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HOTELCONNECT LIMITED - IN LIQUIDATION  
LIQUIDATOR'S PROGRESS REPORT

ANTONY BATTY & COMPANY LLP  
3 FIELD COURT  
GRAYS INN  
LONDON  
WC1R 5EF

SATURDAY



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19/03/2016

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COMPANIES HOUSE

## HOTELCONNECT LIMITED - IN LIQUIDATION

This report is prepared in accordance to the provisions of the Insolvency Act 1986, which require the Liquidator to provide creditors with an update of the progress of the liquidation. The report has been prepared for the purpose of advising creditors. The report is private and confidential and may not be relied upon, referred to, copied or quoted from, in whole or in part, by creditors for any purpose other than advising them, or by any other person for any purpose whatsoever.

W A Batty was appointed as Liquidator of Hotelconnect Limited on 19 June, 2013.

WA Batty, SJ Evans and HF Jesseman are licensed as Insolvency Practitioners in the UK by The Institute of Chartered Accountants in England & Wales under S 390 (2) of the Insolvency Act 1986.

### Abbreviations used in this report

- Hotelconnect Limited - ("Hotelconnect" or "the Company")
- W A Batty - ("the Liquidator")
- HM Revenue & Customs - ("HMRC")

## **HOTELCONNECT LIMITED - IN LIQUIDATION**

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## **HOTELCONNECT LIMITED - IN LIQUIDATION**

### **1 INTRODUCTION**

#### **1 1 Purpose of Report**

This report is prepared pursuant to the provisions of the Insolvency Act 1986, which require me as Liquidator to provide creditors and members with an update on the progress of the Liquidation

This report covers the period from 17 January 2015 to 16 January 2016

The following information is included in this report

- Details of asset realisations
- Details of any distributions made to creditors and likely further distributions
- Details of the Liquidator's receipts and payments including details of assets realised and any costs paid
- Information regarding fees and expenses
- Other information for creditors

#### **1 2 Progress of the Liquidation**

The Liquidator is continuing to work alongside Elman Wall Bennett, Travel VAT and TOMS consultants (David Bennett formerly of Saffreys Champness), Saffreys Champness and Temple Tax Chambers to progress the VAT claim against HM Revenue & Customs

The basis of the Company's claim is that Hotelconnect operated and accounted for its VAT under the Tour Operators Margin Scheme, but following an examination by the Company's tax advisors this was determined to be incorrect and the Company was advised that it should not account for VAT as an operator but rather as an "agent"

Under the guise of an agent the Company would account for VAT on its commission income and not on the gross margin made on all EU bookings

The VAT specialist determined on the reclassification an overpayment of VAT had been made to HMRC, and that the correct classification (to that of an agent) subsequently resulted in a refund due to the Company. It is the reclassification from Tour operator to agent and the consequential VAT refund that HMRC are challenging. Further details can be found below at point 2.1

The legal action has been progressed and until this position has been finalised the Liquidation cannot be completed

### **2 ASSET REALISATIONS**

I have progressed with the following potential asset recoveries during the period, which should be read in conjunction with my previous reports. We confirm that the Insolvency Service granted sanction to take the legal action to trial

#### **2 1 VAT Rebate**

In our previous report, creditors were advised that the Tribunal application had been referred to a High Court judge to progress the case to hearing. HMRC had previously been offered a meeting to discuss the case but this did not prove possible. We had written to the Tribunal confirming our opposition to any further application to stay the proceedings. The Tribunal ordered that the parties should provide draft directions for the progress of this case to hearing.

Directions were issued by the First Tier Tribunal on 25 August 2015 to agree case management issues and a further hearing was held on 30 November 2015, where HMRC made a further

attempt to adjourn which was resisted. At this hearing we had attempted to strike out a further HMRC defence that a successful award would amount to unjust enrichment of Hotelconnect. Unfortunately this issue will also have to be heard at the main hearing. Further directions were also made on case management issues.

We had hoped that a first full hearing would be heard in April 2016, but at the date of this report HMRC are applying for a later hearing date due to the unavailability of their counsel. The tribunal have yet to confirm a new hearing date. Our counsel will continue to resist the adjournment applications to ensure the case is brought before the Tribunal without delay and not stood over in light of similar cases against HMRC.

The court hearings held during the period of the Liquidation have predominantly been regarding case management issues. However my counsel remains confident about the prospects of success.

## 2.2 Other Assets

All funds in a compulsory liquidation must be paid into an account operated by The Insolvency Services. Deposits into these accounts attract interest. In the period of this account I received £896 gross in respect of interest. The Insolvency Service has deducted £179 in respect of the tax applied to this amount and remitted the amount directly to HMRC.

