

The Insolvency Act 1986

Administrator's progress report

Name of Company Holmwood Nursing Home Limited	Company number 05341566
In the High Court of Justice [full name of court]	Court case number 4938 of 2011

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

We (a) Kirstie Jane Provan and Nigel David Nutting of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT

Joint Administrators of the above company attach a progress report for the period

(b) Insert dates

From	To
(b) 7 June 2011	(b) 6 December 2011

Signed


Joint Administrator(s)

Dated

29 DECEMBER 2011

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 searchers of the public record.

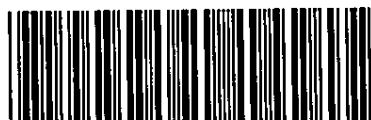
Begbies Traynor (Central) LLP	
32 Cornhill, London, EC3V 3BT,	
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have completed and signed this form please send it to the Registrar of Companies at

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04/01/2012

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COMPANIES HOUSE



The affairs, business and property of the Company are being managed by the joint administrators, who act as the Company's agents and without personal liability

Holmwood Nursing Home Limited (In Administration)

Progress report pursuant to Rule 2.47 of the Insolvency Rules 1986

Period: 7 June 2011 to 6 December 2011

Important Notice

This progress report has been produced to comply with our statutory duty to report to creditors on the progress of the administration. The report is private and confidential and may not be relied upon, referred to, reproduced or quoted from, in whole or in part, by creditors for any purpose other than this report to them, or by any other person for any purpose whatsoever.

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1. INTERPRETATION

<u>Expression</u>	<u>Meaning</u>
"the Company"	Holmwood Nursing Home Limited (In Administration)
"the administration"	The appointment of administrators under Schedule B1 of the Insolvency Act 1986 on 7 June 2011
"the Administrators" or "the Joint Administrators"	Kirstie Jane Provan and Nigel David Nutting both of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT
"the Act"	The Insolvency Act 1986 (as amended)
"the Rules"	The Insolvency Rules 1986 (as amended)
"secured creditor" and "unsecured creditor"	Secured creditor, in relation to a company, means a creditor of the company who holds in respect of his debt a security over property of the company, and "unsecured creditor" is to be read accordingly (Section 248(1)(a) of the Act)
"security"	(i) In relation to England and Wales, any mortgage, charge, lien or other security (Section 248(1)(b)(i) of the Act), and (ii) In relation to Scotland, any security (whether heritable or moveable), any floating charge and any right of lien or preference and any right of retention (other than a right of compensation or set off) (Section 248(1)(b)(ii) of the Act)
"preferential creditor"	Any creditor of the Company whose claim is preferential within Sections 386, 387 and Schedule 6 to the Insolvency Act 1986

2. COMPANY INFORMATION

Name of Company	Holmwood Nursing Home Limited	
Trading name(s)	Holmwood Nursing Home	
Date of Incorporation	25 January 2005	
Company registered number	05341566	
Company registered office	c/o Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT	
Former registered office	53 The Avenue, Tadworth, Surrey, KT20 5DB	
Trading address(es) (or attach a separate sheet if more than one)	53 The Avenue, Tadworth, Surrey, KT20 5DB	
Principal business activities	The operation and management of a care home for the elderly	
Directors and details of shares held in the Company (if any)	Name	Shareholding
	Robert William Kibble	100 ordinary shares
Company Secretary and details of the shares held in Company (if any)	Name:	Shareholding
	Debbie Jane Hall	N/A
Auditors	Mayfair Associates	
Share capital	100 ordinary shares of £1 each	
Shareholders	Robert William Kibble (100%)	

3. DETAILS OF APPOINTMENT OF ADMINISTRATORS

Names of the administrators	Kirstie Jane Provan and Nigel David Nutting, Licensed Insolvency Practitioners of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT
Date of administrators' appointment	7 June 2011
Date of administrators' resignation	N/A
Court	High Court of Justice, Chancery Division
Court Case Number	4938 of 2011
Person(s) making appointment / application	Barclays Bank plc
Acts of the administrators	The administrators act as officers of the court and as agents of the Company without personal liability. Any act required or authorised under any enactment to be done by an administrator may be done by any one or more persons holding the office of administrator from time to time.
EC Regulation on Insolvency Proceedings	The EC Regulation on Insolvency Proceedings (Council Regulation (EC) No 1346/2000) applies to these proceedings which are 'main proceedings' within the meaning of Article 3 of the Regulation.

4. PROGRESS DURING THE PERIOD

Attached at Appendix 1 is our abstract of receipts and payments for the period from 7 June 2011 to 6 December 2011.

