



For further information, please  
refer to our guidance at  
[www.gov.uk/companieshouse](http://www.gov.uk/companieshouse)

### 1 Company details

Company number	0	6	5	0	6	9	7	9
Company name in full	Smoke Club Limited							

#### → Filling in this form

Please complete in typescript or in  
bold black capitals.

### 2 Administrator's name

Full forename(s)	Stephen Paul
Surname	Grant

### 3 Administrator's address

Building name/number	2nd Floor Regis House
Street	45 King William Street
Post town	London
County/Region	
Postcode	E C 4 R 9 A N
Country	

### 4 Administrator's name ①

Full forename(s)	Meghan
Surname	Andrews

#### ① Other administrator

Use this section to tell us about  
another administrator.

### 5 Administrator's address ②

Building name/number	2nd Floor Regis House
Street	45 King William Street
Post town	London
County/Region	
Postcode	E C 4 R 9 A N
Country	

#### ② Other administrator

Use this section to tell us about  
another administrator.

# AM10

## Notice of administrator's progress report

### 6 Period of progress report

From date	<sup>d</sup> 1	<sup>d</sup> 0	<sup>m</sup> 0	<sup>m</sup> 8	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 2	<sup>y</sup> 3
To date	<sup>d</sup> 0	<sup>d</sup> 9	<sup>m</sup> 0	<sup>m</sup> 2	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 2	<sup>y</sup> 4

### 7 Progress report

☒ I attach a copy of the progress report

### 8 Sign and date

Administrator's  
signature

Signature

X

*[Handwritten signature]*

X

Signature date

<sup>d</sup> 0	<sup>d</sup> 8	<sup>m</sup> 0	<sup>m</sup> 3	<sup>y</sup> 2	<sup>y</sup> 0	<sup>y</sup> 2	<sup>y</sup> 4
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**Presenter information**

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

Contact name Lin Gartland

Company name Azets

Address 2nd Floor Regis House

45 King William Street

Post town London

County/Region

Postcode EC4R 9AN

Country

DX

Telephone 0207 403 1877

**Checklist**

**We may return forms completed incorrectly or with information missing.**

**Please make sure you have remembered the following:**

- ☐ The company name and number match the information held on the public Register.
- ☐ You have attached the required documents.
- ☐ You have signed the form.

**Important information**

**All information on this form will appear on the public record.**

**Where to send**

**You may return this form to any Companies House address, however for expediency we advise you to return it to the address below:**

The Registrar of Companies, Companies House,  
Crown Way, Cardiff, Wales, CF14 3UZ.  
DX 33050 Cardiff.

**Further information**

For further information please see the guidance notes on the website at [www.gov.uk/companieshouse](http://www.gov.uk/companieshouse) or email [enquiries@companieshouse.gov.uk](mailto:enquiries@companieshouse.gov.uk)

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**Smoke Club Limited t/a 'Cable' and 'Relay' - In Administration**

**Joint Administrators' Progress Report**

**Period: 10 August 2023 to 9 February 2024**

**Dated: 8 February 2024**

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## **APPENDICES**

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## **1 Introduction**

- 1.1 On 7 September 2020, Baldwins Holdings Limited which traded as Wilkins Kennedy, changed its name to Azets Holdings Limited and now trades as Azets. Any references in this report to Azets should be read as reference to Wilkins Kennedy as applicable.
- 1.2 Anthony Malcolm Cork and Stephen Paul Grant, both of Azets, 2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN were appointed Joint Administrators of Smoke Club Limited ("the Company") on 10 August 2016. The appointment was made by JSO Financial Services Limited ("JSO") in its capacity as a qualifying floating charge holder. The Administration is registered in the High Court of Justice under reference number 004692 of 2016.
- 1.3 On 5 June 2020, Anthony Malcolm Cork was replaced by way of a Court Order as Joint Administrator by Meghan Andrews, also of Azets, following Mr Cork's departure from the firm.
- 1.4 The Company's former trading address was 33 Bermondsey Street, London, SE1 3JW and it previously traded as 'Cable' and 'Relay'. The former registered office of the Company was c/o Wise & Co, The Old Star, Church Street, Princes Risborough, Buckinghamshire, HP27 9AA and has been changed to 2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN. The Company's registered number is 06506979.
- 1.5 This Administration is being handled by Azets at 2nd Floor, Regis House, 45 King William Street, London, EC4R 9AN. The Joint Administrators' contact details are by phone on 0207 4031877 or via email at [stephen.grant@azets.co.uk](mailto:stephen.grant@azets.co.uk).
- 1.6 As Joint Administrators ("the Administrators"), we are required to provide a progress report covering the period of six months commencing from the date the Company entered Administration and every subsequent period of six months. This progress report covers the period from 10 August 2023 to 9 February 2024 ("the Period") and should be read in conjunction with our earlier proposals report and any previous progress reports which have been issued.
- 1.7 Information about the way that we will use, and store personal data on insolvency appointments can be found at <https://www.azets.co.uk/about-us/privacy-cookie-policy/>. If you are unable to download this, please contact us and a hard copy will be provided to you.

