

Our Ref IZR/WAK/AZW/CES/M02433/7

To the creditors and members

TUESDAY



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QIQ 01/07/2014 #17  
COMPANIES HOUSE

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30 June 2014

Dear Sirs

**Merchant Corporate Recovery Plc ('MCR' or 'the Company')  
In Liquidation  
High Court of Justice No 3459 of 2012**

**1 Introduction**

1.1 Following my appointment as joint liquidator of the above company with Kevin J Hellard on 30 April 2013 in accordance with rule 4.49B of the Insolvency Rules 1986, I now report on the progress of the liquidation for the year ended 29 April 2014 and attach

- Appendix A, an account of our receipts and payments for the year ended 29 April 2014
- Appendix B, a statement of the remuneration charged by the joint liquidators in the period 30 April 2013 to 29 April 2014 and a statement of expenses incurred in the period
- Appendix C, an analysis of time costs as required by Statement of Insolvency Practice 9
- Appendix D, an extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the liquidator (rule 4.49E)
- Appendix E, an extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the liquidator's remuneration or expenses if excessive (rule 4.131)

1.2 Please note that we are both authorised by the Insolvency Practitioners Association to act as insolvency practitioners

**2 Statutory information**

2.1 The Company's statutory details are as follows

Date of incorporation 30 January 2009

Registered number 06805838

Registered office No 1 Whitehall Riverside, Whitehall Road,  
Leeds LS1 4BN

**Chartered Accountants**

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales. No OC307742 Registered office Grant Thornton House, Mellon Street, Euston Square, London NW1 2EP  
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Directors

J Holmes (30 Jan 2009 to date)

C Whyte (30 Jun 2009 to 11 Feb 2012)

M Eberhardt (30 Jan 2009 to 27 Jul 2009)

### **Background**

- 2.2 The principal activity of the Company was to carry on business as an investment company. MCR invested in turnaround businesses, with its main focus being on transport companies (bus and coaches). The Company would generally seek to obtain a debenture over the assets of the companies to which finance was provided.
- 2.3 I have very limited information regarding the Company's trading activities as no Company records have been received from the directors. It is therefore not possible to fully reconcile the position in connection with the Company's investments or the sums paid for such investments. Most of the details below are based upon information received from investors and other third parties. I have obtained details of the investors from the information filed at Companies House, although this information is incomplete as full details are not available.
- 2.4 I have been provided with a copy of the Offer Document dated 26 October 2009 (which appears to be the second issue of the bond offer document which superseded earlier documents of 12 March and 21 August 2009), detailing the investment opportunities in a transport company and a radio group. The Company was proposing to raise £2million to finance these investments through the issue of fixed interest bonds and new ordinary shares.
- 2.5 MCR offered the placing of up to 1000 units (at £2,000 per unit) each consisting of 1,975 9.75% corporate bonds of £1.00 nominal value and 2,500 ordinary shares of £0.01 each.
- 2.6 The Offer Document was approved by Merchant Capital Limited (now called 04487961 Ltd) (MCL) as they were understood to have been FSA registered. MCL had a debenture dated 6 July 2009 over the Company's assets, as Security Trustee for the bondholders. MCL was placed into creditors voluntary liquidation on 13 February 2013.
- 2.7 The Company's filed accounts for the year ended 31 January 2010, indicate that total bonds of £1,948,683 were issued (after deduction of issue costs £186,292). Ordinary shares of 2,702,500 (£27,025) were also issued to the bondholders as part of the Company's fundraising.
- 2.8 In conjunction with the information received from the Company's auditors, Hazelwoods LLP (Hazelwoods) and the Company's bank statements, it appears that a total sum of £1,982,162 was received from investors (which may have been after deduction of MCL/other costs). A sum of £657,162 was received before the Company's bank account was opened on 9 October 2009, from which MCR invested £103,000 and £47,500 in Countryliner Group Ltd and Your Media Communication Ltd, respectively. The net sum of £464,654 (from £657,162) was transferred to the Company's bank account, after deduction of various other payments (interest (£15,802), professional fees, commissions). It appears that these funds were received from Merchant Legal LLP who were paid funds raised before the issue of the Offer Document dated 26 October 2009.

