

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 October 2013

(b) 16 April 2014

Signed


Joint Administrator

Dated

7 MAY 2014

Contact Details:

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

Begbies Traynor (Central) LLP

32 Cornhill, London EC3V 3BT,

Tel Number 020 7398 3800

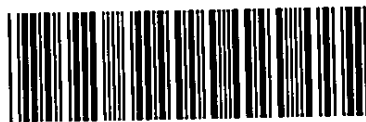
Fax Number 020 7398 3799 (Fax)

DX Number

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

Companies House, Crown Way Cardiff, CF14 3UZ

DX 33050 Cardiff



A371HJ5D

A28

09/05/2014

#31

COMPANIES HOUSE

Kirstie Jane Provan and Nigel David Nutting were appointed joint administrators on 7 June 2011

Gary Paul Shankland replaced Nigel David Nutting as joint administrator on 24 April 2013

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 of the joint administrators pursuant to Rules 2.47 of The Insolvency Rules 1986

Period 17 October 2013 to 16 April 2014

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
- Expenses
- Assets that remain to be realised
- Other relevant information
- Creditors' rights
- Conclusion
- Appendices
 - 1 Administrators' account of receipts and payments
 - 2 Administrators' trading account
 - 3 Administrators' time costs and disbursement
 - 4 Statement of 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"	<ul style="list-style-type: none">(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 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 Gary Paul Shankland, Licensed Insolvency Practitioners of Begbies Traynor (Central) LLP, 32 Cornhill, London, EC3V 3BT
Date of administrators' appointment	Kirstie Jane Provan – 7 June 2011 Nigel David Nutting – 7 June 2011 Gary Paul Shankland – 24 April 2013
Date of administrators' resignation	Nigel David Nutting – 24 April 2013
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.
Extensions of the administration period	<p>The administration period was extended with the consent of creditors for a period of 6 months to 6 December 2012.</p> <p>The administration period has been further extended by Court Orders for periods of 12 months to 7 December 2013 and most recently, to 7 December 2014.</p>

4. PROGRESS DURING THE PERIOD

Attached at Appendix 1 is our abstract of receipts and payments for the period from 17 October 2013 to 16 April 2014 ("the Period") along with receipts and payments from the commencement of the administration to 16 April 2014

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. 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 whilst the Administrators seek a disposal of the Care Home.

During the period the Company's trading performance has continued to improve with occupancy at the Care Home having increased to 41 residents (at the date of this report), with further residents expected to be placed by the Local Authority in the near future. The Company continues to generate a net trading surplus before rental payments/provisions.

The Administrators' trading account for the period 17 October 2013 to 16 April 2014 is attached at Appendix 2.

Marketing & Disposal of Business and Leasehold Property

As reported previously, on 19 October 2013 an offer from a party known previously to the Administrators was approved by the Bank subject to satisfactory proof of funding. During the Period the Administrators have been in extensive negotiations with the prospective purchaser whilst dealing with all due diligence requests. Proof of funding has been received from the prospective purchaser and, at the time of writing this report it is anticipated that exchange of contracts will take place during May 2014 with completion shortly thereafter.

The disposal has been protracted due to issues surrounding the prospective purchaser's finance and a restructure of their own asset portfolio. Due to the sensitivities regarding the offer, further information cannot be disclosed at present.

The Care Home has remained on the open market during the Period and Edward Symmons ("ES") have continued to receive enquiries from interested parties but at present, no further offers for the Care Home have materialised.

Tax Investigations

During the Period, it was brought to the Administrators' attention that the Company's former accountant had been imprisoned for tax fraud. This has resulted in HM Revenue and Customs ("HMRC") undertaking investigations into the Company's pre-administration tax affairs which has, through balances brought forward, impacted on the calculation of post-administration tax liabilities. These investigations have focused predominantly around corporation tax and NI contributions.

With assistance from tax specialists, BDO LLP, the Administrators have been required to respond extensively to HMRC's enquiries. These investigations remain ongoing with the prospect of certain further tax liabilities falling due yet to be established.

Bentley Motor Vehicle

It has previously been reported that legal title of a Bentley Continental motor vehicle ("the Bentley") passed to the Company on 30 March 2012 from Barclays Mercantile Finance. The Bentley had been listed as a Company asset prior to administration and had been in the possession of, the Company Secretary.

During the Period it has been brought to the attention of the Administrators that the ownership of the Bentley has been transferred to a third party during the Period. The Administrators are investigating the transfer and the prospect of recovering into the estate.

Due to the sensitivities of this matter, further details cannot be included at this time.

OTHER MATTERS

Use of Solicitors

Simmons & Simmons LLP ("Simmons")

Following their appointment, the Administrators instructed 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.