## **2 Receipts and Payments**

- 2.1 At Appendix A is our Receipts and Payments Account covering the period of this report, which includes a cumulative Receipts and Payments Account from the commencement of the Administration to 9 February 2024.
- 2.2 A total of £5,146,653.82 was held in the Administrators' bank accounts as of 9 February 2024, as follows:
  - Funds of £75,888.96 in Metro Bank plc. This account is non-interest bearing.
  - £70,764.86 in an interest-bearing current account and £4,500,000.00 on a rolling 3 month Treasury Reserve account with The Royal Bank of Scotland plc ("RBS"). Total interest of £72,622.81 has been credited on these accounts in the Period.
  - £500,000.00 on a current account with Arbuthnot Latham & Co., Limited. This account is non-interest bearing.

- 2.3 These accounts have been reconciled to the bank statements.
- 2.4 In addition, as advised in our previous report WSM (Solicitors) LLP (“WSM”) are holding funds in their client account in relation to the balance of the Network Rail settlement (“the Settlement”) after the payment of the costs of the claim against Network Rail, an interim payment under the Litigation Funding Agreement (“LFA”) and the transfer of the majority of the remaining funds to the Administrators’ accounts. Funds of £790,004.64 together with accrued interest are held by WSM to the order of the Administrators.
- 2.5 In Section 3 below, you will find an update on the progress made during the Period in realising the Company’s assets and dealing with its affairs.

### **3 Progress of the Administration**

- 3.1 You may recall that the statutory objective being pursued in the Administration was to rescue the Company as a going concern. In addition to the pursuance of this statutory objective, the Administrators have duties imposed by insolvency and other legislation, some of which may not provide any financial benefit to creditors.
- 3.2 This section of the report provides creditors with an update on the progress made in the Period, both in terms of the achievement of the statutory objective, but also work which is required of the Administrators under other related legislation.

#### ***Administration (including statutory compliance & reporting)***

- 3.3 As noted above, the Administrators must comply with certain statutory obligations under the Insolvency Act 1986 and other related legislation. Details about the work that it was anticipated would need to be done in this area was outlined in the initial fees information provided in the Administrators’ Report and Proposals, which was previously agreed by creditors.
- 3.4 Creditors approved a change in the basis of the Joint Administrators’ remuneration at a virtual meeting held on 7 April 2022 and a fee estimate for the work required to conclude the Network Rail claim was agreed at this time. Following the Settlement, an updated fee estimate for the work that it was anticipated would now be required in the Administration was provided in the Administrators’ report for the period ended 9 February 2023. At the virtual meeting to approve this revised fee estimate, creditors voted to form a creditors committee and as such, the resolution on the revised fee estimate was not voted on. The creditors committee was ultimately not constituted and as such, a further fee estimate was included within the progress report to 9 August 2023, which was approved by creditors at a virtual meeting on 26 September 2023.
- 3.5 Where the costs of statutory compliance work or reporting to creditors exceeds the initial estimate, it will usually be because the duration of the case has taken longer than anticipated, possibly due to protracted asset realisations, which have in turn placed a further statutory reporting requirement on the Administrators.
- 3.6 As noted in the initial fees information and our subsequent estimates, this work will not necessarily bring any financial benefit to creditors but is required on every case by statute.

3.7 The work undertaken during the Period can be summarised as follows:

- Preparing and circulating the Administrators' progress report for the period ended 9 August 2023;
- Filing a copy of the Administrators' progress report for the period ended 9 August 2023 with the Registrar of Companies;
- Convening and holding a virtual meeting of creditors to deal with the decisions proposed in respect of forming a creditors' committee and the revised remuneration of the Administrators;
- Dealing with routine and a significant volume of non-routine correspondence;
- Maintaining physical case files and electronic case details on IPS (case management software);
- Undertaking a periodic review of the progress of the case;
- Case planning, administration, and general case progression, including adjustments in appointment strategy;
- Maintaining and managing the appointment's cashbook and bank accounts; and
- Overseeing and controlling the work undertaken on the case by case staff.

***Realisation of Assets***

3.8 The principal asset in the Administration was the claim against Network Rail, which creditors will recall was settled at £12,000,000.00 together with costs of £120,000.00.

3.9 As creditors were advised in our report to 9 August 2023 the costs funded, initially by Robert Alan Doyle ("RAD") and latterly, under the LFA by Kaymont Finance Ltd ("KFL") in relation to the Network Rail claim have been reconciled and settled. Under the LFA, KFL are entitled to a waterfall payment, and as advised in our previous report, whilst an interim payment in this respect has been made, the final payment could not be made until the following had been agreed:

- The final costs of WSM in respect of the work undertaken in relation to the Network Rail claim and the Settlement; and
- Agreeing the quantum of the Administrators' fees attributable to the Network Rail claim.

3.10 *WSM's Final Costs*

In our previous report, we anticipated that the work to reconcile and agree the final balance of WSM's costs would be completed within 2 months. During the Period, we have instructed Kain Knight, specialist costs lawyers, to assist with the review of the work undertaken by WSM, the costs charged to date and their proposed final invoice. WSM have cooperated with this process however, it has taken significantly longer than anticipated owing to the quantum of the documentation which must be delivered up to Kain Knight in relation to WSM's work on the Network Rail claim. Kain Knight have confirmed that they expect to have completed their review within the next three months and as such, creditors will be updated on the outcome of this review in our next report, which is expected to be issued prior to the end of the Administration on 10 August 2024. Further details regarding the end of the Administration are provided later in this report.



