

Rule 1.29

The Insolvency Act 1986

Notice of Termination of
Voluntary Arrangement**R.1.29**Pursuant to Rule 1.29 of the
Insolvency Rules 1986

To the Registrar of Companies

For official use

Company number

00011136

Name of Company

Insert full name(s) of
company

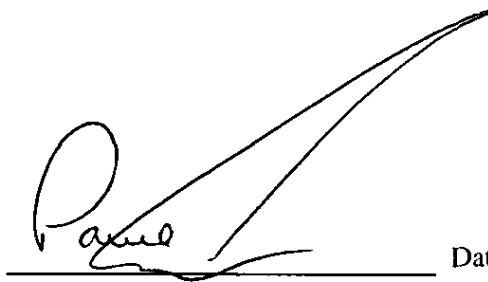
Brookmann Home Manchester 1877 Limited

Insert full name and
addressWe Paul Andrew Flint
of KPMG LLP
St James' Square
Manchester
M2 6DSBrian Green
KPMG LLP
St James' Square
Manchester
M2 6DS

Insert date

the supervisor of a voluntary arrangement approved on 28 May 2013 enclose a copy of my notice to the creditors and members of the above-named company that the voluntary arrangement has been terminated, together with a report of my receipts and payments

Signed



Dated 3 January 2014

Presenter's name, address
and reference (if any)KPMG LLP
St James' Square
Manchester
M2 6DS
United Kingdom

For Official Use

In

FRIDAY

A15
31/01/2014
COMPANIES HOUSE
#237



**Brookmann Home Manchester 1877
Limited**

**Supervisors' report to
creditors pursuant to Rules
1.26A(2) and 1.29 of the
Insolvency Rules 1986**

KPMG LLP
19 December 2013



Notice: About this Report

This report has been prepared by Paul Andrew Flint and Brian Green, the Joint Supervisors of the Company Voluntary Arrangement of Brookmann Home Manchester 1877 Limited solely to comply with their statutory duty to report to members and creditors under Rules 1 26A(2) and 1 29 of the Insolvency Rules 1986

It is not suitable to be relied upon by any other person, or for any other person, or in any other context

This report 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

To the fullest extent permitted by law, the Joint Supervisors do not assume any responsibility and will not accept any liability in respect of this Report to any such person Paul Andrew Flint and Brian Green are authorised to act as insolvency practitioners by the Institute of Chartered Accountants in England & Wales

Glossary

"The Act"	the Insolvency Act 1986,
"the Arrangement"	the terms of the Proposal including any modifications to those terms approved by any meetings of the members and/or Creditors of the Company,
"the Arrangement Period"	the period of sixty months starting on the Commencement Date or the period from that date to the date of termination of the Arrangement in accordance with its terms,
"Assets"	all real and personal property of any description wherever situated owned by the Company at the Commencement Date other than the Excluded Assets,
"the Bank"	Aldermore Invoice Finance, a division of Aldermore Bank Plc,
"the Commencement Date"	28 May 2013
"the Company/BHM1877"	Brookmann Home Manchester 1877 Limited,
"Creditors"	all persons to whom the Company is presently indebted in any way whether actually or contingently,
"the Directors"	the directors of the Company
"HMRC"	Her Majesty's Revenue and Customs
"Net Profits"	the net profits of the Company before tax but after extraordinary items calculated in accordance with all ordinary accounting standards applicable to the Company but excluding any deduction for payments made to the Supervisor under the Arrangement and ignoring depreciation,
"The Nominees"	Messrs Paul Andrew Flint and Brian Green of KPMG or such other person(s) who may at any time be the nominee in respect of the Proposal,



