

The Insolvency Act 1986

Statement of administrators' proposals

Name of Company Brookmann Home Manchester 1877 Limited	Company number 00011136
In the High Court of Justice, Chancery Division, Manchester District Registry	Court case number 4221 of 2013

We
Paul Flint
KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

Brian Green
KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

attach a copy of our proposals in respect of the Administration of the above company

A copy of these proposals was sent to all known creditors on 17 January 2014



Signed

Joint Administrator

Dated

17 January 2014

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form. The contact information that you give will be visible to researchers of the public record.

Tom Johnson
KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

Tel +44 161 2464102

DX Number DX 724620 Manchester 42

DX Exchange

When you have completed and signed this form, please send it to the Registrar of Companies at -

Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

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COMPANIES HOUSE



**Brookmann Home Manchester 1877
Limited (in Administration)**

Statement of proposals

**Pursuant to Paragraph 49 of
Schedule B1 of the Insolvency
Act 1986 & Rule 2.33 of the
Insolvency Rules 1986 (both as
amended)**

KPMG LLP

17 January 2014

This report contains 17 pages

Appendices contain 12 pages

PF/JN/TJ



Brookmann Home Manchester 1877 Limited (in Administration)

Statement of proposals

KPMG LLP

17 January 2014

Notice: About this Report

This Proposal has been prepared by Paul Andrew Flint and Brian Green, the Joint Administrators of Brookmann Home Manchester 1877 Limited, solely to comply with their statutory duty under paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purposes of the administration order, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purpose, or in any other context.

This Proposal 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 Brookmann Home Manchester 1877 Limited or other companies in the same group. Any estimated outcomes for creditors included in this Proposal 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 Proposal for any purpose or in any context other than under paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at its own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of this Proposal.

Paul Andrew Flint and Brian Green are authorised to act as an insolvency practitioner by the Institute of Chartered Accountants in England and Wales.

The Joint Administrators act as agents for Brookmann Home Manchester 1877 Limited and contract without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, KPMG LLP does not assume any responsibility and will not accept any liability to any person in respect of this Proposal or the conduct of the administration.



Contents

1	Glossary	1
2	Introduction	3
3	Background	3
4	Events leading to the Administrator's appointment	3
5	Purpose, Initial Strategy and Progress of the Administration	5
6	Cost of Realisations	11
7	Receipts and payments to date	12
8	Statement of pre-administration costs	13
9	Other matters	14
10	Statement of Affairs	14
11	Creditors	14
12	Creditors' meeting	15
13	Joint Administrators' proposals	16

Appendices

- 1) Statutory Information
- 2) Analysis of Administrators' time costs to 10 January 2014
- 3) Receipts and payments for the period 25 November 2013 to 10 January 2014
- 4) Pre-appointment time costs
- 5) Statement of affairs



1 Glossary

Act	The Insolvency Act 1986
Administration	The Administration Order granted by the High Court of Justice, Chancery Division, Manchester District Registry in respect of Brookmann Home Manchester 1877 Limited on 25 November 2013 Court case number 4221 of 2013
Agents	Sanderson Weatherall LLP
Company/BHM1877	Brookmann Home Manchester 1877 Limited (in Administration)
CVA	The Voluntary Arrangement reached by Brookmann Home Manchester 1877 Limited with its creditors on 28 May 2013
Directors	Myron Tennyson Mann and Charles Senter Brook Johnson, directors of Brookmann Home Manchester 1877 Limited
EC Regulations	Council Regulations (EC) No 1346/2000
HMRC	HM Revenue and Customs
Joint Administrators	Paul Andrew Flint and Brian Green of KPMG LLP
KPMG	KPMG LLP
Legal Advisers/Solicitors	Turner Parkinson LLP
NoI	Notice of Intention to appoint Administrators
Purchaser/VHL	Vantona Home Limited
Rules	The Insolvency Rules 1986
RoT	Retention of title
SIP	Statement of Insolvency Practice
Secured Lender/Aldermore	Aldermore Invoice Finance, a division of Aldermore Bank Plc
Supervisors	Paul Andrew Flint and Brian Green of KPMG LLP were appointed as Joint Supervisors of Brookmann Home Manchester 1877 Limited on 28 May 2013, following the



Brookmann Home Manchester 1877 Limited (in Administration)

Statement of proposals

KPMG LLP

17 January 2014

meetings of creditors and members in accordance with
Section 4(6) of the Insolvency Act 1986 and Rule 1.24 of the
Insolvency Rules 1986 CVA 3408 of 2013

TUPE

Transfer of Undertakings (Protection of Employment)
Regulations 2006



2 Introduction

Paul Andrew Flint and Brian Green of KPMG were appointed as Joint Administrators of BHM1877 on 25 November 2013 by the Company Directors, pursuant to paragraph 22 of Schedule B1 to the Act

In accordance with Paragraph 100(2) of Schedule B1 to the Act, the functions of the Joint Administrators are being exercised by either or all of the Joint Administrators

In accordance with Paragraph 49 of Schedule B1 to the Act, the Joint Administrators now set out their proposals for achieving the purpose of the Administration and for the conduct of the Administration

The report also includes certain information required to be provided to creditors in accordance with Rule 2.33 of the Rules

The appropriate statutory information is set out in Appendix 1

3 Background

The Company was incorporated on 19 January 1877 and operated from premises in Ardwick, Manchester. Historically, it specialised in the design, sourcing, distribution and retailing of bed linen and associated textiles, including those of its own brand, 'Vantona'

The Company had two directors, Myron Tennyson Mann and Charles Senter Brook Johnson, in addition to 8 employees

The Company entered a Voluntary Arrangement with its creditors on 28 May 2013, to which Paul Andrew Flint and Brian Green were appointed as Joint Supervisors (the 'Supervisors')

The business and assets of the Company were purchased on 26 November 2013 following the appointment of Paul Andrew Flint and Brian Green as Joint Administrators on 25 November 2013, by VHL, a company controlled by the former Directors of the Company

4 Events leading to the Administrators' appointment

Historically, the Company maintained a strong sales base, although had been loss-making in recent years. Since acquisition by its current shareholder in May 2011, the Company attempted to reorganise its service offering and discontinue its non-profitable lines of operation. In addition, the Company converted key supplier agreements to operate on



consignment stock bases and opened up new distribution channels unavailable prior to the current shareholders' acquisition

Shortly after the acquisition, the Directors became aware of significant legacy debt to overseas suppliers, who were vital to fulfil the existing order book and ensure ongoing trade. Although a claim was brought against the previous shareholder (a corporate entity), this party entered administration in August 2012 and therefore no compensation was recovered.

