



# **Taylor Industries, Limited (In Official Liquidation)**

Second Interim Report of the Official Liquidator

As at December 13th, 2019

## Contents

	Page
Glossary of Terms	3
List of Appendices	4
1. Introduction	5
2. Executive Summary	6
3. Application for Supervision Order	7
4. Creditors	8
5. Asset Identification and Realisations	9
6. Receipts and Disbursements	15
7. Further steps in the Liquidation	15
8. Conclusion	16

## Glossary of Terms

- “Act” – The Companies Act of The Bahamas, 1992
- “B\$” – Bahamian dollars
- “CFAL” – Colina Financial Advisors Limited
- “Court” – Supreme Court of The Bahamas
- “Custom Computers” – Custom Computers Limited
- “BT” – Bryan Taylor, Director
- “CIBC” – CIBC First Caribbean
- “IMB” – Insurance Management (Bahamas) Limited
- “Insolvency Act” – The Bahamas Companies (Winding Up Amendment) Act, 2011
- “Liquidator” – Andrew Davies, Official Liquidator
- “TIL or “the Company” – Taylor Industries, Limited

## List of Appendices

1. Shareholder approvals in support of application for Supervision Order
2. Summons for Direction
3. Petition for Supervision Order
4. Affidavit of Liquidator in support of Petition
5. Notice for Hearing of Petition filed with Registrar
6. Notice for Hearing of Petition advertised in gazette
7. Supervision Order from Supreme Court
8. Notice confirming appointment of Official Liquidator
9. Creditor proof of debt claim form
10. Newspaper advertisements for various Assets
11. Vehicle value analysis
12. List of Furniture and Fixtures
13. List of Tools
14. Schedule of Receipts and Disbursements January 8, 2019 to December 13, 2019

## 1. Introduction

### **Basis of Report**

- 1.1 This Second Interim Report covers all the activities of the Liquidator from the date of the First Interim Report, February 4, 2019, through to December 13, 2019.
- 1.2 The Liquidator has been guided by advice received from his legal counsel, Lennox Paton.
- 1.3 Unless otherwise stated all financial data in this report is in Bahamian Dollars (“B\$”)

### **Restrictions and Qualifications of the Report**

- 1.4 This Second Interim Report is prepared and submitted by the Liquidator to the stakeholders of the Company for the purpose of providing information regarding the work undertaken by the Liquidator since the date of the First Interim Report.
- 1.5 Neither the Liquidator nor Crowe Bahamas will be responsible for any losses, damages, liabilities or claims arising from the use and/or reliance on this report.
- 1.6 In performing the work, the Liquidator has relied on the integrity and accuracy of the information and documents supplied and available. Although the Liquidator has attempted to corroborate the information they have obtained from difference sources, they have not independently verified all of the information and documentation upon which they have relied in preparing this report. In addition, the Liquidator has not performed an audit or review in accordance with General or International Auditing Standards, and consequently, no assurance is expressed in this regard.
- 1.7 This report shall not be copied, reproduced, quoted or distributed without the prior written permission of the Liquidator.

### **Sources of Financial Data and Information**

- 1.8 The Liquidator has drawn upon documentation obtained from the Company’s books and records and information and documentation obtained from the following service providers to the Company;
  - Accountants: Financial Statement review services provided by Deloitte & Touche Chartered Accountants, Bahamas (“Deloitte”)
  - Banks CIBC FirstCaribbean (“CIBC”)

- Financial Consultant Adderley & Co

1.9 The Liquidator has also obtained information from the following parties;

- Directors and Member – Bryan Taylor (“BT”)
- Former staff of the Company
- Custom Computers Limited as IT service provider to the Company

## 2. Executive Summary

2.1 Following the granting of a Supervision Order to bring the Liquidation under the auspices of the Court, the Liquidator has been focused on identifying and realizing the identifiable assets of the Company.

2.2 The challenge the Liquidator has been faced with is the relatively low value and marketability of certain assets of the Company and the conversely high time and costs involved in converting these assets into cash through the limited realization processes available.

