

Joint Liquidators' Annual Progress Report to Creditors & Members

**Manchester Cheadle Centre Limited
- In Liquidation**

25 March 2020

MANCHESTER CHEADLE CENTRE LIMITED - IN LIQUIDATION

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1 Introduction and Statutory Information

- 1.1 My partner, Steven Edward Butt, and I, Michael David Rollings, of Rollings Butt LLP, 6 Snow Hill, London, EC1A 2AY, United Kingdom, were appointed as Joint Liquidators of Manchester Cheadle Centre Limited (the **Company**) on 29 January 2019. This progress report covers the period from 29 January 2019 to 28 January 2020 (**the Period**).
- 1.2 Information about the way that we will use, and store personal data on insolvency appointments can be found at www.rollingsbutt.com/legal. If you are unable to download this, please contact us and a hard copy will be provided to you.
- 1.3 The principal trading address of the Company was Plot 5300, Cheadle Royal, Cheadle, Cheshire.
- 1.4 The registered office of the Company has been changed from 1 Burwood Place, London, W2 2UT to 6 Snow Hill, City Of London, London, EC1A 2AY and its registered number is 06954854.

2 Progress of the Liquidation

- 2.1 This section of the report provides creditors with an update on the progress made in the liquidation during the Period and an explanation of the work done by the Liquidators and their staff.
- 2.2 On appointment, the liquidators carried out their statutory duties, which consisted of notifying Companies House, advertising in the London Gazette and writing to the Company's creditors.
- 2.3 At Appendix A is my Receipts and Payments Account for the Period, together with a comparison to the Statement of Affairs.

Value Added Tax ("VAT")

- 2.4 Expenses paid in the liquidation are shown net of VAT. However, the Company was part of a VAT Group, which included the management company, IW Group Services (UK) Limited ("IWG").
- 2.5 Following our appointment as liquidators, on 13 February 2019 IWG removed the Company from the VAT Group, which had the effect of de-registering the Company from the ability to submit VAT returns. Due to the delay of being notified by HM Revenue & Customs ("HMRC") that the Company had been deregistered, there were no immediate actions that could be taken to rectify the position in order to reclaim VAT paid during the liquidation period. The liquidators have been in correspondence with HMRC about the possibility of re-registering the Company for VAT as a single entity, which will enable the recovery of VAT incurred on expenses in the post-liquidation period.
- 2.6 To date, the liquidators have been unsuccessful with respect of re-registering the Company, however, are currently exploring alternative options which may enable the recovery of VAT.

Administration (including statutory compliance & reporting)

- 2.7 An office holder must comply with certain statutory obligations under the Insolvency Act 1986 and other related legislation. Details about the work I anticipated would need to be done in this area was outlined to creditors in my initial fees estimate.
- 2.8 The costs of statutory compliance work are expected to exceed the initial estimate. This is largely a consequence of the duration of the case taking longer than anticipated, thus necessitating the requirement for further statutory reporting by the Liquidators.

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- 2.9 As noted in my initial fees estimate/information, this work will not necessarily bring any financial benefit to creditors, but is required on every case by statute.

Realisation of Assets

Furniture & Fixtures

- 2.10 The Statement of Affairs showed a book value of £2 and an estimated realisable value of £Nil in respect of furniture and fixtures at the Company's premises.
- 2.11 On appointment, enquiries were made in relation to the realisation of this asset. Since the cost of pursuing the asset outweighs the potential benefit, it was not considered worthwhile and no further enquiries were made. The liquidators will monitor the situation, and should more information become available, further enquiries will be made.

Other Prepayments

- 2.12 The Statement of Affairs showed a book value of £16,036 and an estimated realisable value of £9,622 in respect of other prepayments. This asset relates to payments made to the Company's landlord, legal and professional advisors.
- 2.13 On appointment, enquiries were made in relation to the realisation of this asset to which it was discovered that the Statement of Affairs realisation value was based on figures extracted from the Company's management accounts as at 30 November 2018. Revised financial information was subsequently provided stating that the book value as at the date of liquidation was £10,163. However, on further investigation we have received documentation to suggest that these payments were made by an associated company and recharged to the Company, and are not realisable. These enquiries are ongoing and an update will be provided in our next report.

Intercompany book debt

- 2.14 The Statement of Affairs showed a book value and estimated realisable value of £105,446 in respect of a debt owed from separate, connected group company. On appointment, enquiries were made in relation to this asset and it was realised in full.