"Period"	28 May 2013 to 25 November 2013
"Preferential Creditors"	Creditors whose claims as at the Commencement Date against the Company are preferential in accordance with the terms of S4, S386 and S387 of the Act,
"The Proposal"	the terms contained in the CVA Proposal dated 8 May 2013,
"The Rules"	The Insolvency Rules 1986 and as amended by the Insolvency (Amendment) (No2) Rules 2002,
"Secured Creditors"	the persons referred to as Secured Creditors in the Statement of Affairs of the Company as at 8 May 2013 submitted to the Supervisor, when acting as Nominee, pursuant to Section 2(3) of the Act including Aldermore Bank Plc,
"the Statement of Affairs"	the statement of affairs of the Company as at 8 May 2013, prepared by the Directors, pursuant to Rule 1 5 of the Rules,
"the Supervisors/Joint Supervisors"	Paul Flint and Brian Green of KPMG LLP, St James' Square, Manchester, M2 6DS,
"Unsecured Creditors"	Creditors of the Company who would have been entitled to prove in liquidation had it gone into Creditors Voluntary Liquidation on the Commencement Date including prospective and contingent Creditors other than (a) Secured Creditors to the extent of their security, (b) Preferential Creditors and, (c) Expense Creditors,
"VAT"	value added tax



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1 Purpose of Proposal

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 from a customer whom the Company had little option but to accept to ensure ongoing supply of another line of goods to that customer. Given the credit terms of this customer, funds had already been drawn from the Company's invoice finance facility with the Bank and used in the ongoing working capital requirements of the business. The supply agreement with this customer ended on 26 April 2013, to which the Company did not subsequently supply to this customer moving forwards.

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 Bank. No agreement could be reached with the customer and the debit note was ultimately accepted.

As a result of the transition in 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 Bank was in an unsecured position with respect to the debtor book security the Bank had to rely on. The Directors stated that funds drawn in excess of the Bank's security had been utilised to fund working capital and, primarily, the legacy debt issue referred to above.

As stated in the Proposals, the Company faced significant cash flow issues in light of the above and, despite its efforts to reorganise the structure of the business and its service offering, the Directors recognised that the Company was insolvent and an immediate solution was required.



A voluntary arrangement with its creditors was considered the only option to attempt to ensure the ongoing survival of the Company and provide the best return possible under the circumstances to its creditors

The Company subsequently entered a voluntary arrangement, following approval at the meetings of the Company's creditors and members, on 28 May 2013 with Paul Andrew Flint and Brian Green appointed as Joint Supervisors

Modifications to the original proposal were put forward by HMRC and subsequently accepted at the meetings of the Company's creditors and members. These modifications are attached at Appendix 1

The Directors retained full control of the affairs of the Company following the appointment of the Joint Supervisors

2 Introduction

Paul Andrew Flint and Brian Green were appointed Joint Supervisors of the CVA of Brookmann Home Manchester 1877 Limited on 28 May 2013

The CVA Proposal dated 8 May 2013 was accepted by 95 percent of creditors voting in person at the meeting or by proxy

A receipts and payments account to 25 November 2013, is enclosed at Appendix 2 showing a nil balance

3 Termination

Due to the working capital problems highlighted above, the business was in a substantially mothballed state in the immediate period prior to the approval of the Arrangement. As a result, forecast sales did not materialise as quickly as had initially been anticipated. Combined with difficulties experienced in opening up supply lines to acquire stock as a result of being under a voluntary arrangement and the lack of available credit facilities, the Company did not meet the post-Arrangement trading performance that was forecast and appended to the Proposal

The Directors therefore 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 Arrangement

However, the Directors did not believe that necessary catch up in contributions that would be required, together with the legacy debt in the business, could be serviced going forwards and allow the business to survive



As such, they requested that other options available to the Company were explored which, although would almost certainly result in the failure of the Arrangement, 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 Bank, as the Company's main working capital provider, had no appetite to offer additional facilities to the Company Further, in light of that discussed above, it was not thought similar such facilities could reasonably be expected to be obtained from another lender

As a consequence, the Directors filed a Notice of Intention to appoint administrators ("NoI") on 14 October 2013, in order to provide the Company with a period of breathing space from its creditors whilst the options available to it were explored A further two NoI's were filed, the latter of which expired on 25 November 2013

The Company subsequently entered administration on 25 November 2013 and, as per clause 23 1 of the Proposal, the Arrangement was deemed terminated on this date

In accordance with the terms of the Arrangement, the first contribution by the Company would have been due for payment to the Joint Supervisors by 27 November 2013, being the end of the second quarter of the Arrangement, in the quantum of £17,500 An amount of £2,500 was paid by the Company during the Period No further contribution was made by the Company prior to the appointment of the Joint Administrators and termination of the Arrangement

