

# HELEY BARGAIN STORES LIMITED

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

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(This Report is for use by the Members and Creditors of the Company only and must not be published or provided to any other party without the written permission of DCA Business Recovery LLP)

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 12/10/16

**SEEN AND  
APPROVED**

DCA Business Recovery LLP  
2 Nelson Street  
Southend-on-Sea  
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.

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**DIRECTORS' REPORT TO THE MEETING OF CREDITORS OF****HELEY BARGAINS LIMITED****HELD ON 12<sup>TH</sup> OCTOBER 2016****STATUTORY INFORMATION**

The Company was incorporated on 19<sup>th</sup> September 2012 in the name of Heley Bargain Stores Limited and the Company Registration No. is 08220174. The Company has not had any other names since incorporation.

The Company's business was operating retail outlets and it traded under the style trading name Heley Bargains.

The registered office has been located as follows:

<b>From</b>	<b>To</b>	<b>Registered Office Address</b>
19/09/2012	Present	Trafalgar House, 712 London Road, West Thurrock, Essex, RM20 3JT

The authorised share capital is 2 ordinary shares of £1.00 each, of which 2 have been issued and fully paid as follows:

<b>Name of member</b>	<b>Ordinary</b>	<b>Percentage</b>
Heley Holdings Limited	2	100%

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

<b>Name</b>	<b>Position</b>	<b>Appointed</b>	<b>Resigned</b>
David George Heley	Director	19/09/2012	To Date
Michael Thomas Heley	Director	19/09/2012	To Date

**OTHER INFORMATION**

Bankers: NatWest Bank

Security held: None

Accountants: Maynard Heady

Group Companies: Heley Holdings Ltd, Heley International Ltd, G A F Heley (Properties) Ltd, Q E Logistics Ltd, G & G Essex Developments Ltd

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## HISTORY

Heley Bargain Stores Limited was incorporated on the 19<sup>th</sup> September 2012 and began trading as a partnership set up by the directors, David Heley and Michael Heley.

The business was initially financed by a £50,000 overdraft facility and soon became the largest family run independent discount store in Essex. The company soon grew significantly providing discounted food, drink and household items to over 300,000 customers per year.

At its peak in 2015, the business was operating from 6 units, Thurrock, Billericay, Laindon, Ockendon, Chelmsford and Corringham.

The business soon began to suffer in 2016 and the stores management team resigned and began working for a multinational discount retailer, this led to an outsourcing of warehouse distribution and in turn, an increase in costs and difficulty in providing accurate stock figures.

The lack of managerial experience in the business led to increased overheads and lower turnover however due to a collective effort of staff and the directors by mid-2016, Heley Bargain Stores began to trade well again.

Upon the decision of the EU referendum, the Company's cash flow became affected dramatically. Overnight, the crash in the GBP Sterling sent costs prices up by 15%-20% and haulage prices up by 5%. Europe was a major source of products for the Company including brands such as Coca Cola, Mars, Ariel and Airwick. The company was no longer able to offer to clients "big brands at bargain prices" as it once used to and shortly, customers started to shop elsewhere resulting in the turnover of the business falling substantially.

The Company shortly began to fall in to arrears with its creditors as the business was unable to repay its debts as and when they fell due.

In August 2016, Heley Bargain Stores largest supplier, Heley International Limited, refused to extend any more credit to the Company and demanded repayment of the outstanding debts.

The directors of Heley Bargain Stores Limited, held a board meeting in which to decide the fate of the Company. The directors decided at the board meeting duly held in September 2016, that there was no alternative than to consult their accountants regarding the Company's financial position.

The Company accountant advised the directors to seek advice from an Insolvency Practitioner and referred both directors to DCA Business Recovery LLP.

At a meeting with Deborah Ann Cockerton of this firm, the directors were advised that the business was no longer viable and that the best option would be to formally place the Company in to Creditors Voluntary Liquidation.

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## TRADING RESULTS

The most recent accounts prepared for the Company show:

ABBREVIATED PROFIT & LOSS ACCOUNT	Unaudited statutory financial statements	Unaudited statutory financial statements
	Y/E 2014	Y/E 2013
Turnover	758,618	576,439
Cost Of Sales	<u>(432,019)</u>	<u>(335,250)</u>
Gross Profit	326,599	241,189
Administration Expenses	<u>(423,689)</u>	<u>(306,656)</u>
Operating Profit	(97,090)	(65,467)
Other Interest Receivable and Similar Income	442	251
Interest Payable and Similar Charges	<u>(501)</u>	<u>-</u>
Profit/(loss) on Ordinary Activities before Taxation	(97,149)	(65,216)
Tax on Profit on Ordinary Activities	<u>17,576</u>	<u>12,153</u>
Profit/(loss) on Ordinary Activities after Taxation	(79,573)	(53,063)
Dividends	<u>-</u>	<u>-</u>
Retained Profit/(Loss) for the Year	(53,063)	-
Accumulated Profit/(Loss) Brought Forward	<u>(79,573)</u>	<u>(53,063)</u>
Retained Profit/(loss) Carried Forward	<u>(132,636)</u>	<u>(53,063)</u>
DIRECTORS' REMUNERATION	-	-