I am not aware of any further assets. However should any creditor be aware of any assets, there should contact me immediately.

## 3 CREDITORS – CLAIMS AND DISTRIBUTIONS

There are a number of different classes of creditors in insolvency matters. These include:

Secured Creditors are creditors who hold fixed and/or floating charge debenture security, they are paid in priority to other creditors, subject to preferential creditors and unsecured creditors under the prescribed part.

Preferential creditors comprise employees' claims for holiday pay and some arrears of wages. Preferential creditors are paid in priority to the prescribed part, floating chargeholders and unsecured creditors.

Unsecured creditors rank behind secured and preferential creditors. Unsecured creditors receive the surplus from net realisations after secured and preferential creditors and any payment which is made under the prescribed part.

### 3.1 Secured Creditors

I am not aware of any secured creditors in this matter.

### 3.2 Preferential creditors

The only known preferential creditors are the former employees of the Company for unpaid wages and holiday pay. These claims are subject to a maximum limit set by the insolvency legislation. Employee claims are estimated to total £14,924.

### 3.3 Prescribed Part

There are provisions of the insolvency legislation that require a liquidator to set aside a percentage of a Company's assets for the benefit of the unsecured creditors in cases where the Company gave a "floating charge" over its assets to a lender on or after 15 September 2003. This is known as the "prescribed part of the net property." A Company's net property is that left after paying the preferential creditors and the costs of the liquidation, but before paying the lender who holds a floating charge. A liquidator has to set aside

- 50% of the first £10,000 of the net property, and
- 20% of the remaining net property up to a maximum of £600,000

As there is no Qualifying Floating Charge Holder in this matter the prescribed part provision does not apply

### 3 4 Unsecured Creditors

Based on the information from the Official Receiver's report, unsecured creditors are estimated to total £6,496,854 from 7,300 known and potential creditors

To date I have received claims from unsecured creditors totalling just £2,083,230 from 164 creditors, including a claim from HM Revenue & Customs in the sum of £669,686 for VAT, PAYE and NIC I have not yet adjudicated on the validity of this claim

I have also received a claim from Barclaycard for £47,011 in respect of clawbacks and £147,656 from the RPO in respect of their unsecured claim following settlement of the claims of the employees I have also received considerable correspondence from overseas hotel creditors requesting further information regarding the liquidation process

Based on current information there will be insufficient funds to make a distribution to unsecured creditors However should a significant VAT reclaim be realised this position will be reversed Accordingly I would request all those creditors who have not submitted a claim to do so as soon as possible Claims can be submitted by email to [stephenh@antonybatty.com](mailto:stephenh@antonybatty.com)

## 4 LIQUIDATOR'S RECEIPTS AND PAYMENTS

A summary of my receipts and payments relating to the Company for the period from 17 January 2015 to 16 January 2016 is enclosed at Appendix III I confirm that the account has been reconciled with that which is held by the Secretary of State in respect of the winding up Please note that receipts and payments in the account are shown net of VAT

During the period of this report I have made the following significant payments not detailed elsewhere in this report

DLA Piper UK LLP has been paid £4,662 plus VAT in respect of the costs of petitioning for the Company to be wound up

ITC Valuers have been paid £4,900 plus VAT for their assistance to the Liquidators with the removal of 10 tonnes of paper files that may be required for the VAT claim Their fee was based on their time costs plus disbursements

The choice of professionals was based on the Liquidator's perception of their experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of the agreed fee arrangement with them The fees charged have been reviewed and the Liquidator is satisfied that they are reasonable in the circumstances of this case

All funds in a compulsory liquidation must be paid into an account operated by The Insolvency Services Realisations in the Liquidation attract a Secretary of State realisation fee as detailed below The account also attracts a quarterly account fee of £22, which amount to £88 for the period and total £264 in this matter The Insolvency Service levy a fee of £1 10 for the issue of each cheque from the account In this matter the cheque fees amount to £3 30 for the period and total £8 80 Prior to my appointment the Official Receiver also charged a case administration fee of £2,235 which was partly discharged by the deposit of £1,165 paid on the presentation of the petition Transactions enacted by the Official Receiver have been shown as brought forward entries

Secretary of State realisation fees charged, are as follows

Realisation	Fee %	Fee taken in period £	Total fee £
First £2,000	0%	Nil	Nil
Next £1,700	75%	Nil	1,700
Next £1,500	50%	Nil	750
Next £396,000	15%	108	35,203
Remainder	1%	Nil	Nil

