

**North Star Investment Management Limited – Proposed Creditors’ Voluntary Liquidation
 (“the Company”)**

Director’s Report for Creditors

Dated: 11 February 2025

Private & Confidential

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GENERAL INFORMATION

1. Prior Relationship

PKF Littlejohn Advisory Limited ("PKF") first met with the director in relation to the Company on 19 August 2024 to provide advice in respect of a creditor's winding up petition, which was subsequently dismissed. The director subsequently sought advice from PKF in relation to financial situation of the Company and options available on 16 December 2024. The firm and proposed Liquidators have had no other involvement with the Company or its director.

2. Shareholders' Meeting

A notice to shareholders calling a General Meeting of the Company was sent on 27 January 2025. The General Meeting of shareholders will be held on 12 February 2025 at 10:00.

The following resolutions will be considered at the shareholders' meeting:

1. "That the Company be wound up voluntarily."
2. "That Oliver Collinge and James Sleight of PKF Littlejohn Advisory Limited, 3rd Floor, One Park Row, Leeds, LS1 5HN (office holder no 21830 and 9648) be and are hereby appointed Joint Liquidators for the purposes of such winding up."

3. Instructions from the Director

The director instructed this firm on 21 January 2025 to assist with the deemed consent procedure the deadline for which is 12 February 2025.

4. Details of Payments of Costs paid by the Company or on its Behalf

No payments of costs have been made by the Company or on its behalf.

STATUTORY INFORMATION

Company Number: 10733388

Date of Incorporation: 21 April 2017

Nature of Business: Buying and Selling of own real estate

Registered Office: Formerly: 2 Manor Barn Back Lane, Rainton, Thirsk, YO7 3QB

Changed to: c/o PKF Littlejohn Advisory, 3rd Floor, One Park Row, Leeds, LS1 5HN

Trading Address: 2 Manor Barn Back Lane, Rainton, Thirsk, YO7 3QB

Directors (last 3 years):	Name	Appointed	Resigned
	Stephen Ellis	14 May 2019	-
	Martin Chambers	5 October 2023	12 October 2023
	Paul Ellis	7 August 2020	2 June 2023

Auditors: The Company's accounts did not require audit as it is entitled to exemptions under S477 of The Companies Act 2006

Debentures:	Chargeholder	Created	Registered
	Together Commercial Finance Limited	11 December 2019	13 December 2019
	Together Commercial Finance Limited	11 December 2019	13 December 2019
	Trustees of the Ripley Estates Pension Scheme	10 October 2023	27 October 2023

Share Capital: 100 Ordinary £1 Shares Fully Called Up

Shareholders:	Name	Shares
	Recantos Trust 2015	90 Ordinary Shares
	Paul Ellis	5 Ordinary Shares
	Sylvia Ellis	5 Ordinary Shares

Associated Companies:	Name	Company Number
	Manor Barns (Rainton) Management Limited	13947652
	North Star (York) Investment Limited	11930867
	Taora Holdings Limited	12487826
	Saxon House Residences Limited	10179744
	Bradford Developments (Yorkshire) Limited	07271980
	Rougier House Developments Limited (in Liquidation)	11251593
	Rougier Street Developments Limited (in Liquidation)	11098958
	Ebor Way Property Consulting Limited (in Liquidation)	10046384
	Rougier Street Developments Holdings Limited (Dissolved 13 February 2024)	12057608
	Raithwaite Bay (Holdings) Limited (Dissolved 13 February 2024)	11311028

DIRECTOR'S REPORT ON THE HISTORY OF THE COMPANY

The Company was incorporated on 12 April 2017 with Stephen Ellis as the sole Director and controlling shareholder. The Company started trading in October 2018 with the principal activity being the sales of properties at the proposed redevelopment of the Gas Works site in York. However, due to unanticipated planning issues and delays, this project ultimately never materialised.

In December 2019, the Company purchased the Fox Inn at Stockton on the Forest with the intention of completing a development of the property.

In January 2020, the contractor responsible for the conversion of Yorkshire House, Rougier Street, York into a Malmaison Hotel, entered into Liquidation. The Company entered into discussions to take over the project. As a result, the decision was taken to trade the Fox Inn as a going concern whilst the Company was busy with the other contract.

On 7 August 2020, Paul Ellis was appointed director of the Company and took over the conversion project at the Malmaison Hotel. In order to facilitate this contract, the Company employed the back-room staff who had worked for the previous contractor and utilised sub-contractors to complete construction work. The owners of the property provided funding on regular drawdown of funds approved by their agents.

