

Interim Liquidators' Report

9 August 2021

JAD Joinery Limited - in
Liquidation

Notice to creditors

This report has been prepared to set out our strategy for the liquidation and progress made to date.

We have also explained the background as to why the Company entered liquidation and the dividend prospects for each class of creditor.

A glossary of the abbreviations used throughout this document is attached at Appendix 6.

We have provided answers to frequently asked questions and a glossary of insolvency terms on the following website www.ia-insolv.com/case+INTERPATH+JL62945133.html. We hope this is helpful to you.

Please also note that an important legal notice about this report is attached on page 17.

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1 Appointment of the Joint Interim Liquidators

We, Alistair McAlinden and Blair Carnegie Nimmo, of Interpath Advisory, 319 St Vincent Street, Glasgow, G2 5AS, were appointed Joint Provisional Liquidators of JAD Joinery Limited (“the Company”) on 29 June 2021 and Interim Liquidators on 15 July 2021 by Interlocutors of Edinburgh Sheriff Court. This followed the presentation of a winding-up Petition by the director of the Company on 29 June 2021.

2 Prior involvement with the Company

Neither we, nor any members of our staff, have had any prior involvement with the Company or its directors until we were asked to consent to act.

3 Background and reasons for insolvency

The Company was incorporated in September 2012 as a joinery business operating as a construction and interior-fit out contractor around Edinburgh and East Lothian.

The Company grew quickly and the Director advises that it traded profitably in the last three years. Indeed, the last filed statutory accounts for the year to 5 April 2020 reflected a retained profit of c£60,000.

However, since then, the Company encountered cash flow difficulties due to contract losses and reduced profit margins. The Covid-19 pandemic also affected the business which caused a period of slower trade during which, a CBIL loan of £100,000 was drawn and HMRC debt grew to in excess of £500,000.

Furthermore, being unable to resolve differences between the directors, Steven McKenzie left the business in May 2021. He subsequently resigned as a director on 3 June 2021 and sold his shares for £1 to the remaining director John Dickson (“the Director”).

Being unsure how to resolve the cash flow difficulties, the Director took advice from his external accountant and ultimately resolved that the Company could no longer pay its debts as and when they fell due.

The director then sought legal advice which resulted in him making an application to the Court for the Company to be wound up. The Company effectively ceased trading on 25 June 2021, leaving three uncompleted housing contracts.

Prior to the cessation of trade, the Company had 30 employees. 24 employees, including apprentices, left on 25 June 2021. A further five TUPE transferred to JAD Homes Limited (“JAD Homes”), a related company under the control of the Director.

The remaining employee was made redundant by the Joint Provisional Liquidators immediately following their appointment on 29 June 2021.

4 Directors' Statement of Affairs

The Director and former director are currently finalising their Statement of Affairs and as such, we have not been able to provide such a document in this report.

Appendix 5 shows the Director's Statement of Affairs as at 25 June 2021, which was submitted to Court.

Based on our initial assessment of the Company's assets, it appears that the estimated to realise figures are overstated and may not be achievable. It should also be noted that the Statement of Affairs does not include the costs of the liquidation.

A list of the Company's know creditors is attached at Appendix 4. The Company may not have fully updated its records at this time so actual balances may differ from those disclosed.

5 Strategy and progress of the liquidation to date

5.1 Strategy to date

Following our appointment as Joint Provisional Liquidators and, subsequently, Joint Interim Liquidators, we have taken a number of steps, including those outlined below:-

- informed the Company's bank of our appointment and instructed stops on all bank accounts and credit cards, requested any credit balances be transferred to the Joint Liquidators' bank account;
- arranged open cover insurance with our specialist insurance broker;
- requested information regarding the Company's affairs from the director;
- liaised with the Director regarding the Company's physical assets and their whereabouts;
- requested information on the Company's contracts, WIP, contract debtor book and retention balances and liaised with specialist third party contract debt agents to assess and agree collection strategy;
- agreed a commercial settlement and repayment plan with the former director for his outstanding director's loan;
- requested the Company's books and records, including electronic records be provided to us;
- attended to all requisite statutory matters, including various notifications of our appointment; and
- dealt with various creditor claims and queries.

Once appointed, the Liquidator(s) will seek to progress the case. We expect key areas of focus will be:-

- further investigation of the circumstances leading to the insolvency and transactions preceding the Provisional Liquidation appointment;
- reporting on the directors' conduct to The Department of Business, Energy & Industrial Strategy;
- ingathering the director's loan account;
- identifying, safeguarding and realising physical assets (where cost effective to do so);
- returning leased vehicles, assessing equity in hire purchase vehicle and realising (if possible);
- investigating and collecting all debts due to the Company, with assistance of specialist agents (as appropriate); and
- attending to all statutory matters as and when required.

