

2.17B

The Insolvency Act 1986

Statement of administrator's proposals

Name of Company European Care & Lifestyles (UK) Limited	Company number 03856015
In the High Court of Justice, Chancery Division, Companies Court (full name of court)	Court case number 2975 of 2014

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

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*Delete as applicable

attach a copy of our proposals in respect of the administration of the above company

A copy of these proposals was sent to all known creditors on

(b) 16 May 2014

Signed


Joint Administrator

Dated

16/5/14

Contact Details:

You do not have to give any contact information in the box opposite but if you do, it will help Companies House to contact you if there is a query on the form

The contact information that you give will be visible to researchers of the public record

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Companies House, Crown Way, Cardiff CF14 3UZ DX 33050 Cardiff

Administrators' Disclosure Report pursuant to Statement of Insolvency Practice (**SIP**) 16 - pre-packaged sale of business or assets

European Care & Lifestyles (UK) Limited
(**ECLUKL**) and Esquire Realty Holdings
Limited (**ERHL**) -
Both in Administration (the **Companies**)

17 April 2014

Contents

1	Why this document has been prepared	1
2	Overview, initial introduction and pre-appointment work carried out	1
3	Marketing activities conducted	4
4	Valuations of the business and assets	6
5	Alternative courses of action considered	8
6	Requests made to potential funders of working capital.	10
7	Consultations with major creditors	10
8	Sale transaction details	10

Appendices

Statutory information	Appendix A
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1 Why this document has been prepared

- 1.1 The term pre-packaged sale refers to an arrangement under which the sale of all or part of a company's business or assets is negotiated with a purchaser prior to the appointment of an administrator and the administrator effects the sale on, or shortly after, his appointment
- 1.2 As you will be aware Alastair Paul Beveridge, Daniel Imison and Anne Clare O'Keefe all of Zolfo Cooper LLP (ZC) (the English Administrators) were appointed Administrators of ECLUKL on 16 April 2014 pursuant to English legislation. Alastair Beveridge of ZC and James Robert Toynton of Grant Thornton Limited, based in the Channel Island (GTCI) were appointed Administrators (the Guernsey Administrators) of ERHL pursuant to Guernsey legislation on 16 April 2014. The English Administrators and the Guernsey Administrators are together called the Administrators. ECLUKL and ERHL are together the Companies
- 1.3 In accordance with SIP 16, the English Administrators of ECLUKL are required to provide creditors with a detailed narrative explanation and justification of the reasons why a pre-packaged sale has been undertaken and to demonstrate that this has been done with due regard to the creditors' interests
- 1.4 As ERHL is a Guernsey registered company adherence to SIP 16 is not a requirement. However, as the transactions are linked and in order to demonstrate best practice the Guernsey Administrators have included information relevant to ERHL in order to ensure full and consistent disclosure and this report will therefore be provided to the creditors of both Companies.

2 Overview, initial introduction and pre-appointment work carried out

Overview

- 2.1 Group structure: the Companies are intermediate holding companies within the European Care Group (the Group). The ultimate parent of the Group is Esquire Group Investment (Holdings) Limited, a company registered in the British Virgin Islands (BVI), and the Group consists of a significant number of subsidiaries. The Group was structured, for tax reasons, into a group of property owning companies headed by ERHL and a group of operating companies headed by ECLUKL.
- 2.2 Principal activity: the Group is principally engaged in operating elderly, specialist adult and children's care homes situated throughout the UK, trading as European Care Group. The Group also operates three children's schools and a resource centre
- 2.3 Financing: The table below sets out the financing of the Group on the appointment of the Administrators. It demonstrates the Group had three main categories of financing: (a) the secured facilities and financing provided by the senior lenders in the form of term debt, a Revolving Credit Facility (RCF) and hedging facilities; (b) the secured term loan facility provided by European Real Estate Debt s.a.r.l. (ERED) and FOFM-RPC International Investments II LLC (FOFM) to Esquire Consolidated Limited (Secured CULs). Under the terms of the Intercreditor agreement, the Secured CULs rank pari passu with the senior liabilities after the senior lenders' initial priority recovery of £158 million (excluding unpaid interest and hedging amounts) and benefits from the same security as the senior liabilities and (c) the unsecured convertible loan notes provided by ERED, FOFM, 1492 Capital LLC and

Mavuli Caboose Establishment to Esquire Consolidated Investment (Holdings) Limited (Unsecured CULs) and secured loan notes issued by Esquire Consolidated Investment (Holdings) Limited to Public Service Properties Investments Limited (PSPI Loan Notes). The Unsecured CULs and PSPI Loan Notes provide fully subordinated and unsecured finance.

2.4

Lender	Facility	Amount (£m)
Senior lenders	Term debt	282.8
	RCF	13.0
	Hedging	44.7
	Sub total	340.5
CULs	Secured convertible loan note	7.3
	Unsecured convertible loan note	43.3
	Sub total	50.6
Total		£391.1 million

- 2.5 Previous restructuring. during 2010, the Group began to experience financial difficulties as the poor economic climate resulted in a drop in the trading performance of the Group. The Group worked with four clearing banks (together the Original Senior Lenders) and four external investors to provide a more stable financial platform for the Group to operate. This resulted in the completion of a financial restructuring in July 2012 moving the Group's facilities from a bilateral to a syndicated basis.
- 2.6 Current position the Group approached its Original Senior Lenders in December 2012 to advise that the Group was struggling to implement the restructuring due to the level of debt it was holding. In addition, the Group requested additional funding. Following the restructuring in 2012, the Group's profitability did not recover to sufficient levels to meet its financial obligations and therefore in March 2013, the directors submitted a new debt restructuring proposal to its Original Senior Lenders. In response to this proposal, the Group's Original Senior Lenders requested the appointment of a Chief Restructuring Officer (currently Tim Redburn) and requested that a sale process be undertaken to try and achieve a going concern sale.
- 2.7 During the course of the sale process, the Original Senior Lenders exited their positions which resulted in the senior lenders changing to Varde Capital Partners and DE Shaw & Co (Arvo Investment Holdings S.a.r.l. and SPV Capital Funding Luxembourg S.a.r.l.) (together the Current Senior Lenders).
- 2.8 Without the deferral and extension arrangements, the Group would have been in default of its borrowing facilities for some time and its working capital facility had also been extended on a number of occasions in recent months. In addition, it was being reviewed on a weekly basis by the Current Senior Lenders. In light of this, the Current Senior Lenders and the Group decided to pause the sale process whilst they considered the options available as a result of the change in debt holders.
- 2.9 Due to mounting creditor and cash flow pressure any transaction would have to be completed within a much shorter timeframe than anticipated. The Group also received notification that winding up petitions may also be lodged by a creditor. Furthermore, the over-indebtedness of the Group also meant that it would be unable to pay its debts as and when they fell due without further funding being available.

