

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

To the creditors and members

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26 June 2015

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 2015 and attach

- Appendix A, an account of our receipts and payments for the year ended 29 April 2015
- Appendix B, a statement of the remuneration charged by the joint liquidators in the period 30 April 2014 to 29 April 2015 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

MONDAY



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COMPANIES HOUSE

Chartered Accountants

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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 would advise that most of the information detailed below is based upon details received from the investors and other third parties, as none of the Company records have been recovered from the director. It is therefore not possible to fully reconcile the position in relation to the Company's investments.
- 2.4 On 26 October 2009, the Company issued an Offer Document, 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 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.
- 2.6 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.
- 2.7 The Company's filed accounts for the year ended 31 January 2010, indicate that the 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 A review of the information received from the Company's auditors and the Company's bank statements, show that a total sum of £1,982,162 was received from investors (which may have been after deduction of MCL/other costs). The sum of £657,162 raised from investors had been paid to Merchant Legal LLP, from which MCR had invested £103,000 and £47,500 in Countryliner Group Ltd and Your Media Communication Ltd. The net sum of £464,654 (after deduction of other professional costs) was transferred to the Company.

3 Progress report

Assets

Investments

- 3 1 The Company's draft accounts for the 6 months ended 31 December 2011, disclosed 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>1,201,640</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 It is apparent from a notice to the investors, that on 16 November 2009, MCR had invested £102,000 for a 51% shareholding in a new holding company [LMLG], which in turn owns 100% of LM Logistics Limited and Syntex Logistics Limited
- 3 4 Between 20 November 2009 to 27 October 2010, MCR made payments to or on behalf of LMLG of £711,647 from its bank account, of which a balance of £689,647 remained outstanding to the Company
- 3 5 Whilst the Company had a debenture over LMLG to secure the funds advanced, it entered into a deed of priority with Close Invoice Financing Limited (Close) who were providing invoice discounting facilities to LMLG. As such, MCR's debenture of 19 November 2009 ranked behind Close's debenture dated 18 March 2010
- 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. A winding up order was made against LMLG on 8 October 2012, based upon a petition presented by HM Revenue & Customs

Countryliner Group Limited (CGL)

- 3 7 CGL which was incorporated on 29 June 2009 is a holding company that invests 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 8 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 is one of the investment opportunities detailed in the Offer Document of 26 October 2009.

3 9 Between 30 November 2009 to 2 February 2011, MCR made payments to or on behalf of CGL of £469,997 from its bank account. A sum of £103,000 was paid to CGL prior to the opening of the Company's bank account. Therefore, MCR had paid a total of £572,997, of which CGL had repaid £130,505, leaving a balance of £442,492 due to the Company.

3 10 CGL was dissolved on 10 February 2015, and therefore no monies will be realised from this source.

Your Media Communication Limited (YMCL)

3 11 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 12 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 13 The Company had additional investments detailed below:

- 100% share capital of C&S Coach Travel Limited
- 75% share capital of Swiftbus Limited
- 10% share capital of Team Discounts plc (Team)

C&S Coach Travel Limited (C&S)

3 14 C&S entered administration on 9 August 2011, with the administration converting to liquidation on 27 July 2012. C&S was subsequently dissolved on 12 March 2014. The Company has received no distribution from C&S.

Swiftbus Limited (Swiftbus)

3 15 Swiftbus was dissolved on 6 January 2015.

3 16 Swiftbus owned 95% shares in Sunray Travel Limited (Sunray) which was placed into administration on 18 October 2013, and converted to liquidation on 13 October 2014.

3 17 No funds will be recovered from Swiftbus.

Team Discounts plc (Team)

3 18 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 19 Team was dissolved on 25 June 2013.

Investigations

Liberty Capital Limited (Liberty) loan

- 3 20 The Company had apparently loaned £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 21 Liberty was placed into liquidation on 27 May 2013, but the liquidators have no information regarding this loan
- 3 22 Although Mr Holmes had previously advised that the Liberty loan was used to develop the business of a Dutch company (Belbios), he has not provided any further details to support this. However, the Company's auditors advised that they were told that the loan had been converted into a 10% interest in Team, and that they have no knowledge of Belbios. My enquiries into Belbios have not revealed anything in relation to that company
- 3 23 As no Company records have been received, enquiries were made of third parties to understand the Company's affairs and to identify any assets or claims. I would advise that my enquiries are now complete and unless any creditor has any further information or details of the Company's assets which they consider needs investigating, I would propose to conclude the liquidation

Financial Services Compensation Scheme (FSCS)

- 3 24 I am aware that a number of investors have made applications to the FSCS to recover funds invested with the Company, and have successfully recovered the value of their investment, less any interest received to date

