

# Interim Liquidators' Report

20 September 2023

Bross Bagels Limited - in  
Liquidation

## **Notice to creditors**

This report has been prepared to set out our strategy for the liquidation and progress made to date.

We have also explained the background as to why the Company entered liquidation and the dividend prospects for each class of creditor.

A glossary of the abbreviations used throughout this document is attached at Appendix 3.

We have provided answers to frequently asked questions and a glossary of insolvency terms on the following website:

[www.ia-insolv.com/case+INTERPATH+BN830D5022.html](http://www.ia-insolv.com/case+INTERPATH+BN830D5022.html)

We hope this is helpful to you.

**Please also note that an important legal notice about this report is attached.**

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# **1 Appointment of the Joint Interim Liquidators**

We, Alistair McAlinden and Blair Carnegie Nimmo, of Interpath Advisory, Interpath Ltd, 5th Floor, 130 St Vincent Street, Glasgow, G2 5HF, were appointed Joint Interim Liquidators of Bross Bagels Limited (“the Company”) on 29 August 2023 by an Interlocutor of Edinburgh Sheriff Court. This followed the presentation of a winding-up Petition by the Directors of the Company on 3 August 2023.

## **2 Prior involvement with the Company**

Neither we, nor any members of our staff, have had any prior involvement with the Company or its Directors.

## **3 Background and reasons for insolvency**

The Company was incorporated in June 2017 by its directors and shareholders, Larah Bross and Marc Millar, to operate bagel cafes and take aways in and around the Edinburgh area. The Company was principally operated by Larah Bross.

Specialising in making and selling Montreal style bagels with New York City deli inspired fillings, the Company initially traded from one outlet in Portobello, Edinburgh. As the popularity of its products grew, driven by social media led marketing and advertising campaigns, the Company expanded to, at its peak, operating seven cafes across the Edinburgh City area and employing approx. 100 employees.

The COVID pandemic restrictions implemented in March 2020 required the then six cafes to close. The principal director advises that she sought to manage the resultant financial issues by:

- utilising the UK Government / HMRC furlough scheme for staff;
- securing bounce back loan funding;
- starting a bagel home delivery service and selling bagels via Deliveroo; and
- agreeing time to pay arrangements with key creditors.

The principal director advises that, following the lifting of COVID restrictions, footfall and customer spend did not return to pre-COVID levels and loss-making units were closed.

Despite this, financial pressures and creditor arrears (specifically to HM Revenue & Customs) continued to mount, exacerbated by energy and ingredient cost increases which the Company struggled to pass on to customers. The principal director also advised of difficulties and costs of securing sufficient staff to operate the outlets.

The Company had committed to a new outlet in St James Quarter, Edinburgh which opened in late 2021. Despite the landlord contributing towards the fit-out of the unit, the Company’s costs to set up and operate this unit were significant and these added to the

existing cash flow pressures. With challenging trading performance continuing during 2022 and into 2023, it was clear that the Company needed significant new investment to continue. The principal director therefore sought an investor for the Company but, despite entering into discussions with a potential equity investor, was ultimately unable to secure the necessary investment.

With the Company facing severe cash flow pressures and with insufficient funds available to meet its obligations as they fell due, the directors concluded that they had no option but to place the company into liquidation.

On 3 August 2023, the Directors petitioned Edinburgh Sheriff Court for the Company to be wound up. The Joint Interim Liquidators were appointed on 29 August 2023.

## **4 Directors' Statement of Affairs**

A summary of the Directors' Statement of Affairs for the Company as at 29 August 2023 is attached at Appendix 2.

The figures contained in the Statement of Affairs have been provided by the Directors of the Company, having been extracted from the Company's books and records.

Creditors should note that as the Company may not have completed updating its ledgers to the date of our appointment, the balances stated may be revised.

The Joint Interim Liquidators have not conducted an audit of this information. The figures do not take into account any costs of the liquidation.

Please note that the actual level of asset recoveries and claims against the Company may differ materially from the amounts included in the Statement of Affairs.

## **5 Strategy and progress of the liquidation to date**

### **5.1 Strategy to date**

Following appointment, we assessed the financial and operational position of the Company.