The total possible Secretary of State fees are capped at £80,000

I have previously made the following significant payments

- Marsh Limited have been paid £336 in respect of specific bonding cover
- Moon Beever Solicitors have been paid 1,755 plus VAT for their assistance to the Official Receiver with debt collection
- Temple Tax Chambers have been paid £1,400 for counsel's fees

I have also incurred the following expenses during the period covered by the report but they have not yet been paid and or invoiced

Elman Wall Bennett and Saffreys Champness are jointly instructed to assist me to progress the VAT claim David Bennett formerly of Saffreys Champness acted as the Company's Travel VAT advisers prior to the Liquidation Due to the familiarity with the case and the specialist knowledge of David Bennett it was decided to instruct Elman Wall Bennett alongside Saffreys Champness under the same terms

They will charge on a contingency basis, being the lower of 15% of any final recovery from HMRC or 150% of their time costs Bearing in mind the disputed and protracted nature of the claim I decided that this would be the most beneficial basis to charge for the necessary work

Temple Tax Chambers have provided the Liquidator with a fee brief which includes 1 week's preparation for court, the drafting of a skeleton argument and the 2 day court hearing including Counsel's estimated daily Court rate of £4,000 plus VAT, counsel have estimated this work will cost approximately £30,000 plus VAT to complete, however due to the resistance experienced so far with HMRC we expect the actual fee to exceed this estimate

Temple Tax Chambers have additional time costs of £9,000 plus VAT for additional work completed in conjunction with the VAT claim not covered in the above brief

Details of the significant receipts are shown in the Asset section of this report

## 5 LIQUIDATOR'S REMUNERATION & EXPENSES

### 5.1 Approval of Basis of Remuneration & Expenses

My fees as Liquidator have been approved on a time cost basis, by reference to time properly given by me and my staff in attending to matters arising in the Liquidation, together with category 2 expenses, by the creditors at the creditors' meeting held on 19 June 2013 Category 1 expenses are payable without approval from creditors

### 5.2 Liquidator's Time Costs

Time costs for the period 17 January 2015 to 16 January 2016 amount to £36,904 representing one hundred and twenty three hours work, at an average charge out rate of £298 The total time costs for the liquidation amount to £112,511 representing four hundred and seven hours work, at an average charge out rate of £277

Appendix IV contains further information about time spent on the Liquidation and has been categorised into the following headings

- **Administration and Planning** includes case planning, administrative set-up, appointment notification, statutory reporting, compliance, cashiering, accounting and administrative functions
- **Realisation of Assets** includes identifying, securing, insuring assets, retention of title issues, debt collection, property, business and asset sales
- **Investigations** includes reporting on the conduct of directors, investigating antecedent transactions and any other investigations that may be deemed appropriate
- **Trading** includes planning, strategy, trading accounting, managing operations on site, corresponding with suppliers and customers, and on-going employee matters
- **Creditors** includes creditor set up, communication and meetings, reviewing and agreeing preferential and unsecured claims, corresponding with secured creditors, reviewing and obtaining advice in relation to security granted by the Company

For the period of this report the time spent on this matter has predominantly been spent on liaising with Elman Wall Bennett, Temple Tax Chambers and Saffrey Champness with regard to the potential VAT claim against HMRC. Further time has been spent on the statutory tasks of the Liquidation such as completing the necessary corporation tax returns, maintaining the bank account and including preparing and issuing the progress report to creditors. I am continuing to receive considerable correspondence from creditors requesting further information throughout the year.

Due to the complexities raised by VAT claim, work such as preparing the necessary reports to the creditors and case management on this assignment has predominantly been carried out by a manager with the suitable level of experience and authority necessary to progress the Liquidation. Less complex areas of work such as administrative functions have been carried out by junior grades of staff.

A Guide to Liquidators' fees may be found at <http://www.antonybatty.com/resource>. I would also be pleased to send you a copy by e-mail or post on request. Details of current charge out rates are given at Appendix VI.

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### **5.3 Liquidator's Expenses**

A summary of my expenses for the period of this report is given at Appendix V. Details of the disbursements policy are given at Appendix VI.

### **5.4 Creditor's Request for Further Information about Remuneration & Expenses**

Under insolvency legislation, creditors have the right to request in writing further information regarding the remuneration or expenses set out in this report. The request can be made by either

- a) a secured creditor, or
- b) an unsecured creditor with concurrence of at least 5% in value of unsecured creditors (including that creditor) or the permission of the Court.

The request must be made in writing within 21 days of receipt of this report.



