

# **Loss maker Bross Bagels – sold for £18,000 – and trading as “normal”**

**Self-proclaimed bagel queen Larah Bross cut and run from her failing business leaving behind creditors who are due – and unlikely to recover – £970,000, according to the initial report of the interim liquidators.**

**The largest loser is the UK taxpayer with HM Revenue & Customs (HMRC) due an estimated £635,000 by Bross Bagels Ltd and it is unlikely there will be sufficient funds to pay the debt, say liquidators Alistair McAlinden and Blair Nimmo of Interpath.**

Brazen Larah Bross continues to trade in the four Edinburgh Bross Bagels units after she arranged the sale – for just £18,000 – of the kitchen equipment, stock, bagels, consumables, and intellectual property of Bross Bagels to her newly registered business Hot Mama Bagels Ltd just days before the liquidator was appointed.

The Interim Liquidators' Report states that their key areas of focus are: “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.”

# HOT MAMA BAGELS LTD

Company number SC775826

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The report said: "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."

The report reveals the bank accounts of the company's main providers, Virgin Money and Royal Bank of Scotland, were overdrawn and no funds are recoverable from those accounts.

Virgin Money is due £134,000 from a combination of an overdraft, an Enterprise Finance Guarantee Loan and a Bouncebank loan, which helped businesses recover from the Covid-19 pandemic.

Debts due to HMRC – made up of unpaid VAT, PAYE and employees' National Insurance contributions – are classified as “secondary preferential” and according to the report “based on current estimates, it is unlikely there will be a dividend to secondary preferential creditors”.

The total due to unsecured creditors – mainly suppliers – is approximately £265,000 and again it is “highly unlikely” there will be funds to pay out. The largest include property agents Savills (£50,000), Fife Creamery Ltd (£12,000), a public relations advisor (£8,000) and local building company Orocco (£3,000).

Larah Bross and Bross Bagels co-director Marc Millar are due the failed company £61,000 in “directors loans” and the liquidators are pursuing this sum and have requested repayment proposals.

**In the period from August 2017 when Bross Bagels was launched until the company entered liquidation, Larah Bross has travelled extensively including trips to: New York; North Carolina/Florida; Prague; Alicante (twice), Milan, Fuerteventura, Paris, Ibiza, Dubai, and Quebec three times – most recently in July 2023 just weeks before the business collapsed.**



**Bross Bagels** is at **St Stephen Street.**



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The fate of the so-called “Share Holders” – individuals who

contributed £1,000 each in two crowdfunding initiatives to support growth of the business – remains uncertain. This debt is mentioned in the liquidator's report. The monies, estimated to be around £148,000, were supposed to be returned after a four year period but as "unsecured obligations of the Company" the chance of any pay-out is negligible.

The liquidators' report noted that Bross Bagels specialised "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 principal director (Larah Bross) 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.



Larah Bross

“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 report continues: “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.”

A statement issued on behalf of Larah Bross said: “Hot Mama Bagels bought the assets and IP from Bross Bagels before it went into liquidation in order to save 60 jobs. Hot Mama Bagels is being run by Bar Restaurant Solutions while Larah Bross focuses on the brand and marketing.

“Honouring the investment of the 148 “shareholders” is a priority. They have been offered a free membership of Hot Mama Bagels and a commitment that their investment will be returned. The priority now is to grow Hot Mama Bagels into a thriving business and to meet these and other responsibilities.”