND the Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

from (b) 07 November 2015	to (b) 21 April 2016
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Signed


Steven Philip Ross
Joint Administrator

Dated

21 April 2016

WEDNESDAY



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22/06/2016

#143

COMPANIES HOUSE

IN THE MATTER OF
ALEX SMILES LIMITED IN ADMINISTRATION
IN THE SUNDERLAND COUNTY COURT NO 06 OF 2015

JOINT ADMINISTRATORS' PROGRESS REPORT

21 APRIL 2016

ALLAN DAVID KELLY AND STEVEN PHILIP ROSS
JOINT ADMINISTRATORS
RSM RESTRUCTURING ADVISORY LLP
1 ST JAMES' GATE
NEWCASTLE UPON TYNE NE1 4AD

ANDREW BECKINGHAM
JOINT ADMINISTRATOR
LEONARD CURTIS
SECOND FLOOR, 30 QUEEN SQUARE, BRISTOL, BS1 4ND

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1. Purpose of report

This report has been prepared in accordance with insolvency legislation to provide creditors with information relating to the progress of the administration in the period from 07 November to 21 April 2016. This report should be read in conjunction with any previous reports that have been issued, copies of which are available on request.

This report has been prepared solely to comply with the statutory requirements of Rule 2.47 of the Insolvency Rules 1986 (as amended). It has not been prepared for use in respect of any other purpose, or to inform any investment decision in relation to any debt or financial interest in the company. Any estimated outcomes for creditors are illustrative and may be subject to significant change.

RSM Restructuring Advisory LLP was previously named Baker Tilly Restructuring and Recovery LLP until 26 October 2015.

Neither the Administrators nor RSM Restructuring Advisory LLP nor Leonard Curtis accept any liability whatsoever arising as a result of any decision or action taken or refrained from as a result of information contained in this report.

2. Progress of the Administration in the previous five months

2.1. Realisation of assets / sale of business

Full details of the Company's background and sale of assets were detailed in the Administrators' proposals dated 13 July 2015. However, a brief summary of the position is as follows:

Fox Lloyd Jones Limited ("FLJ") had previously been working with the directors to explore the possibility of a sale of the business as a going concern. As FLJ had already carried out initial valuations and assessments of the assets and were fully aware of the current position, the Joint Administrators formally instructed FLJ to realise the Company's plant, machinery, furniture, fixtures and fittings, in the most appropriate manner they see fit, i.e. auction or private sale.

Shortly following appointment, an immediate offer was received by a former employee of Alex Smiles Limited to purchase a group of assets located within the specific area of the site. It was also his intention to operate from this section of the site and was in discussions with the landowners to agree a rental agreement. A sale was completed on 22 May 2015 for £19,700 plus VAT. These funds were immediately forwarded to the Joint Administrators to fund wages of the staff that had been retained to assist FLJ in realising the assets.

An on-site auction was held on 10 June 2015 which realised £628,276.94 excluding VAT, for plant and machinery, motor vehicles and stock.

Other sundry sales of plant and machinery and stock, not part of the main auction, realised £37,480 plus VAT.

As mentioned in the Administrators' proposals, there are three items of machinery, one being the redox plant that cannot be dealt with until the landowners have found a new occupier for the site. Although the landowners have been in serious discussion and negotiated terms of occupation with an interested party, a sale or occupation agreement has not yet been completed and therefore the three assets are still to be dealt with.

2.1.1. Cash at bank

Funds of £18,876.56 had been realised by the directors for selling scrap shortly before appointment. These funds had been paid into a client account for the benefit of creditors until the company was formally placed into Administration.

2.1.2. Land at Leechmere Industrial Estate

As you will recall, the Company owns land at Leechmere Industrial Estate, Sunderland, which is subject to a fixed charge with Green North East Trading BIDCO Limited ("BIDCO"). The land was purchased for £500k. At the date of appointment, the estimated indebtedness of BIDCO was £1,841k, with interest accruing on a daily basis.

A number of offers have been received for the site, which have been declined by BIDCO

It is likely that any sale would not satisfy the indebtedness of BIDCO and they had initially considered taking control of the site under their fixed charge. After considering their options they have now instructed GVA directly to market the site for sale on their behalf

2.1.3. Car Tax refunds

We have received £1,555 from car tax refunds

2.1.4. Book debts

The Company's book debts were subject to an invoice discounting facility Lloyds Bank Commercial Finance Limited ("LBCF"). Cerberus were instructed to assist with book debt collections prior to appointment. LBCF have been repaid in full and in the current reporting period book debts of £60,006.32 have been received after costs of collection

2.1.5. Deptford Terrace and Environmental Permits

The Company does not own the land and buildings that were previously occupied by the Company. As previously reported the land is owned by the pension scheme and the ultimate beneficiaries are the directors of Alex Smiles. The Company's lease with the pension scheme expired prior to the Company being placed into Administration. At the date of appointment the pension scheme had been in serious negotiations with an interested party and terms had been agreed. It was expected that the sale of the Deptford Terrace would complete by the auction date for the plant and machinery allowing the permit held in the company's name to be transferred to the purchaser to allow operations to continue. The sale did not complete in June 2015 and attempts to finalise the sale continued. The sale had still not completed over six months later and as a result the purchaser withdrew their offer. The land owners have had discussions with other interest parties and expected a sale to be completed by the end of April 2016.

The Administration process prevents the environmental permits from being disclaimed. We did explore the possibility of transferring the permits to the landowners. Although this was agreeable by the Environment Agency ("EA") it was not acceptable by the landowners. As the Company still holds the environmental permits we have maintained security to assist meet the terms of the permit.

2.1.6. Potential Claim for Compensation for Mis-selling of Interest Rate Hedging Product

As you may be aware, a settlement agreement was recently reached between the Financial Conduct Authority ("FCA") and certain major banks, in relation to the sale of interest rate hedging products. We are currently investigating whether or not the company was sold a relevant Interest Rate Hedging Product, and whether there is an entitlement to redress whether inside the framework of the FCA settlement or otherwise.