2.3 Wherever possible, and without compromising the integrity of the sales or collection process, the Liquidator has taken all practical measures available to minimize costs and maximise returns for creditors from the various asset classes available.

2.4 As at the date of this report the Liquidator has either gained control, completed the sale and/or received payments relating to the following assets identified in the First Interim Report:

- Cash at Bank
- Vehicles
- Inventory
- Staff Pension Fund
- Accounts Receivable (Collection efforts continue)

2.5 The Liquidator has the following assets still remaining to be sold or realized that were identified in the First Interim Report:

- Furniture & Fixtures

2.6 Since the date of the First Interim Report the Liquidator has identified the following assets of TIL that may realise some value for the liquidation estate:

- Shares in Roylat Limited
- Tools and Scaffolding
- IT Infrastructure

2.7 This report will provide detail on the completed realization process for each of the above asset classes and direction for creditors on the Liquidator's plans for the non-cash assets that are still in the Liquidators possession as at the date of this report.

### 3. Application for Supervision Order

3.1 Subsequent to the date of the First Interim Report the Liquidator obtained the approvals from 99% of the current shareholders in support of the Liquidator applying for a Supervision Order from the court. (See Appendix 1). The Liquidator was unable to obtain the approval of Mr. George Carey who held the remaining 1% of the issues shares of the Company as he was out of the jurisdiction and non-contactable.

3.2 Upon obtaining the shareholder approvals the Liquidator through his legal counsel filed a Summons for Direction (See Appendix 2) and Petition for a Supervision Order (See Appendix 3) on February 8, 2019 to bring the Liquidation of Taylor Industries, Limited ("TIL or "the Company") under the supervision of the Supreme Court of The Bahamas.

3.3 Grounds for the Petition were principally that the Company was insolvent and the Directors of the Company had not filed a Declaration of Solvency within the required time frame following the appointment of a Voluntary Liquidator.

3.4 On the same date the Liquidator filed an affidavit in support of the Petition for a Supervision Order (see Appendix 4)

3.5 A date for the hearing of the Summons for Direction and the Petition for a Supervision Order was set for April 8, 2019. A Notice for the hearing of the petition was filed with the Registrar of Companies on April 2, 2019 (See Appendix 5) and a Notice placed in the official gazettes on April 1, 2019 (see Appendix 6).

3.6 The Petition was heard as scheduled on April 8, 2019 before Her Ladyship the Honourable Madam Justice Diane Stewart and a Court Order was granted on that date placing the liquidation of the Company under the Supervision of the Court and Andrew Davies, the former Voluntary Liquidator, was appointed Official Liquidator of TIL (See Appendix 7)

3.7 Subsequently, a notice confirming the appointment of the Official Liquidator was placed in the gazette within the required time period on May 2, 2019 (see Appendix 8)

## 4. Creditors

- 4.1 The Liquidator advertised the notice of both the Voluntary Liquidator appointment and the Official Liquidator appointment inviting creditors to file a claim in the liquidation
- 4.2 In order to reduce time and costs involved in holding formal creditor meetings and communications with creditors the Court granted the Liquidator approval to post all creditor notices and information relating to the liquidation on the Company website at [www.taylor-industries.com](http://www.taylor-industries.com) (see Appendix 7)
- 4.3 A creditor proof of debt form was placed on the website of the Company website (See Appendix 9)
- 4.4 As at the date of this report the Liquidator has received creditor claims in the prescribed form from the following entities:
  - 4.4.1 the Department of Inland Revenue for unpaid VAT due from the Company's December 2018 quarter end VAT filing. This claim was in the amount of \$18,326.80 and will rank as a Preferential Creditor claim in the Liquidation;
  - 4.4.2 Kelly's Home Centre Ltd. in the amount of \$11,895.05. This claim has been classified as an unsecured creditor claim by the Liquidator.
  - 4.4.3 Peninsular Electric Distribution Inc. (Florida) in the amount of \$134,749.67. This claim has been classified as an unsecured creditor claim by the Liquidator
- 4.5 All creditor claims received thus far are still subject to review with the Liquidator's legal counsel
- 4.6 The Liquidator has communicated with multiple other parties claiming to be creditors of the company by email and/or telephone. The Liquidator has directed these creditors to the Company website to review the Liquidators First Interim Report to appraise themselves of the status of the Liquidation and assess the likelihood they will receive a distribution from the assets of the Company.
- 4.7 The Liquidator has responded to enquiries received from former employees of the Company on a regular basis during the course of the Liquidation.
- 4.8 The Liquidator has maintained a current contact list of the former employees of the Company so these individuals may be contacted if at any stage of the Liquidation the Liquidator is in a position to make a distribution of assets.