### 3.11 *Joint Administrators' Fees*

As previously reported, to calculate the waterfall payment it was necessary to identify what proportion of the Administrators' time costs incurred from 17 June 2021 was attributable to the work carried out in relation to the Network Rail claim and achieving the Settlement.

- 3.12 These costs amounted to £17,061.90 and will be included in the calculation of the net proceeds for the purposes of calculating the final waterfall payment due to KFL.

### *Conclusion of the LFA*

- 3.13 Although the Administrators' time costs relating to the Network Rail claim and the Settlement have now been agreed, we are not able to conclude the LFA agreement until the costs of WSM have been finalised. An interim payment of £5,100,000 has been released to KFL under the LFA after making a significant provision in relation to the anticipated final costs.

### ***Creditors (claims and distributions)***

- 3.14 The Administrators are not only required to deal with correspondence and claims from unsecured creditors (which may include retention of title claims), but also those of any secured and preferential creditors of the Company. This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture.
- 3.15 Work undertaken by the Administrators in dealing with the Company's creditors may only bring a financial benefit to certain classes of creditor such as a secured creditor or the preferential creditors, however the Administrators are required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Administrators in dealing with those claims.
- 3.16 It is anticipated that the work that the Administrators and their staff have undertaken to date will bring a financial benefit to creditors because it will result in a dividend to secured and unsecured creditors.
- 3.17 The Administrators highlighted in their previous report that they were continuing to receive voluminous correspondence from creditors and their representatives and that this correspondence required the Administrators' consideration in order to provide responses. It was further noted that on numerous occasions, this correspondence has required consultation with legal advisors due to the nature of the comments being made in the correspondence.
- 3.18 The Administrators have continued to receive similar correspondence from creditors, their representatives and advisors in the Period, which has required their attention, and that of their legal advisors. The Administrators have continued to take steps to minimise the costs incurred in dealing with such correspondence, and to limit the future work required in this respect but whilst the correspondence continues to be received, the Administrators are required to deal with it.
- 3.19 More information on the anticipated outcome for all classes of creditor in this case can be found in Section 4.

3.20 At this stage, we consider the following matters worth bringing to the attention of creditors:

- JSO has a secured claim in the Administration;
- There are no preferential creditors in the Administration;
- A dividend cannot be paid to the unsecured creditors of the Company until the final funds due to KFL in respect of the LFA have been calculated, the corporation tax on the Settlement calculated and HM Revenue & Customs' ("HMRC") agreement to the same has been received;
- Azets' tax advisors were previously instructed to provide advice and assistance in relation to the preparation and submission of the corporation tax returns for the Administration period, to include accounting to HMRC for the tax payable on the Settlement. Until the final costs of the Network Rail claim and dealing with the LFA have been agreed, it is not possible to calculate the tax due. Azets' costs in relation to tax matters were agreed at the virtual meeting of creditors on 26 September 2023 on a time cost basis. No payments have been made to date.
- The Administrators do not have the power to declare a distribution to the unsecured creditors without a Court order and as such, as outlined in the proposals, the Administration will be moved to Creditors' Voluntary Liquidation to enable the creditors' claims to be adjudicated on and the dividend(s) to be declared.

### ***Investigations***

3.21 You may recall from the first progress report to creditors that some of the work the Administrators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 ("CDDA 1986") and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that can be pursued for the benefit of creditors.

3.22 The report on the conduct of the directors of the Company to the Department for Business, Energy & Industrial Strategy under the CDDA 1986 was submitted during the first period of the Administration and is confidential.

3.23 No further matters have come to light that may be pursued for the benefit of creditors since our last progress report.

### ***Outstanding Matters***

#### ***WSM's Final Costs.***

3.24 Upon receipt of Kain Knight's report on the costs incurred by WSM in relation to the Network Rail claim and the Settlement, the Administrators will agree the final costs position, and make the final payment due to KFL under the LFA.

#### ***Corporation Tax***

3.25 Until the final costs for the work in relation to the Settlement and the LFA have been agreed, the tax due on the Settlement cannot be calculated. As tax is an expense of the Administration, until the tax has been calculated, the Administrators are unable to determine the funds available to pay a dividend to the unsecured creditors.

### *Adjudication of Creditors' Claims*

- 3.26 Given the complex nature of the creditors' claims received, the information that has been provided to the Administrators to date regarding the likely disputes that will be received from the creditors during the adjudication process and the fact that the Administrators would need to seek permission from the Court to pay a dividend to the unsecured creditors, they consider that it would be in the interests of the creditors to move the Administration to Creditors Voluntary Liquidation ("CVL"), as was proposed in the proposals. Further details regarding the exit from Administration are included at Section 7.

