

**Company Registration No. 03856015 (England and Wales)**

**EUROPEAN CARE & LIFESTYLES (UK) LIMITED**

**ANNUAL REPORT**

**FOR THE YEAR ENDED 31 DECEMBER 2011**



# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## DIRECTORS AND ADVISERS

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<b>Directors</b>	David Manson	(Appointed 15 March 2012)
	Albert Smith	(Appointed 15 March 2012)
	Patrick Hall	(Appointed 3 July 2012)
	Colin Rutherford	(Appointed 3 July 2012)
	Alan Pilgrim	(Appointed 22 August 2012)
	Stephen Webster	(Appointed 22 August 2012)

<b>Secretary</b>	Katherine Amelia Christabell Kandelaki
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<b>Company number</b>	03856015
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<b>Registered office</b>	Two Parklands Business Park Great Park Rubery Birmingham West Midlands B45 9PZ
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<b>Auditors</b>	KLSA LLP 28-30 St John's Square London EC1M 4DN
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<b>Bankers</b>	Lloyds TSB Bank plc Derby Square Liverpool L2 7XT
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# EUROPEAN CARE AND LIFESTYLES (UK) LIMITED

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# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## DIRECTORS' REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2011

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The directors are pleased to present their annual report and consolidated financial statements for the group and company for the year ended 31 December 2011

#### Principal activities

The principal activity of the company is that of a holding company for the Group which provides residential, educational and supported living services. The Group supports both older people by providing dementia, nursing, respite, palliative and end of life care as well as supporting adults and young people who have learning disabilities, brain injuries and special educational needs.

The Group remains one of the leading independent providers of health and social care in the United Kingdom with the ability to provide care and support for over 4,000 people. The Group is regulated by the Care Quality Commission in England, the Care Inspectorate in Scotland, the Care and Social Services Inspectorate Wales and the services for young people are regulated by Ofsted.

#### Review of business and future prospects

The results for the year and the financial position at the year end were in line with the directors' expectations.

As shown in the group's Profit and Loss Account on page 7, the group has achieved a turnover of £124m compared to £123m in 2010. The gross profit increased from £36m in 2010 to £37m in 2011. Additionally, there were exceptional costs amounting to £1.3m (2010 - £3.1m) that contributed to an overall loss position of £19.6m (2010 - £17.1m). These exceptional costs were incurred in the financial restructuring of the Group referred to below under post balance sheet events.

The key performance indicator for the group is its EBITDAR margin – earnings before interest, taxation, depreciation and rent before central costs. During the year, the group achieved an EBITDAR margin of 19.9% (2010 – 19.9%).

The group's balance sheet on page 9 shows that the Group has net liabilities of £26m compared to net liabilities of £19m at 31 December 2010. The change resulted from a change in accounting for the leasehold properties from fair value to historical cost. The main reason for this change is that valuations are volatile in the current economic climate, so a reversion to historic cost is preferred, which is in turn simpler to understand.

The Group has a new financial platform and new management team in place which provides it with long term stability to enable it to focus on delivering fantastic outcomes for people. This is further referred to under post balance sheet events below. The financial restructuring was based off the Group's revised five year plan and projections focused on quality and training.

Non financial key performance indicators recently introduced include both internal and external quality ratings, staff turnover and training compliance in support of the five year plan objectives.

Trading within the sector is currently challenging, primarily as a result of austerity measures implemented by local authorities and commissioners. The group is taking appropriate action to address this by targeting residents with higher care needs and controlling its wage costs. The group owns the majority of its facilities and is therefore less exposed to annual rent increases faced by other operators.

Despite these short term pressures on operators, the longer term prospects within the sector remain strong as the number of people requiring support in the UK continues to increase. We believe that the recent changes to both management and funding put the group in a strong position within the sector.

#### Change in Accounting policy

The board have made the decision to revert to historic cost accounting for the leasehold properties held by the company. The main reason for this change is that valuations are volatile in the current economic climate, so a reversion to historic cost is preferred, which is in turn simpler to understand. The restatement has had the effect of reducing net assets as at 31 December 2010 by £73m and reducing loss for the year by £1.47m.

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### Preparation of accounts on Going Concern basis

The Directors have considered the appropriateness of the going concern for the preparation of the financial statements in note 1 12

### Risks and Uncertainties

The group, like all businesses, faces a number of operating risks and uncertainties which could impact the group's long term performance

Among these risks are the following

- Failure to comply with relevant regulations, resulting in the revocation of care home operating licences,
- Average weekly fee increases which do not rise in line with costs,
- Failure to attract and retain nursing and other qualified staff, resulting in higher agency staff costs with attendant negative effects on EBITDAR margins

Management has implemented a risk management process, which is designed to identify, manage and mitigate financial risk, which includes the following

### Financial risk management

The group utilises various sources including loans, cash on hand etc, to provide finance for the group's operations

In order to manage the group's exposure to financial risks, in particular the interest rate risk, the group enters into derivative transactions including variable to fixed rate interest rate swaps. All transactions in derivatives are undertaken in support of underlying business activities and no transactions of a speculative nature are undertaken

### Liquidity risk

The group seeks to ensure that sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short term flexibility is achieved by overdraft facilities

### Interest rate risk

The group finances its operations through a mixture of bank and parent company borrowings. The group's exposure to interest rate fluctuations on its borrowings is managed by the use of both fixed and floating rate facilities with derivative transactions including variable and fixed rate interest rate swaps undertaken when deemed necessary