ACTIONS TAKEN BY THE ADMINISTRATORS TO DATE

Trading

The administrators have continued to trade the Company in the administration, to preserve the operation whilst a purchaser is sought for the Company's business and assets and the Care Home as a going concern. Furthermore and importantly, this has avoided any major disturbance to the residents of the Care Home whilst ensuring maximum value is retained.

The administrators retained all the existing employees to assist with the day to day management of the Care Home. In addition, the administrators instructed Healthcare Management Solutions Limited ("HCMS"), a professional care home consultancy, as agents to operate the Care Home. HCMS' fee is based on a fixed monthly rate of £4,750 plus disbursements and VAT, which is being met as an expense of the administration.

As originally anticipated, the business is generating a net trading surplus. Further details of the Company's trading performance are detailed below.

Marketing & Disposal of Business and Leasehold Property

Christie & Co ("Christies") have been appointed to assist with the marketing and disposal of the Company's business and the Care Home. Christies are remunerated on a commission basis at an agreed 1.25% of gross sale proceeds plus disbursements plus VAT. Their costs will be apportioned on sale, between the Company in administration and the property in receivership.

Christies' initial advice was that the Estimated Realisable Value of the business and the Care Home was in the region of £4.75m to £5.25m and was marketed at an initial level of £5.75m. After a period of marketing, this was subsequently changed to 'offers invited', due to lack of interest at the £5.75m level.

Christies have undertaken various marketing methods incorporating both traditional and internet based initiatives. They emailed and posted sales particulars to approximately 1,100 persons on their registered applicant database, including owner operators, corporate operators, developers and investors. In addition, the Care Home was featured on their website, which attracted approximately 350 hits of which 320 parties registered as having viewed full sales particulars and 7 parties added the property to their portfolio. The Care Home was also advertised in the Caring Times, Healthcare Business and Business First.

There were nine viewings in total and by the deadline set for best and final offers of 1 August 2011. On the recommendation of Christies, and with the consent of the Bank, on 5 August 2011 the joint administrators accepted an offer from the Care Expertise Group Ltd ("CEG"). CEG indicated that they would like a swift exchange and completion, subject to CQC registration and subject to valuation of the business. A formal valuation was produced by Edward Symmons (valuation agents) on behalf of National Westminster Bank, who would be financing 70% of the purchase. The directors of CEG reduced their offer in line with this valuation.

As such, Christies contacted Montreaux CM Fund ("MCMF") who had submitted the next best offer. MCMF advised that they had since purchased an alternative home, but were still interested in purchasing the Care Home. MCMF submitted a revised offer. MCMF had previously obtained a valuation of the property and, whilst they would have required another survey for financing purposes, they advised Christies in writing that they would stand by their offer regardless of the outcome of the survey.

Christies are satisfied with the level of marketing that they have undertaken, and have advised that it is unlikely that they would receive a better offer following any additional marketing period.

In order to ascertain the most tax efficient split of the proposed sales consideration, the administrators instructed BTG Tax LLP (now part of Smith & Williamson) for appropriate tax advice.

Simmons & Simmons ("Simmons") have been instructed to undertake the sale conveyancing of the business and assets. Draft contracts have been prepared and issued to MCMF whilst they raise the necessary finance for the purchase and arrange the appropriate CQC registration for the continuing operation of the Care Home. Contracts are due to be exchanged during January 2012, once the purchaser's board have re-convened after the Christmas period.

At present, the administrators are not aware of any issues which may restrict the exchange of contracts from being undertaken during January 2012.

Disposal of Motor Vehicles

The Company had a lease-purchase agreement with Barclays Mercantile Business Finance Limited ("Barclays Mercantile") in relation to a Bentley motor vehicle. This was considered to have been an asset of the Company given that there remained only one payment outstanding to Barclays Mercantile. However, Barclays Mercantile has advised that the right to purchase the Bentley was terminated upon administration and accordingly have requested return of the vehicle.

The company had a second vehicle, a Mini Copper, which was also under a lease-purchase agreement with Mini Financial Services. We do not consider that this will ultimately realise any value.

OTHER MATTERS

Employment of Solicitors

The administrators have instructed Simmons to advise on various matters including, among others, confirming the validity and enforceability of the Bank's security, confirming the validity of their appointment, dealing with the sale of the Care Home and any other legal issues that may arise in the course of the administration. Simmons will be remunerated on a time cost basis at the Bank's discounted panel firm rates plus disbursements plus VAT.