## **4 Estimated Outcome for Creditors**

- 4.1 There will be sufficient funds available to make a distribution to the unsecured creditors however, the quantum and timing of any dividend is depending on a number of factors, including but not limited to the final balance payable to KFL under the LFA, the quantum of the corporation tax payable on the Settlement, the costs and expenses of the Administration, the quantum of agreed creditors' claims and any other matters that arise in the Administration, or subsequent Liquidation, which are required to be dealt with, including any future legal matters involving the Company and/or the Administrators or Liquidators. Creditors are encouraged to submit full details of their claims to the Administrators at the earliest opportunity if they have not already done so. All claims and supporting documentation will be passed to the duly appointed Liquidators in due course.

- 4.2 The sections below provide details of the anticipated outcome for each class of creditor.

### ***Secured Creditors***

- 4.3 The following charges are registered at Companies House and were showing as outstanding immediately prior to the date of Administration:

<i>Chargeholder</i>	<i>Type of Charge</i>	<i>Date Created</i>	<i>Date Registered</i>
JSO	Floating	8 August 2016	9 August 2016
KFL	Fixed and Floating	15 April 2013	29 April 2013

- 4.4 At the date of Administration, the indebtedness to JSO was £2,340.00 and a claim in this amount has been received in the Administration. No distribution in respect of JSO's claim has been made to date but it is anticipated that it will be paid in full from the funds available in the Administration.

The indebtedness to KFL at the date of the Administration was £3,128,890.00. As creditors will be aware from previous reports, following a review of the security documentation, it was determined that the charge was not valid and as such, KFL's claim in the Administration ranks as unsecured.

### ***Prescribed Part***

- 4.5 Section 176A(1)(a) of the Insolvency Act 1986 requires that, where the Company has created a floating charge after 15 September 2003, the Administrators are required to create a prescribed part of the Company's net property available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims. "Net property" means the amount which would, were it not for this provision, be available to floating charge holders (i.e. after accounting for preferential debts and the costs of the Administration).

- 4.6 The prescribed part is calculated as follows:
- 50% of the first £10,000 of the net property; and
  - 20% of the remaining net property up to a maximum of £600,000.
- 4.7 As the Company granted a floating charge to JSO after 15 September 2003, the prescribed part provisions do apply in this case. However, there are funds available to the unsecured creditors over and above the amount to be set aside under the prescribed part.

#### ***Preferential Creditors***

- 4.8 The only preferential creditors of a company are the former employees for arrears of wages accrued in the four months prior to the commencement of the Administration and up to a maximum of £800.00, holiday pay and unpaid pension contributions (up to statutory limits) and the Redundancy Payments Service for any payments made to employees from the National Insurance Fund in this respect.
- 4.9 The Statement of Affairs did not detail any preferential employee liabilities and it was not anticipated that any preferential claims would be received in the Administration.
- 4.10 A former employee of the Company contacted the Administrators in a previous period in respect of monies due in relation to arrears of wages. No further correspondence has been received in this regard and no supporting documentation has been provided to support this claim. Based on the time between the employee's employment ending and the date of Administration, any funds that may be due will rank as an unsecured claim in the Administration.

#### ***Unsecured Creditors***

- 4.11 When taking into account the claim withdrawn in a previous period, the Administrators have received claims totalling £5,430,363.50 from 7 creditors. The Statement of Affairs anticipated claims of £327,164.79 from 4 creditors.
- 4.12 The difference in the claims anticipated in comparison to those received can be attributed to the claim of KFL being an unsecured creditor rather than secured and four claims totalling £2,418,856.73 having been received from creditors who were not detailed on the Statement of Affairs.
- 4.13 These claims have not been adjudicated upon for dividend purposes. As referred to earlier in this report, the quantum and timing of any dividend to the unsecured creditors is currently uncertain, but after taking into account a number of factors, our estimate at this stage is unchanged from our last report in that it should **not be less than 50 pence** in the £.

### **5 Joint Administrators Remuneration and Expenses**

#### ***Joint Administrators' Remuneration***

- 5.1 At the outset of the Administration, the basis of the Administrators' fee was authorised by the unsecured creditors to be drawn as a fixed fee of £10,000.00 plus VAT and expenses, with an additional amount of £1,500.00 plus VAT payable for each additional year or part year that the Administration remained open after the initial first 12 months.

- 5.2 At the end of the period to 9 February 2021, the Administrators were entitled to fees of £16,000.00 plus VAT for the costs incurred for their work in the Administration, and these fees were paid in full in a previous reporting period.
- 5.3 Owing to the change of strategy in relation to the claim against Network Rail, the level of costs incurred in the Administration far exceeded those that were anticipated at the outset of the Administration. As a result, the Administrators informally agreed with the largest unsecured creditor, KFL, that they would write off any additional costs that had been incurred to 9 February 2021 but that they would seek a decision from creditors that from 10 February 2021, their remuneration would be on the following bases:
- Fixed fee of £7,500.00 plus VAT for the work undertaken in the period 10 February 2021 to 16 June 2021 in relation to the work required to seek new litigation funding, to consider the proposals received and compare the outcomes under each proposal, and to negotiate satisfactory terms for the agreement prior to executing it; and
  - Time cost basis for the work undertaken from 17 June 2021, with a fee estimate having been provided for the work anticipated to be undertaken to conclude the Network Rail claim.
- 5.4 These bases were approved by the unsecured creditors at a virtual meeting held on 7 April 2022. The fixed fee element of £7,500.00 plus VAT was paid in a previous reporting period under the terms of the funding agreement with KFL.
- 5.5 A copy of the approved fees estimate for the period 17 June 2021 to the Settlement was included in our report for the period to 9 August 2023. Creditors will recall that this had been prepared on a 'worst-case' scenario and that the actual fees that had been incurred and paid against an estimate of £95,641.50, only amounted to £51,211.90.
- 5.6 In the last report we included a revised fee estimate to cover the work undertaken in the Administration from 11 January 2023 to the conclusion of the Administration. We would confirm that approval for our revised fees estimate was sought from creditors and was approved at a virtual meeting on 26 September 2023. A copy of the approved fees estimate for the period 11 January 2023 to the conclusion of the Administration is reproduced below:-

