

The Insolvency Act 1986

Administrator's progress report

Name of Company

HBCL Realisations Limited (formerly H Bronnley & Co Limited) (In Administration)

Company number

00046883

In the

High Court of Justice, Chancery Division, Companies Court

[full name of court]

Court case number

10382/2011

(a) Insert full name(s)
and address(es) of
administrator(s)

I / We (a) Tomislav Lukic and Mark BougheyErnst & Young LLP, No 1 Colmore Square, Birmingham, B4 6HQ and Ernst & Young LLP,
Paragon Building, Counterslip, Bristol, BS1 6BX

administrator(s) of the above company attach a progress report for the period

from

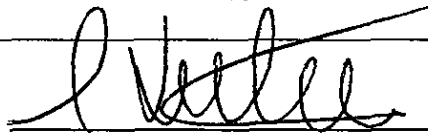
to

(b) Insert date

(b) 29 November 2011

(b) 30 August 2013

Signed

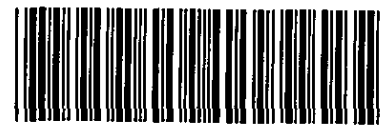


Joint / Administrator(s)

Dated

28/10/2013

WEDNESDAY



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COMPANIES HOUSE

TO ALL KNOWN CREDITORS

28 October 2013

Ref BRO/TL/SH/SR/D16 1

Simon Roberts

Direct line 0121 535 2693
Direct fax 0121 535 2448

Dear Sirs

**HBCL Realisations Limited (formerly H. Bronnley & Co. Limited)
(In Administration) ("the Company")**

High Court of Justice, Chancery Division, Companies Court, 10382/2011

Registered office address: c/o Ernst & Young LLP, No.1 Colmore Square, Birmingham, B4 6HQ

Registered number: 00046883

I write, in accordance with Rule 2.47 of the Insolvency Rules 1986, to provide creditors with a report on the progress of the Administration. This report covers the period from 1 June 2013 to 30 August 2013 and should be read in conjunction with the Joint Administrators' Statement of Proposals ("the Proposals") dated 20 January 2012 and the previous six month progress reports to creditors dated 27 June 2012, 27 November 2012 and 7 June 2013.

As you are aware, on 29 November 2011 the Company entered Administration and Ian Best and Diana Frangou were appointed as Joint Administrators. Subsequently, on 14 December 2011 the business and certain assets of the Company were sold to H Bronnley & Co. UK Limited (formerly Network Health and Beauty Limited) ("the Purchaser"), and the Company ceased to trade on the same day.

By order of the Court ("the First Order"), Tom Lukic was appointed as Joint Administrator in place of Diana Frangou with effect from 7 March 2013.

Subsequently, by order of the Court ("the Second Order"), Mark Boughey was appointed as Joint Administrator in place of Ian Best with effect from 30 August 2013, following Ian Best's retirement from Ernst & Young LLP. Any act required or authorised to be done by the Joint Administrators can be done by either of the current appointees.

Please note that creditors or members of the Company's estate may, within 28 days of receipt of this notice, apply to the Court to vary or discharge the Second Order.

As a result of the Second Order, the statutory six monthly reporting period for the Company has been reset to the date of the Second Order, being 30 August 2013.

Summary of progress since our last report

Since our last report we have progressed the following key areas:

- ▶ Continuation of support to HSBC Invoice Finance (UK) Limited ("HIF") in the allocation of book debt receipts,

- ▶ Progressing outstanding trading matters, including finalising the collection of trading sales and the settlement of all trading liabilities,
- ▶ Consideration and subsequent agreement of a preferential claim for amounts totalling £31,539, which we set out in more detail later in this report, and
- ▶ Continuing to perform our statutory and administrative duties, including the submission of a VAT bad debt relief claim to HM Revenue and Customs in relation to book debts arising in the Administration trading period

Assets subject to fixed charge

Notified book debt

The status of notified book debt collections as at 30 August 2013 and as advised by HIF is summarised as follows

Notified book debt ledger as at 29 November 2011	£1,115,227
Credit notes issued post appointment	£(4,595)
Collectable notified book debt	<u>£1,110,632</u>
Notified book debt collected to 30 August 2013	£(901,971)
Notified book debt balance outstanding at 30 August 2013	<u>£208,661</u>
Total amount due to HIF on appointment (including interest and charges)	<u>£685,926</u>

As at 30 August 2013 notified book debt collections totalled £901,971. Of the £208,661 balance outstanding, we understand £87,428 continues to be disputed or queried by the customer.