The administrators have also instructed Sprecher Gner Halberstam LLP Solicitors ("SGH") for advice in respect of the Company's lease-purchase agreement with Barclays Mercantile for the Bentley motor vehicle. SGH have been remunerated on a time cost basis plus disbursements plus VAT.

Employment of Other Agents

Healthcare Management Solutions Limited ("HCMS")

As mentioned above, HCMS have been instructed to undertake the day to day management at the Care Home and to oversee the existing staff and management. HCMS's fee is based on a fixed monthly rate of £4,750 plus disbursements and VAT per month, which is being met as an expense of the administration.

Christie & Co ("Christies")

Christies have been instructed as valuation and marketing agent of the Care Home. As mentioned previously, Christies have also been appointed by the LPA Receivers to market the Property and their joint instruction is to coordinate matters and is intended to maximise realisations. Christies' remuneration is agreed at 1.25% of the total sale price of the Home. Due to the dual appointment of administrators over the Company and LPA Receivers over the freehold property, an apportionment of their costs will need to be undertaken on sale.

BTG Tax LLP (now part of Smith & Williamson) ("BTGT")

At the time of their instruction BTGT were part of the Begbies Traynor Group. However, on 28 November 2011 they were sold to Smith & Williamson.

BTGT have been instructed to provide tax advice in respect of the allocation of the proposed sales consideration. BTGT's remuneration is charged on a time cost basis. To date, the administrators are yet to receive an invoice for their fees in relation to this matter.

RECEIPTS AND PAYMENTS

Attached at Appendix 1 is our account of receipts and payments from the commencement of the administration, 7 June 2011 to 6 December 2011. Below are our comments in respect of all receipts and payments to date.

RECEIPTS - TRADING

Sales – Nursing Care Fees

During the period the Company has raised sales invoices totalling £877,559.

Please see details regarding trading profits in Appendix 1. From 7 June 2011 to 6 December 2011, the Company has a trading surplus of £263,201, but this is subject to adjustment to reflect ongoing costs accrued and not yet paid.

RECEIPTS - ASSETS NOT SPECIFICALLY PLEDGED

Book Debts

Book Debts comprise amounts owed to the Company on appointment, in respect of invoices issued prior to the administration for residential care services. During the period the administrators have received a total of £77,546 in respect of these pre-appointment debts.

Council Tax Refund

An amount of £176 has been received from Reigate and Banstead Borough Council during the period in relation to a council tax refund.

Bank Interest Gross

An amount of £26 has been received during the period in respect of interest gross of taxation earned on deposits held in the administration bank accounts.

PAYMENTS – TRADING

Please see details regarding trading payments in Appendix 1.

The majority of the payments are self explanatory with the exception of the repairs and maintenance. This amount can be analysed as follows,

- Unforeseen works required to the care home's kitchen in order to satisfy various matters raised by an Environmental Health Officers report,
- Gas and electrical safety tests,
- Plumbing works in respect of leaking water tank and installation of new water pump,
- Window cleaning,
- Lift repairs and safety checks, and
- General property maintenance, including painting and decorating.

PAYMENTS – ASSETS SPECIFICALLY PLEDGED

Legal Fees

As detailed above, SGH were instructed to provide advice in respect of the Company's lease-purchase agreement with Barclays Mercantile for the Bentley motor vehicle. During the period SGH were paid £600 plus VAT in this regard.

Agent's Fees

During the period an amount of £650 plus VAT was paid to Credit Quest Limited in relation to providing an energy report on the care home

Agent's Disbursements

During the period an amount of £617 plus VAT was paid to Christie Corporate in relation to a Commitment Fee for marketing the care home for sale

Irrecoverable VAT (Fixed)

The Company's operations are exempt from VAT, consequently VAT is irrecoverable To date, £120 has been expended on VAT, in respect of fixed charged assets

PAYMENTS - ASSETS NOT SPECIFICALLY PLEDGED**Agent's Fees**

During the period an amount of £336 was paid to Ocean Barefoot Limited in relation to maintenance undertaken on the Company's website during the period

Legal Fees

Simmons were paid £2,115 50 plus VAT during the period in relation to professional fees incurred in relation to the Company's CQC registration and various matters raised following the date of administration

Irrecoverable VAT (Floating)

The Company's operations are exempt from VAT, consequently VAT is irrecoverable To date, £5,902 60 has been expended on VAT, in respect of floating charged assets

Statutory Advertising

£222 30 plus VAT has been paid to Courts Advertising Limited for services provided in respect of statutory advertising

5. ESTIMATED OUTCOME FOR CREDITORS

Details of the sums owed to each class of the Company's creditors were provided in our statement of proposals