5.2 Asset realisations

Cash at Bank

Although the Company's bank account was in overdraft at the time of the Provisional Liquidation appointment, £1,635.08 of post appointment credits were received and subsequently transferred to the liquidation bank account.

Director's loan

The Company's books and records reported that Steven McKenzie owed the Company around £170,000. However, Mr McKenzie disputed certain elements believing he owed approximately £72,000.

We reviewed the Company's records and various documents provided by Mr McKenzie. Having regard to the cost and time required to pursue the full debt via legal action, we sought to reach a commercial settlement with Mr McKenzie.

After many discussions and email exchanges, we agreed to accept £60,000 in full and final settlement of the director's loan account. £20,000 was duly paid on 29 July 2021 and the remainder is due to be received in monthly instalments. The Liquidator(s) will monitor receipt of the monthly payments as they fall due. If payments are not forthcoming, the Liquidator(s) reserve the right to take legal action to collect the debt in the future.

5.3 Costs

Costs accrued to date include insurance, Joint Liquidators' bond and the petitioning creditor's legal costs and outlays, including statutory advertising.

These will be paid in due course.

5.4 Investigations

It is the responsibility of the Liquidator(s), when appointed, to prepare reports on the conduct of those persons who were directors, or shadow directors, of the Company during the three years prior to the date of liquidation.

Accordingly, if you are aware of any matters that should be brought to the attention of the Liquidator(s) then please write to us giving the appropriate details.

6 Dividend prospects

6.1 Secured creditors

We are not aware of any secured claims against the Company.

6.2 Ordinary preferential creditors (employees)

Employees have preferential claims (in advance of floating charge holders and ordinary unsecured creditors) and in priority to other preferential creditors (see 6.3 below)). These claims are referred to as "ordinary preferential creditors" and include:

- (1) arrears of wages up to a maximum of £800 per employee
- (2) unlimited accrued holiday pay
- (3) certain pension benefits

Ordinary preferential claims are estimated to be £2,000.

Additionally, the Company employed several hundred sub-contractors who may be entitled to make a preferential claim in the liquidation. We are currently seeking further information from the Director to allow the Liquidator(s) to confirm the position.

It is too early to confirm whether there will be a dividend to ordinary preferential creditors.

6.3 Secondary preferential creditors (HMRC and the Financial Services Compensation Scheme)

The Financial Services Compensation Scheme ('FSCS') and HMRC have preferential claims in relation to:

- VAT
- PAYE
- Employees' National Insurance contributions ('NIC')
- Construction Industry Scheme ('CIS') deductions

These are secondary to the employee ordinary preferential creditors (as per 6.2 above). These claims are therefore referred to as “secondary preferential creditors”. The director estimated this amount to be £671,000 in the statement of affairs which was submitted to court with the winding up petition. Correspondence sent by HMRC to the Company shortly before the appointment of the Joint Liquidators estimates this to be £485,000. We await a claim from HMRC to confirm their secondary preferential claim.

It is too early to confirm whether there will be a dividend to secondary preferential creditors.

6.4 Unsecured creditors

The director estimated the amount of unsecured claims, at the date of the Provisional Liquidation, to be c.£514,000. This figure may change as the Company's records may not have been fully updated to reflect invoices and statements from unsecured creditors and as actual claims are received from unsecured creditors.

Based on current estimates, it is highly unlikely that there will be a dividend to unsecured creditors.

7 Liquidators' remuneration

7.1 Provisional Liquidators' remuneration

As Provisional Liquidators, during our appointment, being the period from 29 June 2021 to 14 July 2021, we incurred time costs of £21,634.00. This represents 46.50 hours at an average rate of £465.25 per hour. We will seek approval for our remuneration and expenses for the provisional liquidation period from the Court in due course.

Additional information

We have attached at Appendices 2 and 3 an analysis of the time spent, the charge-out rates for each grade of staff and the expenses paid directly by Interpath Advisory for the period of our appointment as Provisional Liquidators. We have also attached our charging and expenses policy.

7.2 Liquidators' remuneration

The Liquidators' remuneration and expenses will be subject to specific approval by the Liquidation Committee (if appointed) or the Court and will be communicated to the general body of creditors in due course.

