

Aberdeen House Care Limited (“The Company”)

Report for Creditors

Private & Confidential

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1 GENERAL INFORMATION

Introduction

Business Helpline Group Limited ("the firm") was contacted on 23 November 2023 by the Director of Aberdeen House Care Limited – Rakesh Kotecha, to discuss the financial situation of the Company and the options available. Prior to this date, neither the firm nor the proposed Liquidators have had any other involvement with the Company or its Director.

As a result of those discussions, the Director concluded that the Company could no longer operate by nature of the quantum of its liabilities and that recommendation should be made to the Shareholder's to place the company into Creditors Voluntary Liquidation. The board of Directors instructed Business Helpline Group Limited and Opus Restructuring LLP on 5 January 2024 to assist with the decision process scheduled for 17 January 2024.

Shareholders' meeting

A notice to shareholders calling a general meeting of the Company was sent on 8 January 2024. The general meeting of shareholders will be held on 17 January 2024 at 10.00 am.

The following resolutions will be considered at the shareholders' meeting:

1. "That the Company be wound up voluntarily."
2. "That Laura Stewart, of Business Helpline Group Limited, Office 007, Northlight Parade, Nelson, BB9 5EG and Gareth Wilcox of Opus Restructuring LLP, Cornwall Buildings, 45 Newhall Street, Birmingham B3 3QR be appointed as Joint Liquidators of the Company".

2 STATUTORY INFORMATION

The Company was incorporated on 6 June 2011 in the name of Aberdeen House Care Limited and the Company Registration No. is 07658860 and traded from leasehold premises - 20 Stockerston Road, Uppingham, Oakham LE15 9UD.

The Company has not had any other names since incorporation, and its primary purpose was to offer long-term care and support, for individuals who require specialised care in a full-time residential setting.

The registered office, which has recently been changed to the offices of Business Helpline Group Limited, has been located as follows:

From	To	Registered Office Address
Incorporation	10 October 2013	26 The Fairway, Oadby, Leicestershire, LE2 2HJ.
10 October 2013	Present	West Walk Building, Regent Road, Leicestershire, LE1 7LT.

The authorised share capital is 100 ordinary shares of £1.00 each. The entire allotment has been issued and fully paid as follows:

Name of member	Ordinary	Percentage
Mr Rakesh Kotecha	25	25 %
Mr Mahesh Vithaldas Kotecha	25	25 %
Mrs Pragna Kotecha	25	25 %
Trushali Kotecha	25	25%

The officers of the Company, past and current, are detailed below: -

Name	Position	Appointed	Resigned
Mr Rakesh Kotecha	Director	6 June 2011	N/A
Mr Mahesh Vithaldas Kotecha	Director	6 June 2011	N/A
Mrs Pragna Kotecha	Director	6 June 2011	N/A
Mrs Trushali Kotecha	Director	5 August 2015	N/A

3 HISTORY OF THE COMPANY AND EVENTS LEADING TO INSOLVENCY

Established in June 2011, Aberdeen House Care Limited ("the Company") operated as a family-run business specialising in local residential care services, emphasising long-term care and support for its residents. The company conducted its operations on premises owned by an associated entity, Aberdeen House Property Limited ("associated Company"), which provided funding for the establishment of the care home. These funds were allocated for essential purposes, including renovations, startup costs, and furnishing the facility.

The company enjoyed significant advantages from contracts with the local authority, facilitating the direct admission of residents. This arrangement streamlined resident placements, contributing to the operational framework and financial stability of the company. However, the onset of the COVID-19 pandemic in 2020 led to a downturn in revenue and cash flow challenges.

During the challenging pandemic period, the care home faced profound loss as numerous residents passed away, amplifying the strain on the Company. The heightened risks associated with the pandemic and the vulnerability of the elderly population in the care home presented substantial challenges.

Staff retention became notably difficult from 2020 to 2021, as perceived risks within the industry prompted many employees to resign. The departure of experienced staff necessitated increased reliance on agency personnel, resulting in escalated operational costs. The director attributes these increased costs, linked to pandemic-related measures and reduced occupancy, as significant contributors to the strain on the company's cash flow.