Liabilities

- 3 25 There are no preferential creditors

Unsecured creditors

- 3 26 Claims amounting to £1,307,272.87 have been received to date. I would advise that there will be no funds available to pay creditors from the liquidation estate

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 2015 are £94,380.65 consisting of 353.83 hours at an average charge out rate of £266.74. 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 (ie 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

| | From 1 July 2014 £ | From 1 July 2013 £ | From 1 July 2012 £ |
|------------------------------|--------------------------|--------------------------|--------------------------|
| Partner | 495 - 615 | 480 - 600 | 465 - 580 |
| Director | 470 - 515 | 455 - 500 | 440 - 480 |
| Manager | 290 - 470 | 280 - 455 | 270 - 440 |
| Other senior professional | 240 - 305 | 230 - 295 | 220 - 285 |
| Administrators | 160 - 230 | 155 - 220 | 150 - 210 |
| Assistants and support staff | 150 - 165 | 145 - 160 | 140 - 155 |

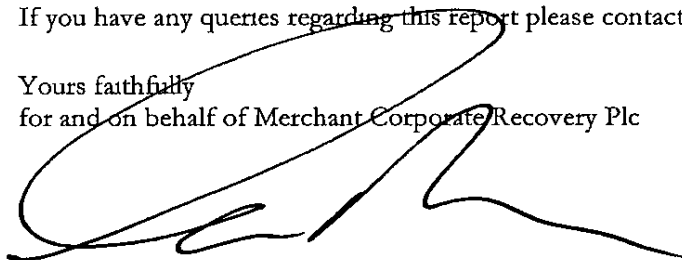
- 4 4 In addition, I have incurred expenses of £244 28 as indicated in Appendix B, none of which have been billed to date

5 Other expenses incurred by the joint liquidators

- 5 1 No other expenses have been incurred at this stage

If you have any queries regarding this report please contact Rachel Elgar on 0113 200 2652

Yours faithfully
for and on behalf of Merchant Corporate Recovery Plc



Ian Richardson
Joint Liquidator

Enc

A Abstract of the joint liquidators' receipts and payments

| | From 30 April 2014 to 29 April 2015 | Total to 29 April 2015 £ |
|-------------------------|---|-----------------------------------|
| Receipts | <u>0 00</u> | <u>0 00</u> |
| Payments | | |
| ○ R Remuneration | - | 1,070 00 |
| ISA Banking Fee | 88 00 | 176 00 |
| Total payments | <u>88 00</u> | <u>1,246 00</u> |
| Balance of funds | | <u>(1,246 00)</u> |

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

| | Charged/incurred in period of report (30 April 2014 to 29 April 2015) | Cumulative charged/incurred to 29 April 2015 | Of which paid to 29 April 2015 |
|-----------------------|--|--|-----------------------------------|
| | £ | £ | £ |
| Liquidator's fees | | | |
| Time costs | 24,022 40 | 94,380 65 | - |
| Expenses | | | |
| Bordereau | - | 20 00 | - |
| Statutory Advertising | - | 101 52 | - |
| Land Registry Fees | - | 87 00 | - |
| Search Fees | - | 35 76 | - |
| | 0 00 | 244 28 | - |
| | 24,022 40 | 94,624 93 | 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 | 0.85 | 508.25 | 597.94 | 47.95 | 15,411.50 | 321.41 | 48.47 | 11,410.10 | 235.41 | 9.41 | 1,044.30 | 110.98 | 108.68 | 28,374.15 | 265.97 |
| Creditors | 0.75 | 341.25 | 455.00 | 9.00 | 2,879.50 | 319.94 | 60.50 | 14,446.00 | 238.78 | 4.60 | 897.00 | 195.00 | 74.85 | 18,563.75 | 248.01 |
| Investigations | 0.00 | 0.00 | 0.00 | 76.85 | 24,868.50 | 320.87 | 90.00 | 21,841.00 | 242.68 | 4.65 | 746.75 | 160.59 | 171.50 | 47,246.25 | 275.49 |
| Realisation of Assets | 0.00 | 0.00 | 0.00 | 0.30 | 99.00 | 330.00 | 0.00 | 0.00 | 0.00 | 0.50 | 97.50 | 195.00 | 0.80 | 196.50 | 245.63 |
| Total | 1.60 | 849.50 | 530.94 | 134.10 | 43,048.50 | 321.02 | 198.97 | 47,697.10 | 239.72 | 19.16 | 2,785.55 | 145.38 | 353.83 | 94,380.65 | 266.74 |

| 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, Obtaining and analysing bank accounts, Reviewing status of the Company's investments, Investigating the security obtained by the Company, Investigating the guarantee with SEPL, Making enquiries of the Official Receiver, Completing land registry searches, Reviewing information sent by creditors, Making enquiries of the directors and other third parties |
| Realisation of assets | Reviewing correspondence from liquidators of debtor companies |

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