

CONTRACT INTERIORS UK LIMITED



Report for Meeting of Creditors (Section 98 Insolvency Act 1986)

Private & Confidential

(This Report is for use by the Members and Creditors of the Company only and must not be published or provided to any other party without the written permission of DCA Business Recovery LLP)

DCA Business Recovery LLP
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Essex
SS1 1EF
United Kingdom

DCA Business Recovery LLP have not carried out anything in the nature of an audit of this information nor sought to verify the existence of, title to and value of the company's assets and liabilities. We have however discussed a draft of this report with the Directors and they have confirmed that there are no material errors or omissions.


14/01/2016


**SEEN AND
APPROVED**

DIRECTORS' REPORT TO THE MEETING OF CREDITORS OF**CONTRACT INTERIORS UK LIMITED****HELD ON 14TH JANUARY 2016****STATUTORY INFORMATION**

The Company was incorporated on 26th October 1992 in the name Contract Furniture Designs Limited and the Company Registration No. is 02758739.

The Company changed its name to its present style on 14th May 1999.

The Company's business was the manufacture and sale of furniture and it traded under the names Chairs GB Limited and

The registered office has been located as follows:

From	To	Registered Office Address
14/05/2003	Present	Cockaynes Orchard, Cockaynes Lane, Alesford, Colchester, Essex, CO7 8BZ
26/10/1992	13/05/2003	JDR Buildings, Colchester Road, Weeley Clacton-on-Sea, Essex, CO16 9JT

The authorised share capital is 8400 ordinary shares of £1 each, of which all have been issued and fully paid as follows:

Name of member	Ordinary	Percentage
John Roy	5580	66.4%
Thomas Clark	420	5%
Jacqueline Roy	1600	19.1%
Hayley Roy	800	9.5%


Aside from the formation agents, the officers of the Company have been as follows: -

Name	Position	Appointed	Resigned
John Roy	Director	26 October 1992	-
Thomas Clark	Director	28 July 2014	-
Hayley Roy	Director	30 April 2003	30 March 2015
Jacqueline Roy	Secretary	26 October 1992	28 March 2015
Andrew Fearis	Director	14 July 1997	23 August 2010

OTHER INFORMATION

Bankers: Lloyds Bank and Barclays Bank

Security held: Barclays Bank – Debenture – Created 20/08/2010
Lloyds Bank – Debenture – Created 02/09/2015

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Accountants: Wood and Disney, Lodge Park, Lodge Lane, Langham, Colchester, Essex, CO4 5NE

HISTORY

The company was formed in 1992 by John Roy to manufacture contract furniture for the licensed and leisure industries.

The business was based in the village of Weeley near Clacton on sea in a factory employing about 20 staff skilled in the production of furniture.

In 2002 the company decided to trade in products imported from Asia. In order to stock more products the company moved to a custom built factory in the village of Alresford, where it could also store imported Asian products.

At one point the company was stocking 25,000 chairs, tables and furniture and distributed throughout the UK. The manufacturing was stopped in 2004 and all efforts were focused on importing these goods from Asia and storage of them.

In 2008 the recession hit the company and the company needed investment, which was supplied by the director John Roy via the director's loan account. Also in order for the bank to provide further funds a personal guarantee was required to the bank for the overdraft.

In 2009/2010 John was ill for about 18 months with peritonitis. During this time more borrowing was acquired for the company.


In 2012 the quality of the Asian products were getting very poor so the manufacturing of their own products was started again due to the demand.

Over the following years the Asian products quality got much worse and the company was replacing products sometimes several times over throughout the UK. This depletion of stock and rectifications reduced the value of the stock rapidly in the last year of trading.

During 2014/2015 the demand for manufactured products increased to a high level but the quality, skill and attitude of the staff in the Clacton on Sea area was very poor. Even though Training was ongoing, it takes years and not months to train cabinet makers and fitters which the company simply did not have the time to do so.

During December 2015 John Roy realised that it was not possible to continue without further cash injections from himself or the bank and he sought the advice of his accountants, who in turn arranged for the director to meet with DCA Business Recovery LLP.

The decision was made to cease trading the business and to liquidate the company voluntarily.

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TRADING RESULTS

The most recent accounts prepared for the Company show:

	Unaudited Financial Statements	Unaudited Financial Statements	Unaudited Financial Statements
ABBREVIATED PROFIT & LOSS ACCOUNT	Y/E 31/12/2014	Y/E 31/12/2013	Y/E 31/12/2012
Turnover	1,204,240	1,721,258	1,988,238
Cost Of Sales	<u>(765,873)</u>	<u>(1,109,217)</u>	<u>(1,224,366)</u>
Gross Profit	438,367	612,041	763,872
Distribution Costs	21,879	52,067	87,130
Administration Expenses	<u>406,564</u>	<u>573,955</u>	<u>613,055</u>
Operating Profit	9,924	(13,981)	63,687
Interest Payable and Similar Charges	<u>6,196</u>	<u>9,283</u>	<u>18,852</u>
Profit/(loss) on Ordinary Activities before Taxation	3,728	(23,264)	44,835
Tax on Profit on Ordinary Activities	<u>2,888</u>	<u>5,358</u>	<u>10,835</u>
Profit/(loss) on Ordinary Activities after Taxation	840	(28,622)	34,000
Dividends	<u>-</u>	<u>4,200</u>	<u>33,600</u>
Retained Profit/(Loss) for the Year	840	(28,622)	34,000
Accumulated Profit/(Loss) Brought Forward	<u>41,166</u>	<u>73,988</u>	<u>39,988</u>
Retained Profit/(loss) Carried Forward	<u>42,006</u>	<u>41,166</u>	<u>73,988</u>
DIRECTORS' REMUNERATION	86,000	66,460	38,053