HIF are currently in receipt of a number of credit balances, which may relate to the outstanding balance but have not yet been reconciled.

As previously advised, HIF has been repaid in full (including post appointment interest and charges) and any surplus arising will fall due to HSBC Bank plc ("the Bank") under its Contract Monies Assignment.

To date, HIF has transferred £224,455 to the Bank in accordance with the above.

We continue to work closely with the Purchaser and HIF to recover the outstanding balance and to reconcile amounts received. As such, we anticipate that there may be further distributions to the Bank in this regard.

Property

As you are aware, a sale of Bronnley Works, Radstone Road, Brackley ("the Property") to Investin Plc ("Investin") was secured for £1.8 million and completed on 23 April 2013. GVA, as the Company's agent, have now been paid a further £4,116 for services provided in relation to the sale of the Property and which remained outstanding at the date of my previous report.

Expenses relating to the Property, totalling £817, were incurred by the Company in the period prior to the sale to Investin. These amounts represent insurance (£788) and utilities charges (£29). We are in the process of finalising the remaining costs in relation to the Property.

Assets subject to floating charge***Trading account***

Trading profit remains unchanged since our last report at £155,325. We have now finalised all trading sales collections and associated costs and therefore this represents the final trading profit in the Administration.

Administrators' receipts and payments account

A receipts and payments account for the period 29 November 2011 to 30 August 2013 is attached at Appendix 1. This does not reflect estimated future realisations or costs.

The VAT element of certain supplies made to the Company prior to our appointment and with respect to the Property is not recoverable and as such is a cost to the Company. Details of such amounts are included within the receipts and payments account at Appendix 1.

Secured creditors

As previously reported, the balance due to HIF of £685,926 (including post appointment interest and charges) has been repaid in full.

The Bank's indebtedness on appointment totalled £4.1 million in respect of both its fixed and floating charges. To 30 August 2013, distributions to the Bank in the Administration total £2.0 million in addition to the distributions made to the Bank directly by HIF of £224,455. It is anticipated that there will be insufficient realisations to allow the Bank to be repaid in full.

The indebtedness of Kaye Enterprises Limited ("KE") at the date of our appointment totalled £5.6 million, which was secured by both fixed and floating charges that ranked behind the charges held by HIF and the Bank. KE has since released its security and will be seeking to participate in the Prescribed Part distribution.

Preferential creditors

In the period since our previous report we have received a claim ("the Claim") from the trustees of the H Bronnley & Co Ltd 1976 Retirement Fund ("the Scheme"), a final salary contracted out pension scheme that the Company operated on behalf of certain former employees of the Company.

The claim was for unpaid deficit reduction contributions and expenses that were due to be paid by the Company to the Scheme in the months prior to its insolvency.

JLT Benefit Solutions Limited, the Scheme's administrator, confirmed that contributions due to the Scheme were underpaid by £540,893 during the period 1 December 2010 to 28 November 2011. The Claim comprises £400,000 in deficit funding contributions and £140,893 for expenses incurred by the Scheme and that were due to be met by the Company.

Section 124 of the Pension Schemes Act 1993 provides for the payment of certain contributions that are owed to an occupational pension scheme or a personal pension scheme when an employer becomes

insolvent. The preferential portion of any claim in this regard is limited to an amount equal to 10% of the total pay of the employees concerned for the 12 months ending on the day before the employer became insolvent.

With the support of independent legal advice, we have concluded that the Claim is valid. As such, amounts totaling £31,539 will form a preferential claim against the Company with the remaining balance of deficit funding and expenses incurred by the Scheme, totaling £509,354, forming an unsecured non-preferential claim against the Company.