### 3 Progress report

#### Assets

##### Investments

- 3 1 The nominal ledgers provided by Hazelwoods and the Company's draft accounts for the 6 months ended 31 December 2011, disclose the following investments at cost

Company	Sum invested (£)
LM Logistics Group Limited	689,647
Countryliner Group Limited	472,493
Your Media Communication Limited	47,500
	<u>1,209,640</u>

##### LM Logistics Group Limited (LMLG)

- 3 2 LMLG which was incorporated on 22 October 2009, was a supplier of warehousing and logistics services. Both Mr Whyte and Mr Holmes who were appointed directors of this company on 16 November 2009, resigned on 4/5 March 2010.
- 3 3 A notice to the investors, indicates that on 16 November 2009, MCR had invested £102,000 for a 51% shareholding in a new holding company [LMLG], which in turn owned 100% of LM Logistics Limited and Syntex Logistics Limited. MCR was expecting to provide a further loan facility of £398,000.
- 3 4 The Company's bank account shows that between 20 November 2009 to 27 October 2010, MCR made payments to or on behalf of LMLG of £711,647. LMLG repaid £22,000, leaving a balance of £689,647 due to the Company.
- 3 5 Whilst the Company had obtained a debenture dated 19 November 2009 over LMLG to secure the funds advanced, it entered into a deed of priority with Close Invoice Financing Limited (Close), whereby MCR's charge ranked behind Close's debenture dated 18 March 2010. Close were providing invoice discounting facilities to LMLG.
- 3 6 LMLG was placed into administration on 6 August 2010 with Chantrey Vellacott DFK LLP by Close. The administration was concluded on 6 February 2012, with a shortfall to Close. The final administrators report stated that the Company would not receive any funds under their secured charge.
- 3 7 I do not consider that the granting of the deed of priority to Close adversely affected the Company's position, in view of the invoice discounting facility provided by Close.

##### Countryliner Group Limited (CGL)

- 3 8 CGL which was incorporated on 29 June 2009 is a holding company that invested in bus and coach operators. Both Mr Whyte and Mr Holmes were appointed directors of this company on 4 August 2009. Mr Whyte resigned as a director on 14 January 2010.

- 3 9 The Company's notice to investors states that on 5 August 2009, MCR had signed its first deal to make an advance and acquire a majority stake in a group of transport companies in the South of England. MCR had invested £200,000 for a 51% stake in a new holding company [CGL], which had acquired 100% of the group and were to provide a working capital facility of up to £300,000. This appears to be one of the investment opportunities detailed in the Offer Document of 26 October 2009.
- 3 10 The Company's bank account shows that between 30 November 2009 to 2 February 2011, MCR made payments to or on behalf of CGL of £469,997. A sum of £103,000 had also been paid towards CGL prior to the opening of the Company's bank account. Therefore, MCR had paid a total of £572,998, of which CGL had repaid £130,505, leaving a balance of £442,493 due to the Company.
- 3 11 CGL's accounts for the year ended 30 September 2010 show that CGL held investments in six companies. However, five of these companies (detailed below) have subsequently been placed into administration or liquidation.

<b>Company</b>	<b>Date of insolvency</b>
C&S Coach Travel Limited	9 August 2011
Countryliner Limited	14 December 2012
Countryliner Coach Hire Limited	15 December 2011
Countryliner Sussex limited	8 October 2012
RJB (UK) Limited	1 February 2013

- 3 12 The insolvency practitioners dealing with the above companies have filed various documents at Companies House that indicate CGL will not receive any distribution from these companies. As such CGL has written off these investments.
- 3 13 CGL's remaining investment is in Willowshy Limited which is valued at £2. WL's latest statutory accounts for the year to 31 March 2013 show net liabilities of c£390,000.
- 3 14 Whilst the Company retains the benefit of a debenture dated 13 August 2009, over the assets of CGL which is an active company, on present information this appears to be worthless. CGL's balance sheet as at 31 March 2013 reveals total net liabilities of £59,130.