## **5 5 Creditor's Claim that Remuneration and/or Expenses are Excessive**

Under insolvency legislation, creditors have the right to challenge my remuneration and expenses by making an application to court. The application can be made by either

- a) a secured creditor, or
- b) an unsecured creditor with concurrence of at least 10% in value of unsecured creditors (including that creditor) or the permission of the Court

The application may be made on the grounds that my remuneration is, in all the circumstances, excessive, the basis of fixing the remuneration is inappropriate, or my expenses are, in all the circumstances, excessive

Any such application must be made within 8 weeks of receipt of this report

If the court considers the application well founded, it may order that the remuneration be reduced, the basis be changed, or the expenses be disallowed or repaid. Unless the court orders otherwise, the costs of the application must be paid by the applicant and not out of the assets

## **6 FURTHER INFORMATION FOR CREDITORS**

### **6 1 Investigations**

I am required to investigate the affairs of the Company in general in order to consider whether any civil proceedings should be taken on its behalf. To date, following a review of the books & records of the Company, bank statements and information provided by creditors there were no matters (other than the VAT claim) that justified further investigation in the circumstances of this appointment

If there are any matters which may not have already been brought to my attention, please contact Stephen Hole at my office

### **6 2 EC Regulation on Insolvency Proceedings**

I consider that the EC Regulation on Insolvency Proceedings apply to the Liquidation of the Company. I also consider that they are "main" proceedings since the Company's registered office and trading address are in the United Kingdom

### **6 3 Third Party Assets**

Should any creditor believe that they own assets that may have been in the Company's possession, they should contact my office as soon as possible

## **7 CONCLUSION OF THE LIQUIDATION**

I will continue to progress the legal claim for a VAT rebate with the assistance of Elman Wall Bennett, Saffrey Champness and Temple Tax Chambers. Once the rebate has been received I shall progress a distribution to unsecured creditors

Should you require any further information please contact Stephen Hole



**W A Batty**  
Liquidator

## APPENDIX I

### HOTELCONNECT LIMITED - IN LIQUIDATION

#### STATUTORY INFORMATION

Company Number	02875544
Date of Incorporation	26 November 1993
Trading Name	Hotelconnect
Registered Office	3 Field Court, Gray's Inn, London, WC1R 5EF
Formerly	28 St Albans Lane, London, NW11 7QE
Trading Address	28 St Albans Lane, London, NW11 7QE
Principle business activity	Hotel room booking

#### Directors

<u>Name</u>	<u>Appointed</u>	<u>Resigned</u>
Anne Sophie Fraser	26/11/1993	In Office
Christopher Peter Fraser	26/11/1993	In Office

#### Company Secretary

<u>Name</u>	<u>Appointed</u>	<u>Resigned</u>
Anne Sophie Fraser	26/11/1993	In Office

Issued Share Capital 50,000 ordinary shares of £1 each

#### Shareholders

<u>Name</u>	<u>Ordinary Shares</u>	<u>Percentage</u>
Anne Sophie Fraser	24,731	49%
Christopher Peter Fraser	25,269	51%

#### Chargeholders

<u>Name</u>	<u>Type of Charge</u>	<u>Date of Charge</u>
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No registered charge at companies house

## APPENDIX II

### HOTELCONNECT LIMITED - IN LIQUIDATION

#### DETAILS OF APPOINTMENT OF THE LIQUIDATOR

Name and address of Liquidator	W A Batty of 3 Field Court, Gray's Inn, London, WC1R 5EF
Date of Appointment	17 January 2013
By Whom Appointed	Secretary of State
Court	Companies Court, Chancery Division, London
Court Number	6207 of 2011
Date of winding up order	19 September 2011

**Hotelconnect Limited  
(In Liquidation)  
Liquidator's Abstract of Receipts & Payments**

APPENDIX III

Statement of Affairs	From 17/01/2015 To 16/01/2016	From 17/01/2013 To 16/01/2016
<b>ASSET REALISATIONS</b>		
Book Debts	NIL	17,585 72
Cash at Bank	NIL	161,678 83
Brought forward	NIL	44,915 02
Bank Interest Gross	NIL	NIL
Bank Interest Net of Tax	716 74	1,265 08
	<u>NIL</u>	<u>NIL</u>
	716 74	225,444 65
<b>COST OF REALISATIONS</b>		
O R Disbursements	NIL	665 48
DTI Cheque Fees	3 30	8 80
Sec of State Fees	195 51	27,122 17
Petitioners Costs	4,661 99	4,661 99
Specific Bond	NIL	336 00
Agents/Valuers Fees (1)	NIL	1,755 08
Agents/Valuers Fees (2)	4,900 00	4,900 00
Legal Fees (1)	NIL	1,400 00
Storage Costs	720 00	720 00
	<u>(10,480 80)</u>	<u>(41,569 52)</u>
<b>UNSECURED CREDITORS</b>		
(6,351,594 06) Trade & Expense Creditors	<u>NIL</u>	<u>NIL</u>
	NIL	NIL
	<u>(9,764.06)</u>	<u>183,875 13</u>
<b>REPRESENTED BY</b>		
Vat Receivable		2,056 40
ISA NIB		181,818 73
		<u>183,875 13</u>