Secured creditor

Barclays Bank PLC ("the Bank") has a fixed and floating charge over the Company's assets pursuant to a debenture dated 29 March 2005 As at the date of the Administrators' appointment, the Company's direct indebtedness to the Bank is £74,273 in respect of overdraft facilities In addition, the Company has provided an unlimited guarantee for Holmcroft Properties Limited's (which owns the freehold of the Care Home) liabilities to the Bank On current information the extent of the guaranteed indebtedness is currently in the region of £4 3m This total indebtedness is secured against the freehold property of the Care Home as well as 2 other properties with estimated realisable values in excess of the Bank's total indebtedness

A distribution to the Bank is dependent upon the sale of the property and timing of realisations of the other properties subject to associated LPA Receiverships. This will have a direct influence on the quantum of the Bank's claim pursuant to the guarantee provided by the Company.

Preferential creditors

As mentioned above, all employees have been retained following the administration and salaries are paid up to date. The Company does not operate a pension scheme and the administrators are not aware that there are any preferential liabilities outstanding. On the basis that the business is sold as a going concern, employees will transfer to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations.

Unsecured creditors

We have received unsecured creditors' claims to date of £370,609. These claims have not yet been formally agreed or adjudicated upon.

Based upon realisations to date and estimated future realisations there will be sufficient funds available to enable a dividend to be paid to the unsecured creditors. Therefore, creditors are invited to submit claims, which will be assessed by a subsequently appointed liquidator or supervisor of a Company Voluntary Arrangement ("CVA"), as appropriate.

Prescribed Part for unsecured creditors pursuant to Section 176A of the Act

Section 176A of the Act provides that, where the company has created a floating charge on or after 15 September 2003, the administrator must make a *prescribed part* of the Company's *net property* available for the unsecured creditors and not distribute it to the floating charge holder except in so far as it exceeds the amount required for the satisfaction of unsecured debts. *Net property* means the amount which would, were it not for this provision, be available to floating charge holders out of floating charge assets (i.e. after accounting for preferential debts and the costs of realising the floating charge assets). The floating charge holder may not participate in the distribution of the prescribed part of the Company's net property. The *prescribed part of the Company's net property* is calculated by reference to a sliding scale as follows:

- ☐ 50% of the first £10,000 of *net property*;
- ☐ 20% of *net property* thereafter;
- ☐ Up to a maximum amount to be made available of £600,000.

An administrator will not be required to set aside the *prescribed part of net property* if

- ☐ the *net property* is less than £10,000 and the administrator thinks that the cost of distributing the *prescribed part* would be disproportionate to the benefit, (Section 176A(3)) or
- ☐ the administrator applies to the court for an order on the grounds that the cost of distributing the *prescribed part* would be disproportionate to the benefit and the court orders that the provision shall not apply (Section 176A(5)).

Pursuant to Rule 2.33(3), the administrators consider it in the best interests of the creditors not to disclose estimates of the prescribed part of the Company's net property at this time on the grounds that the disclosure could seriously prejudice the commercial interests of the Company.

The administrators proposed that the Company exit administration via a Company Voluntary Arrangement ("CVA") and one of the terms of the CVA pursuant to Section 176A(4) of the Act is that the administrators shall not be obliged to set aside a prescribed part of the Company's net property.

On present information the administrators do not intend to make an application to court under Section 176A(5) of the Act for an order not to distribute the prescribed part of net property to the unsecured creditors. However, we reserve our position generally in this regard should circumstances materially change.

6. PRE-ADMINISTRATION COSTS

In the period before the Company entered administration, the administrators discussed with the Bank the potential administration and arranged, with the assistance of solicitors, all necessary filing to place the Company into administration ("the Work")

The purpose of the Work was to determine the most appropriate course of action and to place the Company into administration. For this reason, the Joint Administrators consider that the Work has furthered the achievement of the objective of administration being pursued, namely achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration)

The pre-administration costs totalled £4,368 plus VAT. Pursuant to Rule 2.67A of the Insolvency Rules 1986, approval to pay these costs as an expense of the administration was granted by the creditors. These costs have now been settled.

7. REMUNERATION & DISBURSEMENTS

Our remuneration has been fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration and we are authorised to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with our firm's policy, details of which accompanied the Statement of Proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report.

Our time costs for the period from 7 June 2011 to 6 December 2011 amount to £157,096.50 which represents 791.1 hours at an average rate of £198.58 per hour. These costs have been restricted to the Bank's standard rate of £205 per hour (rising from £195 per hour on 1 September 2011) for dealing with such cases.