- 2.10 The directors also evaluated the potential negative impact on the care home residents that depend on the services of the Group which would have resulted if the Group continued to trade on, outside of an insolvency process. Due to these factors and those set out above, the directors concluded a formal insolvency of the Companies would be the most appropriate action and invited the Lloyds Bank plc (the **Security Agent**) to obtain Current Senior Lender instructions to appoint Administrators.
- 2.11 Following evaluation of the offers received as a result of the sale process and due to the cash flow pressures, it was concluded that following consultation with the Current Senior Lenders the offer from Berlin Acquisition Limited and its subsidiaries (together the **Purchaser**), which is financed and owned by the affiliates of the Current Senior Lenders, represented the best value for creditors and was the only deliverable offer in the available timeframe.
- 2.12 On 16 April 2014 Alastair Paul Beveridge, Daniel Imison and Anne Clare O'Keefe, all of ZC, were appointed Administrators of ECLUKL and Alastair Beveridge of ZC and James Robert Toynton of GTCI were appointed Administrators of ERHL. Upon appointment of the Administrators, the sale and purchase agreements (SPAs) were signed on 16 April 2014. The sales were completed by the Companies, acting by their respective Administrators.

Initial introduction and pre-appointment work carried out

- 2.13 ZC was introduced to the Group by Bingham McCutchen LLP, legal advisors to the Current Senior Lenders. ZC was introduced, following concerns about the Companies' ability to discharge its outstanding liabilities and concerns that a solvent sale may not be possible.
- 2.14 ZC worked under an engagement letter dated 13 March 2014, signed by the Group on 14 March 2014.
- 2.15 The scope of ZC's work performed prior to the appointment of the Administrators was to perform contingency planning for the appointment of the Administrators to the Group, which included:
- reviewing the sale process that had been undertaken for the sale of the Group;
 - reviewing the tax planning work undertaken in respect of a sale transaction,
 - assessing the financial statements of the Group and the current cash position;
 - understanding the pre-existing group structure as well as any proposed new group structure and which other group companies require insolvency processes;
 - understanding off-shore insolvency requirements;
 - assessing work undertaken by previous advisors to the extent it could be used; and
 - assisting with and monitoring the external media and stakeholder communications programme, working with retained third parties as required.
- 2.16 Grant Thornton UK LLP (GTUK), based in London and assisted by GTCI, was initially engaged by the Original Senior Lenders on 21 December 2011 in order to assist them in respect of their contingency planning for ERHL, in the event that a consensual restructuring of the Group was not possible. This engagement ceased in the summer of 2012 when the Group was refinanced.

- 2 17 On 21 August 2013, GTUK, assisted by GTCI, was engaged by the Original Senior Lenders to again assist them with their contingency planning for ERHL. This engagement terminated at the end of February 2014 by which time all Original Senior Lenders had sold their debt in the Group. Following these debt sales, GTUK, assisted by GTCI, commenced an engagement with the Current Senior Lenders on 31 March 2014. This engagement involved contingency planning in respect of ERHL.

3 Marketing activities conducted

- 3 1 The Group was marketed for sale by KPMG Corporate Finance LLP (KPMG), who were engaged by the Group. KPMG commenced the marketing and sale process in July 2013 with the objective of achieving a sale of the Group on a going concern basis.

Stage 1a

- 3.2 KPMG approached or received direct inbound contact from 101 parties. This consisted of 50 trade buyers, 40 financial buyers and 11 Real Estate Investment Trusts. 56 of the parties requested the initial marketing materials. Indicative offers were requested by the first week of September 2013.
- 3 3 Indicative offers were received from seven interested parties for all of the Group's assets, with a range from £60 million to £100 million. One offer was received for the specialist care division only. However, this offer was not pursued due to the receipt of seven offers for all of the Group's assets.

Stage 1b

- 3.4 Offers were reviewed by the Group and certain key stakeholders until 11 October 2013. Within this time, one offer was excluded due to uncertainty around funding and deliverability and one further party was added to the process. KPMG approached all remaining parties with updated information on the Group and requested revised indicative offers by 27 October 2013.
- 3.5 Revised indicative offers were received from five interested parties ranging from £40 million to £100 million.
- 3.6 One further party began to express interest during October 2013, but was unable to submit an offer at this stage due to the limited due diligence that it had completed. However, the party was allowed to perform due diligence in parallel to the other parties that were more advanced in the process. The offer of £40 million was dropped from the process on the basis of the value of the offer being too low.

Stage 2a

- 3.7 The next phase of the process commenced on 11 November 2013. One further interested party became actively engaged in the sale process during this phase. Further due diligence materials were circulated at this stage and revised offers were requested by mid December 2013.

Stage 2b

- 3.8 Revised offers were received from six interested parties ranging from £63 million to £100 million. All parties were requested to submit best and final offers by 7 February 2014 following the circulation of further information, including the downward revision of the Group's run rate and 2014 financial performance. One party was removed from the process at this stage due to lack of engagement in the sale process with KPMG and the Group. Two of the other five remaining interested parties expressed an unwillingness to commit further resource to the sale process due to uncertainty over the business, although one of them did subsequently submit an offer. Revised final offers were received from four parties ranging from £36 million to £85 million. The lowest offer of £36 million was dropped from the process on the basis of the value of the offer.
- 3.9 The three remaining interested parties were asked by KPMG to submit further details of their offers on a like for like basis to indicate expected net proceeds from each offer. Only two of the parties undertook this exercise. The outcome of this process resulted in offers of £57.2 million and £69.8 million.
- 3.10 As a result of the change in constitution of the senior lenders and the concerns and uncertainty around the deliverability of the offers, no party was taken into an exclusivity period. The sale process was suspended on 14 March 2014.

Conclusion of sales process

- 3.11 During the process of becoming senior lenders, the Current Senior Lenders indicated a willingness to fund the Purchaser to make an offer for the Group's assets. An offer on behalf of the Purchaser was received being £80.12 million on 11 April 2014 to purchase the assets of the Companies including settlement of intercompany balances due from subsidiaries to the Companies. This offer was subsequently increased by £60,000 to reflect changes in fluctuating non-share asset values between 11 April 2014 and the date of the appointment.
- 3.12 Following receipt of the offer and discussions with the Current Senior Lenders it was concluded that the offer from the Purchaser, who is financed and owned by affiliates of the Current Senior Lenders, represented:
- the best value and offer in comparison with the offers previously received by KPMG; and
 - the most deliverable offer in the timeframe available, which was limited by increased creditor pressure and the possibility of winding up petitions being lodged against certain companies within the Group.
- 3.13 Given the value of the offer and the available timetable the Administrators concluded that the Purchaser's offer provided the optimal return to the Companies' creditors.
- 3.14 The Administrators have reviewed the sale process undertaken by KPMG and are satisfied that it was robust and ensured that the business of the companies was appropriately exposed to the market in the circumstances.
- 3.15 The English Administrators of ECLUKL have pursued their statutory purpose with the objective of achieving a better result for ECLUKL's creditors as a whole than would be likely if the company had been wound up.