Payment for customer contracts

- 2.15 The Company had a franchise agreement with a connected group company. When the Company entered into an insolvency process, this triggered a clause in the franchise agreement whereby the franchisor had to pay a fee to the Company for any tenants at the Company's premises that were transferred to an alternative site. This fee was agreed prior to liquidation and the liquidators recovered it following their appointment.
- 2.16 Since the secured creditor, majority of the unsecured creditors, and the Company form part of the IWG group, it was agreed that IWG would estimate the dividends to intercompany creditors and hold these funds to the order of the joint liquidators. These funds were estimated at £85,670.
- 2.17 The net proceeds that were transferred into the liquidation estate account were £52,453, with the balance of £85,670 held by Pathway Finance S.A.R.L. (the secured creditor) to the order of the liquidators.
- 2.18 It is considered that the work the Liquidator and his staff have undertaken to date will bring a financial benefit to creditors. This may be a distribution to secured creditors of the Company only (from which a Prescribed Part fund may be derived for the benefit of unsecured creditors) or may, depending on realisations and the extent of any 3rd party security, result in a distribution to the preferential and unsecured creditors of the Company.

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Creditors (claims and distributions)

- 2.19 Further information on the anticipated outcome for creditors in this case can be found at section 3 of this report. The Liquidators are not only required to deal with correspondence and claims from unsecured creditors (which may include retention of title claims), but also those of any secured and preferential creditors of the Company. This may involve separate reporting to any secured creditor and dealing with distributions from asset realisations caught under their security, most typically a debenture.
- 2.20 Claims from preferential creditors typically involve employee claims and payments made on behalf of the Company by the Redundancy Payments Service following dismissal.
- 2.21 The above work will not necessarily bring any financial benefit to creditors generally, however the Liquidators are required by statute to undertake this work. Similarly, if a distribution is to be paid to any class of creditor, work will be required to agree those claims and process the dividend payments to each relevant class of creditor. The more creditors a company has, the more time and cost will be involved by the Liquidators in dealing with those claims.
- 2.22 I consider the following matters worth noting in my report to creditors at this stage:
- There are approximately 5 potential unsecured creditor claims, 5 of which have submitted claims worth £346,205.
 - There is 1 secured creditor who are owed approximately £2,505,324.12
 - I anticipate there being no claims from preferential creditors.

Investigations

- 2.23 Some of the work the Liquidators are required to undertake is to comply with legislation such as the Company Directors' Disqualification Act 1986 (**CDDA 1986**) and Statement of Insolvency Practice 2 – Investigations by Office Holders in Administration and Insolvent Liquidations and may not necessarily bring any financial benefit to creditors, unless these investigations reveal potential asset recoveries that the Liquidators can pursue for the benefit of creditors.
- 2.24 I can confirm that I have submitted a report on the conduct of the Directors of the Company to the Department for Business, Energy & Industrial Strategy under the CDDA 1986. As this is a confidential report, I am unable to disclose the contents.
- 2.25 Shortly after appointment, I made an initial assessment of whether there could be any matters that might lead to recoveries for the estate and what further investigations may be appropriate. This assessment took into account any information provided by creditors.
- 2.26 Our investigations into the financial affairs of the Company are ongoing and we have instructed Ashfords LLP to assist with legal advice.

Matters still to be dealt with

- 2.27 Following the issue regarding recovery of VAT on post-liquidation expenses, the liquidators will pay a dividend to creditors of the Company. Further information in this regard is provided in section 3.
- 2.28 The investigations into the financial affairs of the Company are ongoing, and the result of these investigations, and any consequences that may arise, will be provided in any subsequent report, subject to any confidentiality matters.

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3 Creditors

Secured Creditors

- 3.1 Pathway Finance S.A.R.L. ("Pathway") holds a fixed and floating charge over the Company's assets. At the date of the liquidation the indebtedness to the secured creditor was estimated at £2,569,004, however, we have subsequently been informed that the total amount of their claim at the date of liquidation is £2,469,331.76. There have been no secured dividends paid in the Period, however, as referred to in paragraph 2.16 and 2.17, Pathway hold funds to the order of the liquidators as part of the estimated intercompany dividend.

Preferential Creditors

- 3.2 I would confirm that no preferential claims were anticipated, and none have been received.