The following further information in relation to our time costs and disbursements is set out at Appendix 2:

- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period 7 June 2011 to 6 December 2011
- ☐ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates

To date, we have drawn the total sum of £96,000. This sum consists of £71,000 for fees drawn relating to the trading of the Company and £25,000 in relation to the general running of the administration. In addition, disbursements totalling £2,331.46 (£1,331.46 relating to trading disbursements and £1,000 for disbursements incurred during the administration) have been drawn during the period.

8. ADMINISTRATORS' EXPENSES

A statement of the expenses incurred during the period of this progress report is attached at Appendix 3.

9. ASSETS THAT REMAIN TO BE REALISED

Sale of Business and Assets

As detailed above, draft contracts for the sale of the Company's business and assets have been prepared and issued to MCMF. Contracts are due to be exchanged during January 2012, once the purchaser's board have re-convened after the Christmas period.

Book Debts

Upon appointment it was found that the Company's financial records in relation to its pre-appointment book debts were incomplete. The administrators instructed HCMS to reconcile the Company's debtor position in order to improve the prospects of debtor recovery.

Following the reconciliation, it was found that the Company's book debts amounted to approximately £219,000, comprising of approximately 50 debtors. The precise debtor position cannot be ascertained from the records available. Consequently, we are unable to determine the provisions for doubtful debts at this time.

In November 2011, HCMS were instructed to assist with debt collections. They are remunerated on a commission only basis at 8% of total collections.

10. OTHER RELEVANT INFORMATION

Statement of Affairs

At the time of preparing this report, the Company's director has not submitted a Statement of Affairs. In accordance with Rule 2.33(2)(j) Insolvency Rules 1986 the administrators have prepared a statement of known assets and liabilities reflecting the estimated financial position of the Company at the date of administration, based on information obtained from the Company's statutory accounts ended 31 January 2011. This estimated financial position has been provided to creditors previously within the administrators' proposals.

Corporation Tax

Should the sale of the Company's business and assets complete as per the proposed allocation of sales consideration there is expected to be a Corporation Tax liability payable by the Company. This is still subject to review.

Report on Directors conduct

As detailed in our statement of proposals, we have a duty to submit a report to the Department for Business, Innovation and Skills on the conduct of the director. Our investigations into the director's conduct remains ongoing and we anticipate discharging our duties in this regard shortly.

11. CREDITORS' RIGHTS

Right to request further information

Pursuant to Rule 2.48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors, including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, but with the permission of the court) may request in writing that we provide further information about our remuneration or expenses (other than pre-administration costs) which have been detailed in this progress report

Right to make an application to court

Pursuant to Rule 2.109 of the Rules, any secured creditor or an unsecured creditor with the concurrence of at least 10% in value of the unsecured creditors including that creditor (or any unsecured creditors with less than 10% in value of the unsecured creditors, but with the permission of the court) may, within 8 weeks of receipt of this progress report, make an application to court on the grounds that the remuneration charged or the expenses incurred as set out in this progress report are excessive or, the basis fixed for our remuneration is inappropriate

12. CONCLUSION

We will report again in approximately six months time or at the conclusion of the administration, whichever is the sooner



Nigel Nutting
Joint Administrator

Dated 29 December 2011

ACCOUNT OF RECEIPTS AND PAYMENTS

Period 7 June 2011 to 6 December 2011

Holmwood Nursing Home Limited
(In Administration)
Joint Administrators' Trading Account
To 06/12/2011

S of A £	£	£
POST APPOINTMENT SALES		
Sales - Nursing Care Fees	767,049 48	
Sales - Sundry Items	1,201 29	
Sales - Post 7 June apportioned sales	109,308 66	
		877,559 43
PURCHASES		
Purchases (1)	40,267 81	
		(40,267 81)
OTHER DIRECT COSTS		
Direct Labour	309,094 70	
PAYE / NIC	65,137 48	
		(374,232 18)
TRADING EXPENDITURE		
Utilities - Gas, Electricity & Water	11,887 06	
Telephone	860 22	
Insurance	2,491 65	
Professional Fees	10,113 70	
Bank Charges (Trading)	1,497 61	
Lease/HP Payments	210 00	
Repairs & Maintenance	28,676 95	
Sundry Expenses	274 23	
Joint Administrators' Fees (Trading)	71,000 00	
Vehicle Running Costs	2,150 76	
Stationery	818 51	
Postages	26 30	
Joint Administrators' Disbursements (T	1,331 46	
Petty Cash	1,537 40	
Managing Agents' Fees	31,000 00	
Hairdressers Fees	880 20	
Council Tax	1,232 54	
Offset of pre-adm sales invoices	1,449 48	
Legal Fees (Trading)	494 00	
Irrecoverable VAT (Trading)	31,925 90	
		(199,857 97)
TRADING SURPLUS/(DEFICIT)		263,201.47