### Results and dividends

The consolidated profit and loss account for the year is set out on page 7

The directors do not recommend the payment of a dividend

### Directors

The following directors have held office since 1 January 2011

Anoup Treon (Resigned 15 March 2012)  
Jaynee Treon (Appointed 2 June 2011, Resigned 15 March 2012)  
David William Perry (Appointed 28 January 2011, Resigned 21 May 2012)  
David Manson (Appointed 15 March 2012)  
Albert Smith (Appointed 15 March 2012)  
Patnick Hall (Appointed 3 July 2012)  
Colin Rutherford (Appointed 3 July 2012)  
Alan Pilgrim (Appointed 22 August 2012)  
Stephen Webster (Appointed 22 August 2012)

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

### Charitable donations

	2011 £'000	2010 £'000
During the year the group made the following charitable donations	<u>25</u>	<u>47</u>

The recipients, amounts and purpose of the charitable donations are as follows

Labour Friends of India £12,000 (2010 - £13,000) - General charitable purposes

RESEC £7,500 (2010 - £Nil)

Uganda Charity Trust Fund £3,750 (2010 - £Nil)

Kaballah Centre £Nil (2010 - £32,000) - Spirituality for Kids (SFK)

Other donations individually not exceeding £2,000 (2010 - £2,000)

### Employee involvement

The group's policy is to consult and discuss with employees at meetings, matters likely to affect employees' interests

Information of matters of concern to employees is given through information bulletins and reports which seek to achieve a common awareness on the part of all employees of the financial and economic factors affecting the group's performance

There is no employee share scheme at present, but the directors are considering the introduction of such a scheme as a means of further encouraging the involvement in the group's performance

### Disabled persons

The group's policy is to recruit disabled workers for those vacancies that they are able to fill. All necessary assistance with initial training courses is given. Once employed, a career plan is developed so as to ensure suitable opportunities for each disabled person. Arrangements are made, wherever possible, for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

### Post balance sheet event

In July 2012, Esquire Consolidated Group Limited and its subsidiaries entered into a senior facilities agreement with its current group bankers and all its existing bank term loans and overdraft facilities including hedging instruments were refinanced and restructured. The new banking terms provide the Group with favourable interest terms compared to the facilities in place at the year end. The new facilities maturity date is July 2017.

In addition, the Convertible Unsecured Loan Stocks ("CULS") issued by the ultimate parent company, Esquire Group Investment (Holdings) Limited ("EGIHL") and its subsidiary, Esquire Consolidated Investment (Holdings) Limited, ("ECIHL") were capitalised with the relevant CULS holders ultimately receiving an equity interest at EGIHL level. Furthermore, certain of the CULS holders have advanced new money amounting to £7m alongside the bank senior lenders.

At the same time, the group has acquired four property holding companies from Public Services Properties Investments Limited ("PSPi"), whose properties were previously let to the group. This has resulted in the ownership of 28 freehold properties further increasing the Group's ownership of its own facilities.

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **Leasehold properties**

The directors have made a decision to revert to historic cost accounting for its leasehold properties. This restatement has had the effect of reducing net assets as at 31 December 2010 by £73m and reducing the loss for the year by £1.47m.

### **Statement of directors' responsibilities**

The directors are responsible for preparing the Director's 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 the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under Company law the director must not approve the financial statements unless he is 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 judgements and accounting estimates that are reasonable and prudent,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are responsible for keeping adequate 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 the group and enable them to ensure that the financial statements comply with The Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### **Statement of disclosure to auditors**

So far as the directors are aware, there is no relevant audit information of which the group's auditor are unaware. Additionally, the directors have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the group's auditor are aware of that information.

### **Auditors**

A resolution to reappoint KLSA LLP as auditors will be put to members at the Annual General Meeting.

By order of the board



David Manson

Director

Date 28 September 2012

# **EUROPEAN CARE & LIFESTYLES (UK) LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF EUROPEAN CARE & LIFESTYLES (UK) LIMITED**

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We have audited the group and parent company financial statements (the "financial statements") of European Care & Lifestyles (UK) Limited for the year ended 31 December 2011 which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the company and consolidated balance sheet, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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 auditors**

As explained more fully in the Directors Responsibilities Statement, 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 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 Ethical Standards for Auditors.

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the director, and the overall presentation of the financial statements.

#### **Opinion**

In our opinion the financial statements

- give a true and fair view of the state of the groups affairs as at 31 December 2011 and of its loss for the year then ended,
- give a true and fair view of the state of the parent company's affairs as at 31 December 2011,
- have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006.



# **EUROPEAN CARE & LIFESTYLES (UK) LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

### **TO THE SHAREHOLDERS OF EUROPEAN CARE & LIFESTYLES (UK) LIMITED**

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#### **Opinion on other matters prescribed by the Companies Act 2006**

In our opinion the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements

#### **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 the audit



**Fayaaz Shariff (Senior Statutory Auditor)**  
**For and on behalf of KLSA LLP**  
**Chartered Accountants**  
**Statutory Auditors**  
**28-30 St. John's Square**  
**London**  
**EC1M 4DN**

Date 28 September 2012

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2011

	Notes	2011 £'000	2010 Restated £'000
Turnover	2	123,958	123,036
Cost of sales		(86,822)	(86,967)
<b>Gross Profit</b>		<u>37,136</u>	<u>36,069</u>
Administrative expenses [Includes exceptional costs of £1 3m (2010 £3 1m)]		(55,773)	(52,523)
<b>Operating loss</b>	3	<u>(18,637)</u>	<u>(16,454)</u>
Other interest receivable and similar income	4	-	-
Interest payable and similar charges	5	(1,049)	(664)
<b>Loss on ordinary activities before taxation</b>		<u>(19,686)</u>	<u>(17,118)</u>
Tax on profit on ordinary activities	6	-	-
<b>Loss on ordinary activities after taxation</b>		<u><u>(19,686)</u></u>	<u><u>(17,118)</u></u>