During this time, debit notes were received which the Company had little option but to accept to ensure ongoing supply of another line of goods to the issuing customer. Given the credit terms of this customer, funds had already been drawn from the Company's invoice finance facility with the Secured Lender and used in the ongoing working capital requirements of the business. This supply agreement ended on 26 April 2013 and the Company did not subsequently supply that customer.

Further, another large customer issued debit notes due to pricing and quality discrepancies. Again, the funds had also been drawn from the Company's facility with the Secured Lender. No agreement could be reached with the customer and the debit note was ultimately accepted.

As a result of the transition in the business model noted above, certain other issues arose which had led to invoices being raised incorrectly by the Company. This again resulted in funds being fully drawn against the Company's invoice finance facility at the point such invoices were raised.

As a consequence of the issues described above, the Company's invoice finance facility with the Secured Lender was in an unsecured position with respect to the debtor book security the Secured Lender had to rely on. The Directors stated that funds drawn in excess of the Secured Lender's security had been utilised to fund working capital and, primarily, the legacy debt issue discussed above.

The Company subsequently entered a Voluntary Arrangement with its creditors on 28 May 2013, to which Paul Andrew Flint and Brian Green were appointed Supervisors.

Due to the working capital problems discussed above, the business was in a virtual mothballed state in the lead up to the CVA. As a result, forecast sales did not materialise as had previously been anticipated. Combined with difficulties experienced in opening up supply lines to acquire stock as a result of being in CVA and the lack of available credit facilities, the Company did not meet the post-CVA trading performance forecast.

Consequently, The Directors met with the Supervisors and discussions were had regarding the continuation of the CVA, including approaching creditors with a short-term payment holiday proposal in respect of contributions that were falling due in the first year of the CVA. However, the Directors did not believe that the catch up in contributions, together with the legacy debt in the business, could be serviced. As such, they requested that other options available to the Company were explored which, although would almost

certainly result in the failure of the CVA, would provide creditors with the best possible outcome under the circumstances

Sufficient shareholders funds were not available to be injected into the business and the Secured Lender, as the Company's main working capital provider, had no appetite to offer additional facilities to the Company to allow the Company to continue and potentially remain with the CVA

Therefore, the Directors filed a NoI on 14 October 2013. This gave the business a period of breathing space from its creditors whilst the options available to the Company were explored. A further two NoIs were filed by the Company and Paul Andrew Flint and Brian Green were subsequently appointed as Joint Administrators of the Company on 25 November 2013.

5 Purpose, Initial Strategy and Progress of the Administration

5.1 Purpose of the Administration

In accordance with paragraph 3(1) of Schedule B1 of the Act, the Joint Administrators have the following hierarchy of objectives. In order these are:

- a) rescuing the company as a going concern, or
- b) achieving a better result for the company's creditors as a whole than would be likely if the company were wound up, or
- c) realising property in order to make a distribution to one or more secured or preferential creditors

It was not anticipated that the Company could be rescued as a going concern given the funding requirements noted above. Therefore, the strategy has been to achieve the second objective, namely to achieve a better result for the Company's creditors as a whole than would be likely if the Company was wound up.

The Joint Administrators concluded, after considering all of the potential options, that the pre-packaged sale to VHL was the most appropriate strategy in this regard.

5.2 Initial strategy

The Company's largest assets were the intellectual property, brand names, archives and records of its 'Vantona' brand. It was clear that maximising returns to creditors relied on a successful strategy to ensure recoveries from these assets were protected where possible.

The following options were considered:



Option 1 – Seeking a sale of the business and assets during the course of a trading administration.

There is no evidence to suggest that a sale in administration following a period of post appointment trading and marketing would have achieved an enhanced value, when compared to pre-packaged sale

Following discussions with the Directors and, given that the state of the Company's operations did not greatly improve during the period of the CVA, it became apparent that significant commitments to working capital, over and above what could be obtained from an invoice discounting provider, would be required for it to trade in administration

Further, due to amounts owed to trade creditors and the fact that the business was on 'stop' with certain suppliers, it was likely that force majeure payments would have to be paid to enable the Company to trade in the administration, further increasing short term cash requirements

It was not thought that trading the business in administration would increase the value of the Company's primary asset, intellectual property, and therefore would not increase the return to any class of creditor even if trading could be funded

Such a strategy would result in significant inherent risk and additional costs. It is not thought that proceeds from any post administration trading period would be sufficient to outweigh such costs and therefore returns to all classes of creditor has the potential to be diminished

No parties were prepared to fund the likely trading loss that would almost certainly have been prevalent in such a period of trading in administration whilst the business and assets were offered for sale

Option 2 – Shut down of the business at appointment and seeking an asset break up sale.

A shut down of the business at appointment and seeking an asset break up sale/auction was considered. However, given that the Company's primary asset is its intellectual property, it is likely that the quantum of any realisations in this regard would only diminish in any form of liquidation scenario

In addition, a sale of solely the intellectual property in liquidation would have resulted in the redundancy of the workforce thereby increasing the claims in the insolvency, some of which would have ranked as preferential for dividend purposes

Option 3 – A sale of the business and assets immediately following appointment.