William Antony Batty  
Liquidator

## APPENDIX IV

Period 17/01/15 16/01/16

### Time Summary

[illegible]

Creditors	2 70	7 30	15 70	0 00	25 70	7,124 30	277 21
Case Specific	0 00	3 90	0 00	0 00	3 90	1,150 50	295 00
Case Specific 1	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Case Specific 2100	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Case specific matters	0 00	3 90	0 00	0 00	3 90	1,150 50	295 00
Brought Forward	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Pre Jan 2003 Time	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total Hours	4 20	101 70	17 90	0 00	123 80	36,903 80	298 09
Total Fees Claimed						0 00	

**SIP 9 - Time & Cost Summary***APPENDIX IV*

Period 17/01/13 16/01/16

## Time Summary

Hours						Time Cost (£)	Average hourly rate (£)
Classification of work function	Partner	Manager	Other Senior Professionals	Assistants & Support Staff	Total Hours		
Administration & planning	6 40	24 30	32 50	3 20	66 40	17,717 10	266 82
Investigations	0 00	14 30	0 00	0 00	14 30	4,257 50	297 73
Realisations of assets	11 10	145 90	12 50	0 00	169 50	51,675 90	304 87
Trading	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Creditors	7 60	29 60	105 20	10 00	152 40	37,710 40	247 44
Case specific matters	0 00	3 90	0 00	0 00	3 90	1,150 50	295 00
Pre Jan 2003 Time	0 00	0 00	0 00	0 00	0 00	0 00	0 00
Total Hours	25 10	218 00	150 20	13 20	406 50	112,511 40	276 78
Total Fees Claimed						0 00	

APPENDIX V

HOTELCONNECT LIMITED- IN LIQUIDATION

SUMMARY OF LIQUIDATOR'S EXPENSES

	Category 1				Category 2			
	For the period				For the period			
	17\1\13 to 16\1\14	17\1\14 to 16\1\15	17/1/15 to 16/1/16	Total	17\1\13 to 16\1\14	17\1\14 to 16\1\15	17/1/15 to 16/1/16	Total
Photocopying					£4	£14	£3	£21
Faxes					£5			£5
Statutory advertising	£149			£149				
Specific bond								
Companies House search					£20			£20
Postage					£6	£19	£6	£31
Storage Costs			£720	£720				
	£149	Nil	Nil	£869	£35	£33	£9	£77
Drawn	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Outstanding	£149	Nil	£720	£869	£35	£33	£9	£77



**Antony Batty & Company LLP**

Time Costs – Charge out rates per hour and disbursements policy.

1 April 2013 – 31 March 2016

	2013\16
Office Holder (e.g. Liquidator)	£399
Senior Manager	£335
Case Manager	£295
Senior Administrator	£235
Administrator	£145
Junior Administrator	£80

	2012\13
Office Holder (e.g. Liquidator)	£399
Senior Manager	£325
Case Manager	£295
Senior Administrator	£225
Administrator	£135
Junior Administrator	£80

Please note that these rates may be increased from time to time. Creditors will be notified of changes in the annual report.

Time is recorded in units of six minutes, the minimum unit of time is therefore six minutes.

Members of staff with the appropriate level of experience and authority have been and will be used for the various aspects of work necessary in this assignment.

**Disbursement Policy**

Please note that the liquidator's disbursements are charged out at the following rates -

**Category 1** - represent recovery of necessarily incurred disbursements at the cost incurred

Sundry disbursements, such as advertising, where incurred appropriately, are recharged at 100% of the cost incurred.

Insurance and bonding is recharged at 100% of the relevant charge to the office holder.

Travel costs with the exception of mileage costs are recharged at 100% of the cost incurred.

VAT is charged as appropriate.

**Category 2**

Photocopying	15p per sheet
Postage	Royal Mail postage rates (non-franked mail)
Faxes - UK	£1 per sheet
International	£2 per sheet
Internal meeting room hire -	£100 per hour, (minimum 1 hour)
Storage	£35 per box per annum
File set up, stationery & record retention	£50 per folder
Companies House search	£20 per case
Travel where Antony Batty & Company LLP staff use their own vehicles in the course of their duties in this matter, the mileage is recharged at 45p per mile.	
VAT is charged as appropriate	