Initial investigations indicate that the company has no hedging products and therefore no compensation is due to the Company.

2.2 Connected party transactions

Sustainable Solutions (NE) Limited of which John and Stuart Smiles are directors purchased a number of assets via the online auction for £40,848 plus VAT. Full details of the nature of assets and individual purchase price was provided in the Administrators proposals. We can advise that the invoice is still awaiting settlement.

2.3. Trading

Although the Company did not trade in Administration certain costs associated with maintaining the land and building are classed as trading costs. The costs for the current reporting period relate to the hire of the fence at Leechmere Industrial Estate.

The trading account attached at Appendix H is provided on a cash basis. Details of additional trading expenses incurred in the period are detailed at Appendix F. Please note that neither the

trading account nor the statement of trading expenses includes future trading receipts and they may therefore indicate a trading loss when one is not anticipated

2.4. Investigations

Following our appointment, the Joint Administrators have conducted detailed enquiries into the affairs of Company, including due consideration of relevant information acquired in the course of appraising and realising the assets of the Company, as well as information provided by the Company Directors, Creditors and other Stakeholders, with a view to establishing the availability of any additional asset recoveries or potential conduct matters where further investigation may be appropriate

Please note that those enquiries have been undertaken having due regard to relevant factors including public interest, the present and / or value of any potential recoveries, the costs involved and the availability of funds to support any investigation

Following an extensive review of the Company's accounting records and other financial information available, a range of antecedent transactions and other potential issues have been identified for further investigation although at this stage we must emphasise that no claims have yet been made against any third party and no implication should be made that any claim will be made or alleged

In order not to prejudice the conduct of any potential claims, we are not in a position to give full disclosure of any details to Creditors at this stage. We would, however, confirm that efforts are continuing in order to progress the Joint Administrators on-going investigations and further, that Legal Advisors have been appointed to assist in the consideration of relevant findings and any available resulting claims

Further information and particulars will be circulated to Creditors as matters progress. In the meantime, if any Creditor wishes to discuss, or bring to our attention any particular matters which they consider are relevant or may require further investigation, they are invited to contact Leonard Curtis Business Solutions Group at the address provided earlier within this report

In accordance with prevailing statutory requirements, the Joint Administrators are required, within six months of their appointment, to submit a confidential report to the Secretary of State in relation to the conduct of any past or present Director or any individual who has acted as a shadow or 'de facto' Director. We would confirm that our final report has been submitted in satisfaction of this requirement, albeit additional information may be supplied for consideration following the outcome of on-going matters referred to above

2.5. Case specific matters

Clarke Mairs LLP ("Clarke Mairs") was instructed to assist to prepare the necessary documentation to be filed at court to place the Company into Administration. Their costs associated with these matters are £5,173.60 plus VAT. £5,173.60 plus VAT has been settled personally by the directors. This payment can be treated as an expense of the Administration. Clarke Mairs have been paid £3,554.60 plus VAT which they will use to reimburse the directors.

Bond Dickinson LLP ("Bond Dickinson") was instructed pre appointment and have incurred costs of £6,713 plus VAT relating to providing advice on the sale of the company, considering the appointment of LPA Receivers and the bank's liability, considering strategy re pension fund and land, meetings telephone calls and correspondence with the client, advice in relation to skip sale, considering environmental issues and reviewing appointment documents. These costs have been paid.

Post appointment, Bond Dickinson have incurred costs (including disbursements) of £24,888.30 plus VAT in relation to the following matters, meetings, calls and correspondence, advice in relation to property issues including drafting a licence to occupy, advising on pension fund release, considering and advising on environmental issues, reviewing correspondence with the EA and drafting a letter to the EA and reviewing security.

The position regarding the site Deptford Terrace is extremely complex and the ultimate owner is the pension scheme. As such this has required significant legal involvement. The pension scheme has agreed a deal in principle with an interested party and it is hopeful that this matter

will be concluded shortly

To date post appointment costs of £23,000.03 plus VAT have been paid and £1,888 plus VAT is outstanding

Clarke Willmott LLP ("Clarke Willmott") is the appointed solicitors to advise the Administrators specifically on issues relating to the conduct of directors. Clarke Willmott has incurred cost to date of £4,200 plus VAT

Meade King LLP ("MKL") have been instructed to review and advise on the lending from and security granted to LBCF and also to assist in relation to issuing letters before action to a number of debtors. MKL have incurred costs to date of £195.00

As the Company operated a waste transfer station it held licences issued by the Environment Agents ("EA"). The Joint Administrators have been liaising with the EA to obtain guidance with regards to how to deal with the site during the period of Administration. It is likely the waste transfer licence will be transferred to a third party, (who the pension scheme is liaising with to occupy the site) this option is currently being explored.

The company operated two pension schemes. 2020 Trustee Services Limited were instructed to provide an initial assessment which has subsequently been referred to Clumber Consultancy Limited to appropriately deal with the schemes.

2.6 Administration and planning

In the period since appointment, the Joint Administrators and their staff have also undertaken the following:

- Statutory filing of documents at Companies House,
- Case planning and strategy
- Undertaking file reviews
- Handling receipts and payments
- Dealing with incoming mail
- Corresponding with former company employees
- Corresponding with hire purchase creditors
- Corresponding with unsecured creditors
- Liaising with Directors
- Liaising with Company's accountants
- Investigations regarding the Company pension schemes
- Dealing with Company pension schemes

3. Matters preventing closure

3.1. Assets remaining to be realised

3.1.1 Plant machinery, Motor Vehicles and Fixtures and fittings

The amount due from Sustainable Solutions (NE) Limited of £40,848 plus VAT remains outstanding for the assets purchased on the online auction. In addition there are three items of machinery, one being the redox plant that cannot be dealt with until the landowners have found new occupier for the site. The assets have been left on site at the request of the landowner.

3.1.2 Book debts

Book debt collections are on going although no further significant recoveries are anticipated.