- 3.16 The Guernsey Administrators of ERHL have pursued their statutory purpose with the objective of achieving a better result for ERHL's creditors as a whole than would be likely if the company had been wound up.
- 3.17 The sales have enabled both objectives to be achieved, and the sale price achieved in each case is the best reasonably obtainable.

4 Valuations of the business and assets

ECLUKL - valuations

- 4.1 As detailed below, the principal asset (not including investments in subsidiaries and intercompany receivables) shown on the balance sheet of ECLUKL fall into three categories.

- fixtures and fittings;
- Computer Hardware; and
- Other office equipment.

Balance sheet as at 28 February 2014	Book Value £000	Valuation £000
Fixtures and fittings	1,137	-
Computer hardware	337	18
Other office equipment	39	42
Total	1,513	60

- 4.2 As shown above, a valuation of the fixtures and fittings, computer hardware and other office equipment was obtained from Hilco Valuation Services (Hilco) on 8 April 2014, which indicated that on a forced sale basis, the realisable value of these assets before costs associated with the sale would be £60,000. The valuations were carried out by a RICS qualified valuer was undertaken in accordance with the RICS Appraisal & Valuation Standards. In addition, Hilco are an independent valuer.
- 4.3 The book value of the fixtures and fittings consisted of capitalised development staff costs, capitalised external contractor costs and hardware costs. These do not have any realisable value.
- 4.4 The realisable value attributed to the computer hardware is considerably lower than the book value due to depreciating nature of the asset in the open market. In addition, the valuation takes into account the available timeframe in which the value had to be realised.
- 4.5 Following discussions with the Current Senior Lenders and the Administrators' review of the sale process, it was deemed that a valuation of ECLUKL's shareholding in subsidiaries was not required. This is because the sale process obtained the market view of the enterprise value of the Group. In addition, the Current Senior Lenders, who are the only party which would be impacted by the value allocated to the shares, did not object to the allocation of the purchase price.

ERHL

- 4.6 The principal assets on the balance sheet of ERHL fall into two categories: the shares ERHL holds in its subsidiaries (which hold the properties from which the care homes operate), and the intercompany loans due from those subsidiaries.
- 4.7 Following discussions with the Current Senior Lenders and the Administrators' review of the sales process, we considered a formal valuation of ERHL's shareholding in its subsidiaries was not required. This is because the sale process obtained the market view of the enterprise value of the Group. In addition, the Current Senior Lenders, who are the only party which would be impacted by the value allocated to the shares, agreed to the allocation of the purchase price.

Knight Frank valuation

- 4.8 Knight Frank LLP (Knight Frank) was engaged by the Group to complete a desk-top property valuation as at 30 August 2013 on behalf of the Group and Original Senior Lenders. This valuation was provided to interested parties as part of the sales process discussed in section 3. Knight Frank are RICS registered.
- 4.9 Knight Frank presented four bases of valuation, all of which are common methodologies in valuations of this nature. These methodologies, and the resultant valuations are noted in the table below:

Valuation methodology	Valuation (£m)
Market value - value of the trading properties as fully equipped operational entities.	135.3
Market value 1 - value of properties on the basis of a 180 day distressed sale period, with the business open but no financial information available or relied upon.	101.6
Market value 2 (Liquidation value) - value of properties on the basis of a 180 day distressed sale period, with the business closed, but no financial information available or relied upon.	59.0
Mature market value - value of the trading properties as fully equipped operational entities, taking into account the special assumption that trading is at a mature level	155.4

- 4.10 One of the most commonly used valuation methods for sales transactions is to multiply the earnings before interest, tax, depreciation and amortisation (EBITDA) by a multiple, which is determined by looking at comparable transactions completed within the same industry sector.
- 4.11 Knight Frank adopted the approach whereby the trading potential of a property was assessed on the basis of a Reasonably Efficient Operator (REO) being in place, rather than relying on actual operating performance. Consequently, each property is valued on the basis of Fair Maintainable Operating Trade (FMT), being the EBITDA expected to be achieved by a REO.
- 4.12 Knight Frank estimated the multiples on a home by home basis and applied this to the EBITDA for the individual homes.

- 4.13 Knight Frank estimated a fair maintainable level of EBITDA for the Group's care homes to be £24.9 million, which excluded head office costs. The actual outturn EBITDA for the Group for 2013 was £16.6 million (before head office costs), 33% below the estimated fair maintainable level.
- 4.14 All of the valuations outlined in the Knight Frank report take no account of the head office costs of the Group. The inclusion of these costs has a material impact on the value that could be attributed to the Group, and therefore the net proceeds from any sale process for the Group as a whole.
- 4.15 As an indication of this impact, in the reforecast financial performance presented as part of the due diligence process to interested parties on 18 October 2013, central costs for the 2013 financial year were forecast to be £10.6 million, falling to £10.2 million in 2014. This represented 58% of EBITDA in the same period.
- 4.16 The valuation also takes no account of the disposal costs from fees payable to any property agents appointed to market the portfolio.
- 4.17 The Liquidation value provided by Knight Frank of £59 million is significantly lower than the sale price of £80.18 million. Knight Frank stated that its valuation has not been based on an inspection of the properties but that the valuers expected that a significant level of property capital expenditure (capex) was required in the portfolio. The inclusion of estimated capex requirements would, we expect, have a material negative impact on the value attributed to the properties within the Group, in all scenarios.
- 4.18 A desktop valuation of a business is a theoretical exercise and a more important factor in determining the Group's actual value is the outcome of the comprehensive sale process, as discussed in section 3.

5 Alternative courses of action considered

Company voluntary arrangement (CVA)

- 5.1 A CVA was not pursued due to the level of secured debt that the Group held. The level of debt along with the requirement for additional funding meant that this option was not feasible.
- 5.2 In addition, the Group did not have working capital to continue to trade whilst formulating proposals to put before creditors, and the absence of a moratorium to prevent creditors seeking enforcement action to protect their interests was also a factor in ruling out this option.
- 5.3 A scheme of arrangement was also ruled out due to expense and time constraint reasons in addition to the working capital pressures mentioned above.
- 5.4 It should be noted that the CVA route was not available for ERHL as it is a Guernsey registered entity.

Trading the business in administration to pursue a going concern sale

- 5.5 As previously detailed, the Group had, at the behest of its Original Senior Lenders, already progressed an extensive sale process. In view of this, the Administrators did not consider that trading the business in Administration would attract any additional interest. To the extent that a sale could have been achieved, this would in all likelihood have been a distressed sale which would have significantly impacted value realised for creditors because of the additional funding that would have been required for the trading period, the uncertainty of the outcome and potentially reduced offers for the whole or parts of the business due to the circumstances of sale.
- 5.6 Due to the nature of the services provided by the Group and the potential impact of any extended trading period on the Group's customers and due to the public nature of any trading Administration process, suppliers and customers of the trading companies in the Group would have become aware that the Companies had entered into an insolvency process. This heightened sense of risk would make it more difficult to attract new residents both during and after the Administration period, which would impact negatively on value realised.
- 5.7 There was a further risk that licences held by the Group required for on-going trading would terminate on the Companies' insolvency. Even if the Administrators were able to reinstate the licences temporarily, there would have been significant disruption to operations. There would also have been disruption to operations whilst agreements were reached with suppliers for ongoing supply and a risk that certain key staff could not be retained. In addition, continuity of care may also have been impacted.
- 5.8 It was considered that this option would adversely impact the value realised for creditors of the Companies and therefore it was not pursued.