We have since filed details of the Claim with the Redundancy Payments Office ("the RPO") who subsequently made payment to the Scheme for the preferential amounts, totalling £31,539. As a result of this payment, the RPO replaces the position of the Scheme as a preferential creditor. We will be making a distribution of £31,539 to the RPO as a preferential creditor of the Company in due course.

Non-preferential creditors

Due to the expected shortfall to the Company's secured creditors it is not anticipated that there will be funds available for the non-preferential creditors other than by virtue of the Prescribed Part.

As commented in our last report, we have received a provisional claim from the Pension Protection Fund ("the PPF") totalling £4.6 million. The quantum of the PPF's claim will be affected by the outcome of the distribution to preferential creditors, as discussed above. However, we do not anticipate the PPF's claim to be significantly altered.

The Prescribed Part

The Prescribed Part is a proportion of floating charge assets set aside for unsecured non-preferential creditors pursuant to section 176A of the Insolvency Act 1986. The Prescribed Part applies to floating charges created on or after 15 September 2003. The debenture held by the Bank was created on 4 September 2007 and as such the provisions of the Prescribed Part will apply.

Until the sums due to the Bank under its Contract of Monies Assignment have been finalised, the value of funds available by virtue of the Prescribed Part cannot be confirmed. However, the amount available is expected to be less than £100,000 (gross of Administrators' fees) and will have been further reduced since the date of our last report by the RPO's preferential claim of £31,539.

Joint Administrators' remuneration and disbursements

The Administrators' remuneration was fixed on a time-cost basis following the deemed acceptance of the Proposals on 9 February 2012.

To 30 August 2013, the Administrators have received approval from the Company's secured creditors in relation to remuneration of £65,000 in respect of fixed charge costs and £200,000 in respect of floating charge costs which have been drawn in full.

An analysis of the time spent is attached as Appendix 2 to this report. At Appendix 3 there is a statement of the Administrators' policy in relation to charging time and disbursements. To 30 August 2013 the Administrators have incurred time costs of £595,316 and the sum of £4,837.11 has been incurred in respect of disbursements.

To date, the Administrators have incurred professional expenses of £99,458 plus VAT as follows

Type of expense	Incurred by	Paid (net)	Outstanding invoices at date of report
Agents fees	GVA Grimley Limited	£51,398	Nil
Legal fees – post-appointment	Pinsent Mason LLP	£35,240	Nil
Legal fees – pre-appointment	Pinsent Mason LLP	£7,369	Nil
Legal fees – pre-appointment	Eversheds LLP	£2,065	Nil
Category 1 & 2 disbursements	Ernst & Young LLP	£3,386	Nil
Total		£99,458	Nil

There is an analysis of Category 2 disbursements (i.e. those disbursements paid to the Joint Administrators' firm) at Appendix 2

In certain circumstances, creditors are entitled to request further information regarding the Administrators' remuneration or expenses, or to apply to the court on the grounds that the costs are considered to be excessive (Rules 2.48A and 2.109 of the Insolvency Rules 1986). Further information is provided at Appendix 4

Pre-Administration costs

On 14 May 2012, the Administrators' unpaid pre-Administration time costs totalling £16,820, were approved by the Company's secured creditors and subsequently paid. No further fees will be drawn in respect of pre-Administration costs by the Administrators.

Conclusion of the Administration

The Administration appointment is due to come to an end, by expiry of time, on 28 May 2014. However, there remain a number of matters that require resolution including

- ▶ Provision of support to HIF in respect of the notified book debts,
- ▶ Completion of the relevant statutory returns, including those in respect of corporation tax and VAT,
- ▶ Final distribution to the secured creditors,
- ▶ Distribution to preferential creditors, and
- ▶ Distribution to non-preferential creditors by virtue of the Prescribed Part

It is anticipated that all the above matters will be resolved prior to the automatic conclusion of the Administration.