3.1.3 Environmental Permit

The Environmental permits held by the company need to be either transferred or will be disclaimed once the Company has been placed into liquidation. To date we have received not applications for the transfer of the permits. We did agree to transfer the permits to the land owners. Although this was acceptable to the EA it was not acceptable to the Land owners.

3.2. Other outstanding matters

Meetings of creditors were held on 10 June 2015 for Waste Recycling Limited, and on 31 July 2015 for Alex Smiles Limited, in order to agree the Administrators' Proposals and remuneration. Stuart and John Smiles and the pension scheme, which are connected creditors voted against certain resolutions, despite approving the 'overall' proposals. The connected creditors were the only creditors to reject certain resolutions.

Following a review of the position with our solicitors, Bond Dickinson, it was concluded that Rule 2.43(2) had been interpreted incorrectly, and as such, not all of the resolutions were approved. As a result, the only option was to make an application to court to obtain approval of the resolutions.

An initial hearing was heard on 8 March 2016. Stuart and John Smiles raised a number of issues relating to payments made by them personally prior to the Company being placed into Administration and the on going costs of Deptford Terrace, which they believed should be deemed as an expense of the Administration. Although not part of the application, the judge agreed to adjourn the hearing to allow Mr Smiles to submit details and evidence of costs that should be deemed an 'Administrators expenses' for consideration. Mr Smiles had until 4.00pm on 5 April 2016 to file and serve details of costs to be considered as an expense of the Administration and we had until 19 April 2016 to file a response. The date of the next hearing is 6 June 2016. A conference call has been arranged for 4 May 2015 to try and agree how to treat these expenses prior to the hearing on 6 June 2016.

Part of the application is requesting that that Company may be permitted to exit the Administration via liquidation, which will allow the Environmental permits to be disclaimed and the costs associated with the permit / site to cease. Until the position with the site is resolved it is difficult to progress the Administration or commence the agreement of claims or distributions to any class of creditor.

As the hearing date is beyond the automatic end date of the Administration I intend to request an eight month extension of the Administration from creditors to allow the court hearing to be held and an order to be granted to permit liquidation to be the exit route of the Administration.

4 Statement of Affairs

The directors have still not lodged a Statement of Affairs with the Joint Administrator pursuant to Rule 2.33. A reminder has been issued.

5. Extension of the Administration

As set out above I intend to request creditors consent to extend the Administration for eight months to allow the hearing on 6 June 2016 to proceed in order for the resolutions proposed in the Joint Administrators proposals to be approved by the court and for an order to be granted to permit the exit of an Administration via liquidation.

6. Creditors' claims and dividend prospects

Dividend prospects and projected returns to creditors, where known, are detailed in Appendix A, including any amount due to under the prescribed part. Please note that these are indicative only and should not be used as the sole or principal basis for any bad debt provision or other purposes. They may be subject to revision and additional costs.

The agreement of creditors' claims by the Joint Administrators (or any subsequently appointed Supervisor or Liquidator) is a separate matter and will be dealt with as appropriate in due

course, initially by reference to the proofs of debt lodged in the proceedings by creditors themselves

6.1. Secured Creditors

LBCF have an all asset debenture dated 13 September 2002 and registered with the Registrar of Companies on 27 September 2002. LBCF have been repaid in full from book debt collections.

Lloyds Bank Plc ("LBPLC") have several debentures, the earliest was created on 16 July 1985 and registered with the Registrar of companies on 18 July 1985. In addition LBPLC have an omnibus guarantee and set off agreement created on 26 November 2002 and registered with the registrar of companies.

The estimated indebtedness of LBPLC is in the region of £260k. Due to the delay of the sale of Deptford Terrace and the costs of complying with Environment licence it is difficult to estimate the return to LBPLC under their floating charge until the date of transfer or surrender of the licence is known.

BIDCO have a fixed charge secured on the land at Leechmere Industrial Estate, Sunderland, created on 11 July 2014 and registered with the Registrar of Companies on 14 July 2014. The estimated indebtedness due to BIDCO is in the region of £1,841k.

BIDCO will receive a significant dividend from the sale of the property but it is unlikely that their indebtedness will be repaid in full.

All assets subject to hire purchase were repossessed prior to the Company being placed in Administration.

6.2 Preferential creditors

The former employees of the Company have preferential claims for unpaid wages and holiday pay.

All employees have submitted their claims to the Redundancy Payments Office ("RPO") and the estimated preferential claim is £28,396.

The directors John Smiles and Stuart Smiles have advised the Joint Administrators that prior to the company being placed into Administration they personally paid wages for the period of 31 March 2015 to 8 May 2015 amounting to £59,797.40 as the company had insufficient funds. They have advised that they wish to submit a subrogated preferential claim for the wages they have paid. Subject to statutory limits it is estimated that their preferential claim will be in the region of £20,000. Any sum that is not eligible for preferential status will rank as an unsecured creditor in the Administration.

BHSF who provided the Company's employee health scheme have advised that they have a claim of £1,273.20 representing deductions from employee wages that they did not receive. As such they wish to submit a preferential claim for these deductions.

Once the position at Deptford Terrace and Environmental permits is resolved we will be in a position to commence reviewing and ageing preferential claims. The Joint Administrators will seek advice on the quantum of the preferential claim that can be accepted for John and Stuart smiles and the claim of BHSF. Any sum that is not eligible for preferential status will rank as an unsecured creditor claim. The distribution to preferential creditors will be paid following the exit into Liquidation.

6.3. Unsecured creditors

Unsecured creditor claims detailed in the Estimated Statement Financial Position total £8,279,807. Claims of £3,255,461.99 have been received to date which need to be reviewed and agreed.

As the position at Deptford Terrace is still unresolved and due to the unavoidable court application that has been required in respect of the Administrators Proposals, it is not possible to estimate if there will be any funds available to unsecured creditors until these matters have been resolved.

6.4 Prescribed Part

The "Prescribed Part" is a statutory amount, calculated as a percentage of net floating charge realisations, which entitles unsecured creditors to a share of realisations. This is calculated on a sliding scale up to maximum of £600,000 before costs.