The project was completed on the 10 June 2021, and the hotel was able to open. However, the Covid-19 Pandemic and resulting lockdowns had caused significant impact on the project, resulting in delays and increases in costs.

The Company engaged in various other projects in the York area from 2021 to 2023. However, due to the long term impacts of the Covid-19 Pandemic, the Company struggled to make profits on many of these contracts, and the Company's cashflow became significantly strained. The directors supported the Company financially during this period. Paul Ellis resigned as director in June 2023.

The remaining director made the decision to continue trading the Company until all rectification and snagging works at the Malmaison Hotel were finished and it was anticipated funds would be made available to the Company which were due under retentions contracts.

From June 2021 to December 2024 the Company engaged in a programme of rectification and snagging within the Malmaison Hotel. During this time the back-room team was disbanded and the remainder of the Malmaison project was handled by the owners and their agents. The project was ultimately signed off on 6 December 2024. However, due to the costs of the repair works, no further funds were available to the Company.

As creditor pressure intensified, the director made an assessment that the business was not sustainable. The director sought advice on the Company's financial position from PKF Littlejohn Advisory.

On 15 January 2025, the Company's primary secured lender, Together Commercial Finance Limited, appointed Christopher Walker and Andrew Foster of Watling Real Estate Limited as Fixed Charge Receivers over the Property at the Fox Inn.

The director provided instructions to PKF Littlejohn Advisory on 21 January 2025 to assist in the process of placing the Company into Creditors' Voluntary Liquidation.

MATERIAL TRANSACTIONS CONDUCTED IN THE PRECEDING 12 MONTHS

It is understood that in the 23-month period since the Company's last formal accounts, it has disposed of a number of its tangible assets.

These include a small amount of plant & machinery and computer equipment, as well as the Company's motor vehicles. The vehicles have been transferred to connected Companies and it is understood that they are subject to finance agreements. The proposed Liquidators will investigate this matter further following their appointment.

FINANCIAL INFORMATION FOR THE PREVIOUS THREE YEARS

Below are summaries of the Company's financial statements for the years ended 31 March 2022 and 31 March 2021 with comparison to recent management accounts.

The Company's accounts did not require audit as it is entitled to exemptions under Section 477 of The Companies Act 2006.

Balance Sheet Extracts

	Management Accounts March 2024 £	Management Accounts March 2023 £	Year Ended 31 March 2022 £	Year Ended 31 March 2021 £
Fixed Assets				
Tangible Assets	155,586	119,951	119,979	106,352
Investment Properties	365,000	365,000	365,000	365,000
	<u>520,586</u>	<u>484,951</u>	<u>484,979</u>	<u>471,352</u>
Current Assets				
Stocks	-	-	-	-
Debtors	582,427	651,324	1,930,755	2,905,630
Cash at Bank and in Hand	187,899	169,682	4,341	77,946
	<u>770,326</u>	<u>821,006</u>	<u>1,935,096</u>	<u>2,983,576</u>
Creditors: amount falling due within one year	(3,313,380)	(3,119,128)	(2,969,430)	(2,212,273)
Net Current (Liabilities) / Assets	<u>(2,543,054)</u>	<u>(2,298,122)</u>	<u>(1,034,334)</u>	<u>771,303</u>
Total Assets Less Current Liabilities	<u>(2,022,468)</u>	<u>(1,813,171)</u>	<u>(549,355)</u>	<u>1,242,655</u>
Creditors: amounts falling due after more than one year	(586,368)	(708,622)	(485,121)	(372,105)
Provisions for Liabilities	-	-	-	(27,389)
Net (Liabilities) / Assets	<u>(2,608,836)</u>	<u>(2,521,793)</u>	<u>(1,034,476)</u>	<u>843,161</u>
Capital and Reserves				
Called Up Share Capital	100	100	100	100
Profit & Loss Reserves	(2,608,936)	(2,521,893)	(1,034,576)	843,061
	<u>(2,608,836)</u>	<u>(2,521,793)</u>	<u>(1,034,476)</u>	<u>843,161</u>