4.9 Given that the unsecured trade creditors are not expected to receive any distribution from the liquidation the Liquidator expects to have minimal ongoing contact with this creditor class for the remainder of the liquidation process.

## 5. Asset identification and realisations

5.1 Following the appointment as Voluntary Liquidator the initial focus was on identifying and safeguarding the assets of the Company for the benefit of the creditors.

5.2 Subsequent to receiving a court order approving the sale of Company assets the focus of the Liquidator has been on realizing the various assets identified in order to maximize potential returns for creditors. The Liquidator has taken the following steps with respect to the respective asset classes listed below:

### 5.2.1 Cash at Bank

The Liquidator gained control of the Company bank account by obtaining the necessary recognition required by CIBC First Caribbean. The balance of funds on account at the commencement of the Liquidation was \$38,189.37. The Liquidator is the sole signatory on the account and has continued to use the original operating bank account to run the liquidation in order to minimize the associated costs of setting up a new bank account.

### 5.2.2 Vehicles

The Liquidator identified seven (7) vehicles that were registered in the name of the Company and were available for sale. The Liquidator was able to locate all certificates of title for the vehicles. However, one of the certificates had an inaccurate Vehicle Identification Number so the Liquidator had to meet with the Ministry of Transport (“MOT”) to correct this error and reissue a new Certificate of Title. The Liquidator was successful in getting the MOT to reissue a corrected Certificate of Title.

The Liquidator reviewed the books and records that reflected the vehicles had a depreciated value of \$18,990. The Liquidator also reviewed the various insurance policies for the vehicles and noted the insured value of the vehicles was \$52,931.

The Liquidator engaged the services of a suitably qualified mechanic to service the vehicles in preparation for sale and to offer an independent opinion as to their possible value. The mechanic valued the vehicles at a total of \$28,750 based on the age, condition and mileage of the vehicles.

The Liquidator ran a formal sealed bid auction process for the vehicles. Notice for interested bidders was placed in the Tribune (May 8 – 10, 2019) and Guardian for (May

10 – 14, 2019) for 3 consecutive business days. (see Appendix 10) Expressions of interest were received from 30 parties interested in bidding.

The Liquidator ran a viewing day for the vehicles from 9am to 7pm on May 23, 2019. Bidders were given until 5pm on Friday May 25, 2019 to submit their offers under an “as is, where is” basis backed by a \$500 bank draft for each vehicle they bid on.

The highest bids the Liquidator received totaled to \$33,600 for the seven vehicles from four different buyers.

The Liquidator accepted these highest bids on the basis the offers received were reasonable as compared to insured value, depreciated value and independent valuation when set against the costs of running another sales process and the likelihood of receiving any higher bids. The Liquidator concluded the sale of the vehicles when the balance of funds was received at which time title was transferred to the buyer and the vehicles insurance policies were cancelled.

The Liquidator cancelled the insurance policies with IMB for these vehicles after they were sold and removed from the premises.

Appendix 11 shows a breakdown of the vehicles by insured value, depreciated value, estimated third party valuation and actual sales proceeds received.

### 5.2.3 Inventory

The Liquidator obtained an initial inventory listing from the Company’s management information system as at the commencement of liquidation. The total cost value of the inventory per the initial listing was c.\$500k which did not correlate with the \$311k as detailed in TILs balance sheet as at January 8, 2019.

The Liquidator enquired of former management as to what may be the explanation for this difference and was informed that TIL’s accounting system automatically writes off any inventory that is more than 5-years old. This reduces the value of the inventory on the Company’s balance sheet but the inventory remains in the system given it is ostensibly physically still in TIL’s possession.