Whilst there are creditors secured by fixed and qualifying floating charges over the assets and undertaking of the company, those creditors will receive no recovery under their floating charges as they have been paid in full from book debt collections under their fixed charge. There is therefore no requirement to estimate the amount of the Prescribed Part of the assets under Section 176A of the Insolvency Act 1986 (as amended).

LBCF did not apply set off against LBPLC prior to reassigning the book debts to the Joint Administrators for collection. Legal advice has been sought and the indebtedness of LBPLC ranks as a claim under their floating. The initial charge to LBPLC was created prior to 15 September 2013 and therefore there is no requirement to estimate the amount of the prescribed part. Should the position change creditors will be notified accordingly.

7. Receipts and payments summary

We attach as Appendix B a summary of our receipts and payments for the period from 07 November to 21 April 2016.

An account of the Administrators' trading, which is prepared on a cash basis, for the period from 07 November to 21 April 2016 can be found at Appendix H.

VAT basis

Receipts and payments are shown net of VAT, with any amount due to or from HM Revenue and Customs shown separately.

8. Costs and Joint Administrators' remuneration

RSM's and Leonard Curtis' charging, expenses and disbursements policy was provided with the Joint Administrators' proposals. A further copy can be provided on request.

8.1. Pre-administration costs

The Joint Administrators' proposals dated 13 July 2015 details un-paid pre-administration costs totalling £42,716.00.

The sums below have been approved.

To whom paid	Pre-Administration Costs Charged / Incurred			
	Amount Approved £	Amount Paid £	Date Approved	Date paid
RSM Restructuring Advisory LLP	£35,684.00	£35,684.00	31 July 2015 (Ratified by court 8 March 2016)	23 September 2015
Bond Dickinson LLP	£6,713.00	£6,713.00	31 July 2015	16 October 2015
Clarke Mairs LLP	£5,173.60	£4,255.52	31 July 2015	14 September 2015

8.2. Joint Administrators' remuneration and disbursements

The Joint Administrators' remuneration was approved on a time cost basis by a meeting of creditors held on 31 July 2015 by one secured creditor and non connected creditors. Approval was also given to the drawing of disbursements, including category 2 disbursements. Details of the current rates are attached at Appendix D. An analysis of time incurred in the period is

attached at Appendix G Sums drawn in respect of remuneration in the period covered by this report are shown in the receipts and payments account (Appendix B)

Category 2 disbursements incurred in the period are detailed in Appendix E

As mentioned in section 3.2 above an application to court has been necessary in order to obtain approval of those resolutions which were opposed by the creditors being,

- Administrators discharge from liability,
- Joint Administrators Remuneration to be drawn on a time cost basis,
- Approval of Category 2 Disbursements

Prior to the initial hearing on 8 March 2016 consent was obtained from all secured creditors and preferential creditors to all the resolutions proposed in the Joint Administrators proposals

No further remuneration will be drawn until approval has been sought from court

I have received a cheque from Leonard Curtis for £24,000 refunding fees received to date The cheque has not yet been banked and therefore not reflected in the receipts and payments account

In addition Leonard Curtis have advised that have written off time of £20,022 as they had identified time inefficiencies caused by a new member of staff being introduced to the matter

SIP 7 requires that we disclose sums paid to us in respect of supervision of trading separately However, we do not allocate fees drawn against specific categories of work done, as set out in the attached time cost analysis It can therefore be assumed that any fees drawn are allocated equally against each category of work done On this basis, as noted RSM have incurred time costs of £165,532.90 against which fees of £70,000 (plus VAT) have been drawn, representing 42.28% of total time costs It should therefore be assumed that fees drawn in respect of the supervision of trading total £3,218.14 (plus VAT), being 42.28% of trading costs incurred to date

We have requested costs drawn to date to be ratified by court and as mentioned above no further remuneration will be drawn until an order has been received from court

8.3. Other professional costs

Appendix F includes details of other professional costs that have been incurred The receipts and payments abstract at Appendix B sets out which of these costs have been paid All such costs are subject to review before being paid and any payments made in the period are disclosed in the receipts and payments account at Appendix B

9. Creditors' right to information and ability to challenge remuneration and expenses

In accordance with the provisions of Rules 2.48A and 2.109 of the Insolvency Rules 1986 creditors have a right to request further information about remuneration or expenses (other than pre-administration costs) and to challenge such remuneration or expenses

A request for further information must be made in writing within 21 days of receipt of this report

Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to court that the remuneration charged, the basis fixed or expenses incurred by the administrator are in all the circumstances excessive

Any such challenge must be made no later than eight weeks after receipt of the report which first discloses the charging of remuneration or incurring of the expenses in question

A Guide to Administrators Fees, which provides information for creditors in relation to the remuneration of an Administrator, can be accessed at <http://rsm-insolvencypoint.com> under 'general information for creditors' A hard copy can be requested from my office by telephone, email or in writing

Should you have any further queries please do not hesitate to contact me



Steven Philip Ross
RSM Restructuring Advisory LLP
Joint Administrator

Steven Philip Ross, Allan David Kelly and Andrew Beckingham are licensed to act as an Insolvency Practitioner in the UK by the
Institute of Chartered Accountants in England and Wales

**The affairs, business and property of the company are being managed by the Joint Administrators who act as agents of
the company and without personal liability**