Holmwood Nursing Home Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments
To 06/12/2011

S of A £	£	£
COSTS OF REALISATION		
Legal Fees	600 00	
Agents Fees	650 00	
Agents Disbursements	617 00	
Irrecoverable VAT (Fixed)	120 00	
		(1,987 00)
ASSET REALISATIONS		
Book Debts	77,545 94	
Council Tax Refund	175 54	
Bank Interest Gross	82 46	
Trading Surplus/(Deficit)	263,201 47	
		341,005 41
COST OF REALISATIONS		
Joint Administrators' Pre-appt Remune	5,241 60	
Joint Administrators' Fees (Floating)	25,000 00	
Joint Administrators' Expenses (Floating)	1,000 00	
Agents Fees	336 00	
Legal Fees (1)	2,115 50	
Irrecoverable VAT (Floating)	5,902 60	
Statutory Advertising	222 30	
		(39,818 00)
		299,200.41
REPRESENTED BY		
Trade Debtors		160,709 99
Vat Recervable		27 00
Floating Account		388 40
Trading Account - 40k O/D		178,184 25
Pre-Appointment Account		(40,109 23)
		299,200.41

Note

TIME COSTS AND DISBURSEMENTS

- a Begbies Traynor (Central) LLP's policy for re-charging expenses/disbursements,
- b Begbies Traynor (Central) LLP's charge-out rates,
- c Narrative summary of time costs incurred, and
- d Table of time spent and charge-out value for the period from 7 June 2011 to 6 December 2011

BEGBIES TRAYNOR CHARGING POLICY

INTRODUCTION

This note applies where a licensed insolvency practitioner in the firm is acting as an office holder of an insolvent estate and seeks creditor approval to draw remuneration on the basis of the time properly spent in dealing with the case. It also applies where further information is to be provided to creditors regarding the office holder's fees following the passing of a resolution for the office holder to be remunerated on a time cost basis. Best practice guidance¹ requires that such information should be disclosed to those who are responsible for approving remuneration.

In addition, this note applies where creditor approval is sought to make a separate charge by way of expenses or disbursements to recover the cost of facilities provided by the firm. Best practice guidance² requires that such charges should be disclosed to those who are responsible for approving the office holder's remuneration, together with an explanation of how those charges are calculated.

OFFICE HOLDER'S FEES IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

The office holder has overall responsibility for the administration of the estate. He/she will delegate tasks to members of staff. Such delegation assists the office holder as it allows him/her to deal with the more complex aspects of the case and ensures that work is being carried out at the appropriate level. There are various levels of staff that are employed by the office holder and these appear below.

The firm operates a time recording system which allows staff working on the case along with the office holder to allocate their time to the case. The time is recorded at the individual's hourly rate in force at that time which is detailed below.

EXPENSES INCURRED BY OFFICE HOLDERS IN RESPECT OF THE ADMINISTRATION OF INSOLVENT ESTATES

Best practice guidance classifies expenses into two broad categories:

- *Category 1 disbursements (approval not required)* - specific expenditure that is directly related to the case usually referable to an independent external supplier's invoice. All such items are charged to the case as they are incurred.
- *Category 2 disbursements (approval required)* - items of incidental expenditure directly incurred on the case which include an element of shared or allocated cost and which are based on a reasonable method of calculation.

(A) The following items of expenditure are charged to the case (subject to approval):

- Internal meeting room usage for the purpose of statutory meetings of creditors is charged at the rate of £150 per meeting,
- Car mileage is charged at the rate of 45 pence per mile,
- Storage of books and records (when not chargeable as a *Category 1 disbursement*) is charged on the basis that the number of standard archive boxes held in storage for a particular case bears to the total of all archive boxes for all cases in respect of the period for which the storage charge relates.

