

**Stonelea Developments Limited**

**Directors' report and financial  
statements**

Registered number 02019869

For the 18 month period ended  
30 June 2013

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## Directors and Advisors

Directors	David Manson Ted Smith
Secretary	Katharine Kandelaki (resigned 6 September 2013)
Company Number	02019869
Registered Office	Two Parklands Business Park Great Park Rubery Birmingham B45 9PZ
Auditors	KPMG LLP One Snow Hill Snow Hill Queensway Birmingham B4 6GH United Kingdom

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## Directors' report

The directors present their report and financial statements for the 18 month period ended 30 June 2013

### Change of accounting reference date

The company has changed its accounting reference date from 31 December to 30 June

### Change in ownership

On 24<sup>th</sup> July 2012, the company was purchased by Esquire Realty Holdings Limited, along with four property companies and 3 other dormant companies

### Principal activities and review of the business

The company had ceased to trade in 2008 and had been dormant since that date. During the current period an accrual was released which has resulted in a profit for the period.

### Change of ownership

In July 2012, the Directors of Esquire Consolidated Group Limited ('Old Group') of which the Company is a 100% owned subsidiary entered into a new Facilities Agreement with its Senior Lenders the aim of which was to put the Group on a secure five year platform. However the external bank debt remained significant and subsequently the directors of the Group entered into negotiations around a debt restructuring with its senior lenders.

On 16 April 2014, Embrace Group Limited ('New Group') a company whose significant shareholders are Varde Partners and D E Shaw & Co, acquired certain of the subsidiaries of European Care & Lifestyles (UK) Limited and Esquire Realty Holdings Limited. This transaction was made with a view to maintaining substantially all of the operations of Old Group, but in the context of a new ownership structure with a smaller overall debt obligation for New Group. At 30 June 2013 the Old Group's external debt was £317.5 million. The companies that were acquired by Embrace Group Limited have total shareholder loan notes of £79.6 million and equity of £0.5 million. As part of the transaction additional cash of £5 million has been injected into the New Group, securing its long term future and meaning we can commit to investing in our business for the benefit of the people we support.

This process has also led to the simplification of the Group's structure. The current management team inherited a corporate structure whereby the ultimate parent company and a number of the Group's subsidiaries have been domiciled in Guernsey or the British Virgin Islands. From April 2014 these companies will be domiciled in the UK for Corporation Tax purposes. These subsidiaries had previously been subject to UK income tax under HMRC's Non-resident landlord scheme.

The Group's management team (which has remained in place following the acquisition noted above) has been developing a new brand that is more fitting of the Group's ethos and values. From 17 April 2014 the group has been operating under the name of Embrace. Our new brand has been developed in conjunction with key stakeholders including people we support, relatives, staff and commissioners.

### Results and dividends

The results for the period are set out on page 6.

The directors do not recommend payment of an ordinary dividend.

### Directors

The following directors have held office since 1 January 2012

Ralph Beney	(resigned 25 July 2012)
Mr A Horwood	(resigned 25 July 2012)
David Manson	(appointed 25 July 2012)
Ted Smith	(appointed 25 July 2012)

### Company Secretary

The company secretary (Katharine Kandelaki) resigned on 6 September 2013. No new company secretary has been appointed.

## Directors' report (*continued*)

### Statement of disclosure to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information

### Auditor

On 3 April 2014, KPMG LLP was appointed as auditor

Pursuant to Section 485 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

### Preparation of accounts on Going Concern basis

The directors have considered the appropriateness of the going concern basis for the preparation of the financial statements in note 1

This report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006

By order of the board



**David Manson**  
*Director*

Two Parklands Business Park  
Great Park  
Rubery  
Birmingham  
B45 9PZ

30 April 2014

## **Statement of directors' responsibilities in respect of the Directors' Report and the financial statements**

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law, the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

## **Independent auditor's report to the members of Stonelea Developments Limited**

We have audited the financial statements of Stonelea Developments Limited for the period ended 30 June 2013 set out on pages 6 to 10. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Framework for Smaller Entities (Effective April 2008) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As explained more fully in the directors' responsibilities statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 30 June 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice applicable to smaller entities, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Independent auditor's report to the members of Stonelea Developments Limited**  
(continued)

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements

In forming our opinion on the financial statements, which is not modified, we note that the prior period financial statements were not audited. Consequently, International Standards on Auditing (UK and Ireland) require the auditor to state that the corresponding figures contained within these financial statements are unaudited

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime



**Stuart Smith (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
*One Snowhill*  
*Snow Hill Queensway*  
*Birmingham*  
*B4 6GH*  
*United Kingdom*

**30** April 2014



**Profit and loss account**  
*for the period ended 30 June 2013*

	<i>Note</i>	<b>Period ended 30 June 2013 £</b>	<b>Year ended 31 December 2011 £</b>
Administrative expenses		6,383	-
<b>Operating profit</b>		<b>6,383</b>	-
Interest payable and similar charges		-	-
<b>Profit on ordinary activities before taxation</b>	<b>2</b>	<b>6,383</b>	-
Taxation on loss on ordinary activities	<b>3</b>	-	-
<b>Profit for the financial period</b>	<b>7</b>	<b>6,383</b>	-

The profit and loss account has been prepared on the basis that all operations are continuing operations