Appendix A

Statutory, dividend and other information

Company Name	Alex Smiles Limited
Joint Administrators	Allan David Kelly and Steven Philip Ross of RSM Restructuring Advisory LLP and Andrew Beckingham of Leonard Curtis
Date of Appointment	7 May 2015
Functions	<p>Steven Philip Ross and Allan David Kelly of RSM</p> <p>Duties on appointment – Filing with Registrar of companies, Notice of Appointment to Company, Notice of Appointment to Gazette, Notification to Creditors, Notice of Appoint to Sheriff Officer, Dealing with formalities in connection with pension scheme, Initial letters to directors, request for statement of affairs and directors questionnaires, preparation of P49 report to creditors, change of registered office, notification of company's bankers</p> <p>General Administrative matters – Dealing with Administration extension and / or exit formalities to be confirmed, hold initial Meeting of Creditors, Submit to Court and Registrar of companies outcome of meeting, Submit 6 monthly Progress Report to Creditors, Submit 6 monthly Progress Report to Registrar of Companies</p> <p>Crown – Submission on 769, submission of post appointment VAT and Corporation Tax returns</p> <p>Financial issues – Filing of periodic Receipts and Payments to Registrar of Companies, Open and operate Administration bank account, Bordereau</p> <p>Assets – Arrangements for control and realisation of all physical assets, site security and EA compliance, Notification of insurance brokers to arrange cover for all insurable assets and insurance, instruction of valuation agents and any specialist agents to deal with assets, instruction of solicitors to deal with physical asset realisations</p> <p>Leasehold / Freehold Property – realise the company's freehold, and liaise with charge holders</p> <p>Claims and Investigations – Agreement of claims of preferential creditors, agreement of claims of unsecured creditors, Agreement of claims of employees, payment of dividend to creditors, liaison with any receivers appointed over the company's or pension fund assets</p> <p>Trading – On-going management of operation in dealing with the company's assets, accounting for trading, on-going employee issues</p> <p>Employees – Reviewing employees' claims under the Employment Rights Act 1996</p> <p>Creditors Committee – N/A</p> <p>Closure formalities – Automatic end of Administration 6 May 2016, Consider whether creditors' consent required to extend Arrangement, Consider Court application for extension, Notice to Court in the event of automatic end of Administration and Final Progress Report, Notice of Final Report to be submitted to Registrar of companies and Creditors – TBC</p> <p>Andrew Beckingham of Leonard Curtis</p> <p>Duties on appointment – Take Control and custody of the company seal and statutory book and records</p> <p>Financial issues – Bordereau</p> <p>Assets – Collection of book debts, once reassigned to the company/directors loan accounts, instruction of solicitors to deal with securities</p> <p>Claims and investigations – Investigations into the company's affairs generally and as director by the creditors' or committee specifically, consideration of whether any of the directors are guilty of any criminal offences under the Insolvency Act or otherwise, consideration of whether</p>

	<p>any civil actions should be taken against the directors, instruction of solicitors to deal with any litigation issues, completion of "D" forms on directors for submission to the Department of Trade and Industry</p> <p>Investigations into the validity of any fixed or floating charges and extent of termination charges</p> <p>Creditors committee – To be confirmed if creditors committee appointed</p> <p>General administrative matters – Dealing with Administration extension and / or exit formalities to be confirmed</p> <p>Closure Formalities – Automatic end of Administration 6 May 2016, consider whether creditors' consent required to extend Arrangement, consider Court application for extension, Notice to Court in the event of automatic end of Administration and Final Progress Report, Notice of Final Report to be submitted to Registrar of Companies and Creditors – TBC</p>
Previous Company Names	NONE
Company Number	01129156
Date of Incorporation	1 January 2000
Trading Name	Alex Smiles Limited
Trading Address	Deptford Terrace, Deptford, Sunderland, SR4 6DD
Principal Activity	Wholesale Trade and Commission Trade, Except of Motor Vehicles and Motorcycles
Registered Office	RSM Restructuring Advisory LLP 1 St James' Gate Newcastle upon Tyne NE1 4AD
Appointor	The Directors of the company – Deptford Terrace Deptford, Sunderland, Tyne & Wear, SR4 6DD
Details of any extension	None
Proposed exit route	Creditors' Voluntary Liquidation

Dividend Prospects	Estimated amount due at the date of appointment	Paid to Date	Estimated future Prospects
Secured creditor – Lloyds Commercial Finance Limited	£5,009	£5,009 from book debt collections	Paid in full
Secured creditor – Lloyds Bank Plc	£260,000	£Nil	Not known
Secured creditor – BIDCO Limited	£1,821 568	£Nil	Will receive a significant dividend from sale of property
Preferential creditors			
Employee claims for unpaid wages and holiday pay	£26,769 00 (Estimated claims received £28,396 13)	Nil	Preferential creditors should be repaid in full
John and Stuart Smiles – for arrears of wages	£20,000 00 (subject to seeking advice)		

BHSF – Companys health scheme	£1,273 20 (subject to seeking advice)		
Unsecured creditors	£8,279,807	Nil	Not known
Estimated net property	£N/A		
Estimated prescribed part available for unsecured creditors	£N/A		
Whether and why the Administrators intend to apply to court under S176(A)(5) IA86	N/A		

Appendix B

Receipts and Payments Abstract: 1070566 - Alex Smiles Limited In Administration
Bank, Cash and Cash Investment Accounts From 07/11/2015 To 21/04/2016