4 Receipts and Payments

4.1 Receipts

4 1 1 Income Contributions

Under the terms of the Arrangement the Company was to make quarterly contributions amounting to £425,000 over the duration of the Arrangement As discussed above, the Joint Supervisors have only received a contribution amounting to £2,500 prior to the termination of the Arrangement This was paid in order to allow the Joint Supervisors to review the options available to the Company

4.2 Payments

4 2 1 Supervisors' Fees

Supervisors' Fees of £2,500 have been drawn as detailed in Section 6, in line with clause 14 1 in the Proposals

5 Prescribed Part

The Prescribed Part which arises pursuant to Section 176A of the Insolvency Act 1986 is not relevant because the Arrangement was based on contributions from ongoing trading rather than the realisation of assets

6 Supervisors' time costs and expenses

In accordance with paragraph 14.1 of the Proposal, the Joint Supervisors' remuneration has been fixed on the basis of time properly spent by them and their staff in dealing with matters arising in the Arrangement. Appendix 3 provides a detailed analysis of time spent and charge out rates for each grade of staff for work carried out for the period 28 May 2013 to 25 November 2013, together with expenses incurred in the Period.

During the Period, the Supervisors have incurred time costs of £106,476, representing 337 hours at an average rate of £316 per hour as detailed at Appendix 3.

Supervisors' Fees of £2,500 have been drawn in the Period. No further amounts will be drawn following the termination of the Arrangement.

Please note that all staff who have worked on this assignment, including cashiers and secretarial staff, have charged time directly to the assignment and are included in the analysis of time spent. However, the cost of staff employed in central administration functions is not charged directly to this assignment but is reflected in the general level of charge out rates.

Further information is given in the Association of Business Recovery Professionals' Publication, A Creditors' Guide to Fees in a Voluntary Arrangement, which can be obtained from

http://www.r3.org.uk/media/documents/technical_library/SIPS/SIP%209%20E&W.pdf

If you are unable to access this guide and would like a copy then please contact Christopher Gibson on 0161 246 4433.

7 Preferential Creditors

Due to the level of contributions received from the Company during the Period, no funds existed upon termination of the Arrangement in an amount sufficient to exceed costs incurred during the Period

The total quantum of preferential claims anticipated to materialise in the Arrangement was assumed to be in the region of £18,700. This amount covers accrued pay and holiday pay for employees who were made redundant. In line with the above, no funds are available to be distributed to the Redundancy Payments Office ("RPO"), who has a subrogated claim in respect of the Company's Preferential Creditors' claims.

In this regard, the full preferential claim materialising in the Arrangement will form part of the total preferential claims in the Administration of the Company.

8 Unsecured Creditors

As per the Statement of Affairs provided by the Directors of the Company, there existed Unsecured Creditors with claims totalling £1,968,419 at 8 May 2013.

In line with that discussed above, no funds are available to permit a distribution to Unsecured Creditors given the quantum of contributions received in the Period.

As per Section 7, the full amount of unsecured claims materialising in the Arrangement will form part of the total unsecured claims in the Administration of the Company.

9 Conclusion

The Arrangement, as set out in the Proposal, has failed and this report is notice of the termination of the Arrangement.

If you have any queries concerning this report, please contact Christopher Gibson on 0161 246 4433.



Paul Flint
Joint Supervisor

Paul Andrew Flint and Brian Green are authorised to act as Insolvency Practitioners by the Institute of Chartered Accountants in England & Wales.