Trading the business in administration to pursue asset realisations

- 5.9 As detailed above, trading the business was not considered to be beneficial for the Companies' creditors due to the potential impact on operations and the value of the shares in its subsidiaries, from which the value of the Companies is derived.

Liquidation of the Company/Group, followed by realisation of the assets

- 5.10 Liquidation of the Companies, whether a Creditors' Voluntary Liquidation, a Compulsory Liquidation or a Guernsey liquidation, is a slower process than Administration and is typically less efficient at realising best value for assets. These factors would create uncertainty, causing potential disruptions to the Group's trading operations.
- 5.11 A Liquidation process in relation to the Group as a whole would risk only realising the vacant possession values of the properties held within the subsidiaries which Knight Frank estimate to be £59 million. This is materially lower than the values achieved under the pre-packaged deal completed by the Administrators and therefore would have resulted in a worse outcome for creditors. In addition, there was a further risk that licences held by the Group would terminate immediately following appointment.

Administration of the Company/Group, immediately before sale

- 5.12 As noted above, trading of the Companies in Administration was not considered viable as it would be expected to require additional funding and also erode the value of the Companies' assets. Therefore, a sale immediately following the appointment of Administrators was considered necessary to maximise the value realised for the benefit of the Companies' creditors and protect ongoing value in the subsidiaries.
- 5.13 In addition to the enhanced realisations, the pre-packaged sales of the business has reduced the level of claims made against the Companies and has preserved jobs for those employed by the subsidiaries in the Group. In addition, the Purchaser may take over the head office lease of the ECLUKL, thus reducing the claims from the landlord of the property, and providing a successor in business to them and to the trade suppliers of the Companies.
- 5.14 In the light of the circumstances set out above, and the risk to value reduction associated with a trading Administration, the Administrators believed that the offer accepted represented the best outcome for the creditors of the Companies as a whole.

6 Requests made to potential funders of working capital

- 6.1 Following discussions with the Group, the senior lenders agreed to suspend the payment of interest and capital since January 2013 and provide the Group with sufficient liquidity to assist the Group while it assessed the options available.
- 6.2 The Companies' working capital facility was reviewed on a weekly basis, following a request by the Companies for the facility to be increased in the week commencing 31 March 2014 for two weeks to 14 April 2014.
- 6.3 Given the risks regarding continued trading in administration outlined in section 5 above, it was deemed unnecessary to explore the provision of working capital for a trading administration.

7 Consultations with major creditors

- 7.1 The current senior lenders and inter-company creditors were kept fully apprised of the Companies' financial position prior to our formal appointment as Administrators.
- 7.2 In addition to the Current Senior Lenders, the Group had other major creditors, who consist of a number of parties who provided junior financing to the Group but were economically 'out of the money'. After discussions with the Companies' directors, it was felt that there was a significant risk in approaching these other creditors, some of whom could trigger enforcement action by individual creditors which could prevent the directors from maximising value for all creditors through the pre-packaged sale (as detailed above). Therefore, no additional consultation with other creditors was deemed appropriate.

8 Sale transaction details

- 8.1 The SPAs were signed on 16 April 2014. The sales were completed by the Companies, acting by their Administrators.

- 8.2 The security documentation provided that the proceeds of enforcement of the security, after the deduction of costs, fees and other related expenses, shall be applied in discharge of the secured debt, before any surplus is remitted to the Group.
- 8.3 The SPAs were for a sale of the Companies' assets, in return for the Purchaser funding the subsidiaries to repay intercompany debt to the Companies to allow a repayment to the Current Senior Lenders.
- 8.4 ECLUKL received £10 million and ERHL received £70 million for the value of their intercompany receivables at the date of appointment.
- 8.5 A nominal value of £1 was allocated to the shares in each subsidiary as a result of the level of liabilities in these companies.
- 8.6 ECLUKL's shareholding in European Care (Dartmouth) Limited, European Care (Danbury) Limited, European Care (Gillingham) Limited and European Care (West) Limited have not transferred immediately and may be sold to the Purchaser in due course pending discussions between the Purchaser and the landlords of the properties from which they operate. Limited funding is available for a short period to meet certain ongoing costs. The English Administrators have entered into a conditional sale agreement in respect of its shares in these companies.
- 8.7 ERHL's has shareholdings in Esquire Realty Investments (I) Limited, Esquire Realty Investments (II) Limited, Esquire Realty (Finance) Limited and Esquire Realty Investments (Mezzanine) Limited was excluded from the SPA. The intention is to place these holding companies into Liquidation.
- 8.8 The sale consideration was allocated as follows:

ECLUKL

Asset class	Sale consideration - fixed charge (£)	Sale consideration - floating charge (£)	Sale consideration - Total (£)
Shares in subsidiaries	20	-	20
Intercompany debtors	-	10,000,000	10,000,000
Fixtures and fittings	-	1	1
Goodwill/Intellectual Property	1	-	1
Customer contracts	-	1	1
Computer hardware	-	18,000	18,000
Prepayments	-	117,276	117,276
Other floating charge assets	-	42,000	42,000
Total	21	10,177,278	10,177,299

ERHL

Asset class	Sale consideration - fixed charge (£)	Sale consideration - floating charge (£)	Sale consideration - Total (£)
Shares in subsidiaries	7	-	7
Intercompany debtors	-	70,000,000	70,000,000
Total	7	70,000,000	70,000,007


- 8.9 Cash of £15,417 on appointment was set off under the security held by the Current Senior Lenders.
- 8.10 In accordance with section 176A(a) of the Insolvency Act 1986, where a company granted a floating charge after 15 September 2003, administrators are required to create a fund from a company's net property available for the benefit of the unsecured creditors (Unsecured Creditors' Fund), commonly known as the 'Prescribed Part'.
- 8.11 Set aside for the benefit of unsecured creditors of ECLUKL was the maximum Prescribed Part amount of £600,000, out of which a dividend will be paid to all known unsecured creditors of this entity. Please note this amount would not increase irrespective of the level of consideration paid by the Purchaser.
- 8.12 There is no requirement to set aside a Prescribed Part under Guernsey Law and therefore this is not relevant for ERHL.
- 8.13 The Administrators have a duty to consider whether a better outcome for all creditors could have been achieved. Given the level of the secured debt and the intercreditor agreement between the various secured lenders, only an offer for the Companies' assets in excess of £158 million would have delivered a better result for all creditors. There is no evidence to support an offer of this quantum being made, given such an offer would be £77.9 million higher than the highest offer received from the Purchaser.
- 8.14 The purchaser is Berlin Acquisition Limited and its subsidiaries. Berlin Acquisition Limited's registered company number is 8948604 and its registered office is at Part Ground Floor and First Floor, Two Parklands Building, Rubery, Birmingham, United Kingdom, B45 9PZ.
- 8.15 Connections between the directors, shareholders or secured creditors or their associates and the Purchaser of the Companies/Group are summarised below.