The director holds the opinion that the emergence of additional purpose-built care homes in

the local community introduced new challenges and heightened competition. These purpose-built care homes benefitted from advantages such as reduced benefit rates and local authority funding, resources beyond the company's reach. The Local Authority established a weekly rate, imposing a minimum bed charge of £750.00 per week, whereas purpose-built homes provided beds at a more economical rate of £650.00 per week. Despite efforts to negotiate rate adjustments with the Local Authority in June 2023, the home was unsuccessful in obtaining approval for reduced rates.

Subsequent to these challenges, the company, which previously housed eighteen residents, found itself accommodating only nine residents. Regrettably, the company faced difficulties in securing additional residents promptly before depleting its financial resources.

A meeting was arranged with Business Helpline Group Limited and Opus Restructuring LLP and based on the financial information provided by the director it was evident that the Company was insolvent. After consulting with representatives of the firm's the director felt he had no option but to call the meetings of shareholders and creditors necessary to place the company into voluntary liquidation.

The director considers that the main reasons for the Company's failure were as follows;

1. Financial losses as a result of COVID-19.
2. Heightened competition within the local area.

4 MATERIAL TRANSACTIONS

There have been no material transactions prior to the liquidation known to the proposed liquidators.

5 FINANCIAL INFORMATION

The Company's draft accounts for the years ended 31 March 2022 and 2023 are attached as appendix 1.

6 COMMENTS ON THE DIRECTOR'S STATEMENT OF AFFAIRS

The Director's Statement of Affairs was produced and executed on 12 January 2024, and is attached as Appendix 2. The Statement of Affairs does not reflect the costs of insolvency and realisation.

ASSETS

Book debts

The Company is owed the total sum of £94,980.00 by two associated Companies.

The proposed liquidator will seek recovery of the sums owed to the Company on appointment. So far, £6,965.00 has been recovered from debtors recorded in the financial accounts to 31

March 2023.

The current realisable value assigned to the book debts is uncertain at this time.

Fixed Assets

The Company's fixed assets which had a book value of £10,572.00 in the financial accounts to 31 March 2023 have been valued by RICS Registered Valuer, MGR Appraisals and are reported further down.

MGR Appraisals were instructed on 5 January 2024 to value the assets of the Company. They confirmed their independence, are qualified by the Royal Institute of Chartered Surveyors (RICS) and have adequate professional indemnity insurance. A going concern valuation reflects the estimated amount for which the assets could be sold as a whole in their working place(s). A forced sale basis reflects a sale whereby the assets are removed from the premises at the expense of any purchaser.

The valuation of the Company's assets are as follows:

Market Value (as a whole for use in their working place)	£7,500.00
Market Value (as individual items for removal from the premises at the expense of the purchaser)	£1,500.00

Creditors should note, the statement of affairs indicates an uncertain amount for realisations. It is likely the cost of collection and realisation would outweigh their actual value on the open market.

Cash at Bank

The sum of £16,372.65 is presently held in a designated client account of Opus Restructuring LLP, representing the funds repaid by an associated Company for £6,965.00 and the remaining balance of £9,407.65 from the Company's cash at bank.

SECURED CREDITORS

Creditors Secured

The Company granted to Lloyds Bank Plc an 'Omnibus Guarantee and Set-Off Agreement' dated 23 August 2016. The agreement comprises of four associated entities – Aberdeen House Care Limited, Aberdeen House Property Limited, Trinity House Care Limited and Trinity House Property Limited.

The Company also granted a debenture dated 22 July 2017 and a charge registered to the property of Aberdeen House Property Limited.

The amount outstanding at the date of the statement of affairs is £165,819.00.

Creditors are advised that an ongoing sale of Aberdeen House Property Limited should satisfy the liability in full and subsequently the charge detailed above will not give rise to a prescribed part on completion of the sale and settlement of the liability.

However, section 176A of the Insolvency Act 1986 provides that the liquidator shall make a prescribed part of the company's net property available for the satisfaction of unsecured creditors.

The prescribed part is a proportion of the net property to be distributed to unsecured creditor where a floating charge was registered after 15 September 2003.

The statement of affairs indicated that the prescribed part is calculated as follows:

- 50% of the first £10,000 of the net property; and
- 20% of the remaining net property,
- Up to a maximum amount to be made available of £800,000 (only for liquidations commencing on or after 6 April 2020 but not in relation to floating charges created before this date unless priority has been given to one created after this date. For all other cases, the cap of £600,000).

