

BISHOP & ROOK UK LIMITED
Report for Creditors

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(This Report is for use by the Members and Creditors of the Company only and must not be published or provided to any other party without the written permission of Maxwell Davies Limited)



Maxwell Davies Limited
Vinters Business Park,
New Cut Road,
Maidstone, Kent,
ME14 5NZ
United Kingdom

Maxwell Davies Limited have not carried out any 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.

BISHOP & ROOK UK LIMITED

SECTION	CONTENT	PAGE
1	General Information	3
2	Statutory Information	3
3	Directors' Report on the History of the Company	4
4	Financial Information	5
5	Comments on the Directors' Statement of Affairs	6
6	Deficiency Account	8
7	Specialist Advice and Services	8
8	Pre-Appointment Fee Information	9

BISHOP & ROOK UK LIMITED

1. GENERAL INFORMATION

Prior Relationship

The firm, Maxwell Davies Limited was contacted by Michael Paul Kraabel and Andrew Fox (“the Directors”) 17 January 2024 to discuss the financial situation of the Company and the options available. The proposed Liquidator has had no other involvement with the Company or its Directors.

Prior to the Proposed Liquidator’s appointment, a review of ethical issues was undertaken and no ethical threats were identified. A further review has been carried out and no threats have been identified in respect of the management of the insolvency appointment over the Review Period.

Instructions from the Board of Director

The Director has instructed this firm to convene the creditors’ decision procedure on 12 March 2024.

Shareholders’ Meeting

A notice to shareholder calling a general meeting of the Company was sent on 18 March 2024. The general meeting of shareholders will be held on 28 March 2014 at 11:15am.

The following resolutions have been proposed:

Special Resolution: “THAT the company be wound up voluntarily”.

Ordinary Resolution: “THAT Ruth Ellen Duncan of Maxwell Davies Limited, Vinters Business Park, New Cut Road, Maidstone, Kent, ME14 5NZ be appointed Liquidator of the Company for the purposes of the winding-up”.

Details of Pre-Appointment Costs

The following costs have been paid:

<u>Work</u>	<u>Name of Recipient</u>	<u>Amount</u>	<u>Source of the Payment</u>
Preparation of the Statement of Affairs, convening the members’ meeting and creditors’ decision procedure	Maxwell Davies Limited	£5,000 plus VAT plus disbursements	3 rd party funds

2. STATUTORY INFORMATION

Company Number:	12988510												
Date of Incorporation:	2 November 2020												
Nature of Business:	Retail trade of motor vehicle parts and accessories												
Former Registered Office:	Unit 2d Castledown Road, Ludgershall, Andover, Wiltshire, SP11 9FA												
Current Registered Office:	Vinters Business Park, New Cut Road, Maidstone, Kent, ME14 5NZ												
Trading address:	Unit 1, Kimpton Manor Farm, Down Road, Kimpton, Andover, Hampshire, SP11 8PG												
Directors in the last 3 years:	<table><thead><tr><th></th><th>Appointed</th><th>Resigned</th></tr></thead><tbody><tr><td>Andrew Fox</td><td>24 May 2021</td><td>N/a</td></tr><tr><td>Michael Paul Kraabel</td><td>1 December 2022</td><td>N/a</td></tr><tr><td>Michael Paul Kraabel</td><td>2 November 2020</td><td>1 August 2021</td></tr></tbody></table>		Appointed	Resigned	Andrew Fox	24 May 2021	N/a	Michael Paul Kraabel	1 December 2022	N/a	Michael Paul Kraabel	2 November 2020	1 August 2021
	Appointed	Resigned											
Andrew Fox	24 May 2021	N/a											
Michael Paul Kraabel	1 December 2022	N/a											
Michael Paul Kraabel	2 November 2020	1 August 2021											
Company Secretary in the last 3 years:	Michael Paul Kraabel 2 November 2020 1 August 2021												
Accountant:	EP Tax, Unit 2d Castledown Road, Ludgershall, Andover, Wiltshire, SP11 9FA												
Debentures Issued:	None												