Name	Connection to Companies/Group	Connection to the Purchaser
Varde Partners	Secured creditor	Related group company
DE Shaw & Co	Secured creditor	Related group company
Ted Smith	Chief Executive Officer	Minority (5.3%) shareholder in Berlin Acquisition Limited
David Manson	Financial Director	Minority (6.7%) shareholder in Berlin Acquisition Limited

- 8.16 Ted Smith and David Manson will continue to be involved in the management of the business and are directors of certain subsidiaries of the Purchaser.
- 8.17 To our knowledge no directors provided guarantees for amounts due from the Companies/Group.
- 8.18 There are no options, buy-back arrangements or similar conditions attached to the SPA apart from that discussed in Section 8.6.

- 8.19 A pre-packaged Administration of the Companies has ensured that best value has been achieved for the creditors in the time available, ensuring minimal disruption to the trading companies in the Group. It preserved the integrity of the Group's business and provided confidence to customers and key suppliers that the Group would survive as a trading business.

For and on behalf of
the Companies



Alastair Beveridge
Joint Administrator of ERHL and ECLUKL

Statutory information**Appendix A1****Company information - ECLUKL**

Company name	European Care & Lifestyles (UK) Limited
Registered number	03856015
Registered office	Two Parklands Business Park, Birmingham Great Park, Rubery, West Midlands, B45 9PZ
Former registered office	28 Welbeck Street, London, W1G 8EW
Trading address	Holding company
Trading names	Holding company
Court details	High Court of Justice, Chancery Division, Companies Court
Court reference	2975/2014

Administrators' information

Name	Address	IP number	Name of authorising body
Anne Clare O'Keefe	Zolfo Cooper, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	8375	Insolvency Practitioners Association
Alastair Paul Beveridge	Zolfo Cooper, 10 Fleet Place, London, EC4M 7RB	8991	Insolvency Practitioners Association
Daniel Imison	Zolfo Cooper, 10 Fleet Place, London, EC4M 7RB	13434	Insolvency Practitioners Association

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

Appointer's information

Name	Address	Position
Lloyds Bank plc	Lloyds Bank plc, Loans Agency, Third Floor, 25 Gresham Street, London EC2V 7HN	Qualifying Floating Chargeholder

Statutory information

Appendix A2

Company information - ERHL

Company name	Esquire Realty Holdings Limited
Registered number	45422
Registered office	Frances House, Sir William Place, St Peter Port, Guernsey, GY1 4HQ
Trading address	Holding company
Trading names	Holding company
Court details	Royal Court of the Island of Guernsey

Administrators' information

Name	Address	IP number	Name of authorising body
Alastair Paul Beveridge	Zolfo Cooper, 10 Fleet Place, London, EC4M 7RB	8991	Insolvency Practitioners Association
James Robert Toynton	Grant Thornton Limited, PO Box 313, Lefebvre House, Lefebvre Street, St Peter Port, Guernsey, GY1 3TF	9465	Association of Chartered Certified Accountants

Alastair Paul Beveridge of Zolfo Cooper LLP, 10 Fleet Place, London, EC4M 7RB and James Robert Toynton of Grant Thornton Limited, PO Box 313, Lefebvre House, Lefebvre Street, St Peter Port, Guernsey, GY1 3TF be appointed and sworn in as Joint Administrators of ERHL with the power for each to act alone or jointly together

Appointer's information

Pursuant to an order of the Royal Court of Guernsey made on 16 April 2014 under Part XXI of the Companies (Guernsey) Law, 2008 (as amended) on the application of Lloyds Bank plc (as Security Agent) acting on the unanimous instructions of the Current Senior Lenders.

Administrators' Statement of Proposals

European Care & Lifestyles (UK) Limited
In Administration

16 May 2014

1	Why this report has been prepared	1
2	Summary of information for creditors....	2
3	Background and circumstances leading to the Administration.....	3
4	The Administration strategy and objectives.. ..	5
5	Financial position and Administrators' receipts and payments.. ..	6
6	Estimated outcome for creditors	7
7	What happens next.	7

Statutory information.....	Appendix A
Directors' Statement of Affairs of the Company as at 16 April 2014	Appendix B
Administrators' Receipts and Payments Account for 16 April 2014 to 30 April 2014	Appendix C
Time Analysis and details of time spent	Appendix D
Administrators' fees and pre-appointment costs.. ..	Appendix E
Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9	Appendix F
Exit routes and discharge from liability	Appendix G

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1 Why this report has been prepared

- 1.1 As you will be aware, Alastair Beveridge, Daniel Imison and Anne O'Keefe (the Administrators) were appointed on 16 April 2014.
- 1.2 In accordance with UK insolvency legislation, Administrators are required to make a statement setting out their proposals for achieving the purpose of the Administration. This report and all appendices form the Administrators' proposals and covers the period 16 April 2014 to 30 April 2014 (the Period)
- 1.3 The purpose of this report is to provide statutory and financial information about the Company, the background to the Administration, the Administrators' proposed strategy, details regarding the Administrators' fees and the expected outcome for each class of creditor.
- 1.4 An administrator of a company must perform their functions with a view to achieving one of the following statutory objectives:
- Objective 1 rescuing a company as a going concern,
 - Objective 2. achieving a better result for a company's creditors as a whole than would be likely if the company were wound up (without first being in administration), or
 - Objective 3 realising property in order to make a distribution to one or more secured or preferential creditors.
- 1.5 In this case the Administrators are pursuing the second statutory objective. Further details of how they intend to achieve that objective can be found in section 4 of this report.
- 1.6 The Company's creditors are responsible for approving the Administrators' proposals and fees. In this case, it is proposed that the basis of the Administrators' fees, category 2 disbursements and pre-appointment fees will be approved by the secured creditor only. Further details of fees and costs can be found at Appendices E and F.
- 1.7 The Administrators do not intend to convene an initial meeting of creditors. However, creditors can request for a meeting to be held and further details on this matter can be found in section 7 of this report.
- 1.8 More information relating to the Administration process, Administrators' fees and creditors' rights can also be found on Zolfo Cooper's creditor portal and log-in details to access this information can be found within the covering letter you have received
- 1.9 If you require a hard copy of this report or have any queries in relation to the contents of this report or the Administration generally, please contact Leeleya Bachoco on 0161 838 4549, creditorreports@zolfocooper.eu or at Zolfo Cooper's office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB

2 Summary of information for creditors

Estimated dividend for creditors

Description	Estimated debt (£)	Likely level of return (£) or (pence/£)
Secured creditor - Lloyds Bank Plc as Security Agent for Current Senior Lenders ¹	340.5 million	23.5 pence in the pound
Secured creditor - Secured Convertible Unsecured Loan Notes ²	7.3 million	Nil
Unsecured creditors	70.9 million	0.08 pence in the pound

¹ Lloyds Bank Plc as Security Agent for Current Senior Lenders were owed £340.5 million (excluding accrued interest and charges) across the Group under their security. The sale of the Company's and Esquire Realty Holdings' assets, as per the SIP 16 disclosure report, reduced the Group's debt by £80.2 million.