A sale of the business and assets immediately following an appointment was considered to be the strategy that would result in the greatest realisations for all classes of creditor. This is primarily due to the fact that asset values in relation to the Company's 'Vantona'

brand were protected to a greater degree than if one of the other options were to be followed

In addition, preferential creditor claims are materially reduced due to the Purchaser settling any arrears of wages. Further, there are no claims in respect of accrued holiday pay due to the provisions of TUPE.

The Joint Administrators concluded that a sale immediately following appointment was consistent with their duties for the following reasons:

- The pre-packaged sale of the Company's business and assets provided an enhanced financial return to creditors when compared to other options,
- A significant proportion of the return from a pre-packaged sale is made quickly, rather than being received over a period of time,
- Given the marketing process prior to administration, there was no evidence that further marketing within administration would generate a higher return to creditors,
- The option of a trading administration had significant commercial risks and funding was not available to carry out a period of trading;
- The pre-packaged sale preserved employment of the Company's workforce and therefore mitigated employment creditor claims.

5.3 Progress of the Administration

5.3.1 Sale of business

The Company was extensively marketed as part of a separate contingency planning process carried out by the Supervisors in November 2013.

On 1 November 2013 the Joint Supervisors began running an accelerated marketing process and contacted 26 potential interested parties. Of these, 10 requested and returned a signed non-disclosure agreement and therefore received information about the Company.

Four offers were received in the process, one for the Company's business and assets and three for the Company's intellectual property alone, largely consisting of the 'Vantona' brand and the Company's design archive.

These offers were discussed in detail with the Secured Lender due to the fact that the majority of any consideration payable would be in respect of intellectual property, thereby against its fixed charge, to which it would therefore be the sole beneficiary of any distributions.

No offer received would have provided returns to unsecured creditors, save for a small potential prescribed part distribution, with the vast majority of the Company's assets being caught under the Secured Lender's fixed charge.



It was agreed that the offer from VHL for £587,500, provided the best return for creditors given that this represented the largest total offer received and avoided the redundancy of the Company's employees by virtue of TUPE legislation

Further, as a result of part of the consideration being upon a deferred basis, the Company, following the appointment of the Joint Administrators, would take first ranking security over VHL in respect of all assets apart from debtors. In this regard, should VHL fail to pay any element of the deferred consideration, the Company could exercise its security and have the ability to remarket the business and/or the intellectual property of VHL.

A sale to VHL concluded on 26 November 2013 and included the following assets of the Company

• Intellectual Property, archives and records	£535,500
• Goodwill	£30,000
• Inventory	£10,000
• Fixtures & Fitting	£12,000

Total consideration of £200,000 was paid on 26 November 2013 to the Joint Administrators' Legal Advisers and subsequently remitted to the Joint Administrators on 6 December 2013. The remaining deferred element of the purchase consideration was agreed to be paid in accordance with the below schedule:

Amount	Payable by
£100,000	31 December 2013
£50,000	30 June 2014
£50,000	31 December 2014
£50,000	30 June 2015
£50,000	31 December 2015
£87,500	30 June 2016

The Joint Administrators requested KPMG's Corporate Finance Valuations team to value the brand to ensure fair value was being obtained. The team has provided us with indicative valuations between £157,000 and £705,000 for intellectual property, dependent upon the following factors:

- the amount of investment any purchaser would have to invest in the business, given its mothballed state,
- a sublicense agreement was granted by the Company to a third party, this could devalue the brand as any purchaser would not have full control over the brand, and
- the forecast turnover of new business in the next three years

As part of the sale process as detailed on a prior page, we received offers for the intellectual property in isolation. The best offer received from an interest party was significantly below the offer we accepted and well below the top end valuation provided by our valuations team internally.

In addition, Sanderson Weatherall LLP as Agents were instructed to provide a valuation of stock owned by the Company prior to the appointment of the Joint Administrators, to which a gross shelf cost was indicated of £30,253.

On the basis that this stock was sold in a one-off sale, the ex-situ value advised was 10% of gross shelf cost. Should such stock be sold to a customer through whom a continuing supply would be able to be established, this value was estimated to be up to 35% of gross shelf cost.

The Company owned certain plant, equipment and fixtures & fittings at the appointment of the Joint Administrators, held at its leasehold premises at Universal Square, Ardwick, Manchester ("the Premises"). These assets mainly comprised assets and consumables held in the Company's digital print room at the Premises, such as digital and textile printers, together with an amount of office equipment.

The Agents were also instructed to provide a valuation of such assets and have indicated an aggregate value of £12,500, however it should be noted that the landlord of the Premises successfully obtained a walking possession order against certain items of equipment, to which a value of £1,500 is thought to relate and they are included with this valuation.

5.4 Assets

5.4.1 Stock

Inventory owned by the Company was held at the premises of the Company's former warehousing agent, Walkers Warehousing, Oldham, together with other stock's held on consignment. Had a sale of the business immediately on appointment not been agreed it is likely that the owner of the warehousing business would have taken a lien over the stock in lieu of unpaid storage charges. Therefore further impacting on realisable value.

Owned stock was included in the sale to the Purchaser and, in light of the valuation noted above and the continuance of the business by Vantona Home Ltd, as part of the sale agreement a value of £10,000 has been allocated to inventory from the overall consideration to be paid by the Purchaser.



It is not anticipated that any material RoT claims will materialise due to the large proportion of stock being held on a consignment basis. However, should such claims arise against 'owned' stock, these will be assessed by the Joint Administrators as to their validity and dealt with accordingly.

5.4.2 Plant, equipment and fixtures & fittings

The Company owned various plant and equipment comprising largely assets and consumables in relation to the Company's former digital print facilities at the Premises, such as digital and textile printers, together with an amount of office and IT equipment.

In light of the above valuation, an amount of £11,996 has been allocated to fixtures and fittings from the overall purchase consideration.