The Liquidator was of the position that the 5-year threshold for writing off inventory was probably not conservative enough for a retail business and it should have been closer to 3 years, especially for many of the product lines that had become obsolete through technological advancements. Based on conversations with management and former company inventory staff it was the Liquidators opinion the \$311k value of the inventory as shown on the Company balance sheet was probably materially overstated.

In order to efficiently analyse the inventory, the Liquidator engaged the Company’s former inventory manager(s) to assist him with reviewing the inventory in order to reduce the time and cost incurred in gaining an understanding of this asset. It is worth noting that

given the quantum of inventory on site, the Liquidator determined it was not cost effective to undertake a formal inventory count to cross check the inventory per the accounting system to the inventory that was physically available on premises.

Based on this detailed review, the Liquidator determined that due to the nature and value of the inventory available, it would maximise returns if the inventory was sold on a wholesale basis rather than retail. The Liquidator further determined that the optimum way forward to sell the inventory on a wholesale basis would be to sub-divide it into various classes to maximise the number of potential interest buyers. Accordingly, the inventory was divided into the following groupings:

1. Electrical Wire;
2. Square D products without breakers;
3. Electrical breakers;
4. Electrical conduit;
5. Electrical fittings;
6. Parts Accessories;
7. Major appliance parts;
8. Retail bulbs;
9. Retail Air Conditioners and Parts;
10. Retail fixtures;
11. Retail major appliances;
12. Retail small appliances;
13. Retail tools; and
14. Retail other.

Notices of the inventory for sale were placed in the Tribune (May 8 – 10, 2019) and Guardian for (May 10 – 14, 2019) for 3 consecutive business days (see Appendix 10) inviting any interested bidders to contact the Liquidator. In addition, the Liquidator interviewed former management and the Inventory Manager(s) to gain an understanding of any potential buyers for these assets.

The Liquidator contacted all potential buyers identified by telephone or email directly to ensure they were aware the inventory was available for sale. The Liquidator opted to run a sealed bid auction process for the inventory and invited bids supported by non-refundable deposits. The Liquidator showed the inventory to 8 different individuals or entities during August and September and received various verbal expressions of interest but no formal sealed bids by the deadline provided in the initial bid process.

The Liquidator eventually received a formal offer for all of the inventory from a potential buyer who had been previously identified as a party who may be interested in purchasing the inventory. The Liquidator entered into negotiations with this buyer and eventually agreed the sales price of \$125,000 for all of the inventory to be sold under an ‘as is, where is’ basis.

Based on the relatively specialized nature of the inventory, the full exposure of the sales process to a small market for potential buyers and the limited number of expressions of interest already received the Liquidator determined that the price negotiated was acceptable for this asset and would maximise returns for creditors of TIL.

The Liquidator was also cognizant that the inventory was being stored at no charge on the former location of TIL on Shirley Street and that the owners of the building have listed this property for sale. The Liquidator was therefore concerned that if the building was sold the inventory would have to be moved and stored in a separate location at considerable cost in terms of both moving the items and ongoing storage costs.

#### 5.2.4 Pension funds

Upon the termination of employment of all the employees and the appointment of a Voluntary Liquidator, the terms and conditions of TILs employee pension fund call for the automatic winding up process of the pension fund to be overseen by CFAL.

CFAL informed the Liquidator there were various unvested amounts remaining in the pension fund amounting to \$38,122.72 that would vest back into the Company. On April 11, 2019 the Liquidator received a payment in that same amount from CFAL.

The Liquidator worked with CFAL and placed the necessary notices for individuals with unclaimed pension funds in the Company pension plan to present themselves at the offices of CFAL with suitable identification to claim the amounts they were entitled to. (see Appendix 10).

The advertisements ran for seven (7) consecutive days in the Guardian from May 14, 2019 and for seven (7) consecutive days in The Tribune as directed by CFAL. All of the individuals owed funds presented themselves at the CFAL office and having satisfactorily confirmed their identity they collected the amounts due to them.

