

Investigations

Further to a high volume of complaints by former customers, National Trading Standards (“NTS”) investigated the Company’s affairs and the conduct of its two directors, Beverley Gale Midgley-McDonald and Alistair Ian Midgley-McDonald. This led to criminal proceedings, which have been concluded and reported on publicly since our last progress report.

The directors were each sentenced to 46 weeks’ custody but suspended for two years. They were ordered to undertake 200 hours of unpaid work and were disqualified from acting as directors for seven years. Furthermore, the directors were ordered to pay compensation of approximately £25,000, court costs of £50,000 and £100 each in victim surcharges for those who submitted witness statements in the proceedings.

The investigations found that the directors should have taken steps to cease trading and place the Company into liquidation at an earlier time. Despite this, they continued to take advance payments from customers for driving lessons that were not provided. As a result, there would potentially be claims against the directors for wrongful trading under Section 214 the Act. If such a claim is successful, a director can be made personally liable for the amount by which a company’s deficiency has increased after the date on which they knew, or ought to have known, the company could not avoid insolvent liquidation.

Taking the above into consideration, we have therefore liaised with the directors and undertaken a review of the personal finances to ascertain whether they would be able to settle any claims against them. This has confirmed that, further to the sums paid after the conclusion of the criminal proceedings by NTS, the directors have insufficient means to enable settlement of any claims against them. We have therefore decided to take no further action in this regard.

In addition, it should be noted that, despite the findings of the NTS investigation, wrongful trading proceedings would be entirely separate and, if defended, may not be successful. Furthermore, there is a high burden of proof for claims of this nature both in terms of the claim itself and the calculation of the worsening of the financial position. The lack of resources to enable such action to be funded were also factored into our deliberations.

The above work has not benefitted creditors financially but was necessary in order to consider whether it was commercial to pursue claims.

Dealing with all creditors’ claims (including employees), correspondence and distributions

We have provided updates and information to specific creditors upon request. This work has not benefitted creditors financially but was necessary further to our duty of accountability.

Other matters which includes seeking decisions from creditors (via Deemed Consent Procedure and/or Decision Procedures), tax, litigation, pensions and travel

We are required to submit returns to HM Revenue & Customs for VAT and Corporation Tax in respect of periods after the date of our appointment. This has not benefitted creditors financially but is necessary pursuant to tax and insolvency legislation.

5. OUTCOME FOR CREDITORS

Details of the sums owed to each class of the Company’s creditors were provided in the directors’ statement of affairs.

On the basis of realisations achieved, the outcome for each class of the Company’s creditors is as follows:

Secured creditors

Insufficient funds were realised to enable a distribution to the secured creditor.

Preferential creditors

As detailed in our progress report dated 27 April 2020, we confirm that no dividend is available for preferential creditors because the funds realised have already been used or allocated for defraying the expenses of the liquidation.

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

The Company's net property, as defined in Section 176A(6) of the Act, is nil and the prescribed part of the Company's net property is therefore also nil.

Unsecured creditors

As detailed in our progress report dated 27 April 2020, we confirm that no dividend is available for unsecured creditors as the funds realised have already been used or allocated for defraying the expenses of the liquidation. Consequently, we have not taken steps to formally agree the claims of unsecured creditors.

6. REMUNERATION & DISBURSEMENTS

Remuneration

Our remuneration was fixed by a decision of the creditors on 18 April 2018 obtained via a Decision Procedure by way of correspondence by reference to the time properly given by us (as liquidators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the winding up as set out in the fees estimate dated 23 March 2018 in the sum of £17,680.50.

Our time costs for the period from 28 February 2020 to 17 February 2021 amount to £7,444, which represents 23.9 hours at an average rate of £311.46 per hour.

The following further information in relation to our time costs and disbursements is set out at Appendix 2:

- Begbies Traynor (Central) LLP charging policy
- Time Costs Analysis for the period 28 February 2020 to 17 February 2021

In addition to the Time Costs Analysis for the period covered by this report, a cumulative Time Costs Analysis for the period from 28 February 2018 to 17 February 2021 is also attached at Appendix 2.

To 17 February 2021, we have drawn the total sum of £3,979.28 on account of our remuneration against total time costs of £45,474.50 incurred since the date of our appointment. In addition to the time costs information disclosed at Appendix 2 for the period since our last progress report, our previous progress reports contained details of the time costs we had incurred as at the date of each report. Our unbilled time costs of £41,495.20 have been written off as irrecoverable; however, we reserve the right to recover these costs in the event that circumstances subsequently permit us to do so.

A copy of 'A Creditors' Guide to Liquidators Fees (E&W) 2017', which provides guidance on creditors' rights on how to approve and monitor a Liquidator's remuneration and on how the remuneration is set can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact our office.

Disbursements

To 17 February 2021, we have also drawn disbursements in the sum of £267.52.