Following the sale of the business and assets of the Company to the Purchaser, the landlord of the Premises subsequently decided to retain the assets caught under their walking possession order obtained prior to the appointment of the Joint Administrators.

5.4.3 Intellectual property and goodwill

In accordance with the valuation obtained from KPMG's Corporate Finance Valuations team, as discussed above, the Purchaser is to pay total consideration of £535,500 in respect of intellectual property.

As a result of the Company's reduced level of trading and operations to the onset and during the CVA, intellectual property in respect of the 'Vantona' brand was the most significant asset of the Company at the appointment of the Joint Administrators.

In addition, an amount of £30,000 has been allocated to goodwill from the total purchase consideration payable by VHL.

5.4.4 Customer contracts, business information and books and records

An amount of £4 has been allocated from the overall purchase consideration to these assets.

VHL has purchased records of the Company pertaining to the business going forwards. Books and records have been retained by the Joint Administrators that relate to the operations of the Company prior to their appointment.

5.4.5 Book debts

Book debts under the Secured Lender's invoice discounting facility at the date of appointment amount to £57,248.

The Secured Lender will be responsible for collections against the invoices making up this amount by virtue of their fixed charge security against these invoices. It is not

anticipated that any surplus will arise once the secured lender has collected the outstanding ledger

5.4.6 Leasehold property

The Company operated from leasehold premises in Ardwick, Manchester.

The Premises were vacated upon appointment of the Joint Administrators save for the removal by VHL of certain assets purchased from the Company. No beneficial occupation has been had by the Company following the appointment of the Joint Administrators and it is anticipated that discussions will be held offered for surrender to its landlord.

5.5 Employees

At the date of appointment the Company employed 8 members of staff. Following the sale of the business and assets on 26 November 2013, the employees transferred to the Purchaser under the provisions of TUPE.

6 Cost of Realisations

Since 25 November 2013, the Administrators have primarily been engaged in

- statutory issues relating to the Administration,
- completing the sale of the business and assets and dealing with legacy issues as a result of the sale including discussions around the outstanding deferred consideration,
- tax, VAT and pensions reviews,
- dealing with creditor queries,
- reviewing the validity of the security held by the Secured Lender, and
- distributing funds to the Secured Lender.

The KPMG team working on the case includes the Joint Administrators, case managers, case administrator and support team.

The Administrators have instructed Pension, Tax and VAT specialists to carry out assessments of the Company's position.

The statutory provisions relating to Administrators' remuneration are set out in Rule 2.106 of the Rules. Further information is given in the Association of Business Recovery Professionals' publication 'A Creditors' Guide to Administrators' Fees', a copy of which can be obtained at

http://www.r3.org.uk/media/documents/technical_library/Guides_to/Guide_to_Administrators_Fees_Nov2011.pdf

However, if you are unable to access this guide and would like a copy please contact Lee Abbott at KPMG LLP, St James' Square, Manchester, M2 6DS

The Joint Administrators propose that their remuneration be fixed on the basis of time properly given by them and their staff in dealing with matters arising in the Administration at their normal hourly rate of charging (as detailed in Appendix 2)

Attached at Appendix 2 is a detailed analysis of time spent, and charge out rates, for each grade of staff for the various areas of work carried out to 10 January 2014, as required by the Association of Business Recovery Professionals' Statement of Insolvency Practice No 9 (SIP 9)

In the period to 10 January 2014, the Administrators have incurred time costs of £48,475 representing 181 hours at an average hourly rate of £267 This includes work undertaken in respect of tax, VAT and pensions Administrators' expenses total £110

7 Receipts and payments to date

An analysis of receipts and payments for the period 25 November 2013 to 10 January 2014 is attached at Appendix 3

This takes account of receipts and payments on a cash basis and does not show future receipts and payments receivable/payable

Funds held in the Joint Administrators' bank accounts as at 10 January 2014 total £109,873

All figures detailed below are net of VAT.

7.1 Receipts

7.1.1 Sale of the business and assets

Total consideration of £200,000 has been received to date by the Joint Administrators from the Purchaser and allocated between the various categories of assets sold on a pro rata basis, in the following manner

• Intellectual Property	£182,298
• Goodwill	£10,213
• Inventory	£3,404
• Fixtures & Fitting	£4,081
• Contracts, Records and IT equipment	£4

The remaining £387,500 the total consideration for the sale of the business and assets of the Company is payable in accordance with the schedule detailed in section 5.3.1

The Purchaser is currently in negotiations with a new invoice discounting provider to assist with meeting the Company's working capital requirement and as such assist in

making payment of the deferred consideration. The Joint Administrators have agreed in conjunction with the Secured Lender who has the main economic interest in the proceeds of sale, subject to the Company and its funder finalising their security paperwork, that the payment due on 31 December 2013 may be reduced to £75,000 with the additional £25,000 added to the payment due on 30 June 2014. In this respect the Joint Administrators expect for the first payment to be received by the end of January failing which the Joint Administrators will look to enforce their security in respect of non payment.

7.1.2 Return of pre-appointment VAT

The Joint Administrators have requested that our VAT specialists explore the possibility of a pre-appointment VAT repayment. This investigation is ongoing. Although it is likely that any refund will be subject to HMRC set off.

7.2 Payments

7.2.1 Distribution to Secured Lender

A distribution of £90,000 has been paid to the Secured Lender under their fixed charge security over the Company. The Secured Lender's security has been validated by our Legal Advisors prior to this distribution was made.

A significant deficit still remains to the Secured lender under their security. It is anticipated that further such distributions will therefore be made during the course of the administration in relation to the receipt of purchase consideration from VHL.

7.2.2 Post redirection

A payment of £120 has been made in order to redirect mail in relation to the Company from the Premises to the office of the Joint Administrators.

8 Statement of pre-administration costs

Rules 2.33 (2A) and (2B) define pre-administration costs incurred by an Administrator before a company enters administration but with a view to it doing so and sets out the disclosure requirements when reporting where the administrator seeks to recover these from the assets of a company in administration.