SOA Value £	07/11/2015 to 21/04/2016		Total to 21/04/2016	
	£	£	£	£
	SECURED ASSETS			
265,009 00	Debtors (Pre-Appointment)	96,590 30	290,278 05	
500,000 00	Freehold Land and Property	0 00	0 00	
		96,590 30		290,278 05
	SECURED CREDITORS			
(2,106,577 00)	Fixed Charge Claims	0 00	0 00	
		0 00		0 00
	POST APPOINTMENT TRADING			
0 00	Trading Deficit	(3,939 84)	(74,346 84)	
		(3,939 84)		(74,346 84)
	ASSET REALISATIONS			
0 00	Bank Interest Gross	176 03	305 99	
0 00	Car Tax refunds	0 00	1,555 00	
3,214 70	Debtors (Pre-Appointment)	0 00	3,214 70	
0 00	Insurance Refund	0 00	500 00	
18,876 00	Interest Bearing Current Account	0 00	18,876 56	
74,600 00	Motor vehicles	0 00	64,640 67	
10,237 60	Other Current Assets	800 00	2,198 21	
560,850 00	Plant and Machinery	0 00	456,465.79	
131,200 00	Stock/Inventory on Hand	0 00	212,950 48	
		976 03		760,707 40
	COST OF REALISATIONS			
0 00	Accounting Fees	(480 00)	(4,760 00)	
0 00	Agents / Valuers Fees	(800 00)	(120,715 86)	
0 00	Bank Charges	(615 00)	(2,500 09)	
0 00	Debt Collection Fees	(36,583 98)	(36,583 98)	
0 00	Legal Fees	(14,200 00)	(47,467 90)	
0 00	Mail Redirection	0 00	(160 00)	
0 00	Office Holder Fees - Pre	0 00	(35,684 00)	
0 00	Office holders fees	0 00	(90,000 00)	
0 00	Payroll Processing costs	(270 00)	(1,755 08)	
0 00	Pension Advice	(2,250 00)	(2,600 00)	
0 00	Postage	0 00	(113 22)	
0 00	Security Costs	(37,383 00)	(50,246 54)	
0 00	Specific Bond	0 00	(127 50)	
0 00	Statutory Advertising	0 00	(169 20)	
0 00	Travel	0 00	(172 04)	
0 00	Use of site	0 00	(22,333 33)	
		(92,581 98)		(415,388 74)
	PREFERENTIAL CREDITORS			
(15,744 56)	Holiday Pay	0 00	0 00	
(12,651 57)	Wages	0 00	0 00	
		0 00		0 00
	UNSECURED CREDITORS			
(3,610,209 69)	Associated Creditors	0 00	0 00	
(1,341,568 00)	Deficiency In Security	0 00	0 00	
(63,754 06)	Department of Employment	0 00	0 00	
(134,860 32)	Employees	0 00	0 00	
(272,647 00)	HM Revenue and Customs	0 00	0 00	
(3,117,835 24)	Trade and Expense Creditors	0 00	0 00	
		0 00		0 00
	EQUITY			
(550,000 00)	Ordinary	0 00	0 00	
		0 00		0 00
(9,661,860 14)		1,044 51		561,249 87
	REPRESENTED BY			
	Interest Bearing Current Account		552,500 12	
	VAT Receivable (Payable)		8,749 75	
				561,249 87
				561,249 87

RSM Restructuring Advisory LLP

Charging, expenses and disbursements policy

Charging policy

- Partners, directors, managers, administrators, cashiers, secretarial and support staff are allocated an hourly charge out rate which is reviewed from time to time
- Work undertaken by cashiers, secretarial and support staff will be or has been charged for separately and such work will not or has not also been charged for as part of the hourly rates charged by partners, directors, managers and administrators
- Time spent by partners and all staff in relation to the insolvency estate is charged to the estate
- Time is recorded in 6-minute units at the rates prevailing at the time the work is done
 - The current charge rates for RSM Restructuring Advisory LLP Newcastle are attached
- Time billed is subject to Value Added Tax at the applicable rate, where appropriate
- It is the office holder's policy to ensure that work undertaken is carried out by the appropriate grade of staff required for each task, having regard to its complexity and the skill and experience actually required to perform it
- RSM Restructuring Advisory LLP's charge out rates are reviewed periodically

Expenses and disbursements policy

- Only expenses and disbursements properly incurred in relation to an insolvency estate are re-charged to the insolvency estate
- Expenses and disbursements which comprise external supplies of incidental services specifically identifiable to the insolvency estate require disclosure to the relevant approving party, but do not require approval of the relevant approving party prior to being drawn from the insolvency estate. These are known as "Category 1" disbursements
- Expenses and disbursements which are not capable of precise identification and calculation (for example any which include an element of shared or allocated costs) or payments to outside parties that the firm or any associate has an interest, require the approval of the relevant approving party prior to being drawn from the insolvency estate. These are known as "Category 2" disbursements
- A resolution to consider approving "Category 2" disbursements at the rates prevailing at the time the cost is incurred to RSM Restructuring Advisory LLP Newcastle will be proposed to the relevant approving party in accordance with the legislative requirements
- General office overheads are not re-charged to the insolvency estate as a disbursement
- Any payments to outside parties in which the office holder or his firm or any associate has an interest will only be made with the approval of the relevant approving party
- Expenses and disbursements re-charged to or incurred directly by an insolvency estate are subject to VAT at the applicable rate, where appropriate

LEONARD CURTIS CHARGE OUT RATES AND POLICY REGARDING STAFF ALLOCATION, SUPPORT STAFF, THE USE OF SUBCONTRACTORS AND THE RECHARGE OF DISBURSEMENTS

The following information relating to the policy of Leonard Curtis is considered to be relevant to creditors

Staff Allocation and Support Staff

We take an objective and practical approach to each assignment which includes active director involvement from the outset. Other members of staff will be assigned on the basis of experience and specific skills to match the needs of the case. Time spent by secretarial and other support staff on specific case related matters, e.g. report despatching, is not charged.

Where it has been agreed by resolution of the secured creditors, a creditors' committee or creditors generally, that the office holders' remuneration will be calculated by reference to the time properly given by the office holders and their staff in attending to matters arising in the appointment, then such remuneration will be calculated in units of 6 minutes at the standard hourly rates given below. In cases of exceptional complexity or risk, the insolvency practitioner reserves the right to obtain authority from the appropriate body of creditors that their remuneration on such time shall be charged at the higher complex rate given below.

With effect from 6 January 2014 the following hourly charge out rates apply to all assignments undertaken by Leonard Curtis

	Standard £	Complex £
Director	450	562
Senior Manager	410	512
Manager 1	365	456
Manager 2	320	400
Administrator 1	260	325
Administrator 2	230	287
Administrator 3	210	262
Administrator 4	150	187
Support	0	0

Subcontractors

Details and the cost of any work which has been or is intended to be sub-contracted out that could otherwise be carried out by the office holders or their staff will be provided in any report which incorporates a request for approval of the basis upon which remuneration may be charged.

Professional Advisors

Details of any professional advisor(s) used will be given in reports to creditors. Unless otherwise indicated the fee arrangement for each is based on hourly charge out rates, which are reviewed on a regular basis, together with the recovery of relevant disbursements. The choice of professional advisors is based around a number of factors including, but not restricted to, their expertise in a particular field, the complexity or otherwise of the assignment and their geographic location.