#### 5.2.5 Accounts Receivable

A detailed review of the books and records revealed there were two-hundred and thirty-two (232) individual customer accounts receivable for a total amount of \$189,851. Approximately eighty (80) per cent of these accounts were for aged balances under \$1,000 which made it difficult for the Liquidator to justify the time and associated cost in trying to collect them.

The Liquidator had previously reviewed in detail the status of the Accounts Receivable with former Management to determine the receivable balances that would be collectable and focused on those. The largest receivable due was from a property and construction development company in the amount of \$25,404. The Liquidator has managed to collect

\$3,000 from this customer but has been informed they will not be able to make any further payments until they are able to generate any revenue from new work.

The Liquidator will continue to monitor this situation and may consider various legal options to collecting on this debt given its relative size. As at the date of this report the Liquidator has been able to collect \$77,167 in outstanding receivables. The Liquidator will continue to follow up on any material receivable balances that he feels are collectable set against the associated time and costs involved in pursuing them.

5.3 The Liquidator still has the following assets that were identified in the first interim report that have not yet been realised:

#### 5.3.1 Furniture and Fixtures

The Liquidator reviewed and collated information on the various fixtures and fittings on property in both the Shirley Street and Dunmore Lane locations. A list of these furniture and fixtures is attached as Appendix 12, please note this list is not exhaustive. All of the furniture and fixtures identified are old and specialist in nature with a value that is difficult to determine given the relatively small size of the market for buyers who may be interested in these particular assets.

The Liquidator has determined it will not be cost effective to attempt to sell these items individually so is hoping to find a wholesale buyer. The Liquidator's estimate of the value of these assets is between \$5,000 and \$10,000. The Liquidator will continue with best efforts to attempt to source a buyer for this asset class.

5.4 During the course of the Liquidation the Liquidator became aware of the following assets that were not identified in the First Interim Report:

#### 5.4.1 Shares in Rolyat Limited

On August 19, 2019 the Liquidator received notification from the law firm Alexiou Knowles & Co. that TIL owned 1.09% of the issued share capital (37 of 3,400 shares) of a Bahamian domestic company called Rolyat Limited ("Rolyat"). The Liquidator was not aware of this potential asset as at the date of the first interim report and the ownership of these shares was not reflected on the books and records of the company as far as the Liquidator has been able to ascertain.

The Liquidator has requested certain statutory documentation to provide documentary evidence of this ownership from Lex Management Limited who the Liquidator understands act as the Registered Agent of record for Rolyat Limited

It is the Liquidators understanding through conversations with former management and the shareholders of TIL that Rolyat owns both properties from which the Company used

to conducted its business, the main building on Shirley Street and the warehouse on Dunmore Lane. The Liquidator has been informed by the shareholders of Rolyat that both of these properties have been listed for sale. Anticipated realisations for the liquidation estate from this asset is difficult to assess in terms of when these buildings may be sold or the amount which may be received for them.

The Liquidator will continue to monitor developments surrounding these properties now that he is aware of TIL's ownership of shares in Rolyat.

#### 5.4.2 Tools and Scaffolding

The Liquidator identified various tools on site at the Shirley Street and Dunmore Lane properties that in the absence of any third party claims were determined to be the property of TIL. The Liquidator was not aware of these tools as an asset of the company at the date of the first interim report so their potential realizable value was not initially included.

The nature and potential value of the tools varied considerably from small hand held tools with minimal resale value to larger specialised tools for larger electrical contracting jobs formerly undertaken by TIL. The Liquidator engaged the assistance of a former electrical engineer of TIL, Ian Mabon, to assist with identifying the more specialist tools and their purpose and overall condition to help with identifying potential buyers for these tools. A full listing of the tools is attached as Appendix 13. In addition to the tools various scaffolding frames were identified at both the Shirley Street and Dunmore Lane locations.

Notices of the tools for sale were placed in the Tribune (May 8 – 10, 2019) and Guardian for (May 10 – 14, 2019) for 3 consecutive business days (see Appendix 10) inviting any interested bidders to contact the Liquidator. The Liquidator received no enquiries from this initial advertisement so has been contacting potential buyers directly based on a targeted list of larger local electrical contractors and construction companies.