The principal director advises that on 3 August 2023, an associated company, Hot Mama Bagels Limited ("HMB"), purchased the physical and intellectual property assets of the Company and commenced trading from the Company's four leased units (St James Quarter, Portobello, Bruntsfield and Stockbridge). All employees of the Company TUPE transferred to HMB.

The principal director advises that, with principally all of its business and assets having been sold, the Company ceased to trade on 3 August 2023.

We have taken a number of steps following our appointment as Joint Interim Liquidators, including, but not limited to, those outlined below:

- informed the Company's pre-appointment banks of our appointment and instructed stops on all known bank accounts and credit cards;
- opened a liquidation bank account;
- arranged open cover insurance;
- issued correspondence to the directors in relation to and commenced collating various information regarding the Company's affairs, its assets and liabilities and the transaction completed with HMB;
- contacted the landlords of the leased units formerly occupied by the Company;
- attended to all statutory matters as and when required, including notification of our appointment.

Once appointed, the Liquidator(s) will seek to progress the case. Key areas of focus are set out below :-

- further investigation of the circumstances leading to the insolvency and transactions preceding the appointment of the Joint Interim Liquidators, including the sale to HMB;
- reporting on the conduct of the directors to the Insolvency Service;
- identifying, safeguarding and realising any assets of the Company; and
- attending to all statutory matters as and when required.

## **5.2 Asset realisations**

### **Leasehold property**

The Company formerly traded from four leased cafes / units and an office, as follows:

- St James Quarter unit - 4 Little King Street, Edinburgh
- Portobello unit - 177 Portobello High Street, Edinburgh
- Stockbridge unit - 72 St Stephens Street, Edinburgh
- Brunstfeild unit - 165A Bruntsfield Place, Edinburgh
- Office - 2 / 179 Portobello High Street, Edinburgh.

The Company vacated the units prior to appointment. We understand these are currently occupied by HMB.

We have written to the landlords to notify them of the liquidation appointment and to seek information on the lease and tenancy terms.

## Plant & Equipment, stock and intellectual property

As noted above, the principal director advises that the Company's:

- kitchen and other equipment in the units;
- stocks of ingredients, bagels and fillings and other consumables; and
- intellectual property

were sold to HMB on 3 August 2023. We are currently investigating this transaction and the Liquidator(s) will provide an update in the next report to creditors.

## Cash at bank

Following appointment, we contacted the Company's banking providers, Virgin Money and Royal Bank of Scotland PLC, and instructed that the Company's accounts be frozen.

The bank accounts were overdrawn at appointment. Accordingly, there are no funds to be recovered from these sources.

## Trade debtors

In addition to selling direct to the public, the Company also supplied bagels on a wholesale basis. As at the date of appointment, sums due from wholesale customers were estimated to amount to approximately £30,500. We are ingathering the paperwork which underpins these debts and will then seek to recover the sums due. We anticipate the Liquidator(s) will pursue these sums whilst cost effective to do so.

## Other debtors

Other debtors comprise:

- Directors' Loan Account due of c.£61,000 – we have requested repayment proposals in relation to this sum.
- HMB debt of £18,000 – this relates to HMB's pre liquidation purchase of the Company's assets. This debt has been ingathered.

## Other assets

We are continuing to review the Company's financial records to identify any other assets of the Company which can be safeguarded and realised.

### **5.3 Costs**

No costs have been paid to date.

We anticipate the costs which will be incurred and paid in the liquidation will include:

- Joint Interim Liquidators' and Liquidators' fees;
- bonding costs;
- statutory advertising costs;
- fees for professional and legal assistance, as required.

Details of costs incurred and paid will be detailed in the receipts and payments account provided within future reports.

### **5.4 Investigations**

It is the responsibility of the Liquidator(s), when appointed, to prepare reports on the conduct of those persons who were directors, or shadow directors, of the Company during the three years prior to the date of liquidation.

Accordingly, if you are aware of any matters that should be brought to the attention of the Liquidator(s) please write to us at 130 St Vincent Street, Glasgow, G2 5HF giving the appropriate details.

