

The Insolvency Act 1986

Administrator's progress report

Name of Company
Holmwood Nursing Home Limited

Company number
05341566

In the
High Court of Justice, Chancery Division

Court case number
4938 of 2011

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

We (a) Kirstie Jane Provan and Gary Paul Shankland of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT administrator(s) of the above company attach a progress report for the period

from

to

(b) Insert dates

(b) 17 April 2013

(b) 16 October 2013

Signed


Joint Administrator

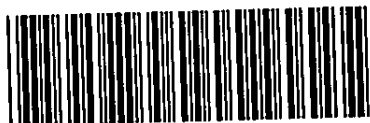
Dated

22 October 2013

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, | |
| | Tel Number 020 7398 3800 |
| Fax Number 020 7398 3799 (Fax) | DX Number |



A30 05/12/2013 #128
COMPANIES HOUSE

If you have completed and signed this form please send it to the Registrar of Companies at
Companies House, Crown Way, Cardiff, CF14 3UZ DX 33050 Cardiff

THURSDAY

Important Notice

This progress report has been produced by the administrators solely to comply with their 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.

Contents

- Interpretation
- Statutory information
- Details of appointment of administrators
- Progress during the period
- Estimated outcome for creditors
- The administrators' remuneration and disbursements
- Assets that remain to be realised
- Other relevant information
- Conclusion
- Appendices
 - 1 Administrators' account of receipts and payments
 - 2 Administrators' trading account
 - 3 Administrators' time costs and expenses

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" | Kirstie Jane Provan and Gary Paul Shankland 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 |
| "the Home" "the Property" | Holmwood Nursing Home, 53 The Avenue, Tadworth, Surrey, KT20 5DB – Law of Property Act receivers appointed over the property |

2. STATUTORY 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 | 32 Cornhill, London, EC3V 3BT | |
| Former registered office | 53 The Avenue, Tadworth, Surrey, KT20 5DB | |
| Trading address(es) | 53 The Avenue, Tadworth, Surrey, KT20 5DB | |
| Principal business activities | The operation and management of a nursing 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%) | |

4. PROGRESS DURING THE PERIOD

Attached at Appendix 1 is our abstract of receipts and payments for the period from 17 April 2013 to 16 October 2013 ("the Period") along with receipts and payments from the commencement of the administration to 16 October 2013

ACTIONS TAKEN BY THE ADMINISTRATORS DURING THE PERIOD

Trading

As reported previously, Careport were instructed on 29 April 2013 to take over as the Administrators' trading agents at the Home, replacing the incumbent agents, Healthcare Management Solutions Limited ("HCMS"). Careport are specialists in all aspects of nursing home provisions and have the relevant resources and experience for an assignment of this type. All operations at the Home are now being managed by Careport.

Since Careport's instruction, further capital expenditure at the Home has been undertaken to meet the Care Quality Commission's ("CQC") requirements, the variety of food available to residents has been enhanced, a structured staff training programme has been introduced and significant local marketing has been undertaken. This work has all been undertaken whilst maintaining the high care standard provided at the Care Home.

As a result of Careport's work, occupancy at the Care Home has increased significantly from 28 residents (at 29 April 2013) to 36 residents (at the date of this report), with further residents expected to be placed by the Local Authority in the near future. The increase in occupancy has significantly improved the Company's trading performance and continues to generate a net trading surplus before rental payments/provisions.

The Administrators' trading account for the period 17 April 2013 to 16 October 2013 is attached at Appendix 2.

Marketing & Disposal of Business and Leasehold Property

As reported previously, in April 2013, the Administrators took the decision to replace Chrsties & Co LLP with Edward Symmons ("ES") as the selling agents of the Care Home in order to revitalise the marketing strategy for the Home. ES are instructed on a sole agency basis.

ES' marketing campaign has included the following:

- Listing the Care Home on ES' website,
- Distributing detailed sales particulars and information that best showcase the Care Home to parties on ES' mailing list known to be interested in acquiring care homes together with care home operators within a 20 mile radius of the Care Home,
- Distributing sales information to broking and banking, legal and accounting professions specialising in healthcare and known to have an active client base,
- Advertising the Care Home in the widely read and distributed industry journal, Healthcare Business Magazine, and
- Contacting interested parties from previous marketing campaigns undertaken on the Care Home, specifically since the improvement in occupancy and fee income (detailed above).

