

STRICTLY CONFIDENTIAL AND NOT TO BE CIRCULATED OR RELEASED TO THIRD PARTIES

**Alder Bridge Association for Steiner-Waldorf Education (In Administration)
Administrators Report to Members ahead of forthcoming Extraordinary General Meeting**

Report dated July 2023

DRAFT



Preamble

The Administrators of AB (having been requested by two members of AB to do so) will shortly be convening an Extraordinary General Meeting ("EGM") of members in order to propose the following resolutions;

1. That Stuart brown and Marcus Webb be formally appointed as trustees of AB; and
2. That further members be nominated and formally appointed as Trustees of AB up to a maximum of 7 trustees in total.

In order to be fully transparent as regards the current financial position and consequences of such resolutions, the Administrators are releasing this report in advance of convening such meeting. The EGM will be held at 10am on 12th August 2023 and the venue will be the Alder Bridge school, Mill Lane, Padworth, Berkshire, RG7 4JU.

Members can vote by returning their proxy in the name of "The Chairman of the Meeting" with their voting preference indicated on the proxy, or attend in person.

Background

Paul Ellison and David Taylor were appointed as Joint Administrators of AB on 24 November 2022 by the Trustees of AB on an application to Court. The charity was making losses of c£10,000 per month primarily due to low pupil numbers, and there was uncertainty over being able to pay the November staff wages. The school term was due to end on 16 December 2022 and there was no prospect of being able to pay the December wages or the redundancy costs of staff.

The strategy was that the Administrators would obtain an overdraft to enable the school to continue to operate until the end of term and then the Redundancy Payments Service would meet the staff redundancy costs (and stand in their shoes as creditors). AB owns the freehold of Bridge House a building of residential flats and rooms used by the school, and it was envisaged that this property would be sold by the Administrators, the creditors of AB and costs of the Administration would be paid from the proceeds and then the company would exit Administration with the surplus funds being under the control of the Trustees.

The Trustees would then decide how these funds should be utilised, either by continuing to operate as a charity, or gifting the funds to a like minded charity. Bridge House is estimated to realise in excess of £1.5m and this would have resulted in a surplus being returned to the Trustees of c£1m. The members are required to be involved in any decision process relating to the surplus and therefore have a significant interest in matters.

Saint Lukes Trust ("SLT")

Shortly after the Administrator's appointment they were approached by SLT who were the previous owners of Bridge House, and owners of the adjacent school building. Initially it was proposed that SLT make a gift to AB sufficient to pay all creditors and costs, on the condition that Bridge House was then gifted to SLT. After taking advice from legal Counsel the Administrators role was clarified as a duty of care to ensure that all creditors of AB are paid in full. The destination of any surplus funds was a decision for the Trustees and members of AB. Counsel also confirmed that the Administrators could not be criticised if they simply chose to sell Bridge House and exit the Administration.

The SLT proposal has now been revised such that on a sale of one of their properties, they would provide a loan to AB of £450,000 which is the estimated sum required to pay all creditors and costs of AB. The terms of the loan are as follows;

Sum: £450,000
Interest: 5% per annum
Repayment: Interest to commence 3 months after loan taken
Capital repayments of £1,000 per month after 3 years
Security: First charge on Bridge House

In addition to the above SLT have lodged a claim in respect of dilapidations arising from the lease that AB had over the adjacent school property. This sum is not yet agreed and could range from zero to their surveyors claim of £136,000. Respective surveyors are currently reviewing the claim.

It is proposed that the agreed figure is also loaned to AB on the following terms;

Sum: To be agreed
Interest: Zero
Repayment: Backstop date 10 years or if Bridge House is sold if earlier. If Bridge House is transferred to another charity then the loan is written off.
Security: Charge on Bridge House

It is a condition of the loans being made that Stuart Brown ("SB") and Marcus Webb ("MW") of SLT are appointed as Trustees of AB. Bimal Dharsl and John Iveson have indicated that they will be tendering their resignations and Paul Jenkins will remain in situ. Further nominations for Trustees up to a maximum of 7 are invited.

SLT, SB and MW

Attached to this report is the business plan prepared by MW in respect of AB post Administration. Whilst the Administrators have reviewed the business plan, it is effectively a startup and they are unable to confirm its veracity. One fundamental concern is that Bridge House is in a very poor condition and will require substantial expenditure on various matters.

It is also very relevant to members that SB and MW will seek to persuade the trustees and members that Bridge House be gifted to a like minded charity, separating its ownership from the operating activities. The rationale for this is that the operation activities have in the past been volatile, hence the current Administration status of AB, and this ringfences Bridge House from such issues.

The Administrators are aware that the property being sold by SLT should realise sufficient capital to enable the proposed loan to be made and to provide £30,000 of working capital, as set out in the business plan.

What are you voting for?

A vote to appoint SB and MW onto the board of Trustees will have the following implications:

- SLT will grant the loan as set out above and enable an exit from Administration;

- SB and MW will seek to remove Bridge House from AB into a newly formed "land trust" and it is probable that the current members will cease to have any influence over its future use/retention; and
- In the short term at least, Bridge House will not be sold and will remain a charity asset in the local community.

A vote rejecting the appointment of SB and MW will:

- Mean that SLT will withdraw its offer of a loan to enable AB to exit Administration;
- Bridge House will immediately be marketed for sale with the proceeds paying in full all creditors and costs and a substantial surplus of cash being retained by AB for the trustees and members to decide how to utilise; and
- AB can then continue to operate (as it decides fit) or gift the surplus funds to a like minded charity.

The Administrators repeat that provided that they fulfil their duties in ensuring all creditors and costs are paid in full, they are ambivalent as to the route that the members choose. However costs will continue to increase the longer that AB remains in Administration and the Administrators need a decision quickly.

Any members wishing to put themselves forward for their appointment as Trustees in addition to SB and MW should email Chris Errington on chris.errington@kreocr.co.uk.

Notices of the EGM and proxy forms will follow shortly, however the Administrators wanted to report early in order that members would appreciate the significance of what they were voting for.

The Administrators wish to emphasise that whilst their current intention is to follow the wishes of members, they are not bound by any members decisions, and reserve their right to act in accordance with the best interests of creditors.

If members have any queries then they can contact one of the following;

Paul Ellison paul.ellison@kreocr.co.uk

Chris Errington chris.errington@kreocr.co.uk

Gareth Roberts gareth.roberts@kreocr.co.uk