In the meantime, a copy of “Payments to Insolvency Holders and their Associates” from Statement of Insolvency Practice 9 (“SIP 9”) produced by the Association of Business Recovery Professionals is available at:

https://www.icas.com/_data/assets/pdf_file/0016/2266/Creditors-Guide-to-Liquidators-remuneration-Scotland-updated-April-2016.pdf

8 Other matters

8.1 Liquidation Committee

Formation of a Liquidation Committee

Where a Liquidator seeks a decision from the Company's creditors on the appointment of a Liquidator, they must at the same time deliver a notice to creditors inviting them to decide whether a Liquidation Committee should be established, provided sufficient creditors are willing to be members of the committee and the Liquidators are satisfied as to the nominated creditors eligibility for membership, under Rule 10.4 of the Insolvency (Scotland) (Receivership and Winding up) Rules 2018.

Functions of a Liquidation Committee

The Liquidation Committee represents the interests of the creditors as a whole rather than the interests of certain parties or individuals.

Its statutory function is to help us to discharge our responsibilities as Joint Liquidators.

Members and observers of the Liquidation Committee are not remunerated for their time. Other than receiving travel expenses, they receive no payment from the Company.

Additional observers

Additional observers are able to contribute to the Liquidation Committee meetings but they are not able to vote on any proposed resolutions.

A guidance note on the formation of a Liquidation Committee and the role of a committee member can be found at the following link:

<https://www.r3.org.uk/media/documents/publications/professional/R3-Guide-to-Creditors-Committees.pdf>



Alistair McAlinden and Blair Carnegie Nimmo
Joint Interim Liquidators

Appendix 1 Statutory and other information

Company information

Company and Trading name	JAD Joinery Limited
Date of incorporation	10 September 2012
Company registration number	SC432290
Principal activity	Joinery Installation
Previous registered office	35 Comrie Avenue, Dunbar, EH42 1ZN
Present registered office	Interpath Advisory, 319 St Vincent Street, Glasgow, G2 5AS
Company Director	John Andrew Dickson
Share Capital	The authorised and issued share capital is 1,000 Ordinary shares at £1 each.
Principal shareholders	John Andrew Dickson is the sole shareholder

Other information

Liquidation appointment	The Interim Liquidation appointment followed a Provisional Liquidation appointment following the presentation of a winding-up Petition by the director of the Company on 29 June 2021
Appointor	Interlocutor of Edinburgh Sheriff Court
Date of Interim Liquidation appointment	15 July 2021
Joint Liquidators	Alistair McAlinden and Blair Carnegie Nimmo
Reporting Accountant	James Anderson & Co.
Prescribed Part	The Prescribed Part is not applicable as there are no floating charges.
Financial information	A summary of the Company's most recent available financial information is set out below:

Balance sheets	5 April 2020 £'000 (Un-audited)	5 April 2019 £'000 (Un-audited)	5 April 2018 £'000 (Un-audited)	5 April 2017 £'000 (Un-audited)
Fixed assets	32	35	17	24
Current assets	446	445	167	28
Total assets	478	480	184	52
(Liabilities)	(344)	(405)	(215)	(45)
Net assets	134	75	(31)	7

Source: Companies House

The annual accounts filed at Companies House have not been verified by us in any way. No profit and loss or cash flow information was disclosed within these accounts.

Appendix 2 Joint Liquidators' charging and expenses policy

Joint Liquidators' charging policy

The time charged to the liquidation is by reference to the time properly given by us and our staff in attending to matters arising in the Liquidation. This includes work undertaken by in-house Interpath Advisory tax, VAT and employee specialists.

Our policy is to delegate tasks in the Liquidation to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "A Creditors' Guide to Liquidators' Remuneration Scotland" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

https://www.icas.com/_data/assets/pdf_file/0016/2266/Creditors-Guide-to-Liquidators-remuneration-Scotland-updated-April-2016.pdf

If you are unable to access this guide and would like a copy, please contact Yarima Conway on 0131 385 7922.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this Liquidation. Time is charged by reference to actual work carried out on the Liquidation, using a minimum time unit of six minutes.

All staff who have worked on the Liquidation, including cashiers and secretarial staff, have charged time directly to the Liquidation and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the Liquidation but is reflected in the general level of charge-out rates.

Table of charge-out rates

Charge-out rates (£) for: JAD Joinery Limited – in Liquidation	
Grade	From 01 Jan 2021 £/hr
Managing Director	690
Director	620
Associate Director	560
Manager	467
Senior Associate	325
Associate	236
Support	147

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the Liquidation. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit the officeholders will seek to recover both Category 1 and Category 2 disbursements from the estate. For the avoidance of doubt, such expenses are defined within SIP 9 as follows:

Expenses: These are any payments which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also includes disbursements which are payments first met by the office holder, and then reimbursed to the office holder from the estate.

Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the officeholder or his or her staff.

Category 2 expenses: These are payments to associates or which have an element of shared costs. They may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Associates: are defined in the insolvency legislation but also extends to parties where a reasonable and informed third party might consider there would be an association between the third party and the office holder or their firm.

Category 2 expenses charged by Interpath Advisory include mileage. This is calculated as follows:

Mileage claims fall into three categories:

- Use of privately-owned vehicle or car cash alternative – 45p per mile.
- Use of company car – 60p per mile.
- Use of partner's car – 60p per mile.

For all of the above car types, when carrying Interpath passengers an additional 5p per mile per passenger will also be charged where appropriate.

Disbursements (excluding VAT) during the period 9 June 2021 to 14 July 2021 are noted in the table below:

SIP 9 - Expenses					
Expenses	Category 1		Category 2		Totals (£)
	Paid (£)	Unpaid (£)	Paid (£)	Unpaid (£)	
Liquidators' bond	-	95.00	-	-	95.00
Total	NIL	95.00	NIL	NIL	NIL

We have the authority to pay Category 1 disbursements without the need for any prior approval from the creditors of the Company.

Category 2 disbursements are to be approved in the same manner as our remuneration.

Creditors' right to challenge our remuneration and outlays

If you wish to challenge the basis of our remuneration, the remuneration charged, or the outlays incurred during the period covered by this report, you must do so by making an application to Court within 14 days of receipt of this report.

Applications by unsecured creditors must be made with concurrence of at least 25% in value of unsecured creditors (including the unsecured creditor making the challenge) or with the permission of the Court.

The full text of the relevant Rules can be provided on request by writing to Yarima Conway at Interpath Advisory, 319 St Vincent Street, Glasgow, G2 5AS.

Appendix 3 Joint Provisional Liquidators' time cost analysis

JAD Joinery Limited – Time costs analysis (29/06/2021 to 14/07/2021)							
	Hours				Time Cost (£)	Average Hourly Rate (£)	
	Partner / Director	Manager	Administrator	Support			Total
Administration & planning							
Bankrupt/Director/Member							
General correspondence				0.40	0.40	94.40	236.00
Notification of appointment	0.40				0.40	248.00	620.00
Cashiering							
General (Cashiering)				1.20	1.20	390.00	325.00
General							
Books and records	1.50			1.60	3.10	1,307.60	421.81
Statutory and compliance							
Appointment and related formalities	3.10	1.10		4.40	8.60	3,653.40	424.81
Bonding & Cover Schedule				0.50	0.50	135.80	271.60
Checklist & reviews	0.10			0.10	0.20	85.60	428.00
Strategy documents	2.20			2.50	4.70	2,010.00	427.66
Tax							
Initial reviews - CT and VAT	0.20				0.20	124.00	620.00
Creditors							
Creditors and claims							
General correspondence			0.20		0.20	112.00	560.00
Notification of appointment	0.50				0.50	310.00	620.00
Statutory reports				0.20	0.20	47.20	236.00
Employees							
Correspondence	1.80	7.40		2.40	11.60	5,138.20	442.95
Pension funds	0.20				0.20	138.00	690.00
Pensions reviews			3.00		3.00	1,401.00	467.00
Investigation							
Directors							
Correspondence with directors	6.10				6.10	3,782.00	620.00
Investigations							
Mail redirection				0.70	0.70	165.20	236.00

JAD Joinery Limited – Time costs analysis (29/06/2021 to 14/07/2021)						
	Hours				Time Cost (£)	Average Hourly Rate (£)
	Partner / Director	Manager	Administrator	Support	Total	
Review of pre-appt transactions	1.90				1.90	1,178.00
Realisation of assets						
Asset Realisation						
Debtors	1.10		0.60		1.70	823.60
Insurance			0.50		0.50	118.00
Plant and machinery	0.60				0.60	372.00
Total in period	19.70	11.70	15.10	0.00	46.50	21,634.00
Brought forward time (appointment date to SIP 9 period start date)					0.30	70.80
SIP 9 period time (SIP 9 period start date to SIP 9 period end date)					46.50	21,634.00
Carry forward time (appointment date to SIP 9 period end date)					46.80	21,704.80

All staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the assignment but is reflected in the general level of charge out rates.