¹ Statement of Insolvency Practice 9 (SIP 9) – Remuneration of insolvency office holders in England & Wales

² Ibid 1

- (B) The following items of expenditure will normally be treated as general office overheads and will not be charged to the case although a charge may be made where the precise cost to the case can be determined because the item satisfies the test of a *Category 1 disbursement*

- Telephone and facsimile
- Printing and photocopying
- Stationery

BEGBIES TRAYNOR CHARGE-OUT RATES

Begbies Traynor is a national firm. The rates charged by the various grades of staff that may work on a case are set nationally, but vary to suit local market conditions. The rates applying to the London office as at the date of this report are as follows

Grade of staff	Standard 1 May 2011 – until further notice London	Barclays Bank PLC – Panel Rates – Up to 31 August 2011	Barclays Bank PLC – Panel Rates 1 Sept 2011 – until further notice
Partner	495	195	205
Director	395	195	205
Senior Manager	365	195	205
Manager	315	195	205
Assistant Manager	270	195	205
Senior Administrator	235	195	205
Administrator	185	195	205
Trainee	160	195	205
Administrator			
Support	160	195	205

Time spent by support staff for carrying out shorter tasks, such as typing or dealing with post, is not charged to cases but is carried as an overhead. Only where a significant amount of time is spent at one time on a case is a charge made for support staff.

Time is recorded in 6 minute units

SUMMARY OF OFFICE HOLDERS' TIME COSTS

CASE NAME	HOLMWOOD NURSING HOME LIMITED
CASE TYPE	ADMINISTRATION
OFFICE HOLDERS	KIRSTIE JANE PROVAN AND NIGEL DAVID NUTTING
DATE OF APPOINTMENT	7 JUNE 2011

1 CASE OVERVIEW

- 1.1 This overview and the time costs analysis attached is intended to provide sufficient information to enable the body responsible for the approval of the office holders' fees to consider the level of those fees in the context of the case

1.2 Complexity of the case

As mentioned in the main body of the report, the administrators continue to trade the Care Home as a going concern. The administrators, with the assistance of HCMS, have ensured supplies were sufficient and operations remained unaffected to avoid disturbance to residents and inconvenience to relatives.

1.3 The office holders' effectiveness

The administrators consider that realisations will be significantly enhanced by trading the care home in administration and that as a result of doing so, secured and unsecured creditors will be paid in full. This would not be possible if the Care Home were to cease trading.

1.4 Nature and value of property dealt with by the office holders

The main asset of the Company is the business of the Care Home. As mentioned previously, the Care Home is still trading in the administration and draft contracts of sale have been prepared and issued to Montreaux CM Fund.

At present, the administrators do not consider that any value will be realised from motor vehicles for the benefit of the estate.

The administrators have instructed HCMS to collect the Company's outstanding pre-appointment debtors. At present, the recoverability of these debts is uncertain.

1.5 Anticipated return to creditors

Secured creditor

The outcome for the Bank is dependent upon the sale of the property and timing of the realisation of the other properties subject to the LPA Receiverships, as this will have a direct influence on the value of the Bank's claim pursuant to the guarantee provided by the Company.

Preferential creditors

As mentioned within the report, all employees have been retained following the administration and salaries are paid up to date. The Company does not operate a pension scheme and the administrators are not aware that there are any preferential liabilities outstanding. On the basis that the business is sold as a going concern, employees will transfer to the purchaser under the Transfer of Undertakings (Protection of Employment) Regulations.

Unsecured creditors

It is very likely that there will be a distribution to the unsecured creditors, either as prescribed part of the Company's net property pursuant to Section 176A or as a distribution made from a future CVA. However, an amount has not been disclosed as disclosure of an estimate of the prescribed part could seriously prejudice the commercial interests of the Company.

1.6 Time costs analysis

An analysis of time costs incurred between 7 June 2011 and 6 December 2011 prepared in accordance with Statement of Insolvency Practice 9 is attached showing the number of hours spent by each grade of staff on the different types of work involved in the case, and giving the average hourly rate charged for each work type.

The time costs analysis provides details of work undertaken by the office holders and their staff following their appointment only.

1.7 The views of the creditors

Barclays Bank PLC ("the Bank"), the Company's secured creditor, has been regularly apprised of the matters arising in the administration.

1.8 Approval of fees

The administrators' fees have approval from creditors and are fixed by reference to the time properly given by us (as administrators) and the various grades of our staff calculated at the prevailing hourly charge out rates of Begbies Traynor (Central) LLP in attending to matters arising in the administration.

1.9 Approval of Expenses and Disbursements

The administrators' have approval from creditors to draw disbursements, including disbursements for services provided by our firm (defined as category 2 disbursements in Statement of Insolvency Practice 9) in accordance with our firm's policy, details of which accompanied the Statement of Proposals for achieving the purpose of administration and which are attached at Appendix 2 of this report.

1.10 Category 2 Disbursements

BTG Tax LLP ("BTGT") have been instructed to provide tax advice in respect of the allocation of the proposed sales consideration. At the time of their instruction BTGT were part of the Begbies Traynor Group and this is considered to be a "Category 2" disbursement. On 28 November 2011 BTGT were sold to Smith & Williamson.