There were no recognised gains or losses during the current period or preceding year apart from the profit for the financial period shown above



**Balance Sheet**  
*at 30 June 2013*

	<i>Note</i>	30 June 2013	31 December 2011
		£	£
<b>Current assets</b>			
Debtors	4	6,483	6,483
<b>Current liabilities</b>			
Creditors	5	-	(6,383)
		<hr/>	<hr/>
<b>Net current assets</b>		6,483	100
		<hr/>	<hr/>
<b>Net assets</b>		6,483	100
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	6	100	100
Profit and loss account	7	6,383	-
		<hr/>	<hr/>
<b>Shareholders' funds</b>	8	6,483	100
		<hr/>	<hr/>

The financial statements have been prepared in accordance with the provisions applicable to companies subject to the small company's regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008)

These financial statements were approved by the board of directors on 30 April 2014 and were signed on its behalf by



**David Manson**  
*Director*

Company registered number 02019869

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below

#### *Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated Financial Statements

#### *Consolidation*

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group accounts as it is exempt from the requirement to do so by section 400 of the Companies Act 2006 as it is a subsidiary undertaking of Esquire Consolidated Group Limited, a company incorporated in Guernsey, and is included in the consolidated accounts of that company.

#### *Going concern*

To assess the company's ability to continue as a going concern, the directors have considered the financial position and performance of both the company and the largest group of which the company is a member and for which consolidated financial statements are prepared. As at 30 June 2013, Esquire Consolidated Group Limited was the largest such group ('Old Group'). Following the acquisition of certain of the subsidiaries of European Care & Lifestyles (UK) Limited and Esquire Realty Holdings Limited by Embrace Group Limited on 16 April 2014, Embrace Group Limited is the largest such Group ('New Group'). In signing these financial statements therefore the Directors of the Company have considered the New Group's financial position in assessing the Company's ability to continue as a going concern.

Varde Partners and D E Shaw & Co financed the acquisition of certain of the former Group's subsidiaries by way of a combination of ordinary share capital and loan notes and included a cash injection of £5 million. The Directors of Embrace Group Limited have prepared financial projections in line with their five year plan, having taken into account reasonably possible sensitivities and in the context of the significantly reduced overall debt burden in the New Group structure. These financial forecasts and projections demonstrate that the New Group will continue to have sufficient funds to meet its cash requirements and its liabilities as they fall due for the next twelve months from approval of these financial statements.

Having due regard to the factors noted above, these financial statements have been prepared on the going concern basis.

### 2 Profit on ordinary activities before taxation

	Period ended 30 June 2013 £	Year ended 31 December 2011 £
<i>Profit on ordinary activities before taxation is stated after charging</i>		
<i>Fees payable to the company's auditor</i>		
Audit of these financial statements	2,000	-

Audit fees for the period ended 30 June 2013 have been borne by a fellow subsidiary undertaking, European Care & Lifestyles (UK) Limited. Fees paid to KPMG LLP and its associates for non-audit services to the company itself are not disclosed because Esquire Consolidated Group Limited is required to disclose such fees on a consolidated basis.

### 3 Taxation

On the basis of these financial statements, no provision has been made for corporation tax.

## Notes (continued)

### 4 Debtors

	30 June 2013 £	31 December 2011 £
Amounts owed by group undertakings	6,483	6,483

### 5 Creditors

	30 June 2013 £	31 December 2011 £
Accruals and deferred income	-	6,383

### 6 Called up share capital

	30 June 2013 £	31 December 2011 £
Allotted, called up and fully paid 100 ordinary shares of £1 each	100	100

### 7 Reserves

	£
As at 1 January 2012	-
Profit for the period	6,383
As at 30 June 2013	6,383

### 8 Reconciliation of movements in shareholders' funds

	Period ended 30 June 2013 £	Year ended 31 December 2011 £
Profit for the financial period	6,383	-
Opening shareholders' funds	100	100
Closing shareholders' funds	6,483	100

## Notes (*continued*)

### **9 Remuneration of directors**

The directors of the company are paid by European Care & Lifestyles (UK) Limited. Details of their remuneration are disclosed in that company's financial statements.

### **10 Related party disclosures**

The company has taken advantage of the exemption in Financial Reporting Standard Number 8 from the requirement to disclose transactions with group companies on the grounds that consolidated financial statements are prepared by Esquire Consolidated Group Limited.

### **11 Ultimate parent company and parent undertaking of larger group of which the company is a member**

The Directors regard HCP Stonelea Limited, a company registered in England and Wales, as the immediate parent company of Stonelea Developments Limited, and as of 16 April 2014, Embrace Group Limited, a company registered in England and Wales, as the ultimate parent company in the United Kingdom. At 30 June 2013, Esquire Group Investment (Holdings) Limited, a company incorporated in the British Virgin Islands, was the ultimate parent company. Embrace Group Limited is beneficially owned by funds managed by Varde Partners and D E Shaw & Co who are considered by the directors to be the ultimate controlling party of the group.

### **12 Post balance sheet events**

On 16 April 2014, Embrace Group Limited, a company whose significant shareholders are Varde Partners and D E Shaw & Co, acquired certain of the subsidiaries of European Care & Lifestyles (UK) Limited and Esquire Realty Holdings Limited. More details and the impact of this on the Company's financing are outlined in the Going Concern section of Note 1.