Profit & Loss Extracts

	Management Accounts March 2024 £	Management Accounts March 2023 £	Year Ended 31 March 2022 £	Year Ended 31 March 2021 £
Turnover	146,933	591,668	4,682,223	16,876,516
Cost of Sales	(24,303)	(349,794)	(4,623,257)	(14,648,200)
Gross Profit / (Loss)	122,630	241,874	58,966	2,228,316
	83.46%	40.88%	1.26%	13.20%
Administrative Expenses	(174,949)	(1,318,246)	(1,600,587)	(1,514,593)
Other Operating Income	-	-	2,896	-
Exceptional Item	-	(21,344)	(417,079)	-
Operating (Loss) / Profit	(52,319)	(1,097,716)	(1,955,804)	713,723
Interest and Charges Payable	(34,724)	(389,601)	(120,380)	(34,248)
(Loss) / Profit before Tax	(87,043)	(1,487,317)	(2,076,184)	679,475
Taxation	-	-	198,547	(131,409)
(Loss) / Profit	(87,043)	(1,487,317)	(1,877,637)	548,066
Profit & Loss Reserves b/fwd.	(2,521,893)	(1,034,576)	843,061	294,995
	(2,608,936)	(2,521,893)	(1,034,576)	843,061
Dividends	-	-	-	-
Profit & Loss Reserves c/fwd.	(2,608,936)	(2,521,893)	(1,034,576)	843,061

SUMMARY OF THE DIRECTOR'S STATEMENT OF AFFAIRS

	Book Value	Estimated to Realise
	£	£
ASSETS		
Secured Assets		
Freehold Property - The Fox Inn	365,000	365,000
Together Commercial Finance Limited		(311,852)
Trustees of Ripley Estates Pension Scheme		(15,250)
Surplus Secured Assets c/fwd.		37,898
Unsecured Assets		
Surplus Secured Assets b/fwd.		37,898
Plant & Machinery	1,408	Nil
Computer Equipment	1,143	Nil
Motor Vehicles	153,063	Nil
Retentions	40,132	20,000
Book Debts	260,049	Uncertain
Director's Loan Account	72,697	Uncertain
Intercompany Debts	1,333,795	Uncertain
		57,898

Continued overleaf

SUMMARY OF THE DIRECTOR'S STATEMENT OF AFFAIRS (Continued)

	Book Value £	Estimated to Realise £
Funds available to creditors		57,898
LIABILITIES		
Preferential Creditors		
Pension Schemes		(14,269)
		43,629
Secondary Preferential Creditors		
HM Revenue & Customs - VAT		(103,232)
HM Revenue & Customs - CIS		(1)
HM Revenue & Customs - PAYE		(193,349)
		(252,953)
Estimated prescribed part of net property c/fwd.		N/A
		(252,953)
Floating Charge Creditors		
(Shortfall) to Floating Charge Creditor b/fwd.		-
(Shortfall) to Floating Charge Creditor c/fwd.		(252,953)
Estimated prescribed part of net property b/fwd.		N/A
Funds available to Unsecured Creditors		(252,953)
Unsecured Creditors		
Trade & Expense Creditors		(1,211,179)
Director's Loan Accounts		(25,449)
Intercompany Liabilities		(946,666)
Estimated (deficiency) to Unsecured Creditors		(2,436,247)
(Shortfall) to Floating Charge Creditor b/fwd.		-
Estimated (deficiency) to creditors		(2,436,247)
Called Up Share Capital		(100)
Estimated total (deficiency)		(2,436,347)

COMMENTS ON THE DIRECTORS' STATEMENT OF AFFAIRS

The Statement of Affairs does not reflect the costs of insolvency or realisations.

Assets

Freehold Property – The Fox Inn

The Company owns a freehold property: The Fox Inn, Stockton on the Forest. The book value has been extracted from the Company's books and records as provided by the director.

The Company granted a fixed and floating charge to Together Commercial Finance Limited on 11 December 2019 that was delivered to Companies House on 13 December 2019. The Company also granted a fixed and floating charge to the Trustees of Ripley Estates Pension Scheme on 10 October 2023 which was delivered to Companies House on 27 October 2023.

On 15 January 2025, Together Commercial Finance Limited appointed Christopher Walker and Andrew Foster of Watling Real Estate Limited as Receivers over the freehold property. As a result, the Property is being dealt with by the Receivers as agents of the Company.

Whilst the Statement of Affairs does show a surplus from the Property being available to creditors, this does not take account of various factors including but not limited to the Receivers' fees, Agents' fees and Termination fees. It is therefore considered unlikely that there will be any funds available to the insolvency estate.

Plant & Machinery

The Company's books and records indicate that the Company held a small amount of tools and equipment. It is understood that these have been disposed of, or lost in the 23 months since the last set of formal accounts, as a result the estimated to realise value is Nil.