The Liquidator is in ongoing discussions with three (3) parties who have expressed an interest in these tools but no firm offers have been forthcoming as at the date of this report. The Liquidator is eventually hoping to realise at least \$10,000 from the sale of these assets.

#### 5.4.3 IT Infrastructure

The Liquidator obtained guidance from Custom Computers Limited as to the feasibility of wiping the data servers clean and selling the IT infrastructure of TIL. Custom Computers informed the Liquidator they had supplied and installed the current system approximately eight (8) years ago at a cost of \$40,000. The Liquidator was unable to

cross check this with the books and records but was able to confirm this with a former Director of the Company. Custom Computers communicated that the useful economic life of servers is typically around 4 years so the IT infrastructure at TIL is of doubtful value. The Liquidator will continue to explore various options to try and realise this potential asset.

## 6. Receipts and Disbursements

- 6.1 A detailed breakdown of the Receipts and Disbursements incurred from January 8, 2019 to December 13, 2019 is attached as Appendix 14. The Liquidator has itemized certain receipt and disbursement categories in order to assist with the readers understanding of the financial performance of the liquidation thus far.
- 6.2 A comparison of actual realisations for assets set against budgeted realisations as detailed in the First Interim Report are set out below:

Asset class	Budgeted Realisations per First Interim Report	Actual Realisations	Difference
Cash	\$38,189	\$38,189	N/A
Vehicles	\$40,000	\$43,600	+\$3,600
Inventory	\$100,000 to \$125,000	\$125,000	N/A
Staff Pension Fund	\$30,000	\$38,123	+8,123
Accounts Receivable	\$75,000	\$77,167	+\$2,167
Furniture & Fixtures	\$5,000	To be determined	N/A
Shares in Roylet Limited	N/A	To be determined	N/A
Tools & Scaffolding	N/A	To be determined	N/A
IT Infrastructure	N/A	To be determined	N/A

- 6.3 The Liquidator has attempted to reduce the cost of disbursements wherever possible. Electricity, internet, alarm monitoring and insurance costs were deemed essential expenses by the Liquidator in order to continue to safeguard the assets of the company. These expenses will be ceased as soon as these assets have been sold by the Liquidator

## 7. Further steps in the liquidation

- 7.1 The Liquidator has realized the main assets of the Company and will focus on realizing the remaining assets left that are within his control which are as follows:
- 1) Furniture and Fixtures
  - 2) Tools and Scaffolding; and
  - 3) IT Infrastructure.

- 7.2 The Liquidator will not be able to influence the sales process of the shares in Roylat given the minority shareholding the Company owns. The Liquidator is concerned the realisations from the assets in Roylat may unnecessarily delay the liquidation process as it is uncertain as to the value the sale of the shares may yield relative to the sums the underlying properties may be sold for.
- 7.3 The Liquidator may attempt to obtain a valuation of the shares in Roylat and explore the possibility of selling these shares to one of the major shareholders in Roylat at a price that extracts value and makes practical sense for the timely progress of the liquidation.

## 8. Conclusion

- 8.1 The Liquidator is satisfied at the progress of the liquidation given the nature of the assets the company owned and the challenges of finding qualifying buyers in a small market with current economic conditions being unfavourable for the retail industry.
- 8.2 The Liquidator has been fortunate to be given approval to store the Company assets at TIL's former business premises on Shirley Street at no charge. This allowance has been key in allowing the Liquidator to sell assets with limited landlord pressure which has allowed him to maximise receipts by not having to sell the assets under a stressed basis.
- 8.3 The Liquidator anticipates that all remaining assets of the company, other than the shares in Roylat, will be realized by the end of the first quarter in 2020 and will file the Third Interim Report around that time.



## Appendix 1

## Appendix 2

## Appendix 3

## Appendix 4

## Appendix 5

## Appendix 6

## Appendix 7

## Appendix 8



## Appendix 9

## Appendix 10

## Appendix 11

## Appendix 12

## Appendix 13

## Appendix 14