<i>Category of Work</i>	<i>Estimated Number of Hours</i>	<i>Average Charge Out Rate</i>	<i>Estimated Cost</i>
Administration (inc statutory compliance & reporting)	210.00	£430.24	£90,350.00
Creditors (claims & distributions)	275.00	£446.54	£122,800.00
Creditors Committee	90.00	£451.66	£40,650.00
Realisation of assets	77.50	£515.97	£39,987.50
Investigations	0.30	£548.33	£164.50

- 5.7 The Administrators' time costs for the Period are £36,617.50. This represents 82.10 hours at an average rate of £446.01 per hour. Attached at Appendix C is a time analysis which provides details of the activity costs incurred by staff grade during the Period.
- 5.8 Attached at Appendix D is a cumulative time analysis for the period from 11 January 2023 to 9 February 2024, being the period after the Settlement. These costs total £106,955.50, which represents 245.50 hours at an average rate of £435.84 per hour.

- 5.9 During the Period, the Administrators have drawn £65,000.00 plus VAT against the time costs that have been incurred in the period commencing on 11 January 2023.
- 5.10 The Administrators do not anticipate that any further approval will be required in relation to the costs to conclude the Administration.
- 5.11 The Administrators will update creditors on the total costs incurred in the Administration in the next progress report, which will be the final report issued in the Administration. The costs to conclude the Administration will not exceed the cap of the revised fee estimate.
- 5.12 A copy of 'A Creditors' Guide to Administrators' Fees' is available on request or can be downloaded from [administration- a guide for creditors on insolvency practitioner fees- version 1 april 2021.pdf \(azets.co.uk\)](#).

#### *Joint Administrators' Expenses*

- 5.13 The Administrators have incurred expenses to 9 February 2024 of £1,996.72 plus VAT, of which £108.60 was incurred in the Period. Details of the expenses incurred to date are set out below:

<i>Expense</i>	<i>Incurred in the Period</i>	<i>Total Expenses Incurred</i>	<i>Outstanding Expenses</i>	<i>Estimated Future Expenses (Administration)</i>
Statutory Advertising	£99.80	£439.70	£292.90	-
IT Administration Fee	-	£110.00	-	-
Specific Penalty Bond	-	£1,280.00	-	-
Storage Costs	-	-	-	£71.40
<i>Category 2 Expenses</i>				
Stationery	£0.40	£11.00	£4.05	£5.00 - £10.00
Postage	£8.40	£156.02	£50.40	£20.00 - £30.00
<b>Total</b>	<b>£108.60</b>	<b>£1,996.72</b>	<b>£347.35</b>	<b>£96.40 - £111.40</b>

- 5.14 The expenses incurred are in line with the estimates included in the previous reports to creditors and the outstanding expenses will be paid from the funds held in the Administration account in due course.

#### *Professional Advisors – Network Rail Claim*

- 5.15 At the date of the last progress report, with the exception of the final balance of any fees payable to WSM, all of the costs and expenses associated with the Network Rail claim and the Settlement had been paid from the funds held in the Administration. No payments have been made to WSM in the Period and as referred to earlier in this report, the work to reconcile the costs incurred by WSM against the work completed is not yet complete and as such, it is not known at present whether there will be any further payments made to WSM from the Administration.

#### *Professional Advisors - Other Matters*

- 5.16 As creditors have previously been advised, the Joint Administrators have received legal advice on a number of matters pertaining to the Administration. This advice continues to be necessary owing to the matters that have arisen in the Period.