## **6 Dividend prospects**

### **6.1 Secured creditor(s)**

Virgin Money (formerly Clydesdale Bank PLC) holds a floating charge over the Company's business and assets dated 15 January 2020. Virgin Money has intimated a debt at appointment totalling c.£133,697 across an overdraft, EFG Loan and Bounceback loan facilities.

Interest and charges continue to accrue on the secured debt until paid in full.

It is highly unlikely that there will be sufficient funds to enable a distribution to Virgin Money.

### **6.2 Ordinary preferential creditors (employees)**

Claims from employees in respect of (1) arrears of wages up to a maximum of £800 per employee, (2) unlimited accrued holiday pay and (3) certain pension benefits, rank preferentially (in advance of floating charge holders and ordinary unsecured creditors) and in priority to other preferential creditors (see 6.3 below). These claims are referred to as "ordinary preferential creditors".

As all employees were TUPE transferred prior to the appointment, no claims are anticipated from employees. Virgin Money has intimated that it may have an ordinary preferential subrogated claim for wages and salaries paid from the Company's overdrawn bank account prior to appointment. This claim is currently being investigated and if appropriate, will be quantified.

It is currently uncertain as to whether there will be a dividend to ordinary preferential creditors, as this is dependent upon the level of asset realisations and the costs of the liquidation.

### **6.3 Secondary preferential creditors (HMRC and the Financial Services Compensation Scheme)**

Claims from the Financial Services Compensation Scheme ('FSCS') and HMRC, in relation to VAT, PAYE, employees' National Insurance contributions ('NIC') and Construction Industry Scheme ('CIS') deductions, rank preferentially, but secondary to the employee, ordinary preferential creditors above. These claims are therefore referred to as "secondary preferential creditors".

The directors' statement of affairs has estimated the amount of secondary preferential claims at the date of our appointment due to HMRC to be c.£635,000.

Based on current estimates, it is unlikely there will be a dividend to secondary preferential creditors. This is dependant upon the level of asset recoveries, the costs of the process and prior ranking ordinary preferential creditors claims.

### **6.4 Unsecured creditors**

The directors' statement of affairs (see list of unsecured creditors at Appendix 2) estimates unsecured creditor claims at approximately £265,000.

Based on current estimates, it is highly unlikely that there will be a dividend to unsecured creditors.

## **7 Interim Liquidators' and Liquidators' remuneration**

### **Interim Liquidators' and Liquidators' remuneration**

The Liquidators' remuneration and expenses will be subject to specific approval by the Liquidation Committee (if appointed) or the Court and will be communicated to the general body of creditors in due course.

In the meantime, a copy of "Payments to Insolvency Holders and their Associates" from Statement of Insolvency Practice 9 ('SIP 9') produced by the Association of Business Recovery Professionals is available at:

[https://www.r3.org.uk/technical-library/scotland/technical-guidance/fees/more/29162/page/1/liquidation-a-guide-for-creditors-on-insolvency-practitioner-fees-scotland/?utm\\_source=Association%20of%20Business%20Recovery%20Professionals&utm](https://www.r3.org.uk/technical-library/scotland/technical-guidance/fees/more/29162/page/1/liquidation-a-guide-for-creditors-on-insolvency-practitioner-fees-scotland/?utm_source=Association%20of%20Business%20Recovery%20Professionals&utm)

## 8 Other matters

### Liquidation Committee

#### Formation of a Liquidation Committee

Where a Liquidator seeks a decision from the Company's creditors on the appointment of a Liquidator, they must at the same time deliver a notice to creditors inviting them to decide whether a Liquidation Committee should be established, provided sufficient creditors are willing to be members of the committee and the Liquidators are satisfied as to the nominated creditors eligibility for membership, under Rule 10.4 of the Insolvency (Scotland) (Receivership and Winding up) Rules 2018.

#### Functions of a Liquidation Committee

The Liquidation Committee represents the interests of the creditors as a whole rather than the interests of certain parties or individuals.

Its statutory function is to help us to discharge our responsibilities as Joint Liquidators.

Members and observers of the Liquidation Committee are not remunerated for their time. Other than receiving travel expenses, they receive no payment from the Company.

