

**Directors' Report to be presented to
the Meeting of Creditors of**

M.A.G. (UK) Limited

to be held on

06 August 2014

M.A.G. (UK) LIMITED

Statutory Information

Company Name: M.A.G. (UK) Limited ("the Company")

Company Number: 02681957

Date of Incorporation: 28 January 1992

Principal Activity: Promotion and safeguarding of motorcyclists in the UK

Registered Office: Oakslade, Station Road
Hatton
Warwick
CV35 7LH

Trading Address: Oakslade, Station Road
Hatton
Warwick
CV35 7LH

		<u>Appointed</u>	<u>Resigned</u>
Directors:	Neil Liversidge	14/04/2012	
	Antony Cox	08/12/2012	
	Peter Davison	13/04/2013	
	Valerie Lavender	14/04/2012	
	Patrick Van Aalst	10/04/2010	
	Peter Walker	14/04/2012	
	Steve Wykes	14/04/2012	

Secretary: Steve Wykes

Share Capital: N/A – the Company is limited by guarantee and has no share capital.

Mortgages & Charges: Deposit agreement in favour of Lloyds Bank Plc, created on 08 February 2012 and registered at Companies House on 09 February 2012.

Directors' Report

Introduction

The Company was incorporated on 28 January 1992 as M.A.G. (UK) Limited ('the Company' or 'MAG').

There have been no changes of name since incorporation.

Trading History

The following history has been prepared by Mr Neil Liversidge, a director of the Company;

The Motorcycle Action Group (MAG) was formed in 1973 as an unincorporated association of like-minded individuals in response to the enactment of a law that year compelling motorcyclists to wear helmets. Amongst the founders were Denis Howard (now deceased), who became MAG's first President and Ian Geddes Mutch, the current President, a role which is purely honorific and of no corporate significance. Mr Mutch has over the years served as the editor of MAG's member newsletter, initially as a volunteer and in later years as a paid contractor on a self-employed basis, the contract being one of a portfolio of freelance writing contracts he has with various motorcycle media entities and other commercial concerns.

From its beginnings MAG relied for its income wholly upon membership subscriptions and donations. It has never, to the knowledge of the Board, relied on bank borrowings or similar. In 1988 there was a move by the then Transport Minister Peter Bottomley to make the fitment of so-called 'leg protectors' compulsory on all motorcycles, which were arguably dangerous to motorcyclists. MAG mobilised a large swathe of opinion in the motorcycling fraternity against them and defeated the proposed legislation, building its own membership on the back of its successful campaign.

As MAG grew so did its need for paid staff with the attendant responsibilities and liabilities such growth involves. On legal advice MAG was therefore incorporated as a Company Limited by Guarantee with effect from 28 January 1992, the subscribers being Neil Christopher Andrews who served as MAG's paid National Secretary until 1999, Trefor John Heywood, the volunteer National Treasurer and Neil Francis Liversidge, the then National Chairman who served in that role from 1989 to 2002 and as a Director of MAG from 1989 to 2004 and again from 2012.

Throughout its history MAG was mostly headquartered in the West Midlands, firstly in Birmingham, then in Rugby and most recently near Warwick. In recent years MAG experienced a decline in membership numbers which mirrored the decline in the motorcycling population generally and further exacerbated by the dearth of young people entering motorcycling. That has obviously impacted on membership fee income.

MAG's other main source of income has long been donations. Most donations have emanated from groups of members around the country who have organised themselves on a local basis to raise funds which they have subsequently donated to MAG to help meet its running costs. The two most notable regions from a fundraising point of view have been Yorkshire and the North East. Donation income has however been hit badly by the poor weather of recent years, some events literally being washed out. Even when the weather has kept fine attendance numbers have been down largely due to bad memories of previous years.

The ageing of the motorcycling population has been a factor. Twenty five years ago the average age of MAG Members was 23 whereas today it is probably nearer 48. Long-term members have shown great loyalty but MAG has largely failed to renew itself with younger motorcyclists. This is by no means unique and MAG's partner organisations throughout Europe are experiencing precisely the same membership issues.

Despite the decline in MAG's membership numbers (from around 22,000 at its peak circa 1991 to around 9,000 in 2011), the number of staff had increased to five full-time employed individuals. In addition there was a part-time self-employed lobbyist and the President Ian Mutch, also self-employed, who both worked under contract with MAG. This meant a significant payroll cost, which had gradually been increasing over recent years.

Despite the increasing payroll cost and reduction in Members, the service to Members was perceived by many to be poor and worsening. This caused disquiet and resentment in the membership, with many Members feeling that they were not getting their money's worth from those whose wages they were in effect paying.