Unsecured Creditors

- 3.3 I have received claims totalling £346,205 from 4 creditors. As per the Company's statement of affairs, there is 1 potential creditor whose debt totalled £4,717 who has yet to submit a claim.
- 3.4 The Company granted a floating charge to Pathway Finance S.A.R.L on 28 September 2010. Accordingly, I am required to create a fund out of the Company's net floating charge property for unsecured creditors (known as the Prescribed Part).
- 3.5 Based on present information, and for prudence, excluding amounts to be reclaimed for VAT, I estimate the value of the Company's net floating charge property to be £96,000. Arising from this, the value of the unsecured creditors' fund is presently estimated to be £22,000. Please note that this estimate is subject to fluctuation and the final outcome can only be determined once all asset realisations have been made.
- 3.6 At this stage it is considered likely that a dividend will be paid to unsecured creditors out of the funds created from the prescribed part. However, in order to reduce costs in making two distributions, it is proposed that the matter regarding VAT is solved first.

4 Joint Liquidators' Remuneration

- 4.1 The Creditors approved that the basis of the Liquidators' remuneration be fixed by reference to the time properly spent by them and their staff in managing the liquidation. Our fees estimate was originally provided to creditors when the basis of our remuneration was approved and was based on information available to us at that time.
- 4.2 A copy of that estimate is reproduced below:

Category of Work	Estimated Number of Hours	Average blended charge out rate £	Estimated cost £
Administration (inc statutory compliance & reporting)	39.00	199.74	7,789.86
Realisation of Assets	7.00	235.00	1,645.00
Creditors (claims & distributions)	26.00	197.50	5,135.00
Investigations	20.00	250.00	5,000.00
Trading (where applicable)			
Case specific matters (where applicable)	1.50	285.00	427.50
Total estimated fees			19,997.36

- 4.3 Our time costs for the Period are £17,396.00. This represents 75.40 hours at an average rate of £230.72 per hour. Attached as Appendix B is a Time Analysis which provides details of the

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activity costs incurred by staff grade during the Period in respect of the costs fixed by reference to time properly spent by me in managing the liquidation. In the reporting period, disbursements of £680.00 has been drawn relating to the liquidators' statutory bond and advertising.

- 4.4 In the Period, the liquidators raised an invoice for £15,445.20 plus disbursements of £29.96, in accordance with the approved fee estimate, however, this invoice was not fully paid until after the period end date and therefore is not included in the Receipts and Payments account at Appendix A.
- 4.5 At the date of this report, I would confirm that my fees estimate for the liquidation remains unchanged. However, since the recovery of VAT has taken longer than anticipated, and the Company's affairs required more extensive investigation than previously anticipated, the liquidators may write to creditors shortly with a revised fee estimate.
- 4.6 A copy of 'A Creditors' Guide to Liquidators' Fees' is available on request or can be downloaded from <https://www.r3.org.uk/technical-library/england-wales/technical-guidance/fees/more/29114/page/1/guide-to-liquidators-fees/>.
- 4.7 Attached as Appendix C is additional information in relation to the Liquidators' fees, expenses and disbursements, including where relevant, information on the use of subcontractors and professional advisers.

5 Creditors' Rights

- 5.1 Within 21 days of the receipt of this report, a secured creditor, or an unsecured creditor (with the concurrence of at least 5% in value of the unsecured creditors) may request in writing that the Liquidators provide further information about their remuneration or expenses which have been itemised in this progress report.
- 5.2 Any secured creditor, or an unsecured creditor (with the concurrence of at least 10% in value of the unsecured creditors) may within 8 weeks of receipt of this progress report make an application to court on the grounds that, in all the circumstances, the basis fixed for the Liquidators' remuneration is inappropriate and/or the remuneration charged or the expenses incurred by the Liquidators, as set out in this progress report, are excessive.

6 Next Report

- 6.1 I am required to provide a further report on the progress of the liquidation within two months of the next anniversary of the liquidation, unless I have concluded matters prior to this, in which case I will write to all creditors with my final account.
- 6.2 If you have any queries in relation to the contents of this report, I can be contacted by telephone on 020 7002 7960 or by email at mail@rollingsbutt.com.