In the case of BHM1877, such costs remain unpaid as at the date of the Administration order.

Rule 2.67A sets out the approval process for pre-administration costs and, therefore, in accordance with Rule 2.67A(b)(ii) the Joint Administrators shall request the approval of the secured creditor, and if applicable preferential creditors whose debts amount to more than 50% of the preferential debts of the Company, to settle as an expense of the



Administration our Agents and Solicitors time costs incurred prior to the appointment date

Attached at Appendix 3 are details of our Solicitors and Agents costs, together with the expenses incurred and details of the work undertaken

9 Other matters

The EC Regulation on Insolvency Proceedings 2000 will apply in this matter and these proceedings will be the main proceedings as defined in Article 3 of the EC Regulation. The Company's registered office and centre of main interests are in the United Kingdom

In accordance with section 176A of the Act, where a floating charge was created post 15 September 2003 and, therefore post Enterprise Act 2002, a prescribed part should be made available to unsecured creditors should floating charge realisations be sufficient

The basis of the prescribed part calculation is a percentage of the net floating charge realisations (after preferential creditors and costs) to be distributed exclusively to unsecured creditors. This process ensures that the unsecured creditors participate in a dividend which would not have applied under the old insolvency rules

At this stage we are unable to quantify the level of any prescribed part dividend, until we have ascertained the quantum of any preferential creditor claims

10 Statement of Affairs

A Statement of Affairs has been prepared by the Directors. A copy of the statement is attached at Appendix 4 and a copy will be filed with the Registrar of Companies in due course

It should be noted that the figures provided are those of the Directors and the Administrators therefore take no responsibility for their factual accuracy

Certain trade creditor balances may not reflect the actual indebtedness. This may be due to the Company's purchase ledger not being fully up to date

11 Creditors

11.1 Secured creditor

The Secured Lender holds a debenture providing fixed and floating charges over the Company and its assets registered at Companies House on 7 August 2012

As noted previously, the Joint Administrators instructed our Legal Advisers to confirm validity of the security held by the Secured Lender. The validity of this security was confirmed prior to the distribution of any monies to the Secured Lender.

At the date of appointment a total of approximately £1,911,000 was outstanding to the Secured Lender. Given the extent of this balance and the level of realisations that are anticipated to materialise in the Administration, it is likely that the Secured Lender will not recover its indebtedness in full.

11.2 Preferential creditors

As all of the employees of the Company at the date of the appointment of the Joint Administrators have transferred to the Purchaser, it is not anticipated that any preferential claims will arise in respect of unpaid wages or holiday pay for these individuals.

However, as a result of the redundancy of certain employees prior to the approval of the CVA by the Company's creditors and members, preferential claims will exist in the administration in respect of such claims that would have arisen during the CVA. Thereby, claims will exist for the Redundancy Payments Office and the Pension Protection Fund, in respect of the preferential element of unpaid wages and holiday pay and unpaid pension contributions, respectively.

On the basis that all of the total consideration payable by VHL is received by the Joint Administrators, it is likely that a distribution to preferential creditors will be made. At present, the quantum of any such distribution is unknown whilst the level of claims from preferential creditors is being ascertained.

11.3 Unsecured creditors

Based on current information, we do not expect that there will be sufficient funds available to enable a distribution to the unsecured creditors other than via any potential prescribed part distribution.

12 Creditors' meeting

In accordance with Paragraph 52(1)(b) of Schedule B1 of the Act, the Joint Administrators do not propose to hold a meeting of creditors as it appears that the Company has insufficient property to enable a distribution to be made to unsecured creditors.

Please note that creditors have the right to request an initial creditors' meeting in accordance with Paragraph 52(2) of the Act. The Administrators will summon an initial creditors' meeting if requested by creditors of the Company whose debts amount to at least 10% of the total debts of the Company, provided the correct procedures are followed. Pursuant to Rule 2.37(1) of the Rules, any request for an initial creditors' meeting must be made within 8 business days of the date on which the Administrators' report is sent out and shall include



- a) a list of the creditors concurring with the request, showing the amounts of their respective debts in the Administration,
- b) from each creditor concurring, written confirmation of his concurrence,
- c) a statement of the purpose of the proposed meeting

In addition, the expenses of summoning and holding a meeting at the request of a creditor shall be paid by that person who is required to deposit security for such expenses with the Administrators. If you wish to request a creditors' meeting, please contact Thomas Johnson at KPMG LLP, St James' Square, Manchester, M2 6DS to obtain the requisite forms

Upon expiry of the 8 business days without any request for an initial creditors' meeting, the Administrators' proposals will be deemed to have been approved by creditors under Rule 2.33(5) of the Rules

13 Joint Administrators' proposals

In addition to the specific itemised proposals below, this document in its entirety constitutes the Administrators' Proposals in accordance with Paragraph 49 of Schedule B1 of the Act

The Joint Administrators propose the following

- To continue to do all such things reasonably expedient and generally exercise all their powers as Administrators as they, in their discretion, consider desirable in order to maximise realisations from the assets of the Company in accordance with the objective set out above
- To investigate and, if appropriate, pursue any claims the Company may have
- In the event that the Administrators deem that Liquidation is not appropriate because the costs of putting the Company in to Liquidation outweigh any potential benefit to unsecured creditors, that the Administrators may apply to the Court for the authority to make a distribution to unsecured creditors in the Administration
- In the event that there are no other outstanding matters that require to be dealt with in the Administration, then the Administrators shall file the appropriate notices at Companies House and the Company will subsequently be dissolved pursuant to Paragraph 84 of Schedule B1 to the Act
- That the Joint Administrators will be discharged from liability under Paragraph 98 of Schedule B1 to the Insolvency Act 1986 immediately upon their appointment as Joint Administrators ceasing to have effect
- If one of the criteria set out in Paragraph 79(2) of Schedule B1 to the Insolvency Act 1986 apply to the Company, the Administrators can make an application to Court to end the Administration and, if deemed appropriate, to petition the Court for the



Brookmann Home Manchester 1877 Limited (in Administration)

Statement of proposals

KPMG LLP

17 January 2014

winding up of the Company. If appropriate, the Administrators will, at the same time, apply to be appointed as Joint Liquidators under Section 140(1) of the Insolvency Act 1986, and the Administrators will seek a resolution from creditors to be discharged from liability 14 days after the cessation of their appointment as Administrators, in respect of any action of the Administrators pursuant to Paragraph 98(1) of Schedule B1 to the Insolvency Act 1986.