Further disquiet resulted from the discovery that two of the senior full-time employees had been allowed to set up a private magazine publishing business, publishing a travel magazine named 'Overland.' There was a general feeling that these individuals were focused on their private interests to the detriment of the MAG jobs they were being paid to do. This sense of resentment increased when it was discovered by accident that they had without permission set up a motorcycle touring venture also and were planning to run a tour in South Africa which would cause them to be off work together for two weeks leaving no senior staff cover in the office.

Meanwhile one of the senior employees was observed to be incurring expenses and accruing large amounts of time off in lieu supposedly visiting motorcycle clubs around the country but actually, when he was observed, promoting his own magazine and travel venture. Later on it transpired that there was another contractor, placed on a retainer on the personal authority of one of the senior employees, whose contract had specifically been kept secret from the Board. This individual was also doing work for their 'Overland' venture, raising obvious conflict of interest concerns.

Member disquiet in Yorkshire led to calls at the Yorkshire MAG AGM of November 2011 for the region to cease donating monies to the Company. Such a move would effectively have forced significant redundancies. Mr Liversidge however prevailed on the Yorkshire Members to maintain their support. They in turn prevailed on him to take up one of the vacant seats on the Board with a view to improving the way the organisation was being run. There were at that time three vacancies on the Board of normally seven directors and the Board was perceived by the Members to be weak, effectively allowing the staff to run MAG over the heads of the elected people.

The two senior staff members lobbied the existing Board members against Mr Liversidge's co-option to the Board and much ill feeling was aroused on all sides. Mr Liversidge was however elected to the Board at the AGM in April 2012 and set about with the other directors in an effort to get MAG back on track.

The Board at this time consisted of Denise Powell (Chair), Patrick van Aalst (Finance Director) Neil Liversidge, Peter Walker, Valerie (Selina) Lavender, Jonathan Broad (who only attended one full meeting in June 2012 before resigning and being replaced by Peter Davison) and Steve Wykes. Denise Powell later resigned from the Board for health reasons and was replaced by Tony Cox.

There then followed a ten-month period in which the Board considers that their aims were deliberately obstructed and frustrated by the senior employees.

Being concerned to ensure the Company's continued viability by maximising membership numbers, throughout the period April 2012 to March 2013 the Board repeatedly sought to have MAG's Regional Reps supplied with MAG's membership database information so that they could locally chase up Membership renewals.

The senior employees continually frustrated this process, citing various issues all of which were subsequently proven to be groundless. The Board was reluctantly forced to conclude that the senior employees were being deliberately deceitful, obstructive and provocative.

This feeling was heightened when it was discovered that one of the senior employees had for over a year withheld information requested by Mr Mutch in his role as newsletter editor and President. This concerned email contact data for local MAG Reps and Clubs. The senior employee had stated that

database problems prevented this information from being supplied, however it was later found that the information had been deliberately withheld and the Board and Mr Mutch had been lied to.

This information was required for promotional purposes, i.e. encouraging membership renewals and new joiners. Thus it was that MAG's membership income was deliberately undermined by those who personally benefited from it most.

In March 2013 the Board sought to resolve the staff problems and appointed Neil Liversidge and Peter Walker to act accordingly. A staff meeting was convened, which the senior employees all initially refused to attend, filing grievances. The Board insisted that the staff attend the meeting. The staff made digital recordings of the meeting themselves, at first covertly and then overtly when their secret recording was discovered.

One of the senior employees was subsequently suspended in view of his behaviour and placed in a disciplinary procedure with a professional HR firm. The senior employees produced evidence that they refused to allow the Board to see however this was taken into consideration by the HR firm which, ultimately, upheld the staff grievances.

All three senior employees then resigned, one on 25 April 2013 after claiming sick pay since the March meeting, one on 23 May 2013 again after claiming sick pay since the March meeting and the last on 28 May 2013, with all subsequently proceeding to submit a claim against the Company for Constructive Unfair Dismissal.

When the facts became known virtually all donations dried up, such was the members' fury at the actions of the three senior staff members. MAG kept going as long as possible in the hope that a Tribunal win might turn around its fortunes, however in order to protect the Members, and following receipt of independent legal advice, in February 2014 the Board contracted out the membership servicing to a new company, The Motorcycle Action Group Ltd.

Shortly afterwards on 28 February 2014 the Employment Tribunal found in favour of the three employees. As the whole process had placed a massive strain on the directors concerned, an appeal was not feasible.