**Your Media Communication Limited (YMCL)**

- 3 15 The Company's investment in YMCL relates to a loan with no equity involvement. This was the second investment opportunity referred to in the Offer Document 26 October 2009.
- 3 16 YMCL entered liquidation on 24 March 2010 and was dissolved on 16 May 2011. The Company received no distribution from the liquidation.

### **Other investments**

3 17 The Company had additional investments as detailed below

- 75% share capital of Swiftbus Limited
- 10% share capital of Team Discounts plc

#### **Swiftbus Limited (Swiftbus)**

3 18 Swiftbus is a dormant company according to their accounts filed at Companies House for the period ended 31 May 2013

3 19 Swiftbus also owned 95% shares in Sunray Travel Limited (Sunray) which was placed into administration on 18 October 2013 with Antony Batty & Company LLP. The administrators' report indicates that they have accepted an offer of £3,000 for Sunray's 100% shares in Mentrul Ltd

3 20 On present information, it appears unlikely that the Company will make any recoveries from Swiftbus

#### **Team Discounts plc (Team)**

3 21 Team was incorporated on 10 November 2011, with Mr Whyte and Mr Holmes as directors. MCR was a 10% shareholder upon incorporation. According to MCR's letter of 2 April 2012 to investors the Company had purchased 10% of Team's business for £125,000, which they considered was worth in the region of £1million. The business was based in Europe and was the off shoot of a large ticketing business based in Holland.

3 22 No other details are known about Team, which was dissolved on 25 June 2013

### **Investigations**

#### **Liberty Capital Limited (Liberty) loan**

3 23 I understand that the Company made a loan of £125,000 to Liberty, a company based in the British Virgin Islands, of which Mr Whyte is a director. MCR's bank statement shows a payment of £125,000 on 3 August 2010, to 'W K F Earle'

3 24 I have been informed by Mr Holmes that the Liberty loan was used to develop the business of a Dutch company (Belbios). I am currently seeking further information from Mr Holmes in this regard.

3 25 As previously advised, since no Company records have been received, enquiries were made of third parties to try and understand the Company's affairs. I am currently investigating various payments made to associated companies, some of which appear to be in liquidation, to understand the nature of these transactions.

3 26 If any creditor has any other details in relation to the Company's assets or consider that there are other areas that need to be investigated, I should be grateful if they would provide full details of the same.

### **Financial Services Compensation Scheme (FSCS)**

- 3 27 I am aware that a number of investors have made applications to the FSCS to recover funds invested with the Company. I have been informed by some investors that they have successfully recovered the value of their investment, less any interest received to date.

### **Liabilities**

- 3 28 There are no preferential creditors.

### **Unsecured creditors**

- 3 29 Claims amounting to £1,319,608.01 have been received to date. As it currently appears unlikely that there will be sufficient funds to enable a dividend to be paid, I do not intend to agree creditors' claims formally.

## **4 Joint liquidators' remuneration and expenses**

- 4 1 On 25 July 2013 the creditors resolved that we draw our remuneration by reference to our time costs and uplifted by 25%. You will note from the SIP 9 table attached at Appendix C that our time costs to 17 April 2014 are £70,358.25 consisting of 269.44 hours at an average charge out rate of £261.13. No fees have been drawn to date.
- 4 2 Time is charged in units of 6 minutes. Background information regarding the fees of liquidators can be found at <http://www.insolvency-practitioners.org.uk> (navigate via 'Regulation and Guidance' to 'Creditors Guides to Fees'). Alternatively I will supply this information by post on request.
- 4 3 All partners and staff are charged out at hourly rates appropriate to their grade. Support staff (i.e. secretaries, cashiers and filing clerks) are charged to the case for the time they work on it. Details of the hourly charge out rates are as follows:

	<b>From 1 July 2013</b>	<b>From 1 July 2012</b>
	<b>£ per hour</b>	<b>£ per hour</b>
Partner/Director	455 - 600	440 - 580
Manager	280 - 455	270 - 440
Other senior professional	230 - 295	220 - 285
Administrators	155 - 220	150 - 210
Assistants and support staff	145 - 170	140 - 165