### *Summit Law LLP*

- 5.17 Summit Law have remained instructed to deal with various matters in respect of the Administration. During the Period, the advice that has been provided relates to the correspondence received from a creditor (via legal advisors) of the Company regarding the conduct of the Administration and the actions taken by the Administrators.
- 5.18 The basis of the Administrators' fee arrangement with Summit Law LLP is based on hourly rates and disbursements. Total time costs of £102,976.00 have been incurred, of which £13,133.10 have been incurred in the Period.
- 5.19 Fees of £85,226.60 have been paid to Summit Law LLP against this time costs, with £6,000.00 having been paid as a result of the costs award in the injunction application (as previously reported) and £79,226.60 having been paid from the funds held in the Administration. In addition to the time costs incurred by Summit Law LLP, fees were incurred in relation to Counsels advice and the assistance of a Belize registered lawyer. These costs totalled £19,928.64 and were reimbursed to Summit Law LLP in a previous period.
- 5.20 As advised in our last report, the Administrators instructed specialist costs lawyers, Kain Knight Limited to undertake a pre-assessment review of the costs incurred by Summit Law LLP. This pre-assessment review was commissioned owing to concerns raised by some of the creditors in the correspondence referred to earlier in this report, regarding the professional advisors' fees and references had been made to challenges being raised regarding the same. In order to assure the creditors that the fees incurred were reasonable in the circumstances, and in an effort to avoid legal action, which would necessarily incur significant additional costs, the Administrators' made the decision to appoint Kain Knight Limited to review the costs incurred and to provide the Administrators with a report on the same.
- 5.21 Following receipt of this report, it was agreed with Summit Law LLP that of the costs incurred for work completed up to 30 May 2023, an amount of £9,000.00 plus VAT would be written off.
- 5.22 A fee estimate of between £3,000.00 and £5,000.00 was provided for this work and following receipt of the report, an invoice in the amount of £3,500.00 plus VAT was received, which has been settled in full in the Period.
- 5.23 As referred to earlier in this report, the Administrators have instructed Kain Knight Limited to prepare a report on the costs incurred and charged by WSM in relation to the Network Rail claim and the Settlement. The Administrators will agree the costs for this work with Kain Knight Limited prior to the commencement of the work however it is expected that the costs for this work will be higher than those incurred in relation to the report on Summit Law LLP's costs owing to the significant amount of work that was undertaken in relation to the long-running Network Rail claim and therefore the associated volume of working papers to be considered in conjunction with the costs information.
- 5.24 The choice of professional advisors instructed by the Administrators since the Network Rail claim was settled have been chosen for their independence. Prior to issuing instructions, the Administrators obtained their confirmation that they had not had any prior professional or personal relationship with any of the parties involved, namely the Company, its directors, former directors, shareholder or the ultimate beneficial owner of the shares held. The Administrators also had regard to their extensive experience in insolvency matters, their

ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them.

## **6 Creditors' Rights**

- 6.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Administrators provide further information about their remuneration or expenses (other than pre-administration costs) which have been itemised in this progress report.
- 6.2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the Administrators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred by the Administrators, as set out in this progress report, are excessive.

## **7 Ending the Administration**

- 7.1 As detailed in the Administrators' previous report, the Court granted a further extension to the period of Administration to 10 August 2024.
- 7.2 As a distribution is available for the unsecured creditors, other than under the prescribed part provisions, there are two routes available to the Administrators to deal with it:
- Proceed into Creditors' Voluntary Liquidation ("CVL") to pay the dividend; or
  - Make an application to Court to declare the dividend in the Administration if there are justifiable grounds for doing so.
- 7.3 It is anticipated that prior to the end of the Administration, the Administrators will file the appropriate notice with the Registrar of Companies to move the Company from Administration to CVL, in order that a dividend can be declared to the creditors however before doing so it will be necessary to revise the proposals for the Administration, as a result of Anthony Malcolm Cork's departure from the firm and the appointment of Meghan Andrews as Joint Administrator by Court order on 5 June 2020.
- 7.4 The Administrators will be discharged from liability under Paragraph 98(3) of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Administrators ceasing to have effect.

## **8 Next Report**

- 8.1 The Administrators are required to provide a progress report within one month of the end of the next six months of the Administration or earlier if the Administration has been finalised or they wish to extend it.



- 8.2 In this case the Administration is due to end on 10 August 2024 and it is anticipated that the Administrators' final report will be provided to creditors before that time.



**Stephen Paul Grant**  
**Joint Administrator**

## **Appendix A**

**Receipts and Payments Account from 10 August 2023 to 9 February 2024 incorporating a  
Cumulative Receipts and Payments Account for the period from 10 August 2016 to 9 February  
2024**

Smoke Club Limited t/a 'Cable' and 'Relay'  
(In Administration)  
Joint Administrators' Summary of Receipts and Payments