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

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## STATEMENT OF RECOGNISED GAINS AND LOSSES

*FOR THE YEAR ENDED 31 DECEMBER 2011*

	2011	2010
	£'000	£'000
Loss for the financial year	(19,686)	(17,118)
Prior year adjustment	1,471	2,161
Total recognised gains and losses relating to the year	<u>(18,215)</u>	<u>(14,957)</u>

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## BALANCE SHEETS

AS AT 31 DECEMBER 2011

		Group		Company	
		2011	2010	2011	2010
	Notes	£'000	Restated £'000	£'000	£'000
<b>Fixed assets</b>					
Intangible assets	8	1,087	1,160	-	-
Tangible assets	9	8,553	7,929	17	23
Investments	10	-	-	11,707	11,707
		<u>9,640</u>	<u>9,089</u>	<u>11,724</u>	<u>11,730</u>
<b>Current assets</b>					
Stocks	11	369	369	-	-
Debtors	12	22,956	18,067	15,046	9,201
Cash at bank and in hand		<u>1,326</u>	<u>2,549</u>	<u>22</u>	<u>1,597</u>
		<u>24,651</u>	<u>20,985</u>	<u>15,068</u>	<u>10,798</u>
<b>Creditors: amounts falling due within one year</b>	13	<u>(56,993)</u>	<u>(39,447)</u>	<u>(6,198)</u>	<u>(3,961)</u>
<b>Net current assets/(liabilities)</b>		<u>(32,342)</u>	<u>(18,462)</u>	<u>8,870</u>	<u>6,837</u>
<b>Total assets less current liabilities</b>		<u>(22,702)</u>	<u>(9,373)</u>	<u>20,594</u>	<u>18,567</u>
<b>Creditors amounts falling due after more than one year</b>	14	<u>(1,543)</u>	<u>(8,186)</u>	<u>-</u>	<u>(6,513)</u>
		<u>(24,245)</u>	<u>(17,559)</u>	<u>20,594</u>	<u>12,054</u>
<b>Provision for liabilities</b>	15	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>	<u>(1,800)</u>
		<u>(26,045)</u>	<u>(19,359)</u>	<u>18,794</u>	<u>10,254</u>
<b>Capital and reserves</b>					
Called up share capital	16	4,366	4,353	15	2
Share premium account	17	12,987	-	24,594	11,607
Profit and loss account	17	<u>(43,398)</u>	<u>(23,712)</u>	<u>(5,815)</u>	<u>(1,355)</u>
<b>Shareholders' funds</b>	18	<u>(26,045)</u>	<u>(19,359)</u>	<u>18,794</u>	<u>10,254</u>
Equity interest		<u>(30,396)</u>	<u>(23,710)</u>	<u>18,794</u>	<u>10,254</u>
Non - equity interest	16	<u>4,351</u>	<u>4,351</u>	<u>-</u>	<u>-</u>
		<u>(26,045)</u>	<u>(19,359)</u>	<u>18,794</u>	<u>10,254</u>

Approved by the Board and authorised for issue on 28 September 2012

  
David Manson  
Director

Company Registration Number: 03856015

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

	2011		2010
	£'000	£'000	£'000
<b>Net cash outflow from operating activities</b>		(11,059)	(5,229)
<b>Returns on investments and servicing of finance</b>			
Interest paid	(1,019)		(637)
Interest element of finance lease rentals	<u>(30)</u>	<u>(27)</u>	
<b>Net cash outflow for returns on investments and servicing of finance</b>		(1,049)	(664)
<b>Taxation</b>		-	-
<b>Capital expenditure and financial investment</b>			
Payments to acquire tangible assets	(2,297)		(2,280)
Receipts from sales of tangible assets	<u>59</u>	<u>89</u>	
<b>Net cash outflow for capital expenditure</b>		<u>(2,238)</u>	<u>(2,191)</u>
<b>Net cash outflow before management of liquid resources and financing</b>		(14,346)	(8,084)
<b>Financing</b>			
Issue of new share capital	13,000		-
Other new long term loans	-		4,754
Repayment of other long term loans	(6,500)		(127)
Repayment of bank loans	(81)		(112)
Capital element of hire purchase contracts	<u>(143)</u>	<u>(50)</u>	
<b>Net cash inflow from financing</b>		<u>6,276</u>	<u>4,465</u>
<b>Decrease in cash in the year</b>		<u><u>(8,070)</u></u>	<u><u>(3,619)</u></u>

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2011

<b>1 Reconciliation of operating profit/(loss) to net cash outflow from operating activities</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>Restated £'000</b>
Operating loss	(18,637)	(16,454)
Depreciation of tangible assets	1,594	1,413
Amortisation of intangible assets	73	73
Loss on disposal of tangible fixed assets	20	3
Decrease/(increase) in stocks	-	-
Decrease/(increase) in debtors	(4,889)	840
(Decrease)/Increase in creditors within one year	10,780	7,096
Increase in provision	-	1,800
<b>Net cash outflow from operating activities</b>	<b>(11,059)</b>	<b>(5,229)</b>