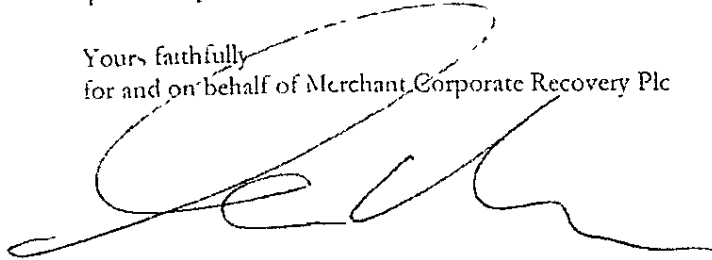
- 4 4 In addition, I have incurred expenses of £244.28 as indicated in Appendix B, none of which have been billed to date.

**5 Other expenses incurred by the joint liquidators**

5.1 No other expenses have been incurred at this stage.

I will next report to creditors and members following the next anniversary of my appointment, or earlier if I deem it necessary. In the meantime, should you have any questions, please contact Andrew Walton on the details given below.

Yours faithfully  
for and on behalf of Merchant Corporate Recovery Plc

A large, stylized handwritten signature in black ink, appearing to read 'Ian Richardson', is written over the typed name and company name.

Ian Richardson  
Joint Liquidator

T 0113 200 2563  
T 0113 246 0828  
E andrew.walton@ukgc.com

Enc

# A Abstract of the joint liquidators' receipts and payments

	From 30 April 2013 to 29 April 2014	Total to 29 April 2014 £
<b>Receipts</b>	<u>0 00</u>	<u>0 00</u>
<b>Payments</b>		
O R Remuneration	1,070 00	1,070 00
ISA Banking Fee	88 00	88 00
<b>Total payments</b>	<u>1,158 00</u>	<u>1,158 00</u>
<b>Balance of funds</b>		<u>(1,158 00)</u>



## B Remuneration charged and expenses incurred by the joint liquidators in the period

	Charged/incurred in period of report (30 April 2013 to 29 April 2014)	Cumulative charged/incurred to 29 April 2014	Of which paid to 29 April 2014
	£	£	£
Liquidator's fees			
Time costs	70,358 25	70,358 25	0 00
Expenses			
Bordereau	20 00	20 00	0 00
Statutory Advertising	101 52	101 52	0 00
Land Registry Fees	87 00	87 00	0 00
Search Fees	35 76	35 76	0 00
	<hr/> 244 28	<hr/> 244 28	<hr/> 0 00
	<hr/> 70,602 53	<hr/> 70,602 53	<hr/> 0 00

## C SIP 9 information

Standard	Partner			Manager			Executive			Administrator			Total		
	Hrs	£	Avg Hrly Rate	Hrs	£	Avg Hrly Rate	Hrs	£	Avg Hrly Rate	Hrs	£	Avg Hrly Rate	Hrs	£	Avg Hrly Rate
Administration and Planning	0 55	326 00	513 27	19 15	6,053 00	316 08	34 21	7,975 90	234 36	3 83	444 60	116 08	57 74	14,799 50	256 31
Creditors	0 75	341 25	455 00	6 65	2,104 00	316 39	58 90	14,057 00	238 85	0 00	0 00	0 00	66 30	16,502 25	248 90
Investigations	0 00	0 00	0 00	53 60	17,127 50	319 54	87 80	21,309 00	242 70	4 00	620 00	155 00	145 40	39,056 50	268 61
<b>Total</b>	<b>1 30</b>	<b>667 25</b>	<b>513 27</b>	<b>79 40</b>	<b>25,284 50</b>	<b>318.44</b>	<b>180 91</b>	<b>43,341 90</b>	<b>239 58</b>	<b>7 83</b>	<b>1,064 60</b>	<b>135 96</b>	<b>269 44</b>	<b>70,358 25</b>	<b>261 13</b>