All time shown in the above analysis is charged in units of six minutes.

Appendix 4 List of Creditors

Creditor name	Estimated balance (£)
AGF Plant	54.91
Alcumus Safe Contractor	197.70
Andy Mallice Consulting	5,500.00
AV Safety Controls	240.00
Ayrshire Metals	15,972.15
Capital Document Solutions	195.18
Car Park	10.95
CCF	2,482.33
Central Doors & Doorsets	455.80
CMJ Embroidery	86.40
Condor Van and Car Hire	446.40
Countreeside Limited	280.56
Clydesdale Bank plc	140,714.74
Decco	3,859.65
Eagle Hire	150.24
EHS Architectural Ironmongers	11,481.39
Elite Doors	1,705.68
Fearless Creative	130.00
HMRC	519,877.54
Grant Cameron Consulting	480.00
James Anderson	5,183.35
Jarvie Plant	1,188.00
Jewson	918.73
John Dickson	18,000.00
Microsoft Ireland Operations	266.60
Nixon Hire	1,411.27
Now Dutton	17,021.95
Peninsula	568.10
Regus	2,052.00
Search Consultancy	14,491.80
SIG Trading Ltd	2,301.60
SIIS Ltd	2,200.20
Simplicity	3,946.60
Site Contract Personnel	2,997.92
Speedy Asset Services	442.59
St Andrews Timber & Building Supplies	191,715.70
Tri-Fix	6,630.85
Turner Hire Drive	303.95
V.J. Technology	22,114.64
Employees	1,000.00
	<u>999,077.47</u>

Appendix 5 Director's Estimated Statement of Affairs

JAD Joinery Limited Estimated Statement of Affairs as at 25 June 2021		
	Book value £'000	Estimated to Realise £'000
<u>Assets subject to hire purchase</u>		
Motor vehicles	29	17
due to HP creditor	(17)	(17)
Surplus to unencumbered assets		-
<u>Unencumbered assets</u>		
Surplus from HP		-
Computer equipment	7	5
Plant & machinery	57	50
Accounts receivable	36	10
Retentions	143	50
WIP	161	50
Directors loan - SMcK	144	189
JAD construction	11	11
Child support control a/c	1	-
Pensions pre-payment	6	-
Available for preferential creditors		365
<u>Preferential creditors</u>		
Employees - arrears of wages	-	(50)
HMRC - CIS	(600)	(600)
HMRC - VAT	160	160
HMRC - NIC	(32)	(32)
HMRC - PAYE	(39)	(39)
Deficit - for unsecured creditors		(196)
<u>Unsecured creditors</u>		
Directors loan - JD	(18)	(18)
Accounts payable	(319)	(319)
Accruals	(4)	(4)
Deferred tax	(5)	(5)
HMRC - CT	(25)	(25)
Earnings Order payable	(1)	(1)
Wages payable	(10)	(10)
Bank - overdraft	(31)	(31)
CBILS loan (Clydesdale)	(100)	(100)
Loan - HD	(25)	(25)
Employees - redundancy pay,	-	(50)
Provision for other claims	-	(50)
Total deficit - for shareholders	(471)	(834)

Appendix 6 Glossary

Company	JAD Joinery Limited – in Liquidation
Joint Interim Liquidators / we / our / us	Alistair McAlinden and Blair Carnegie Nimmo
Interpath/Interpath Advisory	Interpath Ltd
HMRC	Her Majesty’s Revenue and Customs
Director	John Andrew Dickson

Any references in this report to Sections, Paragraphs and Rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, and the Insolvency (Scotland) (Receivership and Winding up) Rules 2018 respectively.

Notice: About this report

This report has been prepared by Alistair McAlinden and Blair Carnegie Nimmo, the Joint Interim Liquidators of JAD Joinery Limited (the 'Company'), solely to comply with their statutory duty to report to members and creditors under Section 138 of the Insolvency Act 1986, on the progress of the liquidation and to provide an account of the Interim Liquidators acts and dealings to date. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in JAD Joinery Limited.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose or in any context other than under Section 138 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Interim Liquidators do not assume any responsibility and will not accept any liability in respect of this report.

Alistair McAlinden and Blair Carnegie Nimmo are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

We are bound by the Insolvency Code of Ethics.

The Officeholders are Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – www.interpathadvisory.com/privacy-insolvency.

The appointment of the Joint Interim Liquidators are personal to them and, to the fullest extent permitted by law, Interpath Ltd does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the Liquidation.

This report is private and confidential and is not for publication.

www.interpathadvisory.com

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