Creditors should note that this sum is only an estimate, and any actual prescribed part amount will be based on actual realisations and the costs of realisation and liquidation.

Preferential Creditors

The preferential creditors' claims are estimated to amount to £15,232.67 in respect of eighteen employees for wage arrears, pension contributions and holiday pay.

There is a further expected claim for arrears of employees' pension contributions for £310.53 and employer contributions of £232.88.

These claims may be covered by the Redundancy Payments Office, who will then gain subrogated rights to preferential status.

Secondary Preferential Creditors

HM Revenue and Customs are owed the sum of £39,283.52 for unpaid PAYE.

UNSECURED CREDITORS

Employee's

An aggregate sum of £119,331.86 is owed to seventeen former employees for redundancy pay and payment in lieu of notice.

These claims may be covered by the Redundancy Payments Office, who will then gain subrogated rights to non-preferential status.

Trade Creditors

Trade creditor claims as per the statement of affairs represents an aggregate sum of £25,270.35 owing to eleven unsecured trade creditors.

Creditors are advised that a wind-up petition was filed by a creditor on 20 October 2023 and the hearing convened on the 10 January 2024. During the hearing an adjournment was granted, and the rescheduled hearing is now set for the 7 March 2024.

Associated Companies

The sum of £82,909.00 recorded in the statement of affairs is owed to two associated companies.

Directors' Loan Account

The sum of £26,769.08 recorded in the financial records to 31 March 2023 is owed to the Company's directors.

Shares

The issued and fully paid-up share capital is £100.00 resulting in an overall total deficiency of £458,886.37.

A deficiency account is attached at Appendix 3, indicating an overall deficiency of £458,886.37.

7 PRE-APPOINTMENT FEE INFORMATION

Business Helpline Group Limited and Opus Restructuring LLP have been instructed by the Directors, on behalf of the Company on the 18 December 2023 to assist in preparing the Statement of Affairs, convening a meeting of the Board, and seeking a decision from the creditors on the appointment of a liquidator.

The sum of £7,000.00 plus VAT and expenses has been agreed to be paid by the Company by way of a fixed fee, in respect of the instructions given to assist the Director's in preparing the Statement of Affairs and to seek a decision from the creditors on the appointment of a liquidator.

Prior to the provision of the explanatory information, Business Helpline Group Limited has:

- Met and liaised with the Director to obtain the relevant information
- Extracted information about the creditors from the Company's accounting records and entered this into our case management system to enable documents relating to the meeting of creditors to be issued
- Assisted the Director in the preparation of their report to the meeting
- Written and liaised with the Company's accountants
- Assisted the Director in the preparation of the Statement of Affairs.

8. LIQUIDATORS' FEES

In this case, and with the approval of creditors, the liquidators are seeking to fix the basis of their remuneration on a time cost basis.

When the liquidators seek approval for their fees on a time cost basis, they have to provide a fee estimate. That estimate acts as a cap on their time costs so that they cannot draw fees of more than the total estimated time costs without further approval from those who approved the fees. Attached at Appendix 4 a "Fees estimate summary" that sets out the work that the liquidators intend to undertake, the hourly rates they intend to charge for each part of the work, and the time that they think each part of the work will take. It includes a summary of that information as an average or "blended" rate for all of the work being carried out within the estimate. In summary, the liquidators are seeking to be remunerated on a time cost basis in respect of the work they and their staff undertake in respect of the following categories of work.

Administration

This represents the work that they and their staff have to undertake in respect of the routine administrative functions of the case, including preparing, reviewing and issuing statutory reports. It also includes the liquidators control and supervision of the work done by their staff on the case, together with the supervisory functions of their managers. Such work does not give direct financial benefit to the creditors, but the liquidators have to undertake it in order to meet their statutory obligations under the insolvency legislation and the Statements of Insolvency Practice, which set out required practice that I must follow.

Realisation of Assets

This represents the work the liquidators will undertake to protect and then realise the Company's assets. If the Company's assets are recovered, the liquidators will first use the proceeds to meet the costs and expenses of the case and then distribute any balance to the creditors in the statutory order of priority.