Building a better
working world

I will report to you again in six months' time. Should you have any queries, please do not hesitate to contact my colleague, Simon Roberts, on the above direct line

Yours faithfully
for the Company

T Lukic
Joint Administrator

Enc	Appendix 1	Joint Administrators' Abstract of Receipts and Payments from 29 November 2011 to 30 August 2013
	Appendix 2	Summary of Joint Administrators' Time-Costs and Category 2 Disbursements from 29 November 2011 to 30 August 2013
	Appendix 3	Joint Administrators' Policy on Fees and Disbursements
	Appendix 4	Creditors' request for further information regarding an administrator's remuneration or expenses
	Appendix 5	Form 2 24B Notice of Administrator's progress report

T Lukic and M Boughey are licensed in the United Kingdom to act as Insolvency Practitioners by The Institute of Chartered Accountants in England and Wales

The affairs, business and property of the Company are being managed by the Joint Administrators, T Lukic and M Boughey, who act as agents of the Company only and without personal liability

We may collect, use, transfer, store or otherwise process (collectively, "Process") information that can be linked to specific individuals ("Personal Data"). We may Process Personal Data in various jurisdictions in accordance with applicable law and professional regulations including (without limitation) the Data Protection Act 1998

Appendix 1

HBCL Realisations Limited (formerly H. Bronnley & Co. Limited) (In Administration)

Joint Administrators' Abstract of Receipts and Payments from 29 November 2011 to 30 August 2013

Notes	Estimated to realise as per Directors' Statement of Affairs	Receipts and payments for the period 29 November 2011 to 31 May 2013		Receipts and payments for the period 1 June 2013 to 30 August 2013		Receipts and payments for the period 29 November 2011 to 30 August 2013	
		Fixed £	Floating £	Fixed £	Floating £	Fixed £	Floating £
Receipts							
Freehold property	2 500 000	1 800 000	-	-	-	1 800 000	-
Property income	-	35 000	-	-	-	35 000	-
Goodwill / intellectual property	-	200 000	-	-	-	200 000	-
Notified book debts due to HIF	862 758	-	-	-	-	-	-
Trading account	-	-	155 325	-	-	-	155 325
Non notified book debts	102 376	-	107 252	-	-	-	107 252
Plant and machinery	10 000	-	50 000	-	-	-	50 000
Inventory	500 000	-	247 998	-	-	-	247 998
Receipts received in error	1	-	610	-	-	-	610
Prepayments and other debtor realisations	-	-	19 330	-	-	-	19 330
Other realisations	-	8 931	7 538	-	-	8 931	7 538
VAT payable	-	-	(2 322)	-	-	-	(2 322)
		3,975,134	585,731	-	-	2 041,931	585,731
Payments							
Distribution to secured creditor	-	(1 800 000)	(200 000)	-	-	(1 800 000)	(200 000)
Joint Administrators' fees and disbursements	-	(65 000)	(220 206)	-	-	(65 000)	(220 206)
Agents' fees	-	(44 158)	(3 124)	(4 116)	-	(48 274)	(3 124)
Property costs	-	(11 123)	-	(817)	-	(11 940)	-
Legal fees	-	(9 159)	(26 081)	-	-	(9 159)	(26 081)
Insurance	-	-	-	-	-	-	-
Pre appointment legal fees	-	-	(9 435)	-	-	-	(9 435)
Other sundry expenses	-	-	(881)	-	(22)	-	(903)
Irrecoverable VAT	-	(16 807)	(1 877)	(1 488)	-	(18 294)	(1 877)
VAT receivable	-	-	(12 748)	-	12 799	-	51
		(1,946,246)	(474,353)	(6 421)	12,777	(1,952,667)	(461,576)
Balances in hand		95,685	111,378	(6,421)	12,777	89,264	124,155

Trading account

	Receipts and payments for the period 29 November 2011 to 31 May 2013	Receipts and payments for the period 1 June 2013 to 30 August 2013	Receipts and payments for the period 29 November 2011 to 30 August 2013
Receipts			
Sales	247 101	-	247 101
	247 101	-	247 101
Payments			
Wages and related costs	(29 407)	-	(29 407)
Payroll costs	(6 761)	-	(6 761)
PAYE/NI	(7 508)	-	(7 508)
ROT settlements	(13 495)	-	(13 495)
Subcontractors	(4 200)	-	(4 200)
Carriage costs	(11 018)	-	(11 018)
Employee expenses	(2 537)	-	(2 537)
Utilities and other property related costs	(7 526)	-	(7 526)
Sundry expenses	(2 968)	-	(2 968)
Royalties and commission	(2 399)	-	(2 399)
Irrecoverable VAT	(2 879)	-	(2 879)
	(91 778)	-	(91 778)
Balances in hand	155 323	-	155 323