BISHOP & ROOK UK LIMITED

Authorised and Issued Share Capital	100 ordinary shares of £1
Name of Shareholders	Shares held
Michael Paul Kraabel Andrew Fox	75 Ordinary Shares (75%) 25 Ordinary Shares (25%)
Names and company numbers of parent, subsidiary and associated companies	Bishop & Rook LLC (US parent company) – common director Black Smoke Limited – 11688720 – common director Artisan Motor Co Ltd – 14850374 – common director

3. DIRECTORS' REPORT ON THE HISTORY OF THE COMPANY

Bishop & Rook UK Ltd. ("BRUK") was formed in November 2020 to carry out classic Land Rover restoration in conjunction with Bishop and Rook LLC in the USA, ("BRUS.") The market the business entered was deemed viable due to the number of customers BRUS already had in the USA, and the Company would service the needs of BRUS.

The Company entered into a Business Purchase Agreement ("the Agreement") on 01 February 2021 with Black Smoke Limited T/a DNA Auto Centre ("BSL"). The Agreement included the inventories, all the furniture & equipment, other tangible assets, goodwill, intangible assets, and the interest in the lease with the trading premises to be assigned to the Company.

The Directors of BSL, Andrew Fox and Tom Morris, then agreed to work as salaried members of the staff and Directors for the Company following the Agreement, as both Tom Morris and Andrew Fox were fully qualified mechanics. With Michael Kraabel situated in the USA, the Company needed individuals in the UK to run the day-to-day operations.

The combination of Black Smoke Limited T/a DNA Auto Centre and BRUK. formed the operating company, with 75% of its shares owned by Michael Kraabel, with daily operational oversight the responsibility of Andrew Fox and Tom Morris. BSL ran reduced operations to facilitate the already-standing tenancy agreements and insurance policies. This was in addition to the period where the expenses, such as utilities, were still being paid by BSL until the switch over finalised to the Company.

The newly formed company BRUK conducted classic Land Rover restoration and service work. The Company staff, resources, and expertise were retained for the sole and exclusive benefit of the BRUS operation. The Company did not directly market its services to a customer base outside of what was provided by BRUS. Additionally, no other work, directly or indirectly, was approved to be undertaken at the BRUK facility by the staff on behalf of third parties, customers, or competing businesses.

The Company was initially funded by BRUS, and this funding continued throughout the whole trading period. The structure was that BRUS initiated the customers and contracts, and then the funds would be passed to the Company from BRUS to facilitate trade. Once a project was completed, the vehicles would be transported to the BRUS location for final quality testing and ultimately to the customer's location. Due to the support from BRUS, the Company did not need to obtain any other lending to assist with trading.

The Company experienced difficulties during the COVID-19 pandemic such as obtaining parts, increased prices due to low supply, and experienced staff leaving. However, despite the difficulties and increasing financial losses, the Company managed to continue trading with the financial support of BRUS. The Company was funded directly by BRUS through deposits placed by customers on projects designed to be restored and built by the BRUK workshop. Additional funds were required from time to time due to budget overruns, inefficiencies, and necessary capital investments.

The turnover of the Company reached £301,776 and £546,184 for the periods ending November 2021 and November 2022 respectively. The Company received loans from Michael Kraabel personally of £125,770 as of November 2021 which was later stood at £42,701 for the period ending November 2022. The financial picture represents only a portion of the overall operating costs. Additional expenses were incurred by BRUS

BISHOP & ROOK UK LIMITED

for donor vehicle purchases, marketing, software, shipping, refunds, warranty work, etc. The Company maintained a sales ledger to track individual projects and rough expenses associated with each contract.

Tom Morris left the Company in April 2023, and the Company attempted to replace this individual with no success. During this period, the Company was experiencing difficulties with staff shortages, a backlog of work, late suppliers, difficulties in obtaining parts, increasing operational costs, and decreased operational efficiencies.

The Company has had a history of operational inefficiencies, where the hours and resources available did not match the expected productivity. Only 4 projects were shipped from the Company in 2023, only one of which was a restoration (which started 2 years previous). Zero projects, commissioned in 2023, were completed. The BRUK diary of projects includes 17 projects that are not ready to be shipped to the US - or directly to the customers.