Activity	Examples of work
Administration and planning	Case planning, Administrative set-up, Appointment notification, Maintenance of records, Case review, Statutory matters including bond notification and calculation, Reports, Cashiers duties, Tax matters
Creditors	Correspondence with unsecured creditors, Receiving and scheduling claims
Investigations	Obtaining and analysing accountants records, Making enquiries of accountant, Obtaining and analysing bank accounts, Reviewing status of the Company's investments, Investigating the security obtained by the Company, Investigating the guarantee with SEFL, Making enquiries of the Official Receiver, Completing land registry searches, Reviewing information sent by creditors, Corresponding with the director,

## D An extract from the Insolvency Rules 1986 relating to creditors' rights to request additional information from the liquidator

Rule 4 49E edited for application to a progress report in a winding-up by the court

- (1) If
  - (a) within the period mentioned in paragraph (2)
    - (i) a secured creditor, or
    - (ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or
  - (b) with the permission of the court upon an application made within the period mentioned in paragraph (2), any unsecured creditor makes a request in writing to the liquidator for further information about remuneration or expenses set out in the progress report, the liquidator must, within 14 days of receipt of the request, comply with paragraph (3) except to the extent that the request is in respect of a matter which was previously included in a progress report
- (2) The period referred to in paragraph (1)(a) is 21 days of receipt of the progress report
- (3) The liquidator complies with this paragraph by either -
  - (a) providing all of the information asked for, or
  - (b) so far as the liquidator considers that
    - (i) the time or cost of preparation of the information would be excessive, or
    - (ii) disclosure of the information would be prejudicial to the conduct of the liquidation or might reasonably be expected to lead to violence against any person, or
    - (iii) the liquidator is subject to an obligation of confidentiality in respect of the information,
 giving reasons for not providing all of the information
- (4) Any creditor, who need not be the same as the creditor who requested further information, may apply to the court within 21 days of -
  - (a) the giving by the liquidator of reasons for not providing all of the information asked for, or
  - (b) the expiry of the 14 days provided for in paragraph (1),
 and the court may make such order as it thinks just
- (5) Without prejudice to the generality of paragraph (4), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 4 131(1B) by such further period as the court thinks just
- (6) This Rule does not apply where the liquidator is the Official Receiver

## E An extract from the Insolvency Rules 1986 relating to creditors' rights to challenge the liquidator's remuneration or expenses if excessive

### Rule 4 131

- (1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)
- (1A) Application by a creditor may be made on the grounds that -
  - (a) the remuneration charged by the liquidator,
  - (b) the basis fixed for the liquidator's remuneration under Rule 4 127, or
  - (c) expenses incurred by the liquidator,
 is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate
- (1B) The application must, subject to any order of the court under Rule 4 49E(5), be made no later than 8 weeks (or in a case falling within Rule 4 108, 4 weeks) after receipt by the applicant of the progress report or the draft report under Rule 4 49D, which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report")
- (2) The court may, if it thinks that no cause is shown for a reduction, dismiss the application, but it shall not do so unless the applicant has had an opportunity to attend the court for a hearing, of which he has been given at least 5 business days' notice, but which is without notice to any other party  
If the application is not dismissed under this paragraph, the court shall fix a venue for it to be heard, and give notice to the applicant accordingly
- (3) The applicant shall, at least 14 days before the hearing, send to the liquidator a notice stating the venue and accompanied by a copy of the application, and of any evidence which the applicant intends to adduce in support of it
- (4) If the court considers the application to be well-founded, it must make one or more of the following orders -
  - (a) an order reducing the amount of remuneration which the liquidator was entitled to charge
  - (b) an order fixing the basis of remuneration at a reduced rate or amount
  - (c) an order changing the basis of remuneration
  - (d) an order that some or all of the remuneration or expenses in question be treated as not being expenses of the liquidation
  - (e) an order that the liquidator or the liquidator's personal representative pay to the company the amount of the excess of remuneration or expenses or such part of the excess as the court may specify
 and may make any other order that it thinks just, but an order under sub-paragraph (b) or (c) may be made only in respect of periods after the period covered by the relevant report
- (5) Unless the court orders otherwise, the costs of the application shall be paid by the applicant, and are not payable as an expense of the liquidation