Notes

1 Receipts received in error to be refunded

N B Receipts and payments are stated net of VAT

HIF debtor recoveries and distributions to the Bank under the Contract Monies Assignment are not included

Appendix 2

HBCL Realisations Limited (formerly H. Bronnley & Co. Limited) (In Administration)

Summary of Joint Administrators' Time-Costs and Category 2 Disbursements from 29 November 2011 to 30 August 2013

Classification of work function	Hours				Total hours	Total time costs (£)	Total average hourly rate (£)
	Partner / Director	Manager	Other senior professionals	Assistants & support			
Accounting & administration	13.5	73.5	53.1	141.6	281.7	56,865.00	201.86
Bank & statutory reporting	40.0	73.5	155.4	146.1	415.0	99,052.00	238.68
Creditors	8.3	9.5	31.2	59.6	108.6	20,304.00	186.96
Debtors	17.0	41.5	99.6	173.6	331.7	63,344.00	190.97
Employee matters	7.3	9.5	26.2	31.5	74.5	16,031.00	215.18
Immediate tasks	0.9	-	6.0	9.5	16.4	2,728.00	166.34
Investigation/CDDA	0.8	0.5	6.4	34.5	42.2	6,161.00	146.00
Job acceptance & strategy	-	-	2.5	1.0	3.5	675.00	192.86
Legal issues	-	1.0	1.3	1.0	3.3	742.50	225.00
Other assets	5.0	5.0	2.3	2.9	15.2	4,987.00	328.09
Other matters	20.8	5.5	12.4	6.3	45.0	14,822.00	329.38
Pre appointment	22.5	-	32.2	21.5	76.2	19,975.00	262.14
Property	65.0	125.5	11.2	41.0	242.7	80,999.50	333.74
Retention of title	15.1	1.0	87.4	170.2	273.7	44,990.50	164.38
Sale of business	31.5	95.5	50.2	-	177.2	62,185.00	350.93
Statutory duties	9.8	0.5	1.6	33.5	45.4	9,308.00	204.98
Trading	15.3	9.0	75.6	179.8	279.7	50,730.50	181.37
VAT & taxation	5.4	33.1	22.7	114.8	176.0	41,418.00	235.33
Total hours	278.2	484.1	677.3	1,168.4	2,608.0	595,316.00	228.27
Total time costs (£)	140,441.00	170,503.00	139,137.50	145,234.50			
Average hourly rate (£)	504.82	352.21	205.43	124.30			

Category 1 expenses (£)	1,895.37
Category 2 expenses (£)	3,141.74
Expenses total (£)	4,837.11

Current hourly charge out rates	Job title	Rates 1 July 2011 to 30 June 2012 (£)	Rates 1 July 2012 to 30 June 2013 (£)	Rates 1 July 2013 to 30 June 2014 (£)
Partner / Director	Partner	545	570	600
	Partner (tax)	1065	1090	1170
	Director	445	465	490
Manager	Assistant director	390	410	430
	Assistant director (tax)	520-565	545 - 725	570 - 760
	Senior executive	305	320	335
Other senior professionals	Executive	220	230	240
	Assistant Executive	175	185	195
Assistants & support	Analyst	125-175	130 - 185	135 - 195
	Support	60-110	85 - 115	95-120

Category 2 Disbursements

Of the disbursements of £3,386 invoiced and paid as recorded in the receipts and payments account at Appendix 1, £2,807 relates to Category 2 disbursements (as defined at Appendix 3). The types of Category 2 disbursements and their respective costs are detailed below.