The Company traded from Unit 2, Down Barn Farm, Cholderton, Salisbury, Wiltshire, SP4 0EQ for a period of almost three years with an average of 7 employees (15 total staff members employed during 2023). The Company moved to a different premises, Unit 1, Kimpton Manor Farm, Down Road, Kimpton, Andover, Hampshire, SP11 8PG. This move gained no significant cost savings. Additionally, various company assets were sold during this move. Due to the change in premises, some key elements of trading had to be outsourced to third parties as the trading premises no longer had the facilities on site.

In October of 2023, when the Company moved into the new workshop location, the directors devised an extensive turnaround plan that would allow the Company to get out from under the backlog of projects while moving forward with a reduced sales volume for 2024 and beyond. Unfortunately, between October and the end of 2023 virtually no progress was made.

In December, the Company lost many of its key employees, which made it clear that our operational turnaround plan was in jeopardy. In December, the directors started an effort to find alternative options to complete the 17 projects in the UK. Unfortunately, the losses were so great that it was determined there are insufficient funds to complete these projects.

The directors made several attempts to prioritise projects that would generate revenue to continue operations, but these projects failed to be completed, giving the Company further issues with aggravated customers and financial strain. The directors have not been able to recognise any operational cashflow or revenue from BRUK for the entirety of 2023 and have made zero progress towards financial stability so far in 2024.

The director, Andrew Fox, a salaried member of staff, was responsible for all day-to-day operations of the BRUK workshop until 31 December 2023, when he announced his intention to take a short break from the Company to spend time with family starting 1 January 2024. This resulted in day-to-day operations being left to a manager and a few junior members of staff.

The Company failed due to the inability to complete projects on time or budget. Additionally, the Company's inability to complete projects placed an extensive financial and reputational burden on the BRUS operation. After an extensive audit of projects, liabilities, staffing, resources, and project timelines, it became apparent that there was no path forward with BRUK operations that would not put the organisation further into debt. Due to delivery delays, several US customers with projects based in the UK cancelled contracts and demanded refunds. Additional US customers recently began expressing an interest in cancelling contracts unless timelines could be met.

The Company has been aware of these operational issues since the beginning, but BRUS continued to support the UK operations in hopes of achieving operational efficiencies.

Due to the outstanding project liabilities at BRUK, and lack of qualified staff, it became clear that BRUS would not be able to continue to support the trading of the Company going forward. It was known from the outset that the support BRUS was vital in keeping the Company trading and without this support, the Company would no longer be viable.

BISHOP & ROOK UK LIMITED

As a direct result of the massive backlog of projects with BRUK, including the lack of staff, resources, and management to complete the projects, BRUS was forced to file for Chapter 7 Bankruptcy protection in the United States.

The Directors contacted Maxwell Davies Limited again in February 2024 to seek advice regarding the Company's solvency. The financial position of the Company was discussed, and the Directors were advised of the options available to the Company. It was agreed that due to the insolvency of the BRUK company, forcing BRUS to prepare to enter into Chapter 7 proceedings in the US and the Company no longer having financial support, the Company should be placed into Creditors' Voluntary Liquidation.

Reasons for Failure

As stated above, the main reasons for failure are:

- The inability of the BRUK shop to fulfill customer orders despite financial support from BRUS
- Increased operational costs and difficulties in obtaining parts
- Extensive operational inefficiencies
- Loss of key staff members and lack of qualified staff and management team
- BRUS no longer able to support the Company
- BRUS going into a Chapter 7 bankruptcy

Material Transactions

The Directors have indicated that apart from the planned closure of the Company, during the 12 months prior to the winding up resolution, no other material transactions, other than in the ordinary course of business, have taken place.

4. FINANCIAL INFORMATION

The following financial information is available based on the unaudited annual accounts filed at the Companies House and latest management accounts provided by the Company. There have been no further accounts filed.

Balance Sheets as at November 2022 and November 2021.