Since undertaking their marketing campaign, whilst there has been interest shown in the Care Home, ES have concluded that the Care Home is known in the market and is suffering from 'market fatigue'. Consequently, serious interest generated in the Period has been limited with a total of 10 viewings having taken place since ES' appointment.

During the Period two offers for the Care Home have been received.

- 1 The first offer was received in July 2013 and was conditional on the interested party taking over the management of the Care Home whilst they undertook due diligence prior to formalising an offer. Given the improving occupancy and overall standards at the Care Home since Careport's instruction, the Administrators considered it to be high risk for an unknown operator to takeover trading on behalf of the Administrators until such time as the party would be in a position to exchange. The Administrators would, at that point, have been in a position to consider allowing the party to take control of the trading under an agency agreement whilst CQC registration requirements were completed. This offer has subsequently been withdrawn.
- 2 The second offer was also received in July 2013 from a party known previously to the Administrators. We understand that the offer has been fully supported by National Westminster Bank plc as regards the provision of funding for the sale and has been recommended for acceptance by ES. On 19 October 2013, the Bank approved the offer for acceptance subject to sight of satisfactory proof of funding, which is awaited. Due to the sensitivities regarding the offer, further information cannot be disclosed at present. The Care Home will remain on the open market until such time as proof of funding has been received, at which time the Administrators will be looking for exchange and completion in short order.

OTHER MATTERS

Use of Solicitors

Following their appointment, the Administrators instructed Simmons & Simmons ("Simmons") to advise on legal matters relating to the Administration. Simmons are remunerated on a time cost basis at the Bank's discounted panel firm rates plus disbursements plus VAT. All fees are reviewed for reasonableness prior to payment.

Trading Agents

ES

ES are instructed as sole marketing agents of the Home and its business. As the Property is subject to Receivership outside of the Administration of the Company, an apportionment of ES' costs will need to be undertaken on completion of a sale of the property and the business.

BDO LLP ("BDO")

BDO are instructed to assist with preparing and filing the Company's Corporation Tax return for the period ending 6 June 2013. BDO's fees are capped at £3,000 plus VAT for undertaking this work.

RECEIPTS AND PAYMENTS

Attached at Appendix 1 is our account of receipts and payments to 16 October 2013, incorporating a period account of the period 17 April 2013 to 16 October 2013. Below are our comments in respect of receipts and payments for the period.

RECEIPTS - TRADING

Sales – Nursing Care Fees

Please see details regarding trading profits in Appendix 2

During the period the Company has raised sales invoices totalling £608,585

PAYMENTS – TRADING

Please see details regarding trading payments in Appendix 2

The Company's business as a nursing home is exempt from VAT and consequently, VAT is irrecoverable

From 17 April 2013 to 16 October 2013, the Company is shown as having a trading profit of £38,371. However, this is subject to upward adjustment for sales achieved in October 2013, which have not been included in the enclosed receipts and payments account. The total monthly sales for October 2013 is expected to exceed £110,000. A revised account will be included in our next progress report.

RECEIPTS - ASSETS NOT SPECIFICALLY PLEDGED

Bank Interest Gross

An amount of £87.20 has been received during the period in respect of interest gross of taxation earned on deposits held in the administration bank accounts.

PAYMENTS - ASSETS NOT SPECIFICALLY PLEDGED

Joint Administrators' Expenses

An amount of £380 has been paid to Begbies Traynor (Central) LLP in respect of the administrators' disbursements.

Agent's Fees

During the Period an amount of £2,000 plus VAT has been paid to Jones Lang Lasalle in respect of a rent review undertaken on the lease for the Company's occupation at the Home.

In addition, an amount of £2,025 plus VAT has been paid to Telis Communications in respect of computer hardware installed at the Care Home.

Legal Fees

An amount of £3,738 has been paid to SGH Martineau solicitors in respect of their fees for assisting the administrators with investigating the recovery of the Company's Bentley motor vehicle.