Yours faithfully
For Manchester Cheadle Centre Limited



Michael David Rollings
Joint Liquidator

Appendix A

**Manchester Cheadle Centre Limited
(In Liquidation)
Joint Liquidators' Summary of Receipts & Payments**

Statement of Affairs £	From 29/01/2019 To 28/01/2020 £	From 29/01/2019 To 28/01/2020 £
	ASSET REALISATIONS	
69,655.00	105,446.00	105,446.00
9,622.00	NIL	NIL
32,677.00	<u>32,677.00</u>	<u>32,677.00</u>
	<u>138,123.00</u>	<u>138,123.00</u>
	COST OF REALISATIONS	
	4,137.50	4,137.50
	1,106.47	1,106.47
	10,000.00	10,000.00
	8.33	8.33
	<u>(15,252.30)</u>	<u>(15,252.30)</u>
	FLOATING CHARGE CREDITORS	
(2,569,004.00)	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS	
(139,717.20)	NIL	NIL
(59,457.00)	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
<u>(2,656,224.20)</u>	<u>122,870.70</u>	<u>122,870.70</u>
	REPRESENTED BY	
		34,150.24
		85,670.00
		3,050.46
		<u>122,870.70</u>

Appendix B

Time Entry - SIP9 Time & Cost Summary

M022 - Manchester Cheadle Centre Limited
Project Code: POST
From: 29/01/2019 To: 28/01/2020

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & Planning	3.50	13.20	40.70	0.00	57.40	12,266.00	213.69
Case Specific Matters	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	1.70	1.00	1.30	0.00	4.00	1,431.00	357.75
Investigations	1.00	1.40	2.10	0.00	4.50	1,305.50	290.11
Realisation of Assets	0.90	4.30	4.30	0.00	9.50	2,393.50	251.95
Shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trading	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Hours	7.10	19.90	48.40	0.00	75.40	17,396.00	230.72

Appendix C

Additional Information in Relation to the Joint Liquidators' Fees, Expenses & Disbursements

1 Staff Allocation and the Use of Sub-Contractors

- 1.1 The general approach to resourcing our assignments is to allocate staff with the skills and experience to meet the specific requirements of the case.
- 1.2 The constitution of the case team will usually consist of a Partner, a Manager, and an Administrator or Assistant. The exact constitution of the case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment.
- 1.3 We are not proposing to utilise the services of any sub-contractors in this case.

2 Professional Advisors

- 2.1 On this assignment we have used the professional advisors listed below. We have also indicated alongside, the basis of our fee arrangement with them, which is subject to review on a regular basis.

Name of Professional Advisor	Basis of Fee Arrangement
Ashfords LLP	Hourly rate and disbursements

- 2.2 Our choice was based on our perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of our fee arrangement with them.

3 Joint Liquidators' Expenses & Disbursements

- 3.1 The estimate of expenses (including disbursements) which were anticipated at the outset of the liquidation was provided to creditors when the basis of my fees was approved, a copy of which is set out below, with a comparison to the costs which have been paid in the Period:

Expense	Estimated Cost (£)	Paid in Period (£)	Expected future costs (£)	Total anticipated costs (£)
Solicitors' costs	5,000	4,138	-	4,138
Statutory Advertising	398	241	72	313
Liquidators' specific bond	420	680	225	905
Postage	-	63	10	73
External storage	7	-	7	7
External meeting room hire	50	120	-	120
Land registry search	-	-	9	9
Category 2 disbursements				
Printing	15	11	9	20

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- 3.2 Category 1 disbursements do not require approval by creditors. The type of disbursements that may be charged as a Category 1 disbursement to a case generally comprise of external supplies of incidental services specifically identifiable to the case, such as postage, case advertising, invoiced travel and external printing, room hire and document storage. Also chargeable will be any properly reimbursed expenses incurred by personnel in connection with the case. These disbursements are included in the tables of expenses above.
- 3.3 Category 2 disbursements do require approval from creditors. These are costs which are directly referable to the appointment in question but are not payments which are made to an independent third party and may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis such as internal room hire, document storage or business mileage. Details of Category 2 disbursements charged by this firm (where appropriate) were provided at the time the Liquidators' fees were approved by creditors. Any Category 2 disbursements incurred are specifically highlighted in the tables of expenses above.

4 Charge-Out Rates

- 4.1 Rollings Butt LLP's current charge-out rates effective from 1 April 2018 are detailed below. Please note this firm records its time in minimum units of 6 minutes.

Grade	Rate (£ per hour) 1 April 2018 - 31 March 2019	Rate (£ per hour) From 1 April 2019
Partner	495	525
Director	395	420
Manager	250-310	265-325
Associate	150-225	160-240
Business Trainee	N/A	120-150