

Joint Liquidators' Annual Progress Report to Creditors & Members

**Hot Office Business Centres Limited
- In Liquidation**

13 March 2020

HOT OFFICE BUSINESS CENTRES 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 Hot Office Business Centres Limited (the **Company**) on 16 January 2019. This progress report covers the period from 16 January 2019 to 15 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 5 Roundwood Lane, Harpenden, Hertfordshire, AL5 3BW.
- 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 04805480.

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 Liquidator 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 our 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 to 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/information.
- 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 our 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

Asset Clearing Account

- 2.10 The Statement of Affairs showed a book value of £500 and an estimated realisable value of nil in respect of an asset clearing account, which is a temporary account.

- 2.11 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 2019. Revised financial information was subsequently provided stating that the book value as at the date of liquidation was £nil, therefore no realisations have been made thus far. Enquiries into the reasons why this asset has no book value are ongoing and an update will be provided in our next report.

Goodwill

- 2.12 The Statement of Affairs showed a book value of £2,000 and an estimated realisable value of nil in respect of Goodwill, which is an intangible asset and unlikely to be realisable in an insolvency process.

- 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 2019. Revised financial information was subsequently provided stating that the book value as at the date of liquidation was £nil, therefore no realisations have been made thus far.

Other Prepayments

- 2.14 The Statement of Affairs showed a book value of £5,526 and an estimated realisable value of nil in respect of other prepayments. This asset relates to payments made to the Company's landlord, legal and professional advisors.

- 2.15 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 2019. Revised financial information was subsequently provided stating that the book value as at the date of liquidation was £2,681. However, on further investigation we have received documentation to suggest that this asset was in fact paid by an associated company and is not realisable. These enquiries are ongoing and an update will be provided in our next report.

Payment for Customer Contracts

- 2.16 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.

Liquidation Funding

- 2.17 Since the value of the assets were unlikely to cover the costs of the liquidation, an associated company funded the balance of the expected costs of the liquidation, being £21,807. On appointment this was realised by 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

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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.

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 8 unsecured creditor claims in this case with a value per the director(s) statement of affairs of £135,029.86.
 - There is one secured creditor who is owed approximately £639,279
 - 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 the liquidators 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, we are unable to disclose the contents.
- 2.25 Shortly after appointment, we 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. My investigations have not revealed any issues requiring further report or any further potential recoveries which could be pursued for the benefit of creditors.

Matters still to be dealt with

- 2.26 Following the issue regarding recovery of VAT on post-liquidation expenses, the liquidators assess whether funds permit a dividend to be paid to creditors of the Company. Further information in this regard is provided in section 3.

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3 Creditors

Secured Creditors

3.1 Pathway Finance S.A.R.L. holds a fixed and floating charge over the Company's assets. At the date of liquidation the indebtedness to the secured creditor was estimated at £620,492, however, they have subsequently informed the liquidators that the debt owed to them was £639,279.

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 £118,462 from 3 creditors. I have yet to receive claims from 1 creditor whose debts totalled £26,442.86 as per the Company's statement of affairs.

3.4 The Company granted a floating charge to Pathway Finance S.A.R.L on 17 October 2014. 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 I would confirm that it is anticipated there will be insufficient funds realised after defraying the expenses of the liquidation to pay a dividend to unsecured creditors.

4 Joint Liquidators' Remuneration

4.1 The Creditors approved that the basis of the Liquidators' remuneration be fixed by reference to 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	7,790.00
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			19,997.50

4.3 Our time costs for the Period are £17,863.50. This represents 77.35 hours at an average rate of £230.94 per hour. Attached as Appendix B is a Time Analysis which provides details of the activity costs incurred by staff grade during the Period in respect of the costs fixed by reference to time properly spent by me and my staff in managing the liquidation. In the reporting period, disbursements of £525.63 have been drawn relating to the liquidators' statutory bond, advertising, postage and printing.

4.4 At the date of this report, I would confirm that my fees estimate for the liquidation remains unchanged. This is because I consider my estimate to be sufficient.

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4.5 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/>

4.6 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 Hot Office Business Centres Limited



Michael David Rollings
Joint Liquidator

Appendix A

**Hot Office Business Centres Limited
(In Liquidation)
Joint Liquidators' Summary of Receipts & Payments**

Statement of Affairs £	From 16/01/2019 To 15/01/2020 £	From 16/01/2019 To 15/01/2020 £
	ASSET REALISATIONS	
NIL	NIL	NIL
NIL	NIL	NIL
NIL	21,807.00	21,807.00
3,316.00	NIL	NIL
14,193.00	14,193.00	14,193.00
	<u>36,000.00</u>	<u>36,000.00</u>
	COST OF REALISATIONS	
	425.63	425.63
	5,100.00	5,100.00
	<u>(5,525.63)</u>	<u>(5,525.63)</u>
	FLOATING CHARGE CREDITORS	
(620,492.00)	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
	UNSECURED CREDITORS	
(86,000.00)	NIL	NIL
(29,892.86)	NIL	NIL
(105,137.00)	NIL	NIL
	<u>NIL</u>	<u>NIL</u>
<u>(824,012.86)</u>	<u>30,474.37</u>	<u>30,474.37</u>
	REPRESENTED BY	
		29,369.24
		1,105.13
		<u>30,474.37</u>

Appendix B

Time Entry - SIP9 Time & Cost Summary

H014 - Hot Office Business Centres Limited
Project Code: POST
From: 16/01/2019 To: 15/01/2020

Classification of Work Function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours	Time Cost (£)	Average Hourly Rate (£)
Administration & Planning	3.40	19.80	36.15	0.00	59.35	13,248.00	223.22
Case Specific Matters	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Creditors	0.60	1.30	0.50	0.00	2.40	821.50	342.29
Investigations	0.30	0.90	1.80	0.00	3.00	747.00	249.00
Realisation of Assets	0.90	5.00	6.70	0.00	12.60	3,047.00	241.83
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	5.20	27.00	45.15	0.00	77.35	17,863.50	230.94
Total Fees Claimed						0.00	
Total Disbursements Claimed						100.00	

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 not used the assistance of professional advisors.

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 were approved, a copy of which is set out below:

Current position of Joint Liquidators' expenses

- 3.2 An analysis of the expenses paid to the date of this report, together with those incurred but not paid at the date of this report is provided below:

Expense	Estimated cost (£)	Paid in the Period (£)	Expected future costs (£)	Total anticipated costs (£)
Solicitors' costs	5,000	-	-	-
Statutory advertising	321	232	-	232
Liquidators' specific penalty bond	196	100	-	100
Postage	-	169	-	169
External storage of company's books and records	7	-	7	7
Category 2 disbursements charged by the firm:				
Printing	15	25	40	65
Total				

- 3.3 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

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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.

- 3.4 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