<b>2 Analysis of net funds/(debt)</b>	<b>01 January 2011</b>	<b>Cash flow</b>	<b>Other non cash changes</b>	<b>31 December 2011</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Net cash				
Cash at bank and in hand	2,549	(1,223)	-	1,326
Bank overdrafts	(11,405)	(6,847)	-	(18,252)
	<u>(8,856)</u>	<u>(8,070)</u>	<u>-</u>	<u>(16,926)</u>
Finance leases	(223)	143	-	(80)
Debts falling due after one year	(8,106)	6,581	-	(1,525)
	<u>(8,329)</u>	<u>6,724</u>	<u>-</u>	<u>(1,605)</u>
<b>Net debt</b>	<b>(17,185)</b>	<b>(1,346)</b>	<b>-</b>	<b>(18,531)</b>

<b>3 Reconciliation of net cash flow to movement in net debt</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Decrease in cash in the year	(8,070)	(3,619)
Cash inflow/(outflow) from decrease/(increase) in debt	6,724	(3,636)
Change in net debt resulting from cash flows	<u>(1,346)</u>	<u>(7,255)</u>
<b>Movement in net funds/(debt) in the year</b>	<b>(1,346)</b>	<b>(7,255)</b>
Opening net debt	(17,185)	(9,930)
<b>Closing net funds/(debt)</b>	<b>(18,531)</b>	<b>(17,185)</b>

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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### **1 Accounting policies**

#### **1.1 Accounting convention**

The financial statements are prepared under the historical cost convention

#### **1.2 Compliance with accounting standards**

The financial statements are prepared in accordance with applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), which have been applied consistently (except as otherwise stated)

#### **1.3 Change in Accounting policy**

In previous years, leasehold properties were held at valuation. However, these have been restated to cost in the year. Further details can be found below under Fixed Assets - Leasehold Properties

#### **1.4 Basis of consolidation**

The consolidated profit and loss account and balance sheet incorporate the financial statements of the company and its subsidiary undertakings made up to 31 December 2011 and have been prepared by using the principles of acquisition accounting. The results of subsidiaries sold or acquired are included in the profit and loss account up to, or from the date control passes using the principle of acquisition accounting. Intra-group sales and profits are eliminated fully on consolidation.

#### **1.5 Turnover**

Turnover represents amounts receivable for sales and services to residents in the health and social care sector, net of VAT. Revenue for the period is recognised when the services are provided and deferred income relates to fees that are invoiced in advance.

#### **1.6 Goodwill**

Goodwill is the difference between the amount paid on the acquisition of a subsidiary and the aggregate fair value of its separable net assets. Goodwill is capitalised as an intangible fixed asset and is amortised in equal annual instalments over its estimated useful economic life. A further charge is made for any impairment in the value of goodwill.

#### **1.7 Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Leasehold improvements	Over the term of the lease
Fixtures, fittings & equipment	20% reducing balance
Motor vehicles	25% reducing balance

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 1 Accounting policies

(continued)

#### 1.8 Leasing and hire purchase commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

#### 1.9 Investments

Fixed asset investments are stated at cost less provision for diminution in value.

#### 1.10 Stock

Stock is valued at the lower of cost and net realisable value.

#### 1.11 Deferred taxation

Deferred taxation is provided at appropriate rates on all timing differences using the liability method only to the extent that, in the opinion of the director, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

#### 1.12 Going concern

In assessing 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. The largest such group is Esquire Consolidated Group Limited, which made a loss of £94m (this is after £713m relating to impairment of fixed assets and £7.7m relating to exceptional costs) for the year ended 31 December 2011, had a net current liability of £34m and negative shareholders funds of £101m as at 31 December 2011.

Having due regard to the net current liability and negative shareholders funds of Esquire Consolidated Group Limited, these financial statements have been prepared on the going concern basis, which assumes that the company and its fellow subsidiaries 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.

The directors believe that, based on its current five year forecasts, which incorporates new banking facilities, additional funds introduced by loan stock holders of ultimate parent company and acquisition of new properties, the group will have sufficient funds to meet its cash requirements for the foreseeable future whilst maintaining compliance with the financial covenants within the new banking arrangement.

The current five year forecast is based on a number of financing and growth scenarios and, as discussed below, the financing has been secured to provide the group with sufficient funds for the next twelve months. The forecast assumes that growth will be achieved through realistic fee increases and occupancy levels. The directors believe that these are reasonable assumptions based on the group's previous history and current performance.

The new banking facilities, loan stock conversion and acquisition of new properties have taken place after the year end, and details are outlined below.

1. In July 2012, Esquire Consolidated Group Limited and its subsidiaries entered into a senior facilities agreement with its current group bankers and all its existing bank term loans and overdraft facilities including hedging instruments were refinanced and restructured. The new banking terms provide the



# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

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#### 1.12 Going concern (continued)

Group with favourable interest terms compared to the facilities in place at the year end and additional credit facilities to support the Group's five year plan. The new facilities maturity date is July 2017.

2 In addition, the Convertible Unsecured Loan Stocks ("CULS") issued by the ultimate parent company, Esquire Group Investment (Holdings) Limited ('EGIHL') and its subsidiary, Esquire Consolidated Investment (Holdings) Limited, ('ECIHL') were capitalised with the relevant CULS holders ultimately receiving an equity interest at EGIHL level. Furthermore, certain of the CULS holders have advanced new money amounting to £7m alongside the bank senior lenders.

3 At the same time, the group has acquired four property holding companies from PSPI, whose properties were previously let to the group. This has resulted in the ownership of a further 28 freehold properties further increasing the Group's ownership of its own facilities.