Appendix 1: Modifications to the original CVA proposal

HMRC Modifications

- 1 **[Interpretation]** Where a modification to the proposal is approved by creditors and accepted by the company, the entire proposal shall be construed in the light of the modification and read to give effect to that modification such that any contrary or potentially contrary provisions in the proposal shall either be ignored, or interpreted, in order that the intention of the modification is given priority and effect
- 2 **[HMRC claim]** The HMRC (former IR) claim in the CVA will include PAYE/NIC due to the date of the meeting to approve the arrangement, [or the commencement of the prior administration] and CTSA / assessed tax for the accounting period(s) ended on or before the date of approval of the arrangement [or date of commencement of the prior administration]
- 3 **[HMRC claim]** The HMRC (former HMC&E) claim in the CVA will include assessed tax, levy or duty to the date of approval or [to the date of commencement of the prior administration]
- 4 **[Post approval returns and liabilities]** All statutory returns and payments due to HMRC post approval shall be provided on or before the due date
- 5 **[Outstanding returns]** All statutory accounts and returns overdue at the date of the creditors' meeting shall be provided to HMRC within 3 months of the approval date together with any other information required
- 6 **[Dividend prohibition]** No non-preferential distribution will be made until (i) a CTSA return has been filed for the accounting period ended on or immediately prior to the date of approval, or of commencement of the prior administration, (ii) a VAT and/or other levy or duty return due to HMRC has been filed up to the date of the approval or [the date of commencement of the prior administration] or, (iii) an HMRC Determination or assessment has been made and the supervisor has admitted their final claims
- 7 **[Expenses of arrangement]** CTSA/VAT due on realisation of assets included in the arrangement will be regarded as an expense of realising the asset payable out of the net sale proceeds
- 8 **[Tax-Overpayments]** Set-off of refunds due from the Crown against debts due to the Crown will be in accordance with statute and established legal principles
- 9 **[Expenses of VA]** HMRC distress/petition costs are to be paid as an expense of the arrangement, in priority to the nominee's fees and supervisor's fees, remuneration and disbursements
- 10 **[Co debtors]** The release of the Company from its debts by the terms of the CVA shall not operate as a release of any co-debtor for the same debts
- 11 **[Termination]** The arrangement shall terminate upon
 - a) The making of a winding up order against the company, or the passing of a winding up resolution or the company going into administration,

- b) (where there is express authority for the supervisor so doing) the supervisor issuing a certificate of termination
- 12 **[Arrangement trusts]** Upon termination of the arrangement, the arrangement trusts expressed or implied shall cease, save that assets already realised shall (after provision for supervisor's fees and disbursements) be distributed to arrangement creditors
- 13 **[Liquidation costs provision]** The supervisor shall set aside sufficient funds for winding up proceeds against the company and such funds will rank ahead of any other expenses of the arrangement
- 14 **[Non-compliance]** Failure to comply with any express term of the arrangement shall constitute a breach of the company's obligation under the arrangement. The supervisor shall work with the company to remedy any breach of obligation. Rule 1 19 shall apply where any variation is proposed. But if any breach of obligation is not remedied within 60 days of its occurrence this shall constitute default of the CVA that cannot be remedied and the supervisor shall petition for a winding up order
- 15 **[Windfall]** Should the company receive or become entitled to any assets / funds which had not been foreseen in the proposal, details shall be notified to the Supervisor immediately and such sums shall be paid into the CVA until all costs, creditors' claims and statutory interest have been paid in full. Until costs, claims and statutory interest are paid in full all the company's other obligations under the arrangement shall continue and the payment shall not reduce the amount of contribution due from the company
- 16 **[Contributions]** If the company should fail to pay 2 monthly contributions (these need not be consecutive) this shall constitute default of the CVA that cannot be remedied and the Supervisor shall immediately petition for the compulsory winding-up of the company
- 17 **[Payments]** The company is to make quarterly payments as follows: two quarterly voluntary contributions of not less than £17,500 year 1: Quarter five £17,500, Quarter 6-8 £25,000 year 2: Quarter 9-12 £25,000 year 3: Quarter 13-14 £25,000, Quarter 15-16 £32,500 year 4: Quarter 17-18 £32,500 during the currency of the arrangement
- 18 **[Reviews]** The Supervisor is to conduct a full review every 12 months of the company's business income and expenditure and obtain an increase in voluntary contributions of not less than 50% of any rise in the net income after provision of tax
- 19 **[Duration]** The duration of the arrangement shall not exceed 66 months without the prior approval of a 75% majority in value of creditors' claims voting for the resolution
- 20 The arrangement shall not be capable of successful completion until all unsecured, non-preferential creditors claiming in the arrangement have received a minimum dividend of 14 pence/£
- 21 **The directors of the company shall not:**
- a) declare or pay any dividend to shareholders for the duration of the voluntary arrangement,
- b) declare or pay themselves additional remuneration or fees save shall be agreed with creditors representing 75% of voting creditors
- 22 The Supervisors' fee will be capped at £70,000