Statutory Advertising

An amount of £84.60 plus VAT has been paid to Courts Advertising in respect of the administrators' statutory reporting requirements.

Bank Charges

Bank charges totalling £55 have been incurred during the period for the operation of the Company's administration bank account.

5. ESTIMATED OUTCOME FOR CREDITORS

Secured creditor

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 was £74,273 in respect of overdraft facilities. In addition, the Company has provided an unlimited guarantee to Holmcroft Properties Limited (which owns the freehold of the Care Home) in respect of its secured indebtedness.

The Administrators understand that the extent of the guaranteed indebtedness is currently in the region of £4.3 million.

Any distribution to the secured creditor is contingent upon the sale of the property and the business.

Preferential creditors

Following administration, all employees were retained. It is understood that the Company does not operate a pension scheme, and the administrators are not therefore aware that there are any preferential creditors of the Company.

Unsecured creditors

Unsecured creditors' claims to date amount to £364,094. These claims have not been formally agreed or adjudicated upon.

Based upon realisations to date and estimated future realisations there may be sufficient funds available to enable a dividend to be paid to the unsecured creditors. Therefore, if creditors have not already done so, they are invited to submit claims, which will be assessed by a subsequently appointed liquidator or supervisor of a Company Voluntary Arrangement ("CVA"), as applicable.

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 Administrators 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

Once the objectives of the administration have been met, if exit by CVA is no longer appropriate, the Administrators will review the proposals and seek the relevant resolutions for an alternative exit from administration, as applicable

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, the Administrators reserve their position generally in this regard should circumstances materially change

6. THE ADMINISTRATORS' REMUNERATION AND DISBURSEMENTS

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 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.

Post-Administration Costs

Our remuneration has been fixed by reference to the time properly given by us (as joint 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 16 October 2013 amount to £431,550 which represents 2,129.9 hours at an average rate of £202.62 per hour. These costs have been reported at the Bank's standard rate of £205 per hour for all grades of staff.

The following further information in relation to our time costs and disbursements is set out at Appendix 3.

- ☐ Narrative summary of time costs incurred
- ☐ Table of time spent and charge-out value for the period 7 June 2011 to 16 October 2013
- ☐ Begbies Traynor (Central) LLP's policy for re-charging disbursements
- ☐ Begbies Traynor (Central) LLP's charge-out rates

To date, the administrators have raised invoices totalling £367,770, of which £38,000, relating to trading costs, remains unpaid. The invoice total of £367,770 consists of £313,600 for fees drawn relating to the trading of the Company and £54,170 in relation to the general running of the administration.

In addition, disbursements totalling £2,351 (£1,343 relating to trading disbursements and £1,388 for disbursements in relation to the general running of the administration) have been drawn.

7. ASSETS THAT REMAIN TO BE REALISED

Sale of Business and Assets

In order to ensure the objective of the administration is achieved and that the administrators have fully discharged their duties, a sale for the nursing home remains outstanding. More details in this regard are provided above.

8. OTHER RELEVANT INFORMATION

Extension of administration period

Paragraph 76 of Schedule B1 to the Act provides that the administrators' appointment shall cease to have effect at the end of the period of one year beginning with the date on which it takes effect. The administrators' term of office has previously been extended by consent of the creditors to 6 December 2012. A further extension was granted by the Court, with the administration due to expire on 6 December 2013.

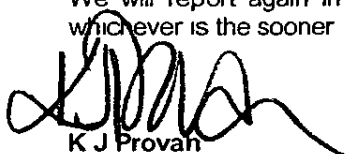
In order to ensure the objective of the administration is achieved and that the administrators have fully discharged their duties, it will be necessary to further extend the period of the administration. Accordingly, the administrators are seeking the consent of the Court to extend the period of the administration for a further year to 6 December 2014.

Report on Directors conduct

As detailed in the statement of proposals, the administrators have a duty to submit a report to the Department for Business, Innovation and Skills on the conduct of the director. We confirm that the administrators have discharged all obligations in this respect.