On the above basis, the directors have a reasonable expectation that the group and company will be able to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis in preparing the financial statements.

#### 1.13 Fixed Assets - Leasehold Properties

Leasehold properties are initially recorded at cost. The directors have made a decision to revert to historic cost accounting for the leasehold properties held by the company. The main reason for this change is that valuations are volatile in the current economic climate, so a reversion to historic cost is preferred, which is in turn simpler to understand. This restatement has had the effect of reducing net assets as at 31 December 2010 by £73m and reducing the loss for the year by £1.47m.

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 2 Turnover

The total turnover of the group for the year has been derived from its principal activity wholly undertaken in the United Kingdom

### 3 Operating profit/loss

	2011 £'000	2010 £'000
Operating profit/loss is stated after charging		
Amortisation of intangible assets	73	73
Depreciation of tangible assets	1,594	1,413
Operating lease rentals		
-Plant and machinery	400	400
-Other assets	29,553	29,227
Fees payable to the group's auditor for the audit of the group's annual accounts (company £4,000, 2010 £4,000)	167	140
Non audit services	10	10

Exceptional items charged to the profit and loss account are -

Impairment of balance due from related party - Vendors Plus Limited	-	1,273
Provision for contingent liability (note 15)	-	1,800
Redundancy costs	255	-
Abortive IPO	1,043	-
Others	44	-

### 4 Investment income

Bank interest received

£'000	£'000
-	-

### 5 Interest payable

On bank loans and overdrafts  
Lease finance charges and hire purchase interest

2011 £'000	2010 £'000
1,019	637
30	27
1,049	664

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

6 Taxation	2011 £'000	2010 £'000
Current tax charge	-	-
<b>Factors affecting the tax charge for the year</b>		
(Loss)/Profit on ordinary activities before taxation	(19,686)	(17,118)
(Loss)/Profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 26.5% (2010 - 28%)	(5,217)	(4,793)
Effects of		
Non deductible expenses	155	29
Depreciation add back	417	808
Capital allowances	(30)	(135)
Other tax adjustments	4,675	4,091
	5,217	4,793
Current tax charge	-	-

## 7 Profit for the financial year

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the parent company is not presented as part of these financial statements. The parent company's profit for the period is made up as follows

	2011 £'000	2010 £'000
Holding company's loss for the financial year	(4,460)	(2,066)

## EUROPEAN CARE & LIFESTYLES (UK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **8 Intangible fixed assets**

<b>Group</b>	<b>Goodwill £'000</b>
--------------	---------------------------

##### **Cost**

At 1 January 2011

1,451

Additions

-

At 31 December 2011

1,451

##### **Amortisation**

At 1 January 2011

291

Charge for the year

73

At 31 December 2011

364

##### **Net book value**

At 31 December 2011

1,087

At 31 December 2010

1,160

The goodwill on consolidation arose as a result of the acquisition of the entire share capital in New Horizon Centre Limited by European Lifestyles (A) Limited on 19 December 2006

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 9 Tangible fixed assets Group

	Leasehold improvements	Fixtures, fittings & equipment	Motor vehicles	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2011	2,475	9,797	1,291	13,563
Additions	57	2,139	101	2,297
Disposals	-	-	(181)	(181)
At 31 December 2011	<u>2,532</u>	<u>11,936</u>	<u>1,211</u>	<u>15,679</u>
<b>Depreciation</b>				
At 1 January 2011	79	4,852	703	5,634
Charge for the year	78	1,359	157	1,594
Disposals	-	-	(102)	(102)
At 31 December 2011	<u>157</u>	<u>6,211</u>	<u>758</u>	<u>7,126</u>
<b>Net book value</b>				
At 31 December 2011	<u>2,375</u>	<u>5,725</u>	<u>453</u>	<u>8,553</u>
At 31 December 2010	<u>2,396</u>	<u>4,945</u>	<u>588</u>	<u>7,929</u>

## EUROPEAN CARE & LIFESTYLES (UK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

#### 9 Tangible fixed assets Group

(continued)

Included above are assets held under finance leases or hire purchase contracts as follows

	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
<b>Net book values</b>			
At 31 December 2011	14	281	295
At 31 December 2010	80	365	445
<b>Depreciation charge for the year</b>			
At 31 December 2011	4	90	94
At 31 December 2010	20	122	142

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 9 Tangible fixed assets Company

(continued)

	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>			
At 1 January 2011	75	47	122
Additions	-	-	-
At 31 December 2011	<u>75</u>	<u>47</u>	<u>122</u>
<b>Depreciation based on cost</b>			
At 1 January 2011	62	37	99
Charge for the year	3	3	6
At 31 December 2011	<u>65</u>	<u>40</u>	<u>105</u>
<b>Net book value</b>			
At 31 December 2011	<u>10</u>	<u>7</u>	<u>17</u>
At 31 December 2010	<u>13</u>	<u>10</u>	<u>23</u>

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 10 Fixed asset investments Group

	Unlisted investments £'000	Total £'000
<b>Cost or valuation</b>		
At 1 January 2011 and 31 December 2011	-	-
<b>Net book value</b>		
At 31 December 2011	-	-
At 31 December 2010	-	-

### Company

	Unlisted investments £'000
<b>Cost</b>	
At 1 January 2011 and 31 December 2011	11,707
<b>Net book value</b>	
At 31 December 2011	11,707
At 31 December 2010	11,707