RECEIPTS	Statement of Affairs (£)	From 10/08/2016 To 09/08/2023 (£)	From 10/08/2023 To 09/02/2024 (£)	Total (£)
WIP - Recoverable Professional Fees	NIL	0.00	0.00	0.00
Network Rail Settlement		12,120,000.00	0.00	12,120,000.00
Other Refunds		117.24	0.00	117.24
Cash at Bank		2,156.73	0.00	2,156.73
Funding Agreement - RAD		313,161.34	0.00	313,161.34
Bank Interest Gross		3.62	72,622.81	72,626.43
Bank Interest - WSM (Solicitors) LLP		54,998.72	0.00	54,998.72
Funding Agreement - KFL		521,639.88	0.00	521,639.88
		13,012,077.53	72,622.81	13,084,700.34
PAYMENTS				
Office Holders' Fees		74,684.95	65,000.00	139,684.95
Office Holders' Expenses		1,553.08	0.00	1,553.08
Professional Fees - Admin		0.00	3,500.00	3,500.00
Legal Fees and Expenses - Admin		71,744.69	27,410.55	99,155.24
Funds Payable to KFL under LFA		5,100,000.00	0.00	5,100,000.00
Legal Fees and Expenses - NR		253,750.00	0.00	253,750.00
Professional Fees and Expenses - NR		38,550.00	0.00	38,550.00
Legal Fees & Expenses - RAD		252,962.25	0.00	252,962.25
Professional Fees - RAD		3,500.00	0.00	3,500.00
Legal Fees & Expenses - KFL		304,803.84	0.00	304,803.84
Professional Fees - KFL		113,890.00	0.00	113,890.00
VAT Irrecoverable		965.00	0.00	965.00
Refund of VAT- RAD		48,435.79	0.00	48,435.79
Refund of VAT - KFL		60,000.00	0.00	60,000.00
Refund of Costs - RAD		264,725.55	0.00	264,725.55
Refunds of Costs - KFL		461,639.88	0.00	461,639.88
Funds Held by WSM Solicitors LLP		790,004.64	0.00	790,004.64
Floating Charge Creditor	(3,131,230.00)	0.00	0.00	0.00
Trade & Expense Creditors	(329,504.79)	0.00	0.00	0.00
		7,841,209.67	95,910.55	7,937,120.22
Net Receipts/(Payments)		5,170,867.86	(23,287.74)	5,147,580.12
MADE UP AS FOLLOWS				
Bank 1 Current - Metro Bank plc		20,245.81	55,643.15	75,888.96
Bank 1 Current - RBS		5,065,676.91	(4,994,912.05)	70,764.86
Treasury Reserve - RBS		0.00	4,500,000.00	4,500,000.00
Bank 1 Current - Arbutnot Latham		0.00	500,000.00	500,000.00
VAT Receivable / (Payable)		84,945.14	(84,018.84)	926.30
		5,170,867.86	(23,287.74)	5,147,580.12

## **Appendix B**

### **Information in relation to the Joint Administrators' Remuneration and Expenses**



## AZETS HOLDINGS LIMITED – FEES AND EXPENSES POLICY

### Introduction

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk>

Details about how an office holder's fees may be approved for each case type are available in a series of guides issued with Statement of Insolvency 9 (SIP 9) and can be accessed at <https://www.azets.co.uk/restructuring-and-insolvency-downloads/> A hard copy may be requested from Azets Holdings Limited, 2<sup>nd</sup> Floor Regis House, 45 King William Street, London, EC4R 9AN or [meghan.andrews@azets.co.uk](mailto:meghan.andrews@azets.co.uk).

### Staff Allocation and Charge Out Rates

Our general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case. Work carried out by all staff is subject to the overall supervision of the office holders.

The constitution of the case team will usually consist of a Partner/Director, Manager and an Administrator as well as support staff. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and on larger, more complex cases, several members of staff may be allocated to meet the demands of the case.

We operate a time recording system which allows staff working on the assignment along with the office holders to allocate their time to an assignment in 6 minute units.

Time spent on casework is recorded directly to the relevant case using a computerised time recording system and the nature of the work undertaken is recorded at that time. The work is generally recorded under the following categories:

- Administration and planning
- Investigations
- Realisation of assets
- Creditors
- Trading
- Case specific matters

Time costs are recorded at the individual's hourly rate in force at that time. Our charge out rates increased on 1 May 2023 and are shown below, exclusive of VAT.

1 May 2023 to date	£	1 February 2022 to 30 April 2023	£	3 December 2018 to 31 January 2022	£
Partner/Director	520.00 – 665.00	Partner/Director	400.00 – 580.00	Partner	430.00 - 470.00
Manager	320.00 – 430.00	Manager	280.00 – 375.00	Directors/Manager	210.00 - 390.00
Administrator	150.00 – 320.00	Administrator	130.00 – 275.00	Administrator	110.00 - 210.00
Support Staff	150.00	Support Staff	120.00	Junior/Trainee Administrator	95.00 - 200.00
				Cashiers/Secretaries	60.00 - 100.00

Included within the manager grade are Senior Manager, Manager and Assistant Manager. Included within the Administrator grade are Senior Administrator and Assistant. Where necessary and appropriate, members of staff from other departments of the practice will undertake work on a case. They will be charged at their normal charge out rate for undertaking such work.

Please note that charge out rates are reviewed annually and may be subject to change.

## Expenses

On insolvency appointments, an office holder will typically incur expenses which relate to that assignment. Expenses (or costs) are amounts properly payable by an office holder from an insolvency estate which are not otherwise categorised as the office holder's remuneration or a distribution to a creditor or shareholder. These expenses may include, but are not limited to, agent's costs for disposal and realisation of assets, legal costs, specialist pension advice, tax services or other routine expenses associated with an insolvency appointment such as statutory advertising costs, the office holder's specific penalty bond and costs associated with storing the books and records. Expenses also include disbursements which are payments that are first met by the office holder and then reimbursed at a later date from the estate, usually when realisations permit. Details of the anticipated expenses on an insolvency assignment will be outlined in the office holder's fees estimate or other information provided to creditors about the fee basis or bases being proposed.

Expenses recharged to, or incurred directly by, an insolvent estate are subject to VAT at the applicable rate where appropriate.