9. CONCLUSION

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


K J Provan
Joint Administrator

Dated 22 October 2013

ADMINISTRATORS' ACCOUNT OF RECEIPTS AND PAYMENTS

Period. 17 April 2013 to 16 October 2013

Holmwood Nursing Home Limited
(In Administration)
Joint Administrators' Abstract of Receipts & Payments

| Statement of Affairs | From 17/04/2013 To 16/10/2013 | From 07/06/2011 To 16/10/2013 |
|---|----------------------------------|----------------------------------|
| FIXED CHARGE ASSET REALISATIONS | NIL | NIL |
| FIXED CHARGE COST OF REALISATIONS | NIL | NIL |
| HIRE PURCHASE PAYMENTS | | |
| Barclays Asset Finance - Bentley | NIL | 1,483 08 |
| | NIL | (1,483 08) |
| FLOATING CHARGE ASSET REALISATIONS | | |
| Book Debts | NIL | 81,958 65 |
| Council Tax Refund | NIL | 175 54 |
| Bank Interest Gross | 87 20 | 501 61 |
| Trading Surplus/(Deficit) | 38,371 01 | 154,608 70 |
| | 38,458 21 | 237,244 50 |
| FLOATING CHARGE COST OF REALISATIONS | | |
| Joint Administrators' Pre-appt Remuneration | NIL | 5,241 60 |
| Joint Administrators' Fees (Floating) | NIL | 54,170 00 |
| Joint Administrators' Expenses (Floating) | 380 88 | 1,388 88 |
| Council Tax | 0 00 | 151 98 |
| Agents Fees | 4,024 97 | 11,367 97 |
| Agents Disbursements | NIL | 617 00 |
| Legal Fees (1) | 3,783 80 | 13,402 30 |
| Legal Disbursements | NIL | 10 17 |
| Corporation Tax | NIL | 28,244 80 |
| Irrecoverable VAT (Floating) | 7,012 42 | 48,533 28 |
| Statutory Advertising | 84 60 | 306 90 |
| PAYE & NI | NIL | 9,567 54 |
| Bank Charges (Floating) | 55 00 | 150 00 |
| | (15,341 67) | (173,152 42) |
| | <u>23,116 54</u> | <u>62,609.00</u> |
| REPRESENTED BY | | |
| Trade Debtors | | 293,655 02 |
| Floating Account | | 658 19 |
| Trading Account - 40k O/D | | 53,258 67 |
| Debtor Suspense Account | | (284,962 88) |
| | | <u>62,609 00</u> |

Note - Information to allocate receipts recorded in the 'debtor suspense account' against Trade Debtors is currently awaited from the Home's managing agents. This information is expected to be received shortly.

ADMINISTRATORS' TRADING ACCOUNT

Period. 17 April 2013 to 16 October 2013

Holmwood Nursing Home Limited (In Administration)
Joint Administrators' Trading Account