No Category 2 disbursements, or expenses that should be treated as Category 2 disbursements, have been charged to the case since our last report to creditors.

7. LIQUIDATORS' EXPENSES

A statement of the expenses incurred since our last progress report is attached at Appendix 3. A cumulative statement showing the total expenses incurred since the date of our appointment also appears at Appendix 3.

8. UNREALISABLE ASSETS

Deferred Consideration re Business Sale

We attempted to recover further monies in relation to the pre-liquidation sale of the Company's intellectual property to an unconnected third party. No further recovery was possible due to issues with the quality of the database that was transferred.

Book Debts

We also instructed solicitors to pursue the book debts totalling £200,560 that were outstanding from former driving instructors according to information provided the Company's directors. All accounts were disputed with instructors claiming to be owed monies by the Company instead. Insufficient information was available to enable us to confirm the true position and the directors were unable to assist further in this regard.

9. OTHER RELEVANT INFORMATION

Connected party transactions

We have not been made aware of any sales of the Company's assets to connected parties.

Use of personal information

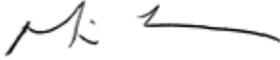
Please note that although it is our intention to conclude the liquidation, in the course of us continuing to discharge our statutory duties as liquidators, we may need to access and use personal data, being information from which a living person can be identified. Where this is necessary, we are required to comply with data protection legislation. If you are an individual and you would like further information about your rights in relation to our use of your personal data, you can access the same at <https://www.begbies-traynorgroup.com/privacy-notice>. If you require a hard copy of the information, please do not hesitate to contact our office.

10. CONCLUSION

This report and account of receipts and payments is our final account of the winding-up, showing how the liquidation has been conducted and details of how the Company's property has been disposed of.

Unless creditors object, by giving notice in writing within 8 weeks of the delivery of the notice of our final account, we will have our release from liability at the same time as vacating office. We will vacate office upon our delivering to the Registrar of Companies our final account.

Should you require further explanation of any matters contained within this report, you should contact our office and speak to the case manager, James Crawford, in the first instance, who will be pleased to assist.

A handwritten signature in black ink, appearing to read 'Michael Jenkins', with a long horizontal stroke extending to the right.

Michael Jenkins
Joint Liquidator

Dated: 17 February 2021

ACCOUNT OF RECEIPTS AND PAYMENTS

Period: 28 February 2020 to 17 February 2021

Dynamic Franchises Limited
(In Liquidation)
Joint Liquidators' Account of Receipts & Payments

Statement of Affairs £		From 28/02/2020 To 17/02/2021 £	From 28/02/2018 To 17/02/2021 £
	ASSET REALISATIONS		
16,800.00	Deferred Consideration re Business Sale	NIL	2,400.00
NIL	Furniture & Equipment	NIL	NIL
Uncertain	Book Debts	NIL	NIL
	Business Rates Refund	NIL	282.51
	Refund of Storage Deposit	NIL	91.00
NIL	Funds in PayPal Account	NIL	NIL
1,148.00	Cash at Bank	NIL	7.89
840.00	Cash in Hand	NIL	6,846.64
	Bank Interest (Gross)	1.02	4.69
		<u>1.02</u>	<u>9,632.73</u>
	COST OF REALISATIONS		
	Statement of Affairs Fee	NIL	5,000.00
	Liquidators' Remuneration	479.30	3,979.30
	Liquidators' Disbursements	160.02	267.52
	Storage Costs	75.88	216.71
	Statutory Advertising	NIL	169.20
		<u>(715.20)</u>	<u>(9,632.73)</u>
	PREFERENTIAL CREDITORS		
(8,624.00)	Employees (Wage Arrears & Holiday Pay)	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	FLOATING CHARGE CREDITORS		
(25,000.00)	Barclays Bank PLC (Debenture 17/4/15)	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS		
(32,143.00)	Trade Creditors	NIL	NIL
(39,374.00)	Employees (Wages, Redundancy & Notice Pay)	NIL	NIL
(104,375.00)	Pupil Refunds	NIL	NIL
(77,000.00)	Directors' Loan Accounts	NIL	NIL
(50,000.00)	Stripe (Bank Overdraft)	NIL	NIL
(25,000.00)	HM Revenue & Customs (PAYE & NIC)	NIL	NIL
(45,000.00)	HM Revenue & Customs (VAT)	NIL	NIL
(106,008.00)	Fleet Companies	NIL	NIL
(4,000.00)	Landlord (Rent Arrears)	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
	DISTRIBUTIONS		
(2.00)	Ordinary Shareholders	NIL	NIL
		<u>NIL</u>	<u>NIL</u>
(497,738.00)		<u>(714.18)</u>	<u>NIL</u>
	REPRESENTED BY		
			<u><u>NIL</u></u>