² The Secured CULs rank *pari passu* after the Current Senior Lenders' initial recovery of £158 million (excluding unpaid interest and hedging amounts). As the realisations from the sale did not exceed this level, the level of return for this secured creditor is nil.

Notes:

The estimated debt has been taken from the Company's statement of affairs.

The net floating charge property is £10,008,954 and the funds available for distribution has been set at the maximum amount available of £600,000. The costs of distribution will not be deducted from this fund, it is entirely for the benefit of the creditors.

The likely level of return is estimated and subject to change, depending on total claims received. Please note that the level of estimated debt to unsecured creditors is likely to change as claims are not anticipated to be received from certain intercompany creditors. For further details, please refer to section 5.2 of the report.

The Company had no employees therefore no preferential creditors are expected.

UK insolvency legislation stipulates that creditors of the same class should be treated equally. Hence the funds available for distribution to unsecured creditors are split on a pro-rata basis, regardless of the size of their claims.

Following the approval of the Administrators' proposals, the Administrators intend to make an application to court, under paragraph 65 of schedule B1 of the Insolvency Act 1986, to obtain authority to distribute the Unsecured Creditors' Fund (discussed in further detail in section 6 of this report) in the Administration.

3 Background and circumstances leading to the Administration

- 3.1 This report should be read in conjunction with the Administrators' disclosure report pursuant to Statement of Insolvency Practice 16 (SIP 16) - pre-packaged sale of business or assets, dated 17 April 2014, which gives further detail on the background to, and the sale of, the Company's business and assets.
- 3.2 The Company is an intermediate holding company within the European Care Group (the Group). The Group principally operates elderly, specialist adult and children's care homes situated throughout the UK, trading as European Care Group. The group also operates three children's schools and a resource centre.
- 3.3 During 2010, the Group's financial performance was negatively affected by the poor economic climate. The Group worked with its lenders and external investors to provide a more stable financial platform for the Group to operate by way of restructuring.
- 3.4 The Group was having difficulties in implementing the restructuring due to the high level of its debt and its profitability did not recover sufficiently to meet its financial obligations. As a result, the Company approached its lenders with a new debt restructuring proposal which included a going concern sale of some of the Group's business and assets.
- 3.5 Due to increasing cash flow pressures, notification that winding up petitions may be lodged by a creditor, and the potential negative impact on the care home residents who depend on the Group's services, the directors concluded that a formal insolvency of the Company was most appropriate.
- 3.6 Zolfo Cooper LLP (ZC) was introduced to the Group by Bingham McCutchen LLP, legal advisors to Varde Capital Partners and DE Shaw & Co (Arvo Investment Holdings S.a.r.l. and SPV Capital Funding Luxembourg S.a.r.l.) (together the Current Senior Lenders). ZC was initially engaged following concerns about the Company's ability to discharge outstanding liabilities and that a solvent sale may not be possible.
- 3.7 ZC reviewed the alternative courses of action available and it became apparent that a sale immediately following appointment of Administrators was necessary to maximise the value for the benefit of the Company's creditors and protect ongoing value in the trading subsidiaries.
- 3.8 Following the marketing activities conducted by KPMG Corporate Finance LLP, it was concluded that the offer from Berlin Acquisition Limited and its subsidiaries, provided the best return to the Company's creditors.
- 3.9 Following consultation with the Current Senior Lenders and the Company's major intercompany creditors, Lloyds Bank Plc (as the Security Agent) appointed Alastair Beveridge, Daniel Imison and Anne O'Keefe as Administrators of the Company, on 16 April 2014.
- 3.10 The sale was then completed by the Company, acting by its Administrators, on 16 April 2014.

3.11 The sale consideration was allocated as follows:

Asset class	Sale consideration - fixed charge (£)	Sale consideration - floating charge (£)	Sale consideration - Total (£)
Shares in subsidiaries	20	-	20
Intercompany debtors	-	10,000,000	10,000,000
Fixtures and fittings	-	1	1
Goodwill/Intellectual Property	1	-	1
Customer contracts	-	1	1
Computer hardware	-	18,000	18,000
Prepayments	-	117,276	117,276
Other floating charge assets	-	42,000	42,000
Total	21	10,177,278	10,177,299

3.12 As noted in the SIP16 disclosure, the Company's shareholding in European Care (Dartmouth) Limited, European Care (Danbury) Limited, European Care (Gillingham) Limited and European Care (West) Limited did not transfer immediately. The Administrators understand that discussions are progressing between the purchaser and the relevant landlords

3.13 Should you wish to receive a further copy of the SIP 16 disclosure report please contact Leeleya Bachoco on 0161 838 4549, creditorreports@zolfocooper.eu or at Zolfo Cooper's office at The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB. Alternatively, a copy can be viewed on Zolfo Cooper's creditor portal at (<https://www.zcinfoportal.com>)

4 The Administration strategy and objectives

Sale of assets

- 4.1 A sale and purchase agreement (SPA) between the Company acting by its Administrators and Berlin Acquisition Limited and its subsidiaries (together the Purchaser), of Part Ground Floor and First Floor, Two Parklands Building, Rubery, Birmingham, B45 9PZ was signed.
- 4.2 Details of assets included in the SPA can be found on section 3 11 of this report or the SIP 16 disclosure report
- 4 3 Set aside for the benefit of unsecured creditors is the full Unsecured Creditors' Fund (see section 6) of £600,000, from which a dividend will be paid to all agreed unsecured creditors of the Company.
- 4 4 In accordance with Statement of Insolvency Practice 13 (Acquisition of Assets of Insolvent Companies by Directors) the Administrators have a requirement to disclose details of any common directors or connected persons with the company to whom the assets have been sold. Connections between directors, the shareholder, secured creditor, their associates and the Purchaser are detailed in the SIP 16 disclosure report.