	2022	2021
	£	£
CURRENT ASSETS		
Inventories	25,000	120,000
Debtors	9,477	10,094
Cash at bank and in hand	9,986	1,796
	<u>44,463</u>	<u>131,890</u>
CREDITORS: Amount falling due within one year	<u>(51,032)</u>	<u>(137,523)</u>
Net current liabilities	<u>(6,569)</u>	<u>(5,633)</u>
Total assets less current liabilities	<u>(6,659)</u>	<u>(5,633)</u>
Creditors: amount falling due after more than one year	<u>-</u>	<u>-</u>
Total net liabilities	<u>(6,659)</u>	<u>(5,633)</u>
Capital and reserves		
Called up share capital	100	100
Profit and loss account	<u>(6,669)</u>	<u>(5,733)</u>
	<u>(6,569)</u>	<u>(5,633)</u>

BISHOP & ROOK UK LIMITED

Trading Results:

Period	Turnover	Gross Profit	Directors' Remuneration	Net Loss	Reserves
From 1 December 2020 to 30 November 2021	£301,776	£166,718	Uncertain	(£5,733)	(£5,633)
From 1 December 2021 to 30 November 2022	£546,184	£283,573	Uncertain	(£936)	(£6,569)

5. COMMENTS ON THE DIRECTOR'S STATEMENT OF AFFAIRS

The Director's Statement of Affairs ("SOA") does not reflect the costs of insolvency and realisation.

Assets

Below listed are the assets of the Company as per Directors' Statement of Affairs.

Gavel Auctioneers Limited attended the trading premises on 18 March 2024 in order to carry out a valuation of the Company's assets.

It should be noted that Bishop & Rook LLC are claiming that all vehicles and parts to complete the customer projects belong to Bishop & Rook LLC. The duly appointed Liquidator will obtain advice on the validity of this claim.

Cash at bank

According to the Directors' SoA, the Company has around £1,438.16 in cash which has been paid into our client and will be held to the order of the duly appointed Liquidator.

Plant & Machinery

A valuation of the plant & machinery has been provided by my agents, Gavels Auctioneers Limited. These comprise of an Indespension tri axle trailer, an electric pedestrian pallet truck, small garage press, a welding set and a heavy duty battery charger and it is estimated that these will realise in the region of £5,500 in-situ and £3,500 ex-situ.

Stock/Inventory

A valuation of the stock/inventory has been provided by my agents, Gavels Auctioneers Limited. The stock comprises of Land Rover Defender parts being both mechanical and bodywork, including engine parts, gear boxes, body panels and doors. It is estimated that these will realise in the region of £25,000 in-situ and £10,000 ex-situ.

As stated above, Bishop & Rook LLC are claiming ownership to the stock and vehicles. The duly appointed Liquidator will obtain advice on the validity of this claim.

Potential WIP

The Company is currently in the process of restoring/rebuilding 10 vehicles, all of which are at various different stages of the rebuild. My agent has not been able to ascertain whether the Company holds all the components to complete all the works necessary to bring these vehicles to completion.

As stated above, Bishop & Rook LLC are claiming ownership to the stock and vehicles. The duly appointed Liquidator will obtain advice on the validity of this claim.

Creditors

Secured creditors.

The Company had no secured creditors as per the information provided by the Directors.

BISHOP & ROOK UK LIMITED

Preferential creditors

The Company had 6 employees who were made redundant on 15 March 2024. According to the information provided by the Director, the staff are owed arrears of wages and holiday pay which are preferential claims in the Liquidation and are estimated to be £8,668. There may also be claims for arrears of pension contributions.

Secondary Preferential Creditors

It is understood that the Company was normally in a repayment cycle with HM Revenue & Customs ("HMRC") in respect of VAT. It is unlikely that the last return, not yet filed, will be paid due Crown set-off in respect of any PAYE/NIC and amounts to be paid by the Redundancy Payments Service.

Prescribed Part

Section 176A of the Insolvency Act 1986 provides that, where the Company has created a floating charge after 15 September 2003, the liquidator must make a *prescribed part* of the company's *net property* available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured claims.