### Holdings of more than 20%

The company holds more than 20% of the share capital of the following companies

Company	Country of registration or incorporation	Class	Shares held and voting rights %
<b>Subsidiary undertakings</b>			
European Lifestyles Group Limited	England and Wales	Ordinary	100
European Wellcare Education Limited	England and Wales	Ordinary	100
European Lifestyles Limited	England and Wales	Ordinary	100
European Wellcare Homes Limited	England and Wales	Ordinary	100
European Wellcare Lifestyles Limited	England and Wales	Ordinary	100
European Care (Allanbank) Limited	Scotland	Ordinary	100
European Care (West) Limited	England and Wales	Ordinary	100
European Care (South) Limited	England and Wales	Ordinary	100
European Care (Derby) Limited	England and Wales	Ordinary	100
European Care (Danbury) Limited	England and Wales	Ordinary	100
GRWP Gofal Cymru Care Homes North Limited	England and Wales	Ordinary	100
New Horizon Centre Limited	England and Wales	Ordinary	100



# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 10 Fixed asset investments

(continued)

European Care (North) Limited	Scotland	Ordinary	100
European Lifestyles (SW) Limited	England and Wales	Ordinary	100
European Care (UK) Limited	England and Wales	Ordinary	100
European Care (SW) Limited	England and Wales	Ordinary	100
European Care (England) Limited	England and Wales	Ordinary	100
GRWP Gofal Cymru Care Homes South Limited	England and Wales	Ordinary	100
European Care (GB) Limited	England and Wales	Ordinary	100
European Care (Combined) Limited	England and Wales	Ordinary	100
European Care (Queens) Limited	Scotland	Ordinary	100
GRWP Gofal Cymru Lifestyles North Limited	England and Wales	Ordinary	100
European Lifestyles (B) Limited	England and Wales	Ordinary	100
European Lifestyles (C) Limited	England and Wales	Ordinary	100
GRWP Gofal Cymru Lifestyles South Limited	England and Wales	Ordinary	100
European Care (Pirton) Limited	England and Wales	Ordinary	100
European Care (Kler) Limited	England and Wales	Ordinary	100
European Lifestyles (FL) Limited	England and Wales	Ordinary	100
European Care (Geffen) Limited	England and Wales	Ordinary	100
European Lifestyles (NE) Limited	England and Wales	Ordinary	100
European Care (Gillingham) Limited	England and Wales	Ordinary	100

The principal activity of these undertakings for the last relevant financial year was as follows

	Principal activity
European Lifestyles Group Limited	Holding company
European Wellcare Education Limited	Operating a specialist school for disabled children and adults
European Lifestyles Limited	Holding and management company
European Wellcare Homes Limited	Operating care homes providing long term care to the elderly
European Wellcare Lifestyles Limited	Providing competent and interchangeable services to disabled children and adults
European Care (Allanbank) Limited	Operating care homes providing long term care to the elderly
European Care (North) Limited	Operating care homes providing long term care to the elderly
European Care (SW) Limited	Operating care homes providing long term care to the elderly
European Care (England) Limited	Operating care homes providing long term care to the elderly

## EUROPEAN CARE & LIFESTYLES (UK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

#### 10 Fixed asset investments

(continued)

European Care (West) Limited	Operating care homes providing long term care to the elderly
European Care (South) Limited	Operating care homes providing long term care to the elderly
European Care (Derby) Limited	Operating care homes providing long term care to the elderly
European Care (Danbury) Limited	Operating care homes providing long term care to the elderly
GRWP Gofal Cymru Care Homes North Limited	Operating care homes providing long term care to the elderly
New Horizon Centre Limited	Operating residential care homes
European Lifestyles (SW) Limited	Providing competent and interchangeable services to disabled children and adults
European Care (UK) Limited	Operating care homes providing long term care to the elderly
GRWP Gofal Cymru Care Homes South Limited	Operating care homes providing long term care to the elderly
European Care (GB) Limited	Operating care homes providing long term care to the elderly
European Care (Combined) Limited	Operating care homes providing long term care to the elderly
European Care (Queens) Limited	Operating care homes providing long term care to the elderly
GRWP Gofal Cymru Lifestyles North Limited	Operating care homes providing long term care to the elderly
European Lifestyles (B) Limited	Operating care homes providing long term care to the elderly
European Lifestyles (C) Limited	Operating care homes providing long term care to the elderly
GRWP Gofal Cymru Lifestyles South Limited	Operating care homes providing long term care to the elderly

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 10 Fixed asset investments

(continued)

European Care (Pirton) Limited	Operating care homes providing long term care to the elderly
European Care (Kler) Limited	Operating care homes providing long term care to the elderly
European Lifestyles Group Limited	Holding and management company
European Lifestyles (FL) Limited	Operating care homes providing long term care to the elderly
European Care and Lifestyles (UK) Limited	Holding and management company
European Lifestyles (Geffen) Limited	Operating care homes providing long term care to the elderly
European Lifestyles (NE) Limited	Providing competent and interchangeable services to disabled children and adults
European Care (Gillingham) Limited	Operating care homes providing long term care to the elderly

### 11 Stocks

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Consumables	369	369	-	-
	<u>369</u>	<u>369</u>	<u>-</u>	<u>-</u>

### 12 Debtors

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Trade debtors	7,884	6,131	-	-
Amount owed by group undertakings	-	-	13,787	8,156
Other debtors	14,550	11,398	1,259	1,045
Prepayments and accrued income	522	538	-	-
	<u>22,956</u>	<u>18,067</u>	<u>15,046</u>	<u>9,201</u>

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 13 Creditors : amounts falling due within one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans and overdrafts	18,252	11,405	-	-
Net obligations under finance lease and hire purchase contracts	61	143	-	-
Trade creditors	6,937	5,391	-	-
Amounts owed to group undertakings	-	-	2,478	2,765
Corporation tax	-	7	-	-
Taxes and social security costs	3,468	3,940	228	56
Other creditors	25,183	16,933	2,682	848
Accruals and deferred income	3,092	1,628	810	292
	<u>56,993</u>	<u>39,447</u>	<u>6,198</u>	<u>3,961</u>

The bank loans and overdrafts are secured by mortgage debentures and floating charges over the assets of all companies within the group as well as cross guarantees between entities within the group. Subsequent to the year end, the group granted a debenture over all the assets of the group to its lenders.