Creditors

The liquidators need to maintain up to date records of the names and addresses of creditors, together with the amounts of their claims as part of my management of the case, and to ensure that they have accurate information about who to send notices and reports to. The liquidators will also have to deal with correspondence and queries received from creditors regarding their claims and dividend prospects as they are received. The liquidators are required to undertake this work as part of their statutory functions.

The liquidators also have to undertake certain statutory formalities in order that they can pay a dividend to creditors. This includes writing to all creditors who have not lodged proofs of debt and reviewing the claims and supporting documentation lodged by creditors in order to formally agree their claims, which may involve requesting additional information and documentation from the creditors.

Investigations

The insolvency legislation gives the liquidators powers to take recovery action in respect of what are known as antecedent transactions, where assets have been disposed of prior to the commencement of the insolvency procedure and also in respect of matters such as misfeasance and wrongful trading. The liquidators are required by the Statements of Insolvency Practice to undertake an initial investigation in all cases to determine whether there are potential recovery actions for the benefit of creditors.

If the liquidators identify potential recoveries, or matters for further investigation, then they will need to undertake additional work to investigate them in detail and attempt recovery where necessary. The liquidators cannot fix the basis of my remuneration for dealing with such unknown or uncertain assets at present, and if such assets are identified the liquidators will seek approval for an appropriate fee basis.

The liquidators are also required by legislation to report to the Secretary of State on the conduct of the Directors. The liquidators have to undertake this work to enable them to comply with this statutory obligation, which is of no direct benefit to the creditors, although it may identify potential recovery actions.

More details of the tasks included in these categories are included in the fees estimate. The liquidators estimate that the total time costs that they will incur in undertaking these tasks based on a split of duties are as follows; Business Helpline Group Limited, £17,765.00 at a blended rate of £155.15 and Opus Restructuring LLP, £15,225.00 at a blended rate of £261.60. Details of the time units used and current charge-out rates are provided in our respective practice remuneration policies, a copy of which is available on the firm's website. While all possible steps have been taken to make this estimate as accurate as possible, it is based on our current knowledge of the case and our knowledge and experience of acting as office holders in respect of cases of a similar size and apparent complexity. As a result, the fees estimate does not take into account any currently unknown complexities or difficulties that may arise during our administration of the case.

If the time costs incurred on the case exceed the estimate, or are likely to exceed the estimate, the liquidators will provide an explanation as to why that is the case in the next progress report sent to creditors. Since the liquidators cannot draw remuneration in excess of the fee estimate without first obtaining approval to do so, then where the liquidators consider it appropriate in the context of the case, they will seek a resolution to increase the fee estimate so that they will then be able to draw additional remuneration over and above this fee estimate.

The liquidators only anticipate needing to seek approval to draw fees in excess of the estimate if any currently unknown complexities or difficulties arise during my administration.

9. LIQUIDATORS' EXPENSES

Expenses are any payments from the estate which are neither an office holder's remuneration nor a distribution to a creditor or a member. Expenses also includes disbursements. Disbursements are payments which are first met by the office holder and then reimbursed to the office holder from the estate. Expenses are split into:

Category 1 expenses, which are payments to persons providing the service to which the expense relates who are not an associate of the office holder; and category 2 expenses, which are payments to associates or which have an element of shared costs. Before being paid category 2 expenses require approval in the same manner as an office holder's remuneration.

It is anticipated that category 1 expenses totaling £1,649.28 will arise in this case, as detailed in Appendix 4. The liquidators are able to pay expenses without needing to obtain approval, but when they issue statutory reports, they will compare the actual expenses incurred with the original estimate provided and will explain any material differences.

Further information about creditors' rights can be obtained by visiting the creditors' information micro-site published by the Association of Business Recovery Professionals (R3) at <http://www.creditorinsolvencyguide.co.uk/>. Details about how an office holder's fees may be approved for each case type are available in a series of Guidance Notes issued with Statement of Insolvency Practice 9, and they can be accessed at <https://businesshelpline.uk/fee-remuneration-policy/> -Business Helpline Group Limited and <https://opusllp.com/restructuring-insolvency/creditor-fee-guide/> - Opus Restructuring LLP.