#### Additional observers

Additional observers are able to contribute to the Liquidation Committee meetings, but they are not able to vote on any proposed resolutions.

A guidance note on the formation of a Liquidation Committee and the role of a committee member can be found at the following link:

<https://www.r3.org.uk/media/documents/publications/professional/R3-Guide-to-Creditors-Committees.pdf>



Alistair McAlinden and Blair Carnegie Nimmo  
Joint Interim Liquidators

## Appendix 1 Statutory and other information

### Company information

Company and Trading name	Bross Bagels Limited
Date of incorporation	6 June 2017
Company registration number	SC567972
Principal activity	Retail sale in non-specialised stores with food, beverages or tobacco predominating
Trading address	Various addresses as per leasehold section above
Previous registered office	177 Portobello High Street, Edinburgh, Scotland, EH15 1EU
Present registered office	Interpath Advisory, Interpath Ltd, 5th Floor, 130 St Vincent Street, Glasgow, G2 5HF
Company Directors	Larah Bross Marc Andrew Millar
Share Capital	The authorised share capital is 2 Ordinary shares at £0.50 each.
Principal shareholders	The principal shareholders are set out below.

Shareholder	Number of shares held
Larah Bross	1
Marc Andrew Millar	1
<b>TOTAL</b>	<b>2</b>
<i>Source: Companies House</i>	

### Other information

Liquidation appointment	The Liquidation appointment followed the presentation of a winding-up Petition by the directors of the Company on 3 August 2023
Appointor	Interlocutor of Edinburgh Sheriff Court
Date of appointment	Interim Liquidators - 29 August 2023
Joint Liquidators	Alistair McAlinden and Blair Carnegie Nimmo
Reporting Accountant	EQ Accountants LLP
Prescribed Part	The Prescribed Part is not applicable on this case. It has been taken into account when determining the dividend prospects for unsecured creditors (Section 6.4).

## Other information

Estimated values of the Net Property and Prescribed Part

Per the directors' Statement of Affairs, Net Property is a negative balance. Accordingly, it is anticipated that there will be insufficient assets realisations to enable a Prescribed Part distribution.

Financial information

A summary of the Company's most recent available financial information is set out below.

Profit and loss £'000	Year ended 30 June 2021 (Un-audited)	Year ended 30 June 2022 (Un-audited)	9 months to 31 March 2023 (Mgmt A/cs)
Turnover	1,824,187	1,785,446	381,463
Gross profit	289,727	6,483	284,200
Administrative costs	(532,119)	(544,793)	(299,975)
Other operating income	185,319	79,003	-
Interest	(18,253)	(26,147)	-
Operating profit / (loss)	(75,326)	(485,454)	(15,774)
<b>Loss after tax</b>	<b>(25,229)</b>	<b>(447,069)</b>	<b>N/A</b>
<i>Source:</i>	Annual a/cs	Annual a/cs	Management information

Balance sheets £'000	Year ended 30 June 2021 (Un-audited)	Year ended 30 June 2022 (Un-audited)	9 months to 31 March 2023 (Mgmt A/cs)
Fixed assets	299,569	576,044	579,090
Current assets	114,000	116,305	69,405
Total assets	413,569	692,349	648,495
(Total Liabilities)	(512,839)	(1,238,688)	(1,322,688)
<b>Net assets</b>	<b>(99,270)</b>	<b>(546,339)</b>	<b>(674,193)</b>
<i>Source:</i>	Companies House	Companies House	Management information

Annual accounts filed at Companies House are unaudited, total exemption full accounts.

# Appendix 2      Directors' Statement of Affairs as at 29 August 2023

Rule 5.13

## Statement of affairs

Name of Company Bross Bagels Limited
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Company number SC567972
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(a) Insert name and address of registered office of the company

Statement as to the affairs of (a) Bross Bagels Limited, 177 Portobello High Street, Edinburgh, EH15 1EU

(b) Insert date

on the (b) 29 August 2023, being the date of the winding-up order.

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### Statutory Declaration

The information provided in the Statement of Affairs is, to the best of my knowledge and belief, accurate and complete.