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 14 Creditors : amounts falling due after more than one year

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Bank loans	247	247	-	-
Other loans	1,277	7,859	-	6,513
Net obligations under finance leases and hire purchase agreements	19	80	-	-
	<u>1,543</u>	<u>8,186</u>	<u>-</u>	<u>6,513</u>
<b>Analysis of loans</b>				
Not wholly repayable within five years by instalments	-	-	-	-
Wholly repayable after five years	<u>1,524</u>	<u>8,106</u>	<u>-</u>	<u>2,950</u>
	<u>1,524</u>	<u>8,106</u>	<u>-</u>	<u>-</u>
Included in current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>1,524</u>	<u>8,106</u>	<u>-</u>	<u>-</u>
<b>Loan maturity analysis</b>				
In more than one year but not more than two years	-	-	-	-
In more than two years but not more than five years	-	-	-	-
In more than five years	<u>1,524</u>	<u>8,106</u>	<u>-</u>	<u>2,950</u>

The bank loans and overdrafts are secured by mortgage debentures and floating charges over the assets of all companies within the group as well as cross guarantees between entities within the group. Subsequent to the year end, the group granted a debenture over all the assets of the group to its lenders.

Other loans relate mainly to various loans received from landlords for working capital and capital expenditure amounting to £1.1m and professional fees and finance charges payable to RP&C International Incorporated amounting to £0.2m. The other loans are fully payable after five years and interest rates applicable to these loans range from 0 - 9.5%.

#### Net obligations under finance leases and hire purchase contracts

Repayable within one year	61	143	-	-
Repayable between one and five years	19	80	-	-
	<u>80</u>	<u>223</u>	<u>-</u>	<u>-</u>
Included in liabilities falling due within one year	<u>(61)</u>	<u>(143)</u>	<u>-</u>	<u>-</u>
	<u>19</u>	<u>80</u>	<u>-</u>	<u>-</u>

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

### 15 Provision for liabilities

	Group		Company	
	2011	2010	2011	2010
	£'000	£'000	£'000	£'000
Balance brought forward	1,800	-	1,800	-
Movement in the year	-	1,800	-	1,800
Balance carried forward	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>	<u>1,800</u>

The company has made a provision for a guarantee in respect of borrowings by V8 Gourmet Finance Limited, a company related by virtue of common director, amounting to £1.8m

### Deferred taxation

No provision has been made for deferred tax on excess of tax allowances over depreciation on fixed assets and other timing differences as the amounts are not material

### 16 Share capital

	2011	2010
	£'000	£'000
<b>Allotted, called up and fully paid</b>		
14,550,000 Ordinary shares of £0.001 each	15	2
4,351,500 Preference shares of £1 each	4,351	4,351
	<u>4,366</u>	<u>4,353</u>

The preference shares are non voting, not entitled to a dividend, not cancellable on the termination of the leases written with the relevant lessor company and have no rights to share in the surplus on a winding up

### Allotted, called up and fully paid - Company

14,550,000 (2010 - 1,550,000) Ordinary shares of £0.001 each	<u>15</u>	<u>2</u>
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On 14 December 2011, the company issued 13,000,000 ordinary shares at £1 each which has increased the issued share capital from £1,550 to £14,550

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2011

#### 17 Statement of movements on reserves Group

	Share premium account £'000	Profit and loss account £'000
Balance at 1 January 2011	-	(23,712)
Loss for the year	-	(19,686)
Premium from issue of shares	12,987	-
Balance at 31 December 2011	<u>12,987</u>	<u>(43,398)</u>

#### Company

	Share premium account £'000	Profit and loss account £'000
Balance at 1 January 2011	11,607	(1,355)
Loss for the year	-	(4,460)
Premium from issue of shares	12,987	-
Balance at 31 December 2011	<u>24,594</u>	<u>(5,815)</u>

#### Prior year adjustment Group

The directors have made a decision to revert to historic cost accounting for the leasehold properties held by the company. The main reason for this change is that valuations are volatile in the current economic climate, so a reversion to historic cost is preferred, which is in turn simpler to understand. This restatement has had the effect of reducing net assets as at 31 December 2010 by £73m and reducing the loss for the year by £1.5m. However, the transfer of the excess depreciation from the revaluation reserve to the profit and loss reserves of £1.5m has resulted in no change in the profit and loss reserve.