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## ABBREVIATED BALANCE SHEET

	Y/E 2014	Y/E 2013
<b>Fixed Assets:</b>		
Tangible Assets	<u>31,251</u>	<u>23,121</u>
<b>Current Assets:</b>		
Stocks	145,609	144,703
Debtors	58,945	66,792
Cash at Bank and in Hand	<u>5,941</u>	<u>3,397</u>
<b>Creditors: amounts falling due within one year:</b>	<u>(37,380)</u>	<u>(291,074)</u>
<b>Net Current Liabilities</b>	<u>(163,885)</u>	<u>(76,182)</u>
<b>Total Assets Less Current Liabilities</b>	(132,634)	(53,061)
<b>Capital and Reserves</b>		
Called Up Share Capital	2	2
Profit and Loss Account	<u>(132,636)</u>	<u>(53,063)</u>
<b>Shareholders' Funds</b>	<u>(132,634)</u>	<u>(53,061)</u>

## INSOLVENCY

The Directors attribute the failure of the Company to:

- The decision of the EU referendum resulting in a "leave" vote which in turn caused the GBP Sterling to crash overnight and costs to increase

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 7<sup>th</sup> September 2016. Deborah Ann Cockerton advised the Board 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 27<sup>th</sup> September 2016.

## STATEMENT OF AFFAIRS

DCA Business Recovery LLP assisted the Directors in preparing an Estimated Statement of Affairs. David Heley 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.

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## 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

#### Fixed Tangible Assets

The last set of accounts for the year ended 31<sup>st</sup> December 2014 showed fixed tangible assets with a net book value of £31,251. This was made up of plant and machinery and the director has advised all plant and machinery belongs to the parent Company, Heley International Limited and therefore it is expected that no value will be achieved upon the Liquidation of the Company. This will be investigated by the Liquidator.

#### Stock

Stock showed a net book value of £145,609 in the last set of accounts for the year ended 31<sup>st</sup> December 2014. The director has advised that all of the stock belonging to the Company was bought from the parent Company, Heley International Limited and therefore no realisation will be achieved in respect of stock in Liquidation. Upon the appointment of a Liquidator, this will be looked in to further.

#### Debtors

It is understood that £58,945 is owed to the Company by way of outstanding book debts as this figure was shown in the last set of accounts dated the 31<sup>st</sup> December 2014. The director has advised that there are no debtors that will be realised in Liquidation as payment for goods were generally made at the time of purchase. There were two customers who were given credit facilities however as at this date all debtors have been repaid and there is no balance outstanding that will be realised in Liquidation. Upon the appointment of a Liquidator schedules of the outstanding debtors will be requested.

#### Cash at Bank

The last set of accounts dated 31<sup>st</sup> December 2014 showed cash at bank with a net book value of £5,941 in respect of cash at bank. It is understood that there is currently £356.82 held in the Company's bank account with NatWest Bank Plc and this is therefore expected to be realised in Liquidation.

#### Sale of assets to a connected party

The director has confirmed that there has been no sale of assets to a connected party.

### 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:

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- 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 there are no charges registered over the assets of the Company, the prescribed part provisions will not apply.

#### Unsecured Liabilities

Trade & Expense Creditors - The Company has 14 known 'trade & expense' creditors owed a total of approximately £399,413.64.

Employees - It is anticipated that monies will be owed to employees in respect of redundancy pay.

HM Revenue & Customs – PAYE/NIC - It is estimated that £3,465.69 is owed to HM Revenue & Customs by way of the following:

Liability	Period	Amount
PAYE & NIC		3,465.69
Corporation Tax		-
		<u>£3,465.69</u>

HM Revenue & Customs – VAT - Approximately £25,000 is owed to HM Revenue & Customs in respect of unpaid VAT.

#### **Comments as to Transactions with Associated Companies or Individuals**

The Directors have indicated that, in the last 12 months, Heley International Limited acquired the fixed tangible assets of Heley Bargain Stores as this was purchased by Heley International Limited and was incorrectly disclosed in the accounts of Heley Bargain Stores Limited. Heley International Limited also took back the stock of Heley Bargain Stores Limited as this was purchased by Heley International Limited. Upon the appointment of a Liquidator, this will be looked in to further.

#### **Deficiency Account**

A deficiency account is attached for the period from 1<sup>st</sup> January 2015 to 12<sup>th</sup> October 2016.

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**Heley Bargain Stores Limited**

**Deficiency Account for the period from 1<sup>st</sup> January 2015 to 12<sup>th</sup> October 2016**

	£	£
Shareholders' funds as at 1 <sup>st</sup> January 2015		(132,634)
Total deficiency as regards shareholders as at 12 <sup>th</sup> October 2016		(465,351)
<b>Deficiency</b>		<b>(332,717)</b>

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Less: Amounts written down for the purposes of the Statement of Affairs

Fixed Tangible Assets - Plant and Machinery	(31,251)	
Stock	<u>(145,609)</u>	
		(176,860)
Estimated trading loss incurred in the period 1 <sup>st</sup> January 2015 to 12 <sup>th</sup> October 2016		(155,857)
		<u>(332,717)</u>

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