Full name \_\_\_\_\_ LARAH BROSS \_\_\_\_\_



## A – Summary of Assets

### Assets

	Book Value £000	Estimated to Realise £000
Assets specifically secured:		
Total assets specifically secured	0	0
Less: Amount(s) due to specific (fixed) secured creditor(s)		
<b>Shortfall/surplus to specific (fixed) secured creditor(s) c/d</b>	<b>0</b>	<b>0</b>
Assets subject to floating charge:		
Trade debtors	3	3
Directors' loan account	62	62
Other debtors	36	36
RBS bank account	0	0
<b>Total assets subject to floating charge</b>	<b>101</b>	<b>101</b>
Assets not secured		
<b>Total assets not secured</b>	<b>0</b>	<b>0</b>
<b>Estimated total assets available for preferential creditors</b>	<b>101</b>	<b>101</b>

Signature  \_\_\_\_\_ LB

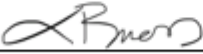
Date \_\_\_\_ 14 September 2023

Signature  \_\_\_\_\_ MM

Date \_\_\_\_ 14 September 2023 \_\_\_\_

## A1 – Summary of Liabilities

£000	Estimated to realise £000
<b>Estimated total assets available for preferential creditors (carried from page A)</b>	101
<b>Liabilities</b>	
Ordinary preferential creditors:	
Ordinary preferential (employee) creditors (No. )	
Other preferential creditors	
<b>Estimated total assets available for secondary preferential creditors</b>	
Secondary preferential creditors (HMRC) (635)	
<b>Estimated deficiency/surplus as regards preferential creditors</b>	(534)
Less: uncharged assets	
<b>Net Property</b>	
Estimated prescribed part of net property where applicable (to carry forward)	
<b>Estimated total assets available for floating charge holders</b>	0
Debts secured by floating charges	(159)
<b>Estimated deficiency/surplus of assets after floating charges</b>	(693)
Estimated prescribed part of net property where applicable (brought down) Assets not <u>secured</u>	
<b>Total assets available to unsecured creditors</b>	(693)
Unsecured (trade) (non-preferential) creditors	(278)
Unsecured (employee) creditors (No. )	
Unsecured (pre-paid consumer) creditors (No. )	
<b>Estimated deficiency/surplus as regards unsecured creditors</b>	(971)
Shortfall to specific (fixed) secured creditor(s) (brought down)	
Shortfall to preferential creditors (brought down)	
Shortfall to floating charge holders (brought down)	
<b>Estimated deficiency/surplus as regards creditors</b>	-
Issued and called up <u>capital</u>	
<b>Estimated total deficiency/surplus as regards members</b>	<b>(971)</b>

Signature  \_\_\_\_\_ LB \_\_\_\_\_  
2023 \_\_\_\_\_

Date \_\_\_ 14 SEPTEMBER


Signature  \_\_\_\_\_ MM \_\_\_\_\_  
2023 \_\_\_\_\_

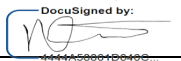
Date \_\_\_ 14 SEPTEMBER

## COMPANY TRADE CREDITORS

**Note:** You must include all creditors WITH THE EXCEPTION OF employee creditors and pre-paid consumer creditors. You must confirm if any of the creditors are under hire-purchase or conditional sale agreements by stating which of these (if any) are applicable in the column below. You must also identify any creditors claiming retention of title over property in the company's possession by including a tick in the ROT column below.

Name of creditor or Claimant	Address (with postcode)	Amount of debt £000	Details of any security held by creditor	Date security given	Value of security £	HP/ Conditional Sale	Claiming ROT
SEE ATTACHED LIST		103	NONE	N/A	N/A	N/A	N/A
SHAREHOLDERS – AS PROVIDED		148	NONE	N/A	N/A	N/A	N/A
VOUCHERS		14	NONE	N/A	N/A	N/A	N/A
	<b>Total</b>	265					