- That the Administrators may seek an extension to the Administration period if deemed necessary by the Administrators, firstly by consent from the secured creditors, and the requisite majority of preferential creditors and unsecured creditors if the Administrators think that there will be a distribution to them, for a six month period and, if further time is required, by an application to court under paragraph 76(2) of Schedule B1 to the Act.

In relation to the Joint Administrators' remuneration and pre-administration costs

- In the event of no creditors' committee being formed, that the Administrators be authorised to draw fees on account from the assets of the Company from time to time during the period of the Administration based on time properly spent at the charge out rates shown in Appendix 2. Also, the Administrators be authorised to draw disbursements from time to time to include category 2 disbursements.
- That the costs of KPMG LLP in respect of tax, VAT, and pension advice provided to the Administrators be based upon time costs and shall be paid out of the assets of the Company,
- That the unpaid pre administration costs detailed in Appendix 4 will be an expense of the Administration.

Yours faithfully

P A Flint
Joint Administrator



Brookmann Home Manchester 1877 Limited (in Administration)

Statement of proposals

KPMG LLP

17 January 2014

Appendix 1

Statutory information

Company name	Brookmann Home Manchester 1877 Limited
Court details	The Administration Order granted by the High Court of Justice, Chancery Division, Manchester District Registry Court case number 4221 of 2013
Date of appointment	25 November 2013
Functions	The functions of the Administrators are being exercised by each or all of them in accordance with Paragraph 100(2) of Schedule B1 of the Act
Date of incorporation	19 January 1877
Registered number	00011136
Present registered office	c/o KPMG LLP St James' Square Manchester M2 6DS
Previous registered office	C/o UHY Hacker Young Manchester LLP St James Building 79 Oxford Street Manchester M1 6HT
Issued share capital	Ordinary shares 33,765,961 £1 shares
Shareholders	Brookmann Home Ltd (in Liquidation) – 100%
Directors	Myron Tennyson Mann Charles Senter Brook Johnson
Company secretary	Not applicable



Brookmann Home Manchester 1877 Limited (in Administration)

Statement of proposals

KPMG LLP

17 January 2014

Appendix 2

Analysis of Administrators' time costs to 10 January 2014

Brookman Home Manchester 1877 Limited (in Administration)
Time costs for the period 25 November 2013 to 10 January 2014

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Bankrupt Director Member							
Notification of appointment	1 50		2 85		4 35	£1 403 25	£322 59
Cashiering							
General (Cashiering)			1 20		1 20	£248 00	£206 67
General							
Books and records			0 60		0 60	£117 00	£195 00
Fees and WIP				0 80	0 80	£96 00	£120 00
Statutory and compliance							
Appointment and related formalities	4 10	10 10	52 55	0 50	67 25	£18 779 25	£279 25
Bonding and bordereau			0 50		0 50	£97 50	£195 00
Checklist & reviews		1 00	10 40		11 40	£2 503 00	£219 56
Reports to debenture holders	1 00	4 00	1 20		6 20	£2 699 00	£435 32
Statutory advertising			0 70		0 70	£185 50	£265 00
Statutory receipts and payments accounts			0 50		0 50	£97 50	£195 00
Strategy documents	2 10	4 00	0 50		6 60	£3 184 00	£482 42
Tax							
Initial reviews CT and VAT		1 00	3 50		4 50	£1 312 50	£291 67
Post appointment corporation tax		1 50	1 30	0 80	3 60	£1 018 00	£282 78
Post appointment VAT		0 20			0 20	£77 00	£385 00
Creditors							
Creditors and claims							
General correspondence	1 50		7 40		8 90	£2 250 50	£252 87
Notification of appointment		0 20	4 80		5 00	£1 139 00	£227 80
Pre-appointment VAT / PAYE / CT			0 70		0 70	£164 50	£235 00
Secured creditors			1 50		1 50	£292 50	£195 00
Statutory reports			21 60		21 60	£4 261 00	£197 27
Employees							
Correspondence			0 40		0 40	£78 00	£195 00
Pensions reviews			0 40		0 40	£106 00	£265 00
Investigation							
Directors							
Correspondence with directors			2 40		2 40	£496 00	£206 67
Directors questionnaire / checklist		0 30	2 30		2 60	£585 00	£225 00
Statement of affairs		0 30	4 60		4 90	£1 012 50	£206 63
Investigations							
Mail redirection			1 00		1 00	£195 00	£195 00
Realisation of assets							
Asset Realisation							
Cash and investments			1 40		1 40	£315 00	£225 00
Debtors		1 50			1 50	£712 50	£475 00
Deferred consideration	1 00	2 00			3 00	£1 515 00	£505 00
Freehold property		0 20			0 20	£77 00	£385 00
Health & safety			1 10		1 10	£256 50	£233 18
Leasehold property			12 80		12 80	£2 496 00	£195 00
Office equipment fixtures & fittings			1 00		1 00	£370 50	£195 00
Open cover insurance		0 10	1 45		1 55	£335 25	£216 29
Total in period					181 25	£48 476 25	£267 45



Brookmann Home Manchester 1877 Limited (in Administration)
Statement of proposals
KPMG LLP
17 January 2014

Chargeable rates

Grade	Rate per hour £
Partner	565
Associate Partner	485
~	485
Senior Manager	475
Manager	385
Assistant Manager	265
Assistant	195