BTGT's remuneration is charged on a time cost basis. To date, the administrators are yet to receive an invoice for their fees in relation to this matter.

1.11 Other professionals employed & their costs

Solicitors

The administrators have instructed Simmons to advise on various matters including, among others, confirming the validity and enforceability of the Bank's security, confirming the validity of their appointment, dealing with the sale of the Care Home and any other legal issues that may arise in the course of the administration. Simmons will be remunerated on a time cost basis at the Bank's discounted panel firm rates plus disbursements plus VAT.

The administrators have also instructed Sprecher Gner Halberstam LLP Solicitors ("SGH") for advice in respect of the Company's lease-purchase agreement with Barclays Mercantile for the Bentley motor vehicle. SGH have been remunerated on a time cost basis plus disbursements plus VAT.

Employment of Other Agents

Healthcare Management Solutions Limited ("HCMS")

As mentioned above, HCMS have been instructed to undertake the day to day management at the Care Home and to oversee the existing staff and management. HCMS's fee is based on a fixed monthly rate of £4,750 plus disbursements and VAT per month, which is being met as an expense of the administration.

Christie & Co ("Christie")

Christie have been instructed as valuation and marketing agent of the Care Home. As mentioned previously, Christies have also been appointed by LPA Receivers to market the Property and their joint instruction is to coordinate matters and maximise realisations. Christies' remuneration is agreed at 1.25% of the total sale price of the Home. Due to the dual appointment of administrators over the Company and LPA Receivers over the freehold property, an apportionment of their costs will need to be undertaken on sale.

BTG Tax LLP (now part of Smith & Williamson) ("BTGT")

BTGT have been instructed to provide tax advice in respect of the allocation of the proposed sales consideration. BTGT's remuneration is charged on a time cost basis. To date, the administrators are yet to receive an invoice for their fees in relation to this matter.

At the time of their instruction BTGT were part of the Begbies Traynor Group. However, on 28 November 2011 they were sold to Smith & Williamson.

1.12 Staffing and management

Appropriately experienced staff will undertake the various tasks arising in the administration. It is the policy of Begbies Traynor that all grades of staff charge time which solely relates to the case. The analysis below seeks to give some indication of the various tasks undertaken by the joint administrators and their staff but is not intended to be, nor should be viewed as, an exhaustive list.

2 SUMMARY OF WORK CARRIED OUT SINCE OUR APPOINTMENT

Since the date of our appointment, the following work has been carried out:

- All 'day 1' statutory compliance matters including notifications to creditors, advertising, filing at companies house, filings at court and bonding,
- All administration banking requirements,
- All insurance requirements over the assets of the Company,
- Utility undertakings,
- General creditors enquiries,

The Joint Administrators and their various levels of staff have also -

- Attended site to deal with 'day 1' and subsequent matters,
- Instructed and liaised with agents with regard to the marketing and the sale of the Care Home,
- Met with the Director and Secretary to discuss the Company's affairs,
- Held meetings with the employees and relatives of the residents,

- Frequently attended site to monitor the running of the Care Home,
- Liaised with HCMS regarding the management and all trading matters of the business,
- Dealt with all necessary statutory matters,
- Dealt with all payment receipts and banking in the administration,
- Enquiring into the affairs of the Company to determine its property and liabilities and to identify any actions which could lead to the recovery of funds In addition, considering the conduct of the Company's director and making the appropriate submissions to the Department for Business Innovation and Skills,
- Dealing with a high volume of creditor and employee queries,
- Internal meetings to discuss case strategy and progress,
- Prepared reports and provided regular updates to the Bank,
- Compiled detailed proposals and an estimated outcome statement to creditors in accordance with Schedule B1 - Para 49 (1) of the Insolvency Act
- Liaison with Simmons, Christies and the director in respect of sale progression,
- Corresponding with tax advisers regarding sale consideration allocation,
- Liaison with HM Revenue and Customs in respect of PAYE/NIC matters

STATEMENT OF ADMINISTRATORS' EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Bordereau	Willis Limited	1,000 00	1,000 00	Nil
Care Home Food (ransom payment)	Savona Provisions Limited	1,019 41	1,019 41	Nil
Motor Vehicle Mileage	Various employees	68 80	68 80	Nil
Rail Fares	Various employees	243 25	243 25	Nil
Companies House Charges	Companies House	7 00	0 00	7 00
Land Registry	HM Land Registry	8 00	0 00	8 00
Total		2,346.46	2,331.46	15.00