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ABBREVIATED BALANCE SHEET

	Y/E 31/12/2014	Y/E 31/12/2013	Y/E 31/12/2012
Fixed Assets			
Tangible Assets	16,337	44,845	99,849
Current Assets:			
Stocks	694,655	614,424	693,110
Debtors	94,438	51,660	76,949
Cash in Hand	168	44	382
Creditors: amounts falling due within one year	755,192	644,864	771,359
Net Current Liabilities	34,069	21,264	(918)
Total Assets Less Current Liabilities	50,406	66,109	98,931
Net Assets	50,406	49,566	82,388
Capital and Reserves			
Called Up Share Capital	8,400	8,400	8,400
Profit and Loss Account	42,006	41,166	73,988
Shareholders' Funds	50,406	49,566	82,388

INSOLVENCY

The Directors attribute the failure of the Company to:

- The lack of Care, quality and skill of the staff.
- Rectification Costs. These costs do not include the loss of sales production time and in a lot of cases the cost of the product itself. If the lost production time were also added to the final figure the total losses would be more than doubled or even trebled.
- During the latter part of 2014 and throughout 2015 there were a lot of issues with the Asian imports which could not stand durability in the contract market. Even though we replaced customer products (throughout the UK) sometimes several times. In many cases the customers withheld payments. Some containers coming in were not fit for use and were eventually dumped.
- The Company production manager left in July 2015, and up until now the company has not found anybody with the necessary skills to control the factory.
- With the switch back away from selling predominately imported Asian products back to manufacturing products there is no local labour with the required skills and the quality of labor available for training is also extremely poor.
- By the beginning of December the companies debtors control account stood at £191,263.96 most of which I found out was not recoverable due to quality issues.

The Directors were advised by the Company's accountant to seek advice from a licensed insolvency practitioner. In this regard a meeting of the Board of Directors was held with Deborah Ann Cockerton of DCA Business Recovery LLP on 22nd December 2015. Deborah Ann Cockerton advised the Board

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of the options available and following a discussion DCA Business Recovery LLP were instructed to assist the Directors in preparing a Statement of Affairs and convening meetings of the Company's members and creditors. The notices were despatched on 23rd December 2015.

STATEMENT OF AFFAIRS

DCA Business Recovery LLP assisted the Directors in preparing an Estimated Statement of Affairs. John Roy signed a Statement of Truth in respect of the Estimated Statement of Affairs prior to the meeting of creditors. A copy of the Estimated Statement of Affairs is attached and forms part of this report.

INSOLVENCY PRACTITIONERS' COMMENTS ON THE STATEMENT OF AFFAIRS

Deborah Ann Cockerton of DCA Business Recovery LLP would comment on the Statement of Affairs as follows:

Assets

Mr Ken Lammas, of General Auctions Limited, a firm of professional, independent valuation agents were instructed to provide an independent professional valuation of the Company's tangible and intangible assets for the purposes of the Estimated Statement of Affairs.

Tangible Assets

The tangible assets are comprised of Land and Buildings and Plant and Machinery. According to the director the plant and machinery was transferred to the director via his Directors Loan Account in 2012.

This will be clarified once the company is in liquidation.

Stocks

The last set of accounts as at 31st December 2014 included stocks with a value of £694,655. An independent agent has visited the site and the directors have provided photos of the remaining stock to the agent.

The agent has placed a valuation of £8,000 to £10,000 on the stocks remaining owned by the company and the director has advised that due to several factors the stock levels greatly reduced. These factors included a production manager leaving in July 2015, reverting back to manufacturing goods rather than importing from Asia and a large amount of goods in the 6 months needing to be replaced under guarantees.

The liquidator will make further enquiries into the stock levels once appointed.

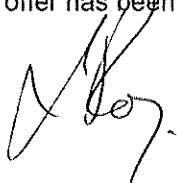
Book Debts

It is understood that in December 2015 the sum of £191,263.96 was owed to the Company by way of outstanding book debts. The director has advised that several payments were withheld due to goods being of an inferior nature and whilst goods were replaced several times the customers still withheld payment.

Upon appointment the liquidator will make further enquiries into the debtor's recoverability.