| Statement of Affairs | From 17/04/2013 To 16/10/2013 | From 07/06/2011 To 16/10/2013 |
|---|----------------------------------|----------------------------------|
| POST APPOINTMENT SALES | | |
| Sales - Nursing Care Fees | 608,585 00 | 3,196,094 08 |
| Sales - Sundry Items | NIL | 1,597 93 |
| Sales - Post 7 June apportioned sales | NIL | 109,308 66 |
| | <u>608,585 00</u> | <u>3,307,000 67</u> |
| PURCHASES | | |
| Purchases (1) | <u>32,424 21</u> | <u>194,935 01</u> |
| | (32,424 21) | (194,935 01) |
| OTHER DIRECT COSTS | | |
| Direct Labour | 325,469 20 | 1,559,139 44 |
| Direct Expenses | 25 50 | 57 90 |
| PAYE / NIC | <u>67,508 94</u> | <u>349,466 44</u> |
| | (393,003 64) | (1,908,663 78) |
| TRADING EXPENDITURE | | |
| Refund of care home fees | 10,469 78 | 29,604 40 |
| Utilities - Gas, Electricity & Water | 19,265 22 | 72,957 91 |
| IT Agent's fees | 1,930 97 | 1,930 97 |
| Telephone | 1,018 16 | 3,380 31 |
| Furniture | 923 20 | 6,042 48 |
| Insurance | 2,624 58 | 7,567 86 |
| Professional Fees | 2,635 72 | 19,799 04 |
| Bank Charges (Trading) | 75 00 | 1,902 77 |
| Lost property compensation | NIL | 2,500 00 |
| Lease/HP Payments | NIL | 714 00 |
| Managing Agents Disbursements | 14,614 45 | 61,255 02 |
| Repairs & Maintenance | 32,727 66 | 230,587 59 |
| Sundry Expenses | 6,677 84 | 15,325 05 |
| Joint Administrators' Fees (Trading) | NIL | 275,600 00 |
| Joint Administrators' Disbursements (Trading) | NIL | 1,343 46 |
| Vehicle Running Costs | NIL | 2,133 71 |
| Carpets/Flooring | NIL | 6,725 00 |
| Stationery | 907 83 | 5,433 63 |
| Postages | NIL | 113 69 |
| Petty Cash | NIL | 2,872 40 |
| Managing Agents' Fees | 30,999 60 | 152,869 64 |
| Hairdressers Fees | 1,230 00 | 5,397 20 |
| Council Tax | 1,939 98 | 4,723 28 |
| Offset of pre-administration sales invoices | NIL | 1,449 48 |
| Legal Fees (Trading) | NIL | 494 00 |
| Irrecoverable VAT (Trading) | 15,746 15 | 135,070 29 |
| Marketing Costs - Agents | <u>1,000 00</u> | <u>1,000 00</u> |
| | (144,786 14) | (1,048,793 18) |
| TRADING SURPLUS/(DEFICIT) | <u><u>38,371 01</u></u> | <u><u>154,608.70</u></u> |

Note - The trading surplus above does not include rents due to Holmcraft Properties Limited under the terms of a lease between the Company and Holmcraft Properties Limited. Rent has been provisioned at £300 000/year and at 7 October 2013 amounted to £700 000. Given that the rents are ultimately due to Barclays Bank Plc under the terms of their security of the Care Home's property through LPA Receivership, Barclays Bank Plc have confirmed that all rents accrued will be payable by the Company from proceeds of a sale of the Care Home.

ADMINISTRATORS' TIME COSTS AND EXPENSES

- 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 7 June 2011 to 16 October 2013

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 50 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 |
|-----------------------|--|--|
| Partner | 495 | 215 |
| Director | 395 | 215 |
| Senior Manager | 365 | 215 |
| Manager | 315 | 215 |
| Assistant Manager | 270 | 215 |
| Senior Administrator | 235 | 215 |
| Administrator | 185 | 215 |
| Trainee | 160 | 215 |
| Administrator | | |
| Support | 160 | 215 |

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 GARY PAUL SHANKLAND |
| DATE OF APPOINTMENT | 7 JUNE 2011 AND 24 APRIL RESPECTIVELY |

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

The Joint Administrators continue to trade the Home as a going concern. The Joint Administrators, with the assistance of their agents, liaised with suppliers and other stakeholders to ensure disruption to operations was minimised.

The ongoing trading has been complicated due to the Joint Administrators having to adhere to the stringent compliance requirements of the Care Quality Commission for maintaining care of the Home's residents.

Shortly following appointment, it became apparent that the Home was caring for residents which it was not registered to do so. These residents were predominantly dementia patients which required specialist care, which the Home could not provide. Consequently, a careful exercise was undertaken by the Joint Administrators to relocate these patients to safeguard the welfare of all residents, which ultimately complicated the case further.

In addition, the case has been further complicated as the Joint Administrators have had to deal with significant correspondence from the representatives of the directors of the Company and Holmcraft Properties Limited in respect of queries raised surrounding loans granted by Barclays Bank Plc.

1.3 The office holders' effectiveness

The Joint Administrators consider that realisations will be enhanced by trading the care home in administration. No premium would be obtainable 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 at the Home. The Care Home trades in administration under the supervision of specialist agents, Careport.

1.5 Anticipated return to creditors

Secured creditor

The outcome for the Bank is dependent upon the sale of the property.

Preferential creditors

The Joint Administrators are not aware that of any preferential creditors.

