

# Notice of Receiver's Report

# S67(1)

Pursuant to section 67(1) of the  
Insolvency Act 1986

(a) Insert names of  
persons to whom  
notice is to be  
given  
under section 67(1)

To (a) Registrar Of Companies

For official use

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Company number

SC195185

Name of Company

(b) Insert name of  
company

(b) North Latch Developments Limited

(c) Insert name(s) and  
address(es) of  
receiver(s)

I (c) John Michael Hall & Ian William Wright

of Haines Watts Bri

receiver(s) of the company attach a copy of our report to  
creditors and a summary of the statement of affairs of the  
company.

Signed



Date

2.9.05

Presenter's name,  
address and  
reference (if any):

John Hall  
Haines Watts  
9 Coates Crescent  
Edinburgh  
Eh3 7al

For Official use

Receivers Section

Post Room



SCT  
COMPANIES HOUSE

SH8BY8D9

0853  
03/09/05

**NORTH LATCH DEVELOPMENTS LIMITED  
(IN RECEIVERSHIP)**

**JOHN M HALL AND IAN W WRIGHT APPOINTED JOINT RECEIVERS ON 11 APRIL 2005**

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**NORTH LATCH DEVELOPMENTS LIMITED**  
**(IN RECEIVERSHIP)**

**1. INTRODUCTION**

John M Hall and Ian W Wright, partners in Haines Watts, were appointed Joint Receivers of North Latch Developments Limited by Paragon Mortgages Limited ("Paragon") on 11 April 2005. The appointment was made under the terms of a bond and floating charge granted on 30 November 1999 in favour of Paragon.

**2. STATUTORY INFORMATION**

The Company was incorporated on 13 April 1999. The Company number is SC 195185.

The nominal share capital is £2 comprising of 2 ordinary shares at £1 each.

Directors of the Company over the last 3 years extracted from Companies House are as follows:

<b>Name of Director</b>	<b>Date appointed</b>	<b>Date resigned</b>	<b>Position</b>	<b>Number of shares held</b>
Anthony Riall Banks	2 September 2004	N/A	Director & Company secretary	0
Charles Stewart Rollo	2 September 2004	N/A	Director	0
Margaret Alexander Wilkie	19 May 2004	2 September 2004	Director & Company secretary	0
Lyne Barbra Petrie	13 April 1999	No record of resignation	Director	
Lyne Barbra Petrie	No record of appointment	2 September 2004 *	Company secretary	2 **
Kenneth Hanton	13 April 1999	19 May 2004	Director	0
Kenneth Hanton	10 April 2000	19 May 2004	Company secretary	0

\* We believe that this resignation refers to her resignation as a director.

\*\* On 1 July 2004 2 issued shares were transferred to Marlin Properties Limited.

At the date of receivership the Company's registered office was situated at 41 North Lindsay Street, Dundee, Tayside, DD1 1PW. Following the appointment of the Joint Receivers, the registered office was changed to the Joint Receivers' office at 9 Coates Crescent, Edinburgh, EH3 7AL .

The Company's principle activity was property development and investment.

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**3. HISTORY OF THE COMPANY**

The Company was incorporated on 13 April 1999. Kenneth Hanton and Lyne Petrie were the founding Directors.

Since incorporation, the Company built up a substantial investment property portfolio principally in the Angus area. In early 2004, Kenneth Hanton departed from the Dundee area and requested that Lynne Petrie manage the business on her own.

Tony Banks and Charles Rollo had a business relationship with both Kenneth Hanton and Lynne Petrie prior to April 2004. As a result of this relationship, in April 2004 Lynne Petrie requested Banks and Rollo to assist with the management of the Company. At this time the Company was in arrears with its mortgage repayments to its secured lenders.

Banks and Rollo met with the secured lenders and agreed to inject a loan to the Company in order to enable the mortgage arrears to be partially met. Banks and Rollo offered to lend £45,000 to North Latch through a Company called Marlin Properties Limited ("Marlin").

Banks and Rollo advised that the conditions of this loan was that Kenneth Hanton and Lynne Petrie resign as Directors of the Company and that the share capital of the Company be transferred to Marlin. According to Companies House, Banks and Rollo were appointed Directors of the Company on 2 September 2004.

**4. RECENT FINANCIAL INFORMATION**

The last set of accounts for the Company were prepared for the year ended 30 April 2003. I set out a summary of these accounts below. No management accounts or balance sheet of the Company have been completed since that date.