Disbursements

- a) Category 1 disbursements. These are costs where there is specific expenditure directly referable both to the appointment in question and a payment to an independent third party. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the office holder or his or her staff. Category 1 disbursements may be drawn without prior approval.
- b) Category 2 disbursements. These are costs that are directly referable to the appointment in question but not to a payment to an independent third party. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage. In the event of charging for category 2 disbursements the following items of expenditure are recharged on this basis and are believed to be in line with the cost of external provision.

Internal photocopying	10p per copy
General stationery, postage, telephone etc	£100 per 100 creditors/ members or part thereof
Storage of office files (6 years)	£86.09 per box
Business mileage	45p per mile

Category 2 disbursements may be drawn if they have been approved in the same manner as an office holder's remuneration.

Appendix D

RSM RESTRUCTURING ADVISORY LLP

JOINT ADMINISTRATORS' CURRENT CHARGE OUT AND DISBURSEMENT RATES

HOURLY CHARGE OUT RATES		
	Rates at commencement	Current rates
	£	£
Partner	320	350 – 440.00
Directors / Associate Directors	225	247.50 – 300.00
Manager	225	247.50
Assistant Managers	225	132.00 – 192.50
Administrators	120 - 175	71.50 – 115.50
Support staff	105	350 – 440.00

"CATEGORY 2" DISBURSEMENT RATES	
Internal room hire	£100
Subsistence	£25 per night (from 3 rd September 2013) £23 per night (up to 2 nd September 2013)
Travel (car)	38p per mile (up to and including 31 March 2010) 40p per mile (from 1 April 2010) 42.5p per mile (from 1 April 2011)
"Tracker" searches	£10 per case

Appendix E

RSM Restructuring Advisory LLP

Joint Administrators' category 2 disbursements table

Amounts paid or payable to the Office Holder's firm or to any party in which the office holder or his firm or any associate has an interest		
Recipient, type and purpose	Paid	Unpaid
	£	£
Travel – Mileage		15 30
Total		15.30

Appendix F

Statement of expenses incurred by the Joint Administrators' in the period from 07 November to 21 April 2016

Type and Purpose	Incurred in period
	£
Validation of Charge	418 00
Property expenses – Deptford Terrace – Pest Control	1,280 00
Bank charges	615 00
Cerberus Receivables Management Limited – Debt collection costs	36,583 98
Clarke Willmott LLP – Solicitors advising specifically on issues relating to the conduct of directors	4,200 00
Bond Dickinson LLP – Legal advice – meetings, calls and correspondence, advice in relation to property issues including drafting a licence to occupy, advising on pension fund release, considering and advising on environmental issues, reviewing correspondence with the Environment agency and reviewing security	10,000 00
A&GR Usher – Payroll processing costs and assistance with environmental returns	270 00
Clumber Consultancy Limited – Pension scheme advice	2,250 00
Property expenses – Deptford Terrace – Security	37,383 00
Property expenses – Leechmere - Security	3,939 84
Telephone	70 95
Courier	22 90
Postage	138 72
Total	97,172.39

The table above excludes any tax liability as the amounts due will depend on the position at the end of the accounting period. The statement above may include estimated amounts where actual invoices have not been received. The receipts and payments abstract at Appendix B sets out the expenses actually paid in the period together with cumulative figures.

Appendix G

RSM RESTRUCTURING ADVISORY LLP

Joint Administrators' Time cost analysis

For the period from 07 November to 21 April 2016

Please note that we have re-designed our SIP9 analysis table to provide a more detailed analysis of the grades of staff within the firm. Please note that this change does not alter the value of time costs recorded, purely the column within the table to which that time, and cost, has been allocated.

SIP9 Summary Level 3

Alex Smiles Limited

1070566 / 700 - Administration - Post Appt

For the period 07/11/2015 to 22/04/2016

Appendix G

Period	Hours Spent	Partners	Directors / Associate Directors	Managers	Assistant Managers	Administrators	Assistants & Support Staff	Total Hours	Total Time Costs	Average Rates	
From Jan 2003	Administration and Planning										
	Case Management										
	Filing	0.0	0.0	0.0	0.0	0.0	0.6	0.6	£ 39.65	66.08	
	Communication with Joint office holder	0.0	3.3	0.0	0.0	0.0	0.0	3.3	£ 742.50	225.00	
	Communication with Other office holder	0.0	1.2	0.0	0.0	0.0	0.0	1.2	£ 270.00	225.00	
	Compliance/Task updates/checklists	0.0	0.0	0.0	0.0	0.2	0.0	0.2	£ 35.00	175.00	
	Total	0.0	4.5	0.0	0.0	0.0	0.6	5.3	£ 1,087.15	205.12	
	Director(s)/debtor/bankrupt										
	Correspondence/tel	0.0	1.4	0.0	0.0	0.0	0.0	1.4	£ 315.00	225.00	
	Total	0.0	1.4	0.0	0.0	0.0	0.0	1.4	£ 315.00	225.00	
	Pension Scheme										
	General	0.0	0.0	0.0	0.0	0.0	8.6	0.0	8.6	£ 1,505.00	175.00
	Meetings/corres/tel with PPF/Pensions	0.0	0.0	0.0	0.0	0.0	2.2	0.0	2.2	£ 385.00	175.00
	Regulator/Trustees										
	Total	0.0	0.0	0.0	0.0	0.0	10.8	0.0	10.8	£ 1,890.00	175.00
	Receipts and Payments										
	Cashiering	0.0	0.0	0.0	0.0	0.0	22.6	0.0	22.6	£ 4,026.75	178.17
	Receipts and Payments	0.0	1.4	0.0	0.0	0.0	1.3	0.0	2.7	£ 542.50	200.93
	Bank Reconciliations	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.9	£ 157.50	175.00
	Total	0.0	1.4	0.0	0.0	0.0	24.8	0.0	26.2	£ 4,726.75	180.41
	Statement of Affairs										
	Meetings/corres/tel	0.0	2.1	0.0	0.0	0.0	0.0	0.0	2.1	£ 472.50	225.00
	Total	0.0	2.1	0.0	0.0	0.0	0.0	0.0	2.1	£ 472.50	225.00
Tax Matters											
VAT post-appointment returns	0.0	0.0	0.0	0.0	0.0	1.3	0.0	1.3	£ 227.50	175.00	
Pre-appointment VAT & Tax returns	0.0	0.0	0.0	0.0	0.0	1.5	0.0	1.5	£ 262.50	175.00	
Total	0.0	0.0	0.0	0.0	0.0	2.8	0.0	2.8	£ 490.00	175.00	
Total	0.0	9.4	0.0	0.0	0.0	38.6	0.6	48.6	£ 8,981.40	184.80	
Investigations											
Investigations/CDDA											
Other general matters	0.0	2.8	0.0	0.0	0.0	0.0	0.0	2.8	£ 630.00	225.00	
Total	0.0	2.8	0.0	0.0	0.0	0.0	0.0	2.8	£ 630.00	225.00	
Total	0.0	2.8	0.0	0.0	0.0	0.0	0.0	2.8	£ 630.00	225.00	
Realisation of Assets											
Assets - general/other											
Other	0.0	0.5	0.0	0.0	0.0	2.0	0.0	2.5	£ 467.75	187.10	