Category 1 expenses incurred to 10 January 2014

Expense	Amount £
Meals/Lunches	4
Other Transport	5
Total	9

Category 2 expenses incurred to 10 January 2014

Expense	Amount £
Total	0



Brookmann Home Manchester 1877 Limited (in Administration)
Statement of proposals
KPMG LLP
17 January 2014



Appendix 3 – Receipts and payments for the period 25 November 2013 to 10 January 2014

ABSTRACT OF RECEIPTS AND PAYMENTS - 25/11/2013 to 10/01/2014
Brookmann Home Manchester 1877 Limited

Appendix to Form 2.24
Page 1

RECEIPTS		£
Brought forward from previous Abstract (if Any)		0.00
Intellectual Property		182,298.00
Goodwill		10,213.00
Bank interest gross		13.54
IT Equipment		1.00
Furniture & equipment		4,081.00
Stock		3,404.00
Business Information		1.00
Records		1.00
Petty Cash		18.12
Contracts		1.00
Bank interest, gross		0.15
Carried forward to		200,031.81
* continuation sheet / next abstract		
PAYMENTS		£
Brought forward from previous Abstract (if Any)		0.00
Bank charges		20.00
Fixed charge creditor		90,000.00
Re-direction of mail		120.00
Carried forward to		90,140.00
* continuation sheet / next abstract		



Brookmann Home Manchester 1877 Limited (in Administration)

Statement of proposals

KPMG LLP

17 January 2014

**Brookmann Home Manchester 1877 Limited
(In Administration)
Administrators' Abstract of Receipts & Payments**

Statement of Affairs		From 25/11/2013 To 10/01/2014	From 25/11/2013 To 10/01/2014
	FIXED CHARGE ASSETS		
57,248 00	Book debts	NIL	NIL
535,000 00	Intellectual Property	182,298 00	182,298 00
30,000 00	Goodwill	10,213 00	10,213 00
		<u>192,511 00</u>	<u>192,511 00</u>
	FIXED CHARGE COSTS		
	Bank charges	20 00	20 00
		<u>(20 00)</u>	<u>(20 00)</u>
	FIXED CHARGE CREDITORS		
(1,910,603 00)	Fixed charge creditor	90,000 00	90,000 00
		<u>(90,000 00)</u>	<u>(90,000 00)</u>
	ASSET REALISATIONS		
1 00	IT Equipment	1 00	1 00
11,996 00	Furniture & equipment	4,081 00	4,081 00
10,000 00	Stock	3,404 00	3,404 00
1 00	Business Information	1 00	1 00
1 00	Records	1 00	1 00
	Petty Cash	13 12	13 12
1 00	Contracts	1 00	1 00
		<u>7,502 12</u>	<u>7,502 12</u>
	COST OF REALISATIONS		
	Re-direction of mail	120 00	120 00
		<u>(120 00)</u>	<u>(120 00)</u>
(1,266,355 00)		<u>109,873 12</u>	<u>109,873 12</u>
	REPRESENTED BY		
	Fixed charge current		102,491 00
	Floating charge current		7,382 12
			<u>109,873 12</u>

Paul Andrew Flint
Administrator

Appendix 4

Pre-appointment time costs

As detailed in section 8 of this report, the Administrators are requesting the approval of the secured creditor and preferential creditors whose debts amount to more than 50% of the preferential debts of the Company to settle as an expense of the Administration our Agents and Solicitors time costs incurred prior to the appointment date

Legal adviser's pre appointment time costs

During the pre-appointment period to 25 November 2013, costs incurred by our Solicitors on a time and cost basis were £10,000 plus VAT and outlays

It is proposed that the costs incurred by our Legal Advisers will be paid as an expense of the Administration under Rule 2 33(2A) of the Rules

Our Legal advisers were instructed by the prospective Administrators in respect of the proposed Administration of the Company. The engagement included advice on various legal issues, drafting and negotiating the sale agreement, reviewing the licence to occupy and reviewing appointment documentation

This work was done in order that the sale could be completed immediately following the appointment of the Administrators. A sale of certain Company assets was arranged prior to the date of appointment in order to maximise the value of the assets

Had our Legal Advisers not undertaken this work, then the sale of the assets would not have been able to be completed

Valuation agents' pre-appointment costs

During the pre-appointment period to 25 November 2013, independent valuation agents, Sanderson Weatherall LLP, were instructed by the prospective Administrators to carry out an assessment of the value of finalised stock and plant and machinery of BHM1877. Costs incurred on a time and cost basis are £1,500 plus VAT and outlays

It is proposed that the costs incurred by our Agents will be paid as an expense of the Administration under Rule 2 33(2A) of the Rules

This valuation was formally received on 14 November 2013 and supported the consideration received as part of the sale of the business and assets to the Purchaser

The work undertaken by our Agents was necessary to ensure that Joint Administrators were able to assess the value of certain assets and maximise realisations



Summary of pre-appointment time costs

The unpaid costs of our Solicitors and Agents, totalling £11,500 excluding VAT, requested to be paid as an expense of the Administration

- are subject to approval under Rule 2 67A of the Rules, and
- do not form part of the Administrator's proposals

Pre-administration costs (£ net of VAT)			
	Paid £	Unpaid £	Total £
Turner Parkinson – legal fees		10,000	10,000
Sanderson Weatherall – valuation work		1,500	1,500
		11,500	11,500

Source Administrators records



Appendix 5

Statement of affairs

Rule 2.29

Form 2.14B

Statement of affairs

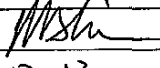
Name of Company Brookmann Home Manchester 1877 Limited	Company number 00011136
In the High Court of Justice, Chancery Division, Manchester District Registry <small>(full name of court)</small>	Court case number 4221 of 2013

Statement as to the affairs of Brookmann Home Manchester 1877 Limited, St James' Square, Manchester, M2 6DS