Type and purpose	£
Mileage	40p - 45p per mile
Stationery and supplies – circulars	2.8p per black and white impression, 7.031p per colour impression

Appendix 3

HBCL Realisations Limited (formerly H. Bronnley & Co. Limited) (In Administration)

Office Holders' Charging Policy for Fees

The secured creditors have determined that the Joint Administrators' remuneration should be fixed on the basis of time properly spent by the Joint Administrators and their staff in attending to matters arising in the Administration

The Joint Administrators have engaged a manager and other staff to work on the cases. The work required is delegated to the most appropriate level of staff taking account of the nature of the work and the individual's experience. Additional assistance is provided by accounting and treasury executives dealing with the company's bank accounts and statutory compliance diaries. Work carried out by all staff is subject to the overall supervision of the Joint Administrators

All time spent by staff working directly on case-related matters is charged to a separate time code established for each case. Each member of staff has a specific hourly rate, which is subject to change over time. The average hourly rate for each category of staff over the period is shown in Appendix 2, as are the current hourly rates used. The current hourly rates may be higher than the average rates, if hourly rates have increased over the period covered by this report

Office Holders' Charging Policy for Disbursements

Statement of Insolvency Practice No. 9 ("SIP 9") published by R3 (The Association of Business Recovery Professionals) divides disbursements into two categories

Category 1 disbursements comprise payments made by the office holders' firm, which comprise specific expenditure relating to the administration of the insolvent's affairs and referable to payment to an independent third party. These disbursements can be paid from the insolvent's assets without approval from the Committee. In line with SIP 9, it is our policy to disclose such disbursements drawn but not to seek approval for their payment

Category 2 disbursements comprise payments made by the office holders' firm which include elements of shared or overhead costs. Such disbursements are subject to approval from the secured creditors as if they were remuneration. It is our policy, in line with SIP 9, to seek approval for this category of disbursement before they are drawn

Appendix 4

Creditors' request for further information regarding an administrator's remuneration or expenses – Rule 2.48A, Insolvency Rules 1986

"1) If-

(a) within 21 days of receipt of a progress report under Rule 2 47-

(i) a secured creditor, or

(ii) an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors (including the creditor in question), or

(b) with the permission of the court upon an application made within that period of 21 days, any unsecured creditor,

makes a request in writing to the administrator for further information about remuneration or expenses (other than pre-administration costs) set out in a statement required by Rule 2 47(1)(db) or (dc), the administrator must, within 14 days of receipt of the request, comply with paragraph (2)

(2) The administrator complies with this paragraph by either-

(a) providing all of the information asked for, or

(b) so far as the administrator considers that-

(i) the time or cost of preparation of the information would be excessive, or

(ii) disclosure of the information would be prejudicial to the conduct of the administration or might reasonably be expected to lead to violence against any person, or

(iii) the administrator is subject to an obligation of confidentiality in respect of the information,

giving reasons for not providing all of the information

(3) Any creditor, who need not be the same as the creditor who requested further information under paragraph (1), may apply to the court within 21 days of-

(a) the giving by the administrator of reasons for not providing all of the information asked for, or

(b) the expiry of the 14 days provided for in paragraph (1),

and the court may make such order as it thinks just

(4) Without prejudice to the generality of paragraph (3), the order of the court under that paragraph may extend the period of 8 weeks provided for in Rule 2 109(1B) by such further period as the court thinks just "

Creditors' claim that remuneration is excessive – extract from Rule 2.109 of the Insolvency Rules 1986

"(1) Any secured creditor, or any unsecured creditor with either the concurrence of at least 10% in value of the unsecured creditors (including that creditor) or the permission of the court, may apply to the court for one or more of the orders in paragraph (4)

(1A) Application may be made on the grounds that—

(a) the remuneration charged by the administrator,

(b) the basis fixed for the administrator's remuneration under Rule 2 106, or

(c) expenses incurred by the administrator,

is or are, in all the circumstances, excessive or, in the case of an application under sub-paragraph (b), inappropriate

(1B) The application must, subject to any order of the court under Rule 2 48A(4), be made no later than 8 weeks after receipt by the applicant of the progress report which first reports the charging of the remuneration or the incurring of the expenses in question ("the relevant report") "