Net property means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e., after accounting for preferential debts and the costs of realisation). The *prescribed part* is calculated by reference to a sliding scale as follows:

- 50% of the first £10,000 of *net property*;
- 20% of *net property* thereafter;
- up to a maximum amount to be made available of £800,000

A liquidator will not be required to set aside the *prescribed part* if:

- the *net property* is less than £10,000 and he thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit; (Section 176A(3)) or;
- he applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5)).

The Company had not granted a floating charge to any creditor after 15 September 2003 and the provisions of the prescribed part do not apply.

Unsecured creditors

According to the Directors' SOA, the unsecured claims total £273,681 which includes:

- Estimated employee claims of around £5,474
- Associated creditors of £262,449
- Trade, expense and other creditors of £5,757

There is also a contingent claim by the US company for any claims made against it for the non performance of the US customer contracts currently estimated to be £924,920.

The creditors should note that the amounts shown have been provided by the Directors, which may not necessarily agree with your own records. However, the amounts stated will not prejudice your claim as the submitted claims may be adjudicated by the Liquidator in due course. Creditors may also be entitled to claim VAT Bad Debt Relief on their claims.

On the basis of the information provided in the Statement of Affairs, it is anticipated that there no surplus funds will be available for dividend to creditors after considering the expenses of the Liquidation.

BISHOP & ROOK UK LIMITED

6. DEFICIENCY ACCOUNT

DEFICIENCY ACCOUNT AS AT 25 MARCH 2024

	£	£
Reserves per accounts as at 30 November 2022		(6,569)
Asset values written off as a consequence of Liquidation		
Increase in value of plant & machinery	5,500	
Potential WIP value	-	
		(5,500)
Liabilities arising as a consequence of Liquidation		
Redundancy & PILN	5,474	
		(5,474)
		(10,974)
Identified losses/profits since last accounts		
Balance being estimated trading losses for the period from 30 November 2022 to 25 March 2024		(1,171,046)
Estimated total deficiency as regards members		(1,175,451)

7. SPECIALIST ADVICE AND SERVICES

When instructing third parties to provide specialist advice and services, the appointed Liquidator is obligated to ensure that such advice or work is warranted, and that the advice or work contracted reflects the best value and service for the work undertaken. The firm reviews annually the specialists available to provide services within each specialist area and the cost of those services to ensure best value. Any specialists chosen usually have knowledge specific to the insolvency industry and, where relevant, to matters specific to this insolvency appointment.

Details of the specialists specifically chosen in this matter are detailed below.

<u>Professional Advisor</u>	<u>Nature of Work</u>	<u>Fee Arrangement</u>
Gavels Auctioneers	Chattel Agent	Fixed Cost and percentage basis
ERA Solutions Ltd	Employment and Pension Agents	Fixed Cost
Lupton Fawcett	Solicitors Advice	Time costs

The choice of professionals was based on my perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the fee arrangement with them. The fees charged have been reviewed and I am satisfied that they are reasonable in the circumstances of this case.

Gavel Auctioneers were instructed to act on my behalf in relation to the inspection, valuation, and sale of assets of the Company. They are a specialist agent who are used to dealing with insolvent entities assets and I felt that they are properly experienced to deal with these matters on my behalf.

ERA Solutions Ltd are to be instructed to assist the processing of employees' claims with Redundancy Payment Service and deal with pension scheme. They provide a comprehensive and professional service in employment related issues.

Lupton Fawcett solicitors are to be instructed to assist with any claims over the assets of the Company made by any entity.

BISHOP & ROOK UK LIMITED

It should be noted that there are no family connections or referral arrangements with the Proposed Liquidator, Maxwell Davies Limited or its employees with of the above-named specialists.

8. PRE-APPOINTMENT FEE INFORMATION

The pre-appointment fee of £5,000 plus VAT plus disbursements was authorised by the Board. The Sum of £5,000 plus VAT has been paid by Bishop and Rook LLC.

Should you have any queries in this matter, please do not hesitate to contact me.



Ruth E Duncan
Insolvency Practitioner