Signature  \_\_\_\_\_ LB \_\_\_\_\_ Date 14 SEPTEMBER 2023

Signature  \_\_\_\_\_ MM \_\_\_\_\_ Date 14 SEPTEMBER 2023





## List of unsecured creditors

		TOTAL (£)
<b>Aged Payables</b>		
Adaptive Pest	-	1,320.24
Amanda		
Cunningham	-	100.68
Expenses		
Arrowtown	-	133.92
Bar Restaurant	-	6,000.00
Beer Pressure	-	375.00
Brewgooder	-	371.66
Broken Blonde Ltd	-	78.12
BT GROUP PLC	-	208.50
BUSINESS STREAM	-	113.11
BWB Rating	-	238.83
Calculate	-	2,360.00
Capital	-	(41.74)
Changeworks	-	1,592.25
CITY OF	-	60.00
CLEAR BUSINESS	-	1,253.39
DPD_LOCAL_ONLI	-	663.72
Edinburgh	-	954.00
EDINBURGH	-	200.00
EON	-	72.14
Fife	-	(5.40)
Fife Creamery Ltd	-	
		11,825.52
Google	-	126.26
Island Drinks	-	2,851.20

Jackpot	-	612.00
JAMES F KIDD	-	138.02
Jenny Ingram	-	8,400.00
Kent Food		
Limited/BFP	-	63.50
Kerry Stackhouse	-	135.00
MACDONALD	-	310.00
Mapal Group	-	1,282.50
Megatek Services	-	351.07
NEW CONCEPT		
CATERING	-	46.20
EQUIPMENT		
New Whites (Leith)	-	2,423.40
No Contact	-	72.14
NPOWER	-	193.17
OLLECO	-	(44.00)
OROCCO	-	3,000.00
Photolease Limited	-	158.58
PHS	-	498.37
Pilot Beer Ltd	-	(437.46)
PRINT VISION (BP	-	8.22
Ramsay of Carluke	-	2,479.27
SAINSBURYS	-	84.00
Savills (St James	-	49,568.30
Shopify	-	9.62
Shopify		
bross-bagels-	-	58.00
portobello		
STAG BARBER	-	43.00
Stripe	-	34.84

Talk Talk	-	108.93
The Artisanal	-	575.04
Three Robins Ltd	-	765.00
Till Roll Giant	-	290.94
UK Safety	-	316.40
US V THEM	-	400.00
Xero (UK) Ltd	-	121.20
<b>Total</b>		<b>102,916.65</b>

## **Appendix 3    Glossary**

**Company**

Bross Bagels Limited – in Liquidation

**Joint Interim Liquidators / we / our / us**

Alistair McAlinden and Blair Carnegie Nimmo

**Interpath/Interpath Advisory**

Interpath Ltd

**Secured creditor**

Virgin Money Limited

## **Notice: About this report**

This report has been prepared by Alistair McAlinden and Blair Carnegie Nimmo, the Joint Interim Liquidators of Bross Bagels Limited (the 'Company'), solely to comply with their statutory duty to report to members and creditors under Section 138 of the Insolvency Act 1986, on the progress of the liquidation and to provide an account of the Interim Liquidators acts and dealings to date. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This report has not been prepared in contemplation of it being used, and is not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in Bross Bagels Limited.

Any estimated outcomes for creditors included in this report are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on this report for any purpose or in any context other than under Section 138 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Interim Liquidators do not assume any responsibility and will not accept any liability in respect of this report.

Alistair McAlinden and Blair Carnegie Nimmo are authorised to act as insolvency practitioners by the Institute of Chartered Accountants of Scotland.

We are bound by the Insolvency Code of Ethics.

The Officeholders may be Data Controllers of personal data as defined by the Data Protection Act 2018. Personal data will be kept secure and processed only for matters relating to the appointment. For further information, please see our Privacy policy at – [www.interpathadvisory.com/privacy-insolvency](http://www.interpathadvisory.com/privacy-insolvency).

The appointment of the Joint Interim Liquidators are personal to them and, to the fullest extent permitted by law, Interpath Ltd does not assume any responsibility and will not accept any liability to any person in respect of this report or the conduct of the Liquidation.

This report is private and confidential and is not for publication.

[www.interpathadvisory.com](http://www.interpathadvisory.com)

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