[illegible]

	Correspondence/tel Meetings	0.0	1.0	0.0	0.0	9.8	0.0	10.8	£ 1,940.00	179.63
Total		2.0	0.0	0.0	0.0	0.0	0.0	2.0	£ 640.00	320.00
		2.0	1.0	0.0	0.0	9.8	0.0	12.8	£ 2,580.00	201.56
Total		2.7	13.0	0.0	0.0	21.9	2.2	39.8	£ 7,934.25	199.35
Case Specific Matters - Legal Matters										
Legal Matters										
Meetings/corres/tel Advice	10.6	2.1	0.0	0.0	0.0	0.0	0.0	12.7	£ 4,907.75	386.44
Other major issues	12.1	4.5	0.0	0.0	0.0	0.0	0.0	16.6	£ 4,967.00	299.22
Total	2.2	20.2	0.0	0.0	0.0	0.0	0.0	22.4	£ 5,787.50	258.37
Total	24.9	26.8	0.0	0.0	0.0	0.0	0.0	51.7	£ 15,862.25	302.94
Total	24.9	26.8	0.0	0.0	0.0	0.0	0.0	51.7	£ 15,862.25	302.94
Total Hours (From Jan 2003)	40.9	73.6	0.0	0.0	75.0	2.8	182.65	192.3	£ 45,571.90	236.98
Total Time Cost (From Jan 2003)	£ 15,066.50	£ 16,965.00	£ 0.00	£ 0.00	£ 13,357.75	£ 182.65	£ 45,571.90	£ 45,571.90	£ 45,571.90	236.98
Total Hours	40.9	73.6	0.0	0.0	75.0	2.8	182.65	192.3	£ 45,571.90	236.98
Total Time Cost	£ 15,066.50	£ 16,965.00	£ 0.00	£ 0.00	£ 13,357.75	£ 182.65	£ 45,571.90	£ 45,571.90	£ 45,571.90	236.98
Average Rates	368.37	230.50	0.00	0.00	178.10	65.23	236.98			

Alex Smiles Limited
(In Administration)

Summary of Administrators' Time Costs from 7 November 2015 to 14 March 2016

	Director		Manager 1		Administrator 2		Total		Average Hourly Rate £
	Units	Cost £	Units	Cost £	Units	Cost £	Units	Cost £	
Statutory & Review									
Assets	20	900 00	25	912 50	13	299 00	58	2,111 50	364 05
Liabilities	-	-	-	-	24	552 00	24	552 00	230 00
General Administration	20	900 00	-	-	14	322 00	34	1,222 00	359 41
Investigations	20	900 00	38	1,387 00	30	690 00	88	2,977 00	338 30
Case Specific	-	-	63	2,299 50	-	-	63	2,299 50	365 00
	-	-	25	912 50	-	-	25	912 50	365 00

Total

60 2,700 00 151 5,511 50 81 1,863 00 292 10,074 50

Average Hourly Rate (£)

450 00 365 00 230 00 345 02

All Units are 6 minutes

Profit and Loss (Trading): 1070566 - Alex Smiles Limited In Administration

From: 07/11/2015 To: 21/04/2016 (Accrual Basis)

	£
Post Appointment Sales (Trading)	0 00
Cost of Goods Sold	0 00
Trading Expenditure	
Hire of Equipment	(3,939 84)
Total Trading Expenditure	<u>(3,939 84)</u>
Net Trading Income	<u>(3,939 84)</u>
Net Income.	<u>(3,939 84)</u>

**IN THE MATTER OF
ALEX SMILES LIMITED IN ADMINISTRATION
IN THE NEWCASTLE UPON TYNE DISTRICT REGISTRY NO 06 OF 2015**

WRITTEN CONSENT TO AN EXTENSION

To ensure your vote is taken into account, please return this form to RSM RESTRUCTURING ADVISORY LLP 1 ST JAMES' GATE, NEWCASTLE UPON TYNE NE1 4AD **no later than 5 May 2016**

I (enter name / company name)

of (enter address)

as applicable hereby consent / do not consent* to the Joint Administrators' term of office being extended for a period of 8 Months to 06 January 2017 pursuant to paragraph 76(2)(b) of Schedule B1 of the Insolvency Act 1986 (as amended)

Written details of my claim are attached / have already been submitted*

Signed

Capacity

(If signing on behalf of a creditor, please state capacity e.g. director, solicitor etc.)

Dated

If you require any further details or clarification prior to returning your votes, please contact Lindsay Hailes at the address above, or by email at lindsay.hailes@rsmuk.com or telephone on 0191 255 7063