Administration objectives

- 4 5 It is proposed that the Administrators continue to manage the affairs of the Company in order to achieve the objective of the Administration
- 4 6 The first objective under the Administration regime is based on the survival of the Company through a Company Voluntary Arrangement (CVA) or scheme of arrangement under part 26 of the Companies Act 2006. Following assessments carried out prior to the Administration, the Administrators considered that the first objective could not be achieved. As detailed in the SIP 16 disclosure report, due to the level of secured debt that the Group held a CVA was not deemed to be a suitable option and a scheme of arrangement was ruled out due to expense and time constraints.
- 4.7 The Administrators are therefore pursuing the second objective, of achieving a better result for the Company's creditors as a whole than would be likely if the Company were wound up (without first being in administration).
- 4 8 The Administrators' strategy to achieve the second objective was to conclude the pre-packaged sale. The pre-packaged sale enhanced asset realisations, reduced the level of claims made against the Company, and has preserved jobs for those employed by the subsidiaries in the Group. In addition, the Purchaser may take over the head office lease, thus reducing the claims from the landlord of the property, and providing a successor in business to them and to the trade suppliers of the Company's trading subsidiaries.
- 4 9 The Administrators have funds available for a distribution to the unsecured creditors. As detailed in section 6, an application will be made to court to seek permission to distribute the funds in the Administration. Once the distribution has been finalised and the Administration has concluded, the Company will be dissolved.
- 4 10 More information on the possible exit routes can be found at Appendix G

5 Financial position and Administrators' receipts and payments

Financial position

- 5.1 A statement of the Company's affairs as at 16 April 2014, together with a list of creditors' names, addresses and details of their claims is attached at Appendix B
- 5.2 The Administrators have the following observations to make in relation to the director's Statement of Affairs (SofA).
- As is normal, the directors' SofA is before provision for the costs of the Administration.
 - The directors listed several Group companies within the list of company creditors, however, the Administrators understand that the impact of the sale reduces these intercompany liabilities to nil. As such, the Administrators are not anticipating any claims in regards to certain intercompany liabilities.

Administrators' Receipts and Payments Account

- 5.3 A summary of receipts and payments is attached at Appendix C, which is on a cash rather than an accruals basis
- 5.4 The maximum fund available to the unsecured creditors, £600,000, has been set aside for the Unsecured Creditors' Fund.

6 Estimated outcome for creditors

Secured creditor - Lloyds Bank Plc (as Security Agent)

- 6.1 The Company granted a debenture, incorporating fixed and floating charges, to Lloyds Bank Plc, as Security Agent for the Current Senior Lenders, on 25 July 2012. At the date of appointment the Current Senior Lenders were owed £340.5 million (excluding accrued interest and charges) across the Group. The sale of certain assets of the Company and Esquire Realty Holdings Limited, decreased the Group's debt by £80.17 million.

Secured creditor - Secured Convertible Unsecured Loan Notes (Secured CULs)

- 6.2 The Group has a secured term loan facility provided by European Real Estate Debt S.a.r.l and FOFM-RPC International Investments II LLC to Esquire Consolidated Limited. The Secured CULs rank pari passu with senior liabilities after the senior lenders' initial priority recovery of £158 million (excluding interest and hedging amount) and benefits from the same security as the senior liabilities. As the value of the sale did not exceed this level, the Secured CULs will suffer a shortfall for the full amount they are owed.

Preferential creditors

- 6.3 The Company had no employees, therefore no preferential claims are expected to be received.

Unsecured creditors

- 6.4 Where the Company granted a floating charge after 15 September 2003, the Administrators are required to create a fund from the Company's net property available for the benefit of the unsecured creditors (Unsecured Creditors' Fund), commonly known as the 'Prescribed Part'.
- 6.5 The Company's net floating charge property following the sale is £10,008,954. Arising from this, the maximum Unsecured Creditors' Fund, being £600,000, was set aside for the benefit of unsecured creditors.
- 6.6 The likely level of return for unsecured creditors can be found within section 2 of this report. The Administrators do not have the power to pay unsecured creditors, but they intend to make an application to court, under paragraph 65 of schedule B1 of the Insolvency Act 1986, to obtain authority to distribute in the Administration. This application will be completed after approval of the proposals.
- 6.7 The reason the Administrators apply to court under paragraph 65, is to enable the agreement and distribution of the dividend to be completed sooner compared to placing the Company into Creditors' Voluntary Liquidation (CVL) for the same purpose, which would result in additional costs being incurred. These costs would reduce the rate of dividend to the unsecured creditors.
- 6.8 Creditors are invited to submit details of their claims to Leeleya Bachoco by email to creditorreports@zolfocooper.eu, using the Statement of Claim form that can be downloaded from the Zolfo Cooper's creditor portal (<http://www.zcinfoportal.com>)

7 What happens next

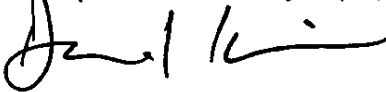
Meeting of creditors

- 7.1 A dividend will be available to the unsecured creditors by virtue of the Unsecured Creditors' Fund. The Administrators do not consider that any additional dividend will be payable to unsecured creditors in excess of the Unsecured Creditors' Fund. In accordance with paragraph 52(1)(b) of schedule B1 of the Insolvency Act 1986, an initial meeting of the Company's creditors is therefore not being convened.
- 7.2 The Administrators are required to hold an initial creditors' meeting if 10% in value of the creditors request it. If you wish for a meeting to be held, you must notify the Administrators in writing in the prescribed form on or before 30 May 2014. If a meeting is not requisitioned by creditors by this date, the proposals will be deemed to have been approved

Report

- 7.3 The Administrators are required to provide a progress report within one month of the end of the next six month period

For and on behalf of
European Care & Lifestyles (UK) Limited



Daniel Imison
Joint Administrator

Encs

Statutory information

Appendix A

Company information

Company name	European Care & Lifestyles (UK) Limited
Registered number	03856015
Registered office	c/o Zolfo Cooper, The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB
Former registered office	Part Ground Floor and First Floor, Two Parklands Building, Rubery, Birmingham, B45 9PZ
Trading name and address	N/A
Name of appointor	Lloyds Bank Plc
Address of appointor	Loans Agency, Third Floor, 25 Gresham Street, London, EC2V 7HN
Court details	High Court of Justice, Chancery Division, Companies Court
Court reference	2975/2014

Details of the Company's directors, secretary and shareholders at the date of appointment are as follows:

	Date appointed	Date resigned	Number of shares held	Percentage of shareholding
Directors				
David Manson	15 March 2012			
Alan Pilgrim	22 August 2012			
Colin Rutherford	3 July 2012			
Albert Smith	15 March 2012			
Stephen Webster	22 August 2012			
Shareholder				
European Care & Lifestyles Group Limited			14,550,000	100

Administrators' information

Name	Address	IP number	Name of authorising body
Alastair Beveridge	10 Fleet Place, London, EC4M 7RB	8991	Insolvency Practitioners Association
Daniel Imison	10 Fleet Place, London, EC4M 7RB	13434	Insolvency Practitioners Association
Anne O'Keefe	The Zenith Building, 26 Spring Gardens, Manchester, M2 1AB	8375	Insolvency Practitioners Association

The validity of the security has been confirmed by the Administrators' legal advisor, Pinsent Masons LLP, on 6 May 2014.

The EC Regulation on Insolvency Proceedings 2000 applies to the Administration. The proceedings are main proceedings as defined by article 3 of the Regulation. The Company is based in the UK.