The outsourcing agreement was approved by the Membership on 12 April 2014, at the last AGM of M.A.G. (UK) Ltd held in Blackpool, and minuted as such, that being the earliest practicable date that such a meeting could be convened, consistent with giving the Members' adequate time to make travel and accommodation arrangements.

The compensation award made at the subsequent remedy hearing on 07 May 2014 rendered the Company no longer a going concern therefore the Board again consulted with MAG's legal advisors who recommended advice should be sought from a Licensed Insolvency Practitioner.

Liquidation Proceedings

At a meeting of directors held on 10 July 2014, Philip Booth of PR Booth & Co was requested to provide assistance in convening meetings of members and creditors pursuant to Section 98 of the Insolvency Act 1986 for the purposes mentioned in Section 99, 100 and 101 of that Act.

Prior to this meeting, none of the employees or company officers of PR Booth & Co had any material professional relationship with the Company or its Directors and Members.

Legal Notices

The Company was served with three Statutory Demands dated 15 July 2014 by Mr Nicholas Charles Brown, Mr James Patrick Tyson and Ms Louisa Smith for the sums of £13,372.70, £23,826.20 and £5,706.89 respectively.

The Company has not received any other County Court Claims, warrants or any other similar legal notices.

Financial Information

Statutory financial accounts have been prepared and submitted to the Registrar of Companies for the years ended 31 July 2013, 31 July 2012 and 31 July 2011. The accounts show that the Company was solvent with net assets of £78,861, £117,096 and £61,275 respectively.

Directors' emoluments and other benefits were £Nil for the years ended 31 July 2013, 31 July 2012 and 31 July 2011.

Profit and Loss Account Extracts

	<u>31/07/13</u>	<u>31/07/12</u>	<u>31/07/11</u>
Turnover	293,959	403,435	338,226
Cost of sales	(111,870)	(121,276)	(101,000)
Gross profit	<u>182,089</u>	<u>282,159</u>	<u>237,226</u>
Administrative expenses	(221,823)	(228,116)	(232,549)
Other operating income	1,200	4,860	7,200
Operating profit/(loss)	<u>(38,534)</u>	<u>58,903</u>	<u>11,877</u>
Interest receivable/(payable)	299	335	257
Profit/(loss) on ordinary activities before taxation	<u>(38,235)</u>	<u>59,238</u>	<u>12,134</u>
Tax on profit on ordinary activities	-	(3,417)	(3,312)
Profit/(loss) on ordinary activities after taxation	<u>(38,235)</u>	<u>55,821</u>	<u>8,822</u>

Balance Sheet Extracts

	<u>31/07/13</u>	<u>31/07/12</u>	<u>31/07/11</u>
<u>Fixed Assets</u>			
Tangible Assets	-	2,654	-
Investments	1	1	1
	<u>1</u>	<u>2,655</u>	<u>1</u>
<u>Current Assets</u>			
Stocks	2,456	3,833	-
Debtors	20,298	27,308	19,498
Cash at bank and in hand	69,171	127,358	89,235
	<u>91,925</u>	<u>158,499</u>	<u>108,733</u>
Creditors falling due within 1 year	(13,065)	(44,058)	(47,459)
Net current assets/ (liabilities)	<u>78,860</u>	<u>114,441</u>	<u>61,274</u>
Total assets less current liabilities	<u>78,861</u>	<u>117,096</u>	<u>61,275</u>
Creditors falling due after more than 1 year	-	-	-
Net Assets	<u>78,861</u>	<u>117,096</u>	<u>61,275</u>

Capital and Reserves

Other reserves	47,537	47,537	47,537
Profit and loss account	31,234	69,559	13,738
Members' Funds	<u>78,861</u>	<u>117,096</u>	<u>61,275</u>

Banking and Funding

The Company held accounts with Lloyds Bank ('Lloyds'), The Royal Bank of Scotland ('RBS') and National Westminster Bank ('Natwest').

There are no bank borrowings. All current accounts were operated without an overdraft facility.

The Lloyds current account is £482 in credit, the RBS accounts are in credit by £22,448 and the Natwest account is in credit by £7,740.

Notes to the Statement of Affairs

The Company's assets mainly comprise of cash at bank, a bond in respect of a direct debit mandate facility and a VAT refund.

Cash at Bank

The cash held in the Lloyds Bank account is expected to be realisable in full.

A proportion of the funds held in one of the RBS accounts, together with all of the funds in the Natwest account, are held on trust and are not considered to be assets of the Company by the Board of Directors.