#### Balance sheet as at 31 December 2010

	Tangible Assets £ '000	Profit and loss reserves £ '000	Revaluation reserves £ '000
At 31 December 2010	81,265	(23,712)	73,336
Prior year adjustment re reversal of revaluation reserve	(73,336)	1,470	(74,806)
Prior year adjustment re reversal of transfer from revaluation reserve	-	(1,470)	1,470
At 31 December 2010 restated	<u>7,929</u>	<u>(23,712)</u>	<u>-</u>

# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2011

<b>18 Reconciliation of movements in shareholders' funds</b>	<b>2011</b>	<b>2010</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	(19,686)	(17,118)
Other recognised gains and losses	-	2,161
Issue of share capital	13,000	-
Net addition to shareholders' funds	(6,686)	(14,957)
Opening shareholders' funds	(19,359)	(4,402)
Closing shareholders' funds	<u>(26,045)</u>	<u>(19,359)</u>
<b>Company</b>	<b>2011</b>	<b>2010</b>
	<b>£'000</b>	<b>£'000</b>
Loss for the financial year	(4,460)	(2,066)
Issue of share capital	13,000	-
Net addition to shareholder' funds	8,540	(2,066)
Opening shareholders' funds	10,254	12,320
Closing shareholders' funds	<u>18,794</u>	<u>10,254</u>

## 19 Contingent liabilities

### Group

The company and its subsidiaries have provided cross guarantees in respect of borrowings by connected companies. The companies are connected by virtue of common ultimate controlling company and director.

The company has given the following guarantees for Vendors Plus Limited in respect of normal trading

<b>Company Name</b>	<b>Amount</b>
	<b>£</b>
Cleenol Group Limited	30,000
Charles Bentley & Son	50,000
Synergy Healthcare	40,000
Turner & Price Limited	50,000
Brakes Bros Limited	400,000
Bunzl Retail and Healthcare	75,000
SERT-MST plc	40,000
Gloveman Supplies	70,000
Joseph Hamilton Seaton	70,000

### Company

The company has given cross guarantees to the bankers of some its subsidiaries and connected companies



# EUROPEAN CARE & LIFESTYLES (UK) LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

### 20 Financial commitments

At 31 December 2011 the group had annual commitments under 35 year non-cancellable operating leases relating to the leasing of the freehold properties and businesses of the care homes as follows

	Land and buildings 2011 £'000	Land and buildings 2010 £'000
Expiry date		
Between one and two years	-	-
Between two and five years	774	774
In over five years	54,259	53,921

### 21 Directors' emoluments

	2011 £'000	2010 £'000
Emoluments for qualifying services	565	355
Emoluments of highest paid director	549	298

## EUROPEAN CARE & LIFESTYLES (UK) LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2011**

#### 22 Employees

##### Number of employees

The average monthly number of employees (including directors) during the year was

	2011 Number	2010 Number
Nursing, care and support, management and administrative staff at home level	5,996	5,819
Administrative staff at Head Office level	144	175
	<u>6,140</u>	<u>5,994</u>

##### Employment costs

	2011 £'000	2010 £'000
Wages and salaries	75,387	78,539
National insurance contribution	5,631	5,866
	<u>81,018</u>	<u>84,405</u>

#### 23 Control

In the opinion of the directors, the ultimate parent company is Esquire Group Investment (Holdings) Limited, a company registered in the British Virgin Islands. The immediate parent company is European Care & Lifestyles Group Limited, a company incorporated in the British Virgin Islands.

The smallest group and largest group for which European Care & Lifestyles (UK) Limited is a member for which group accounts are prepared is Esquire Consolidated Group Limited, whose copies can be obtained from PO Box 175, Frances House, Sir William Place, St Peter Port, Guernsey, GY1 4HQ.

## **EUROPEAN CARE & LIFESTYLES (UK) LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2011**

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#### **24 Related party relationships and transactions**

##### **Group**

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

During the year, the group made purchases at arms length of consumable and fixed assets from Vendors Plus Limited amounting to £4.7m (2010 - £4.3m). The balance at the year end arising from the purchases and financial transactions with the company, amounted to £694,000 payable (2010 - £322,000 payable). The company is related by virtue of common ownership.

Under various rental contracts, the group had rental obligations of £12.6m (2010 - £12.2m) to Public Service Properties Investments Limited ("PSPI"). Effective from May 2010, PSPI have agreed a 24 month rent waiver on 12 homes that were undergoing extensive refurbishment or development. The rent waived amounted to £1.5m (2010 - £1.1m).

The group also rented offices from Z2 Realty (London) Limited. The group had rental obligations of £238,810 (2010 - £137,000). During the year rent amounting to £264,628 was paid to Z2 Realty (London) Limited, including rent arrears. Z2 Realty (London) Limited is related by virtue of common ultimate parent company.

The group rented properties from Mr Anoup Treon, who was a former director of all the UK subsidiary entities within the group. The group had rental obligations of £166,000 (2010 - £166,000). The balance due from Mr Anoup Treon at the year end amounted to £26,000 (2010 - £38,000).

##### **Company**

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 Ltd.

#### **25 Post balance sheet events**

In July 2012, Esquire Consolidated Group Limited and its subsidiaries entered into a senior facilities agreement with its current group bankers and all its existing bank term loans and overdraft facilities including hedging instruments were refinanced and restructured. The new banking terms provide the Group with favourable interest terms compared to the facilities in place at the year end. The new facilities maturity date is July 2017.

In addition, the Convertible Unsecured Loan Stocks ("CULS") issued by the ultimate parent company, Esquire Group Investment (Holdings) Limited ("EGIHL") and its subsidiary, Esquire Consolidated Investment (Holdings) Limited, ("ECIHL") were capitalised with the relevant CULS holders ultimately receiving an equity interest at EGIHL level. Furthermore, certain of the CULS holders have advanced new money amounting to £7m alongside the bank senior lenders.

At the same time, the group has acquired four property holding companies from PSPI, whose properties were previously let to the group. This has resulted in the ownership of 28 freehold properties further increasing the Group's ownership of its own facilities.