On the 25 November 2013, the date that the Company entered Administration

Statement of Truth

I believe that the facts stated in this statement of affairs are a full, true and complete statement of the affairs of the above named Company as at 25 November 2013 the date that the Company entered Administration

Full name MYRON TENNYSON MANN
Signed 
Dated 17.12.13

A – Summary of Assets

Assets	Book Value £	Estimated to Realise £
Assets subject to fixed charge		
Debtors	56,993	57,248
Due to invoice finance provider under fixed charge	(1,910,603)	(1,910,603)
IP	0	535,000
Goodwill	0	30,000
Surplus (Deficit) to fixed charge holder	(1,853,610)	(1,287,855)
Assets subject to floating charge		
Fixtures, fitting and equipment	124,000	11,996
Inventory	30,000	10,000
IT EQUIP	0	1
BUS INFO	0	1
RECORDS	0	1
CONTRACTS	0	1
Uncharged assets		
Estimated total assets available for preferential creditors	154,000	22,000

Signature  Date 17 12 13

A1 – Summary of Liabilities

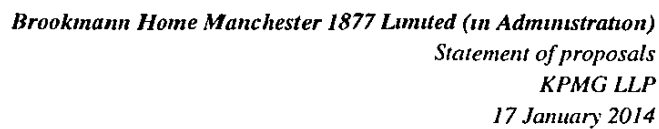
	Estimated to realise £
Estimated total assets available for preferential creditors (carried from page A)	£ 22,000
Liabilities	
Preferential creditors -	£ (18,700)
Estimated deficiency/surplus as regards preferential creditors	£ 3,300
Estimated prescribed part of net property where applicable (to carry forward)	£ (1,650)
Estimated total assets available for floating charge holders	£ 1,650
Debts secured by floating charges	£ (1,287,855)
Estimated deficiency/surplus of assets after floating charges	£ (1,286,205)
Estimated prescribed part of net property where applicable (brought down)	£ 1,650
Total assets available to unsecured creditors	£ 1,650
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	£ (1,585,198) (1,585,198)
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	£
Shortfall to floating charge holders (brought down)	£ (1,286,205) (1,286,205)
Estimated deficiency/surplus as regards creditors	£
Issued and called up capital	£ 1 1
Estimated total deficiency/surplus as regards members	£ (2,869,752)

Signature



Date


17.12.13

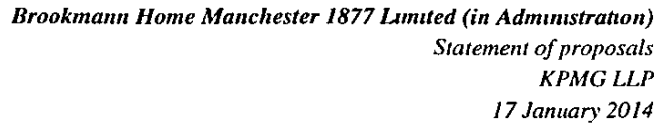


COMPANY CREDITORS

Note: You must include all creditors under hire-purchase, chattel leasing or conditional sale agreements *and* customers claiming amounts paid in advance of the supply of goods *and* creditors claiming retention of title over property in the company's possession.

[illegible]

Signature  Date 17.12.13



Brookmann Home Manchester 1877 Limited (in Administration)
Statement of proposals
KPMG LLP
17 January 2014

COMPANY SHAREHOLDERS

Name of Shareholder	Address (with postcode)	No. of shares held	Nominal Value	Details of Shares held
BDOYMAN HUBBLES LTD	21/F CHANCERY TOWER 34-37 CANALFISH QUAYS CENTRAL	100 9 ⁰ / ₁₀₀	\$10	
	HONG KONG			
	(NO POSTCODES IN HK)			
TOTALS				

Signature  Date 17.12.13



Brookmann Home Manchester 1877 Limited (in Administration)

Statement of proposals

KPMG LLP

17 January 2014

Payee	Name	Address 1	Address 2	Address 3	Address 4	Post Code	Contact Details	Bank Details	Var Number	Terms	Total Debt
A7541	Amn Accountant	1 MANCHESTER CLOSE	CLASCOM	DOORSHIRE		SK13 8JA	01627 824 086	40-23-28 01655095	070 0413 79	14 days net	330.00
A7540	AVA CAD/CAM LTD	3 ST GEORGES STREET	MANCHESTER ROAD			SK11 6TG	01625 500000	20-24-64 02089757	002 72478	Prepayment	4882.50
A7017	Angene	THE OLD TOWN HALL	WINNIE LION			SK10 9PA	08453 009935	20-24-64 02089757	0278 52184	30 days net	6305.10
GA0255	Arnold Clark	ST GEORGES HOUSE	ST GEORGES ROAD	GLASGOW		G3 8JH	0161 532 7630		134 1318 79	30 days net	8143.31
A7327	ATA PPI Health										2338.17
071024	Berley Card	Debra Lee Ltd									63746.07
071004	Bibla Photo										11222.33
071570	Burph										2420.00
C20154	Canon Business										10013.71
C7447	C & S Systems										1307.44
C7443	Chapman										2018.98
071415	Dun and Bradstreet										346.00
064234	Emery										7813.77
C71366	Empire										134.35
071027	Empire										955.38
071046	Empire										2770.00
071004	Empire										4332.50
064004	Empire										2477.34
071009	Empire										2970.10
071005	Empire										308.40
071004	Empire										300.00
071004	Empire										4900.00
071004	Empire										1305.00
071004	Empire										288.07
071004	Empire										544.64
071004	Empire										990.00
071004	Empire										57.00
071004	Empire										600.00
071004	Empire										720.00
071004	Empire										1133.00
071004	Empire										100.00
071004	Empire										604.35
071004	Empire										1800.00
071004	Empire										600.00
071004	Empire										1305.00
071004	Empire										30.00
071004	Empire										157.20
071004	Empire										103.40
071004	Empire										1187.64
071004	Empire										3073.17
071004	Empire										310.40
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071004	Empire										3322.17
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071004	Empire										7994.42
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071004	Empire										4324.04
071004	Empire										51.35
071004	Empire										1260.00
071004	Empire										600.00
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