Unsecured creditors

Based on current estimates, it is anticipated that following a sale of the business a distribution will be made to the unsecured creditors. This will be distributed either as a prescribed part of the Company's net property pursuant to Section 176A or by a Supervisor of a Company Voluntary Arrangement.

1.6 Time costs analysis

An analysis of time costs incurred between 7 June 2011 and 16 October 2013 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

The Company's secured creditor has been kept informed of the progress of the administration.

1.8 Approval of fees

The Joint Administrators' fees have been approved by creditors and are fixed by reference to the time properly given by us (as Joint 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 Joint 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") had 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 have not rendered an invoice in this regard.

1.11 Other professionals employed & their costs

Solicitors

On appointment the administrators instructed Simmons to advise on various legal matters. Please see the main body of the report for more information. To date, an amount of £13,402 plus VAT has been paid to Simmons in respect of their fees for work undertaken during the administration. Simmons' fees are charged at Barclays Bank Plc panel rates.

Simmons have also had an invoice for £33,188 plus disbursements plus VAT approved by Barclays in respect of their time costs incurred, as follows:

- Dealing with the validity of the Joint Administrators' appointment - £1,100
- Dealing with the Court application to extend the administration - £6,000
- Dealing with previous offers for the business which are no longer being pursued
- Other general administration matters and assisting the Joint Administrators – £26,088

This invoice is to remain outstanding until a sale for the Care Home completes

Employment of Other Agents

Careport

Careport are instructed to undertake the day to day management of the Care Home. Careport were remunerated on a fixed monthly rate of £4,750 plus disbursements and VAT per month.

To date Careport have been paid £23,750 plus VAT.

Healthcare Management Solutions Limited

Until April 2013, HCMS were instructed to undertake the day to day management of the Care Home. HCMS were remunerated on a fixed monthly rate of £4,750 plus disbursements and VAT per month.

HCMS's fees total £129,120 plus VAT.

Edward Symmons LLP

ES are instructed to sell the Home. ES's remuneration is agreed at 1.25% of the total sale price of the Home and its business.

As the Care Home has yet to be sold, no fee is yet payable.

Christies

Christies were instructed as sole marketing agents of the Home, prior to ES's involvement. No fees were paid to Christies.

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

See 1.10 above.

BDO LLP ("BDO")

BDO have been instructed to provide further tax advice in respect of the allocation of the sales consideration and the tax treatment of the Company's leasehold for the Care Home. BDO's fees for this work were capped at £1,500 plus VAT for providing this advice.

In addition, BDO were instructed to assist with the completion of the Company's Corporation Tax return for the period ending 6 June 2012. BDO's fees were capped at £3,000 plus VAT for undertaking this work.

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, and
- General creditors enquiries,

Additionally, the Administrators and their 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,
- Met with the Bank to discuss the strategy of the administration,
- Held meetings with the employees and relatives of the residents,
- Attended site to monitor the running of the Care Home,
- Liaised with HCMS (latterly Careport) 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,
- Enquired 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,
- Considered the conduct of the Company's director and making the appropriate submissions to the Department for Business Innovation and Skills,
- Corresponded with local authorities in respect of residents,
- Acquired the legal title of the Bentley Motor Vehicle with a view to commencing recovery proceedings,
- Dealt with a significant volume of creditor and employee queries,
- Attended internal meetings to discuss case strategy and progress,
- Prepared reports and provided regular updates to the secured creditor,
- Compiled detailed proposals and an estimated outcome statement to creditors in accordance with Schedule B1 - Para 49 (1) of the Insolvency Act,
- Liaised with Simmons, Christies (latterly ES) and the director in respect of sale progression,
- Corresponded with tax advisers regarding sale consideration allocation and corporation tax returns,
- Reviewed and commented on a draft sale and purchase agreement,
- Met with the residents' families at the Care Home,
- Undertaken extensions of the Company's administration periods,
- Provided intended purchasers with Company information to satisfy due diligence requests,
- Liaised with HM Revenue and Customs in respect of PAYE/NIC matters,
- Reported to Barclays Bank plc, and
- Facilitated the transfer of managing agents at the Home

[illegible]