Computer Equipment

The Company's books and records indicate that the Company held a small amount of computer equipment. It is understood that these have been disposed of, or lost in the 23 months since the last set of formal accounts, as a result the estimated to realise value is Nil.

Motor Vehicles

The Company's books and records show that the Company owned several vehicles, which it is understood were subject to various finance agreements. It is understood that these vehicles have been disposed of, or transferred to other group Companies in the 23 months since the last set of formal accounts. The proposed Liquidators will review these transactions following their appointment.

Retentions

The Company's books and records indicate that the Company is eligible to receive outstanding retentions of £40,132 in relation to works completed at the Malmaison Hotel in York. It is understood that the owner of the hotel disputes this balance, due to costs incurred by them in relation to delays and rectification to the work. An offer from the owner has been received to pay

£20,000 in full and final settlement of these retentions. The proposed Liquidators intend to review the retentions following their appointment in order to establish whether it is in creditors interests to accept this offer.

Book Debts & Intercompany Debts

The Company's books and records indicate that the Company is owed funds by various debtors, both connected and otherwise. The estimated to realise value has been shown as uncertain for the purposes of the statement of affairs. The proposed Liquidators intend to complete a review of the debtors ledger following their appointment to confirm the true balance of these debts, and will pursue the debts as appropriate. It is understood that a number of the debtor Companies are in insolvency proceedings.

Director's Loan Account

The Company's books and records indicate that the Company is owed funds by its former director in relation to a director's loan account. The proposed Liquidators intend to complete a review of the position following their appointment to confirm the true balance of the debt, and will pursue this as appropriate.

Creditors

Preferential Creditors

The Company's books and records indicate that the Company owes funds in relation to historic pension contributions. This should not be regarded as an agreed amount.

Secondary Preferential Creditors

In any insolvency process started from 1 December 2020, HMRC is a secondary preferential creditor for the following liabilities:

- VAT
- PAYE Income Tax
- Employees' NIC
- CIS deductions
- Student Loan Deductions

This will mean that, if there are sufficient funds available, any of the above amounts owed by the Company will be paid after the preferential creditors have been paid in full.

It is understood that HMRC are owed £103,232 in respect of historic PAYE and £193,349 in respect of VAT. A nominal figure of £1 has been included in relation to the Company's CIS deductions for the purposes of the statement of affairs. These should not be regarded as an agreed amount. HMRC may also be an unsecured creditor in respect of any other liabilities owed to them.

Prescribed Part

The Prescribed Part only applies where the company has granted a floating charge to a creditor after 15 September 2003. Where a floating charge over the company's assets has been given a

prescribed amount of the company's net property after paying the preferential creditors must be made available to the unsecured creditors and the basis of this calculation is detailed below:-

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

It is currently anticipated that the floating charge creditors will be paid in full out of fixed charge realisations, as a result it will not be necessary to set aside a Prescribed Part in this case.

Unsecured Creditors

It is estimated that unsecured claims total £2,183,294, these figures have been extracted from the Company records and should not be regarded as agreed amounts. Creditors may be entitled to claim VAT Bad Debt Relief on their claims.

Of the unsecured claims, it is estimated that £25,449 relates to a director's loan account and £946,666 relates to intercompany debts.

Shares

The issued and fully paid-up share capital is £100 resulting in an overall total deficiency of £2,436,347.

DEFICIENCY ACCOUNT FOR THE PERIOD TO 7 FEBRUARY 2025

	£	£
Profit & Loss Reserves as at 31 March 2022		(1,034,576)
Less: Assets Written Down per Statement of Affairs		
Plant & Machinery	(1,408)	
Computer Equipment	(1,143)	
Motor Vehicles	(153,063)	
Retentions	(20,132)	
Book Debts	(260,049)	
Director's Loan Account	(72,697)	
Intercompany Debts	(1,333,795)	
	<u>(1,842,287)</u>	
		(2,876,863)
Less: Liabilities Arising as a Consequence of the Liquidation		
Liabilities	-	
	<u>-</u>	
		(2,876,863)
Notional Profit in the Period***		440,616
Estimated Deficiency to Creditors		(2,436,247)
Issued Share Capital		(100)
Estimated Deficiency to Members		(2,436,347)

The deficiency statement indicates that the Company has made a notional profit of c. £440k in the period since its last formal accounts. This is almost certainly not the case. This anomaly appears to result from a discrepancy between the reported creditor position in the 2024 management accounts and the currently reported position. The proposed Liquidators will investigate the position following their appointment.