Brookmann Home Manchester 1877 Limited
Supervisors' report to creditors pursuant to Rules 1 26A(2) and 1 29 of the Insolvency Rules
1986
19 December 2013

Appendix 2: Notice of Termination

**IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MANCHESTER DISTRICT REGISTRY**

**IN THE MATTER OF
Brookmann Home Manchester 1877 Limited**

And

IN MATTER OF THE INSOLVENCY ACT 1986

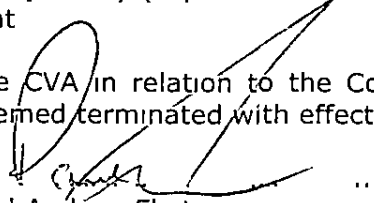
NOTICE OF TERMINATION

TO: ALL HOLDERS OF CVA CLAIMS AGAINST THE COMPANY

25 November 2013

Notice is hereby given in accordance with Clause 17 12.1 of the Directors' proposal for a Company Voluntary Arrangement in respect of the Company dated 28 May 2013 (the "**Proposal**") (capitalised terms used in which shall have the same meaning in this notice) that

The CVA in relation to the Company has failed in respect of all CVA claims and shall be deemed terminated with effect from the date hereof



Paul Andrew Flint

Joint Supervisor



Appendix 3: Receipts and Payments Account for the period 28 May 2013 to 25 November 2013

Voluntary Arrangement of Brookmann Home Manchester 1877 Limited To 19/12/2013		
S of A £	£	£
ASSET REALISATIONS		
Contributions from company	2,500 00	2,500 00
COST OF REALISATIONS		
Supervisors' fees	2,500 00	(2,500 00)
		NIL
REPRESENTED BY		NIL

Appendix 4: Supervisors time and costs for the period 28 May 2013 to 25 November 2013

Time costs for the period 28 May 2013 to 25 November 2013

	Partner / Director	Manager	Administrator	Support	Total hours	Time cost	Average hourly rate
Administration & planning							
Cashiering							
General (Cashiering)			130		130	£240.50	£185.00
General							
Fees and WP				110	110	£186.50	£169.00
Statutory and compliance							
Appointment and related formalities	0.50	21.0	17.50		39.0	£12,975.00	£331.84
Bonding and bordereau		2.00			2.00	£900.00	£450.00
Checklist & reviews		9.00	24.20		33.20	£8,527.00	£256.84
Closure and related formalities		4.00	3.50		7.50	£2,582.50	£344.33
Strategy documents		19.50	35.60		55.10	£18,328.50	£332.64
Tax							
Initial reviews - CT and VAT		7.80	3.80		11.60	£3,796.50	£327.28
Post appointment VAT			6.75		6.75	£1,263.75	£187.22
	0.50	63.40	92.65	110	167.65	£48,740.25	£309.17
Creditors							
Creditors and claims							
General correspondence	0.50	24.50	19.20		44.20	£14,932.00	£337.83
Statutory reports	2.00	1.00			3.00	£1,335.00	£445.00
Employees							
Correspondence		2.50	4.20		6.70	£1,699.50	£253.66
DTI redundancy payments service		6.20	1.00		7.20	£2,513.00	£349.03
Pensions reviews			19.05		19.05	£3,954.75	£207.60
	2.50	34.20	43.45	0.00	80.15	£24,434.25	£304.86
Realisation of assets							
Asset Realisation							
Health & safety			0.25		0.25	£46.25	£185.00
Leasehold property			5.00		5.00	£970.00	£194.00
Sale of business	2.50	32.50	59.00		94.00	£32,285.00	£343.46
	2.50	32.50	64.25	0.00	99.25	£33,301.25	£335.53
Total in period					337.05	£106,475.75	£316.90



Charge out Rates

Grade	Rate per hour £
Partner	565
Associate Partner	485
Director	485
Senior Manager	450
Manager	365
Assistant Manager	250
Assistant	185
Support	115

Supervisors' disbursements

Category 1 Expenses	£
-	-
Total	-