Some expenses can be paid without prior approval from creditors (referred to as Category 1 expenses) and other expenses which may have an element of shared costs or are proposed to be paid to an associate of the office holder, require approval before they can be paid (referred to as Category 2 expenses).

Category 1 expenses are directly referable to an invoice from a third party that is not an associate of the office holder or the firm, which is either in the name of the estate or Azets Holdings Limited; in the case of the latter, the invoice makes reference to, and therefore can be directly attributed to, the insolvency estate. These costs are recoverable without the prior approval of creditors either by a direct payment from the estate or, where the firm has made payment on behalf of the estate, by a recharge of the amount invoiced by the third party.

Category 2 expenses are directly attributable to the estate but include an element of shared costs or is a payment to an associate of the office holder or the firm. These expenses are recoverable from the estate, subject to the prior approval of the creditors, in the same manner as the approval of the office holder's remuneration.

The Category 2 expenses which include an element of shared costs and are charged by this firm are as follows:

- Postage – charged in accordance with the current Royal Mail price guide for first class.
- Business mileage – charged at standard rates which comply with HM Revenue & Customs limits. The current rate is 45 pence per mile.
- Internal photocopying - charged at 5 pence per sheet for reports and circulars issued to creditors, shareholders, employees and other stakeholders. No additional charge is made for individual items of correspondence.

Please note that these category 2 expenses are reviewed annually and may be subject to change.

Payments to associates (as defined in Section 435 of the Insolvency Act 1986 and the Insolvency Code of Ethics), which are also classified as a category 2 expense requiring creditor approval, are not routinely made by this firm. Any such payments will be considered on a case by case basis and when seeking approval for the payments, the office holder will provide creditors with an explanation of the work to be done, why the work is necessary and the estimated payment that will be made. The form and nature of the relationship with the associate will also be provided.

## Provision of Services Regulations

When carrying out all professional work relating to an insolvency appointment, Insolvency Practitioners are bound by the Insolvency Code of Ethics.

To comply with the Provision of Service Regulations, some general information about Azets Holdings Limited, including our complaints policy and Professional Indemnity Insurance and the Insolvency Code of Ethics, is available on our website using the following link:

[www.azets.co.uk/about-us/legal-regulatory-information/](http://www.azets.co.uk/about-us/legal-regulatory-information/)

## **Appendix C**

### **Time Analysis for the Period from 10 August 2023 to 9 February 2024**

HOURS						Time Cost (£)	Average hourly rate (£)
Classification Of work function	Partner	Manager	Other senior Professionals	Assistants & support staff	Total Hours		
Administration & Planning	34.20	29.90	-	10.40	74.50	33,237.50	446.14
Realisation of Assets	0.10	-	-	-	0.10	57.50	575.00
Creditors	4.80	0.70	-	2.00	7.50	3,322.50	443.00
Investigations	-	-	-	-	-	-	-
Total hours	39.10	30.60	-	12.40	82.10	36,617.50	446.01

These time costs were included within the fees estimate that was provided for the work undertaken from 11 January 2023 to the conclusion of the Administration, and which was approved by creditors on 26 September 2023 following receipt of the Joint Administrators' fees estimate in the progress report for the period from 10 February 2023 to 9 August 2023. These time costs are included within the cumulative time costs analysis at Appendix D.



## **Appendix D**

### **Cumulative Time Analysis for the Period from 11 January 2023 to 9 February 2024**

HOURS						Time Cost (£)	Average hourly rate (£)
Classification Of work function	Partner	Manager	Other senior Professionals	Assistants & support staff	Total Hours		
Administration & Planning	74.90	91.20	-	18.40	184.50	78,909.50	427.69
Realisation of Assets	15.60	-	-	-	15.60	8,137.50	521.63
Creditors	20.10	22.90	-	2.00	45.00	19,744.00	438.76
Investigations	0.20	0.10	-	-	0.30	164.50	548.33
Total hours	110.80	114.20	-	20.70	245.40	106,955.50	435.84

These time costs were included within the fees estimate that was provided for the work undertaken from 11 January 2023 to the conclusion of the Administration, and which was approved by creditors on 26 September 2023 following receipt of the Joint Administrators' fees estimate in the progress report for the period from 10 February 2023 to 9 August 2023.

## **Appendix E**

### **Time Analysis for the Period from 17 June 2021 to 10 January 2023**

HOURS						Time Cost (£)	Average hourly rate (£)
Classification Of work function	Partner	Manager	Other senior Professionals	Assistants & support staff	Total Hours		
Administration & Planning	38.60	69.20	-	14.10	121.90	43,843.90	359.67
Realisation of Assets	7.40	3.50	-	-	10.90	4,719.00	432.94
Creditors	1.40	6.00	-	-	7.40	2,649.00	357.97
Total hours	47.40	78.70	-	14.10	140.20	51,211.90	365.28

These time costs were approved by creditors on 7 April 2022 following receipt of the Joint Administrators' fees estimate in the progress report for the period from 10 August 2021 to 9 February 2022. The fees estimate report that was provided was for the work that it was anticipated would be required to the settlement of the Network Rail claim.