Sale of assets to a connected party

A connected party, Commercial Interior Design Manufacturers Limited has made an offer of £8,000.00 for the assets of the Company consisting of stocks. It is anticipated that any sale will be completed shortly following the appointment of the Liquidators and the consideration will be paid upon completion. Advice regarding the offer has been sought from agents, Ken Lammas of General Auction

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Ltd, who confirms that it would be appropriate for the Liquidators to accept the offer. DCA Business Recovery LLP understand that the purchaser has been independently advised by Ken Lammas of General Auctions Ltd. Commercial Interior Design Manufacturers Limited is controlled by Thomas Clark, a Director of the Company.

Liabilities

Secured Liabilities

There are provisions of the insolvency legislation that require a Liquidator to set aside a percentage of a Company's assets for the benefit of the unsecured creditors in cases where the Company gave a "floating charge" over its assets to a lender on or after 15 September 2003. This is known as the "prescribed part of the net property" ("prescribed part"). A Company's net property is that left after paying the preferential creditors, but before paying the lender who holds a floating charge. Any costs of the liquidation that are payable before the Liquidator has reached a position to make a distribution to the floating charge holder have to be deducted from floating charge realisations before arriving at an amount for the "net property" of the Company. As a result, the costs associated with realising floating charge assets, paying preferential claims in full, the general costs of winding up and the costs of confirming the validity of the floating charge will have to be deducted before the "net property" is calculated. The "prescribed part" that the Liquidator then has to set aside for unsecured creditors is:

- 50% of the first £10,000 of the net property; and
- 20% of the remaining net property up to a maximum of £600,000.

As the floating charges were registered after 15 September 2003, the Liquidators will be required to make a prescribed part of the Company's net property available to the unsecured creditors. The Statement of Affairs shows that the net property of the Company is zero, such that the prescribed part of the net property for unsecured creditors is nil. However, this does not take into account the costs of the liquidation, which will reduce the amount of the Company's net property and of the prescribed part indicated above. In view of the anticipated costs of the liquidation then it is likely that the net property of the Company will end up being less than £10,000. If that is the case then it is likely that the Liquidators will decide not to make a distribution of the prescribed part of the net property to the unsecured creditors on the basis that the costs of distributing the prescribed part would be disproportionate to the benefits to creditors given the number of creditors of the Company and the extent of the Company's debts.

Preferential Liabilities - Employees

The Company had employed 24 staff including the Directors and it is understood that monies will be owed to them in respect of outstanding holiday pay and wages. The outstanding holiday pay and wages of employees are, subject to statutory limits, preferential claims in the liquidation.

Unsecured Liabilities

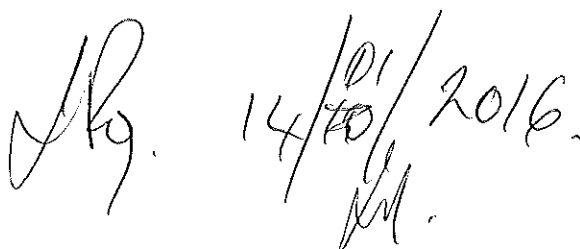
Trade & Expense Creditors - The Company has 58 known 'trade & expense' creditors owed a total of approximately £149,266.99.

Employees - It is anticipated that monies will be owed to employees in respect of redundancy pay, pay in lieu of notice and arrears of wages.

Director – Mr John Roy is personally owed approximately £324,394.55 in respect of loans made to the company.

Landlord - The landlord JR Properties is owed the sum of £156,000 in respect of arrears of rent.

HM Revenue & Customs – PAYE/NIC/CT - It is estimated that £24,791.07 is owed to HM Revenue & Customs by way of the following:


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Liability	Period	Amount
PAYE & NIC	Underpayment Month 7	£19,234.65
CT	-	<u>£5,556.42</u>
		£24,791.07


HM Revenue & Customs – VAT - Approximately £36,235.61 is owed to HM Revenue & Customs in respect of unpaid VAT for the period to 22nd December 2015.

Comments as to Transactions with Associated Companies or Individuals

The Directors have indicated that, in the last 12 months, other than in the ordinary course of business there have been no transactions with, or assets acquired by any companies or individuals associated with the Company.

Deficiency Account

A deficiency account is attached for the period from 1st January 2015 to 14th January 2016.

 14/01/2016

ESTIMATED DEFICIENCY ACCOUNT

Deficiency Account for the period from 1st January 2015
to 14th January 2016

	£	£
Shareholders funds as at 31st December 2014		50,406.00
Total deficiency as regards shareholders as at 14th January 2016		(732,089.00)
		<hr/>
Deficiency		(782,495.00)
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<u>Explained by</u>		
<u>Less: Amounts written down for the purposes of the Statement of Affairs</u>		
Stocks	(684,655.00)	
Book debts	(191,264.00)	
Tangible Assets	(16,337.00)	
	<hr/>	(892,256.00)
		<hr/>
		(892,256.00)
<u>Less: Items arising not in the course of trading</u>		
Pay in lieu of notice/redundancy pay	(20,000.00)	
Bank Overdraft and Loan	(185,000.00)	
	<hr/>	(205,000.00)
		<hr/>
		(1,097,256.00)
Estimated trading profit incurred in the period 1 st January 2015 to 14 th January 2016		314,761.00
		<hr/>
		(782,495.00)

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