TLT LLP

TLT LLP have been instructed during the Period to assist with various legal matters surrounding the Care Home's employees. TLT's fees for this work have totalled £575.

Trading Agents

Careport

Careport are instructed as the Administrators' trading agents at the Home. Careport are paid a fixed amount of £4,750 per month in respect of their fees.

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 returns and assisting with HMRC's investigations into the Company's tax affairs, as mentioned above. 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 April 2014, incorporating a period account of the period 17 October 2013 to 16 April 2014. 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 £650,433. However, this amount does not include sales achieved between 1 April 2014 to 16 April 2014 due to timing of processing

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 October 2013 to 16 April 2014, the Company is shown as having a trading loss of £42,656. However, this is subject to upward adjustment for sales achieved in April 2014, which have not been included in the enclosed receipts and payments account. The total monthly sales for April 2014 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 £93 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 £194 has been paid to Begbies Traynor (Central) LLP in respect of the administrators' disbursements

Legal Fees and Disbursements

Amounts of £10,000 and £1,180 have been paid to Simmons in respect of their fees and disbursements for assisting the administrators with progressing the sale of the Care Home. The disbursement represents Barrister costs for attending a Court hearing for the extension of the administration in November 2013

Irrecoverable VAT

An amount of £3,821 has been incurred during the Period in respect of irrecoverable VAT

Bank Charges

Bank charges totalling £38 have been incurred during the period for the operation of the Company's administration bank account

DVLA costs

During the Period an amount of £8 has been paid to the Driver and Vehicle Registration Agency in respect of searches relating to the Bentley (see above for further details)

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 seek to move the Company into Creditors' Voluntary Liquidation, per the proposals

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 April 2014 amount to £501,947.50 which represents 2,473.30 hours at an average rate of £202.95 per hour. These costs have been reported at the Bank's standard rate of £215 per hour for all grades of staff. (The prevailing Barclays Bank Plc panel rate of £205 per hour increased to £215 per hour with effect from 1 September 2011)

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 April 2014
- ☐ 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 £462,634, of which £65,282, relating to trading costs, remains unpaid. The invoice total of £462,634 consists of £408,464 for fees drawn relating to the trading of the Company and £54,170 in relation to the general running of the administration.

In addition, a copy of 'A Creditors Guide to Administrators' Fees (E&W) 2011' which provides guidance on creditors' rights on how to approve and monitor an Administrator's remuneration and on how the remuneration is set can be obtained online at www.begbies-traynor.com/creditorsguides. Alternatively, if you require a hard copy of the Guide, please contact our office and we will arrange to send you a copy.

7. EXPENSES

A statement of the expenses incurred and discharged by us during the period of this progress report is attached at Appendix 4.

8. 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 joint administrators have fully discharged their duties, a sale of the nursing home remains outstanding. More details in this regard are provided above.

Bentley Motor Vehicle

The Administrators are currently in liaison with solicitors to determine the recovery prospect of the Bentley, as detailed in section 4 above.

9. OTHER RELEVANT INFORMATION

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 have now been concluded and we have discharged all obligations in this respect.

10. CREDITORS' RIGHTS

Right to request further information

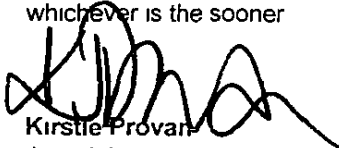
Pursuant to Rule 2.48A of the Rules, within 21 days of the receipt of this report a secured creditor, or an unsecured creditor with the concurrence of at least 5% in value of the unsecured creditors including that creditor (or an unsecured creditor with less than 5% in value of the unsecured creditors, 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 by us as set out in this progress report are excessive or, in relation to the basis fixed for our remuneration, inappropriate

11. CONCLUSION

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



Kirstie Provan
Joint Administrator

Dated 7/5/14

ADMINISTRATORS' ACCOUNT OF RECEIPTS AND PAYMENTS

Period 17 October 2013 to 16 April 2014

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

Statement of Affairs	From 17/10/2013 To 16/04/2014	From 07/06/2011 To 16/04/2014
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)
ASSET REALISATIONS		
Book Debts	NIL	81,958 65
Council Tax Refund	NIL	175 54
Bank Interest Gross	93 10	594 71
Trading Surplus/(Deficiency)	(42,655 85)	172,334 48
	(42,562 75)	255,063 38
COST OF REALISATIONS		
Joint Administrators' Pre-appt Remuneration	NIL	4,368 00
Joint Administrators' Fees (Floating)	NIL	54,170 00
Joint Administrators' Expenses (Floating)	194 13	1,583 01
Agents Fees	NIL	11,967 97
Agents Disbursements	NIL	617 00
Legal Fees (1)	10,000 00	23,402 30
Legal Disbursements	1,180 00	1,190 17
Corporation Tax	NIL	28,244 80
Irrecoverable VAT (Floating)	3,821 02	52,588 32
Statutory Advertising	NIL	306 90
PAYE & NI	NIL	9,567 54
Bank Charges (Floating)	37 50	187 50
DVLA costs	7 50	7 50
	(15,240 15)	(188,201 01)
	<u>(57,802 90)</u>	<u>65,379 29</u>
REPRESENTED BY		
Trade Debtors		296,088 02
Floating Account		992 75
Trading Account - 40k O/D		195,399 76
Debtor Suspense Account		(427,101 24)
		<u>65,379 29</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 October 2013 to 16 April 2014