**Balance Sheet**

	<b>As at 30 April 2003</b>	<b>As at 30 April 2002</b>
	<b>£</b>	<b>£</b>
Fixed Assets	1,596,829	1,018,034
Current Assets	103,146	97,686
Current Liabilities	<u>(385,091)</u>	<u>(424,577)</u>
<b>Net Current Liabilities</b>	<u>(281,945)</u>	<u>(326,891)</u>
<b>Total Assets Less Current Liabilities</b>	1,314,884	691,143
Creditors falling due after 1 year	<u>(1,502,281)</u>	<u>(550,289)</u>
<b>Net Assets/ (Liabilities)</b>	<u>(187,397)</u>	<u>140,854</u>

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**Profit & Loss**

	<b>Year Ended 30 April 2003</b>	<b>Year Ended 30 April 2002</b>
	<b>£</b>	<b>£</b>
Turnover	217,119	90,237
Cost of Sales	<u>(127,151)</u>	<u>(12,411)</u>
<b>Gross Profit</b>	89,968	77,826
Administrative Expenses	<u>(139,848)</u>	<u>(88,819)</u>
Operating Profit/(Loss)	(49,880)	(10,993)
Exceptional Items	<u>(209,411)</u>	<u>156,027</u>
<b>Profit/(Loss) on Ordinary Activities Before Interest &amp; Tax</b>	(259,291)	145,034
Interest	(68,960)	(29,737)
Tax	<u>-</u>	<u>(21,000)</u>
	(68,960)	(50,737)
<b>Profit/(Loss) on Ordinary Activities After Tax</b>	<u><u>(328,251)</u></u>	<u><u>94,297</u></u>

Note: The auditors, EQ Chartered Accountant's, on 29 November 2004 stated the following: "we are unable to form an opinion as to whether the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2003 or of its loss for the year then ended. We have not obtained all the information and explanations that we consider necessary for the purpose of the audit and are unable to determine whether proper accounting records had been maintained."

In respect of the exceptional item in the year to 30 April 2003, the auditors advised that they: "have been unable to verify or place reliance on the opening balances brought forward within the company's accounting records. One such balance amounted to £175,709 and appears to relate to unidentified expenditure made by the company since May 2001. During the year a further balance of £54,484 was applied to the same account within the records. No supporting invoices or vouchers were available to substantiate the nature of the expenditure. Further unidentifiable payments and receipts were identified during the audit work carried out, resulting in the above balance of £209,411."

The exceptional item in year ended 30 April 2002 relates to profit on the disposal of fixed assets

I attach as Appendix II to this report an estimated balance sheet as at 11 April 2005.

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**5. EVENTS LEADING UP TO THE RECEIVERS' APPOINTMENT**

Banks and Rollo were appointed as Directors to the Company on 2 September 2004. Following their appointment Banks and Rollo investigated the Company's financial position. Banks and Rollo claim that their investigations revealed severely deficient books and records and a significant number of bank transactions involving round sum transfers between the Company and

a number of 3<sup>rd</sup> parties, many involving significant sums of cash. A number of creditors' claims were received indicating that substantial sums of money may have been due to them from the Company in respect of transactions which were unrelated to the Company's principal business activity. Banks and Rollo disputed these creditors' claims.

Three creditors pursued recovery action, culminating in the lodging of inhibitions preventing the ongoing trading of the Company's property portfolio.

Banks and Rollo believed that these disputed creditors did not have valid claims against the Company. However, dealing with the various individual claimants proved extremely time consuming and costly in terms of legal and forensic accounting fees.

It became clear to Banks and Rollo in early 2005 that their strategy of dealing with each disputed creditor in isolation was unlikely to be cost effective or sustainable.

In addition, the Company was unable to meet the loan repayments to its secured creditors and to meet other debts as they fell due. Accordingly following advice from their professional advisors Banks and Rollo concluded that they should consider other options, including formal insolvency.

As a result, on 15 February 2005, Banks and Rollo requested that Paragon appoint Receivers to the Company.

On 8 April a provisional liquidator was appointed to the Company. Immediately following this appointment Paragon appointed John M Hall and Ian W Wright Joint Receivers on 11 April 2005.

**6. CONDUCT OF THE RECEIVERSHIP**

The Joint Receivers' objective is to sell the Company's property portfolio in order to repay the debts due to the secured creditors, preferential creditors and floating chargeholders.