These amounts relate to membership subscriptions paid to the Company after it had entered into an Outsourcing Agreement with The Motorcycle Action Group Limited ('TMAGL').

The funds have been paid into the Company's accounts, rather than TMAGL's account, due to issues encountered with altering direct debit and standing order arrangements for such a significant number of members, some of whom have inadvertently paid using the old account details.

Bond held by Lloyds Bank

The bond of £6,000 is in respect of the Company's direct debit facility and should be recoverable in full.

VAT Refund/HM Revenue & Customs

The Company's accounting records indicate that a VAT refund of c£2,719 may be recoverable.

There are no amounts outstanding to HM Revenue & Customs in respect of PAYE, NIC or Corporation Tax.

Deficiency Account

Please see the attached deficiency account at Appendix I.

General

The Directors have confirmed they have not held directorships with any other failed companies.

Statement of Affairs

Statement as to affairs of

M.A.G. (UK) Limited

on the 6 August 2014 the date of the resolution for winding up

Statement of truth

I believe that the facts stated in this Statement of Affairs are true.

Full Name _____

Signed _____

Dated _____

M.A.G. (UK) Limited
Statement Of Affairs as at 6 August 2014

A - Summary of Assets

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge:		
Assets subject to floating charge:		
Uncharged assets:		
VAT Refund (est.)	2,719.00	2,719.00
Bond re d/d facility	6,000.00	6,000.00
Cash at Bank - Lloyds	482.00	482.00
Cash at Bank - RBS	22,448.00	14,880.00
Cash at Bank - Natwest	7,740.00	NIL
Estimated total assets available for preferential creditors		24,081.00

Signature _____ Date _____

M.A.G. (UK) Limited
Statement Of Affairs as at 6 August 2014

A1 - Summary of Liabilities

	Estimated to Realise £
Estimated total assets available for preferential creditors (Carried from Page A)	24,081.00
Liabilities	
Preferential Creditors:-	NIL
Estimated deficiency/surplus as regards preferential creditors	24,081.00
Debts secured by floating charge pre 15 September 2003	
Other Pre 15 September 2003 Floating Charge Creditors	NIL
	24,081.00
Estimated prescribed part of net property where applicable (to carry forward)	NIL
Estimated total assets available for floating charge holders	24,081.00
Debts secured by floating charges post 15 September 2003	
	NIL
Estimated deficiency/surplus of assets after floating charges	24,081.00
Estimated prescribed part of net property where applicable (brought down)	NIL
Total assets available to unsecured creditors	24,081.00
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	
Trade & Expense Creditors	12,610.35
Ex-Employee Claims	42,805.79
Inter Company - TMAGL	96,907.68
	152,323.82
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall in respect of F.C's post 14 September 2003)	(128,242.82)
Estimated deficiency/surplus as regards creditors	(128,242.82)
Issued and called up capital	
	NIL
Estimated total deficiency/surplus as regards members	(128,242.82)

Signature _____ Date _____

PR Booth & Co
M.A.G. (UK) Limited
B - Company Creditors

Key	Name	Address	£
CB00	Mr Nicholas Brown		13,272.70
CF00	Federation of European Motorcyclists Associatio	Rue Des Champs 62, 1040 Brussels, BELGIUM	12,610.35
CH00	HM Revenue & Customs	Insolvencies & Securities, 3rd Floor, Euston Tower, 286 Euston Road, London, NW1 3UQ	0.00
CM00	The Motorcycle Action Group Ltd	Oakslade, Station Road, Hatton, Warwick, CV35 7LH	96,907.68
CS00	Miss Louisa Smith		5,706.89
CT00	Mr James Tyson		23,826.20
6 Entries Totalling			152,323.82

Signature _____

M.A.G. (UK) LIMITED**ESTIMATED DEFICIENCY ACCOUNT FOR THE PERIOD****01 AUGUST 2013 TO 06 AUGUST 2014**

	£	£
Profit & Loss Account as at 31 July 2013		31,234
 <u>Amounts written off in the Statement of Affairs contributing to deficiency:</u>		
Cash at Bank	(15,308)	
	<hr/>	(15,308)
		<hr/>
		15,926
 <u>Extraordinary Items:</u>		
Ex-employees' Tribunal awards	(42,806)	
Crystallisation of contingent claims from members	(96,908)	
	<hr/>	(139,714)
		<hr/>
		(123,788)
Estimated trading profit/(loss) for the period 01.08.13 to 05.08.14 <i>(inc loss on disposal of any fixed assets)</i>		(4,455)
		<hr/>
Deficiency as regards Creditors per Statement of Affairs at 06.08.14		(128,243)