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

Statement of Affairs	From 17/10/2013 To 16/04/2014	From 07/06/2011 To 16/04/2014
POST APPOINTMENT SALES		
Sales - Nursing Care Fees	650,433 00	3,846,527 08
Sales - Sundry Items	NIL	1,597 93
Sales - Post 7 June apportioned sales	NIL	109,308 66
	<u>650,433 00</u>	<u>3,957,433 67</u>
PURCHASES		
Purchases (1)	<u>48,003 64</u>	<u>242,938 65</u>
	(48,003 64)	(242,938 65)
OTHER DIRECT COSTS		
Direct Labour	364,813 03	1,865,885 54
Direct Expenses	NIL	57 90
PAYE / NIC	<u>80,956 64</u>	<u>430,423 08</u>
	(445,769 67)	(2,296,366 52)
TRADING EXPENDITURE		
Refund of care home fees	NIL	29,604 40
Utilities - Gas, Electricity & Water	32,079 56	105,037 47
Telephone	1,227 29	4,607 60
Furniture	NIL	6,042 48
Insurance	NIL	7,567 86
Professional Fees	2,930 00	22,729 04
Bank Charges (Trading)	45 00	1,947 77
Lost property compensation	NIL	2,500 00
Lease/HP Payments	NIL	714 00
Managing Agents Disbursements	10,229 73	71,484 75
Repairs & Maintenance	20,860 26	250,968 44
Sundry Expenses	277 16	15,602 21
Joint Administrators' Fees (Trading)	67,581 50	343,181 50
Joint Administrators' Disbursements (Trading)	NIL	1,343 46
Vehicle Running Costs	NIL	2,133 71
Carpets/Flooring	NIL	6,725 00
Stationery	1,304 11	6,737 74
Postages	NIL	113 69
Petty Cash	NIL	2,872 40
Managing Agents' Fees	28,500 00	181,369 64
Hairdressers Fees	1,387 00	6,784 20
Council Tax	160 04	4,883 32
Offset of pre-adm sales invoices	NIL	1,449 48
Legal Fees (Trading)	575 00	1,069 00
Irrecoverable VAT (Trading)	32,158 89	167,324 86
Marketing Costs - Agents	<u>NIL</u>	<u>1,000 00</u>
	(199,315 54)	(1,245,794 02)
TRADING SURPLUS/(DEFICIT)	<u><u>(42,655 85)</u></u>	<u><u>172,334 48</u></u>

Note - The trading surplus above does not include rents due to Holmcroft Properties Limited under the terms of a lease between the Company and Holmcroft Properties Limited. Rent has been provisioned at £300,000/year and at 7 May 2014 amounted to £875,000. Given that the rents are ultimately payable 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

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.

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 Holmcroft Properties Limited in respect of queries raised surrounding loans granted by Barclays Bank Plc.

In addition, HM Revenue and Customs have been undertaking investigations into the Company's pre-administration tax affairs. The Administrators have been required to respond extensively to HMRC's enquiries which remain ongoing.

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 could be made to the unsecured creditors. This would 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 April 2014 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 £23,402 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.

In addition, TLT LLP Solicitors have been instructed to assist with various legal matters surrounding the Care Home's employees. TLT's fees for this work have totalled £575.

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.

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 totalled £129,120 plus VAT.

Edward Simmons 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 periods ending 6 June 2012 and 6 June 2013. BDO's fees were capped at £3,000 plus VAT for undertaking this work for each period.

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 including various investigations into the Company's pre-appointment tax affairs,
- Reported to Barclays Bank plc,
- Investigated the transfer of the Bentley Motor Vehicle,
- Dealt with solicitors regarding various employee matters, and
- Facilitated the transfer of managing agents at the Home

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

[illegible]

STATEMENT OF EXPENSES

Type of expense	Name of party with whom expense incurred	Amount incurred £	Amount discharged £	Balance (to be discharged) £
Postage	Royal Mail	98 02	98 02	-
Rail	Network Rail and London Underground	77 80	77 80	-
Subsistence	Various	18 31	18 31	-
	Total	194 13	194.13	-