Following the appointment, the Joint Receivers have taken the following actions:

- inspected all the properties ;
- marketed the property portfolio for sale and
- appointed DM Hall to independently value the property portfolio.

Following the marketing exercise, the Joint Receivers received over 100 expressions of interest and a number of offers for the properties.

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The Joint Receivers are currently in the process of negotiating sales with a number of offerors.

**7. AMOUNTS DUE TO SECURED CREDITORS**

The balance due to the secured lenders, Paragon and The Royal Bank of Scotland plc as at 11 April 2005 was £1,578,549. Both parties are contractually entitled to charge interest on the capital sum outstanding until repayment of full indebtedness is made.

**8. PREFERENTIAL CREDITORS**

Preferential creditors comprised of arrears of wage due to one employee totalling £800.

**9. UNSECURED CREDITORS**

Based upon projected realisations, there may be a dividend available for unsecured creditors. However, this is highly dependant on a successful sale of the property portfolio. In the event that surplus funds are available, a liquidator will be appointed in due course to adjudicate on creditors' claims and pay a dividend to ordinary creditors.

**10. STATUTORY STATEMENT OF AFFAIRS**

The Joint Receivers expect to sell the property portfolio for significantly in excess of the Directors' estimated realisation. The Directors' statement of affairs also substantially understates the Company's unsecured liabilities.

**11. REPORT ON DIRECTORS CONDUCT**

Under the terms of Section 7(3) of the Company Directors Disqualification Act 1986, I am required to submit to the Department of Trade and Industry a report on the conduct of the Directors. If any creditors has knowledge of any matter which they consider should be taken into consideration in compiling this report, they should make their views known to us as soon as possible.



J M Hall  
Joint Receiver

Haines Watts  
Level 5  
City House  
Overgate Centre  
Dundee  
DD1 1UQ  
24 June 2005

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**APPENDIX I: Summary of the Directors' Statement of Affairs**

	<b>As at 11 April 2005</b>
	<b>£</b>
<b>Assets Specifically Secured</b>	
Property Portfolio - Paragon	1,356,700
Property Portfolio - RBS	272,000
	<u>1,628,700</u>
<b>Less amount due to secured creditors</b>	<b>(1,477,313)</b>
	<u>151,387</u>
<b>Assets not specifically secured</b>	<u>21,315</u>
	<u>172,702</u>
<b>Unsecured Creditors</b>	
Trade Creditors	(74,110)
Marlin Properties	(245,000)
	<u>(319,110)</u>
<b>Net Liabilities</b>	<u><u>(146,408)</u></u>



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**APPENDIX II: Estimated Balance Sheet as at 11 April 2005**

	Note	£	£	£
<b>FIXED ASSETS</b>				
Investments (property)	1			1,628,700
<b>CURRENT ASSETS</b>				
Debtors	2	21,209		
Cash in hand		<u>106</u>		
			21,316	
<b>CREDITORS: amounts falling due within one year</b>				
Trade creditors		(34,500)		
Other creditors	3	<u>(545,937)</u>		
			<u>(580,437)</u>	
				<u>(559,121)</u>
Secured Lenders	4			(1,578,549)
<b>NET LIABILITIES</b>				<u>(508,970)</u>

**NOTES TO THE BALANCE SHEET**

1. I have set out the directors' estimated value of the investment portfolio. As per S.67(6) of the Insolvency Act 1986, I have not disclosed the Joint Receivers' independently commissioned valuations of the properties or details of any offers received for the properties, as disclosure of such information could seriously prejudice the commercial interests of the Company. For the avoidance of doubt I expect to sell the property portfolio for significantly in excess of the Directors' estimated value.
2. The outstanding debtors balance represents sums due in respect of unpaid rental payments from tenants. I am currently investigating this balance in order to confirm the total amount due.

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3. Other Creditors include the following balances:

John Baird*	114
Campbell	76
Wilkie *	13
Elder *	56
Prestige TPIP	24
JM Guild	16
Marlin Properties	245
	<hr/>
	545

\* These creditors have inhibitions against the Company's properties

4. The balance due to the secured lenders comprises balances due to Paragon and The Royal Bank of Scotland plc as at 11 April 2005 and includes estimated early redemption penalties . The sums due are as follows:

The Royal Bank of Scotland plc	235,634
Paragon	1,342,915
	<u>1,578,549</u>