

RE: CHINA LOCAL LTD (“THE COMPANY”)

PROPOSED CREDITORS’ VOLUNTARY LIQUIDATION (“CVL”)

REGISTERED NUMBER: 10659693

COMPANY ADDRESS: 6A RANDESDOWN ROAD, CATFORD, LONDON SE6 3BT

SIP 6 REPORT & STATEMENT OF AFFAIRS

1 STATEMENT OF AFFAIRS

The Statement of the Affairs of the Company as at 10 October 2019, being a date not more than 14 days before the date of the resolution for winding up has been posted to creditors under a separate cover.

2 SIP 6 INFORMATION

John Paul Bell and Toyah Marie Poole of Clarke Bell Limited were instructed on 12 August 2019 to assist in the deemed consent decision procedure in order to be appointed Joint Liquidators of the Company by its director, Darren Folkard.

A total fee of £2,162.50 plus VAT was paid by a third party on behalf of the Company in respect of the above instructions to Clarke Bell Limited, of this fee, £500 plus VAT is to be paid to Michael Stuart Associates, who are the company’s accountants, for their assistance in the preparation of the attached Statement of Affairs.

There has been no prior involvement with the Company or its directors that could reasonably be perceived as presenting a threat to John Paul Bell and Toyah Marie Poole’s objectivity.

I understand there have been no material transactions conducted by the Company in the preceding 12 months other than in the ordinary course of business

3 TRADING PREMISES

China Local Ltd traded from rented premises at 6A Randesdown Road, Catford, London SE6 3BT, under a long term-lease with an annual rental of £10,000.

4 BUSINESS FINANCE

Aside from creditors, the company has been financed by the following source:

(a) Director’s Loan

Since incorporation, the director has invested funds to assist general cash flow.

The current balance due in respect of director’s loan is detailed in the Statement of Affairs.

5 TRADING HISTORY

The business initially commenced to trade as a sole-trader in early 2016.

Trade initially commenced well, and the business quickly became operationally viable. This early success was due to a combination of location and ready customer base available from 'Just Eat' and Hungry House' online applications, together with leaflet drops and discounts for repeat orders.

With trade being successful, the business was incorporated as China Local Limited on 8 March 2017 and the business and its employees were transferred on 1 April 2017.

The company traded as a Chinese Takeaway.

Darren Folkard was responsible for the day to day running of the business.

The company used the services of subcontractors to facilitate trade.

Given the director's previous success of the business as a sole-trader, the company already had a large customer base upon the commencement of trade.

Given the success of trade, the company quickly reached the VAT registration threshold and as a result registered for VAT. The registration of VAT however meant that profit margins soon decreased as the company was unable to increase prices and stay competitive within its trading area.

Subsequently, Just Eat purchased Hungry House, removing competition from the market. At this time Just Eat increased its standing charge and commission rate, further eroding an already stressed profit margin.

In addition to these cash flow difficulties, the costs of food and utilities has increased significantly. The company was also faced with increased fuel costs, which impacted driver deliveries and increasing the 'shift rate' payable to Chefs who were engaged on a self-employed basis.

It wasn't long before all of the above began to take its toll and the director realised that the company was no longer able to successfully compete in the market. Consequently, the director made the decision to seek professional advice.

Therefore, on 12 August 2019, Clarke Bell Limited were approached for independent financial advice and it was recommended that the company be wound up for the benefit of all creditors.

As a result, China Local Ltd ceased to trade with immediate effect.

A formal meeting of the company's Board was held on 10 October 2019.

The director attributes the cause of failure to the following:

- (i) Cash flow difficulties;
- (i) Increase in costs of food, utilities and fuel impacting on the profitability of contracts;
- (ii) Increase standing charge and commission rate of Just Eat; and
- (iii) Competition.

6 FINANCIAL INFORMATION

Extracts from the Company's most recent accounting information can be summarised as follows:

Year Ended	Turnover (£)	Gross Profit (£)	Profit/(Loss) After Tax (£)	Reserves (£)	Dividends (£)	Type of Accounts
31/03/18	163,716	108,629	(11,861)	0	0	Draft

The financial statements referred to above, do not show that the director has drawn remuneration during this period.

7 STATEMENT OF AFFAIRS

ASSETS

The company has no assets.

LIABILITIES

Secured Creditors

There are no known secured creditors.

Consequently, there is no known floating charge and as such, I am not required to calculate a prescribed part amount due to creditors under section 176a of the Insolvency Act 1986 on the company's net estate.

Preferential Creditors

There are no known preferential creditors.

Unsecured Creditors

(a) Taxation

The liability due to the HM Revenue and Customs in respect of VAT is shown in the Statement of Affairs.

It is understood that all returns have been made to date and this is an accurate figure.

(a) Trade and Expense Creditors

The amount shown in respect of trade and expense creditors is taken from the company's accounting records.

Neither the existence of each creditor nor their respective amounts has been validated. This will not prejudice the rights of any creditor to prove in the estate for a different amount.

(b) Director's Loan Account

As detailed in section 3, the director has introduced monies throughout the course of business.