In accordance with paragraph 100(2) of schedule B1 of the Insolvency Act 1986, all functions of the Administrators are to be exercised by any or all of the Administrators. All references to the Administrators should be read as the Joint Administrators.

Directors' Statement of Affairs of the Company

Appendix B

A - Summary of Assets

ASSETS

Assets subject to fixed charge
Investments (Shares in subsidiaries)
Goodwill & IP

Less Due to secured creditor

Surplus / (Shortfall) to secured creditor

Assets subject to floating charge

Intercompany
Fixtures and fittings
Customer contracts
Computer hardware
Prepayments
Office equipment

Estimated total assets available for preferential creditors

Book Value £	Estimated to Realise £
14,308,951	20
-	1
14,308,951	21
(347,800,000)	(347,800,000)
(333,491,049)	(347,799,979)
10,000,000	10,000,000
1,120,822	1
-	1
327,324	18,000
221,547	117,276
38,427	42,000
11,708,121	10,177,278

Directors' Statement of Affairs of the Company (cont'd)

Appendix B

A1 - Summary of Liabilities

	Estimated to Realise £
Estimated total assets available for preferential creditors (Carried from page A)	10,177,278
Liabilities	
Preferential creditors -	-
Estimated deficiency/surplus as regards preferential creditors	10,177,278
Estimated prescribed part of net property where applicable (to carry forward)	600,000
Estimated total assets available for floating charge holders	9,577,278
Debts secured by floating charges	(347,799,979)
Estimated deficiency/surplus of assets after floating charges	(338,222,701)
Estimated prescribed part of net property where applicable (brought down)	600,000
Total assets available to unsecured creditors	600,000
Unsecured non-preferential claims (excluding any shortfall to floating charge holders)	(70,907,292)
Estimated deficiency/surplus as regards non-preferential creditors (excluding any shortfall to floating charge holders)	(70,307,292)
Shortfall to preferential creditors	-
Shortfall to floating charge holder (brought down)	(338,222,701)
Estimated deficiency/surplus as regards creditors	(408,529,993)
Issued and called up share capital	(14,550)
Estimated total deficiency/surplus as regards members	(408,544,543)

Directors' Statement of Affairs of the Company (cont'd)

Appendix B

Name	Address					Amount of debt (£)
Asset Advantage	3rd Floor Network House	Basing View	Basingstoke	RG21 4HG		
Anoup and Jaynee Treon	Apartment 1	Cambridge Gate	London	NW1 4JX		1,293,332.92
Aston Brooks Solicitors	19 St Anns Road	1st Floor	Harrow	Middlesex	HA1 1LQ	1,300,000.00
B&Q Financial Services	Selectapost 28	Sheffield		S97 3GE		38.90
Birmingham City Council	Revenue & Benefits	PO BOX 5	Birmingham	B4 7AB		63,142.00
CF Corporate Finance Ltd	Reading International Business	Reading	Berkshire	RG2 6AA		28,166.46
	Park					
Danwood Finance Limited	60 High Street	Nutfield	Redhill	RH1 4HE		177.61
E C & L Group Ltd	Frances House Sir William Place	St Peter Port	Guernsey	Channel Islands	GY1 1GX	971,808.37
EC Danbury Ltd	Part Ground Floor & First Floor	Two Parklands	Parklands Business	Birmingham	B45 9PZ	18,875.39
		Building	Park			
EC West Ltd	Part Ground Floor & First Floor	Two Parklands	Parklands Business	Birmingham	B45 9PZ	82,779.82
		Building	Park			
Esquire Consolidated Group Ltd	Frances House Sir William Place	St Peter Port	Guernsey	Channel Islands	GY1 1GX	7,708,893.80
Esquire Consolidated Ltd	Part Ground Floor & First Floor	Two Parklands	Parklands Business	Birmingham	B45 9PZ	6,938,219.58
		Building	Park			
Esquire Pearl Realty Danbury Limited	2 Mile Oak	Maesbury Road	Oswestry	Shropshire	SY10 8GA	
Esquire Realty (Finance) Ltd	Frances House Sir William Place	St Peter Port	Guernsey	Channel Islands	GY1 1GX	1.27
Esquire Realty Holdings Limited	Frances House Sir William Place	St Peter Port	Guernsey	Channel Islands	GY1 1GX	1,930,995.64
In Administration						
Esquire Realty Investments	Frances House Sir William Place	St Peter Port	Guernsey	Channel Islands	GY1 1GX	5,455,795.18
(Mezzanine) Ltd						
FP-FRANCOTYP POSTALIA LTD	Unit 74	Powder Mill Lane	Dartford	DA1 1EF		12,216.80
GE CAPITAL EQUIPMENT FINANCE	2630 The Quadrant	Aztec West	Bristol	BS32 4GQ		
Grosvenor	Balmoral House	Kettering	Kettering	NORTHANTS		
		Venture Park				
Gillingham Esquire Pearl Realty	2 Mile Oak	Maesbury Road	Oswestry	Shropshire	SY10 8GA	
Gillingham Limited						
ICICI Bank UK Plc	Corporate Banking Group	One Thomas More	Thomas More Street	London	E1W 1YN	1,800,000.00
	3rd Floor	Square				
Lloyds TSB Commercial Finance	PO Box 10484	Hartlow		CM20 9GY		2,385.20
Larchfield	Eversden Investments Limited	Suite 2 Level 5	Berekeley Square	Berekeley Square	W1J 6BY	
		House	London			
Ogilvie Fleet Ltd	Ogilvie House	200 Glasgow road	Stirling	FK7 8ES		
Royal Mail Group Plc	Finance Service Centre	Papyrus Road	Werrington	Peterborough	PE4 5BR	134.94
River View RHD (Dartmouth)	Portland House	Bressenden Place	London	SW1E 5DS		
Ltd						
Trueblue Solutions	24 Shilton Close		Solihull	B90 4TW		328.00
Wembley National Stadium Ltd	PO Box 1966	London	Sw1P 9EQ			43,300,000
Unsecured CULs						
TOTAL						70,907,292

**Directors' Statement of Affairs of the
Company as at 16 April 2014 (cont'd)**

Appendix B

COMPANY SHAREHOLDERS

Name of Shareholder	Address (with postcode)	No Of shares held	Nominal Value	Details of shares held
European Care & Lifestyles Group Limited	Frances House Sir William Place St Peter Port Guernsey Channel Islands GY1 1GX	14550000	14550	
TOTALS		14550000	14550	

**Administrators' Receipts and Payments Account
for the period 16 April 2014 to 30 April 2014**

Appendix C

Statement of Affairs		£
£		£
Fixed charge assets		
Receipts		
21	Sale consideration	21
		<u>21</u>
Fixed charge creditor		
	Distributed to floating charge creditor	21
		<u>(21)</u>
Balance of fixed charge assets		<u>-</u>
Floating charge assets		
Receipts		
10,177,278	Sale consideration	10,177,278
		<u>10,177,278</u>
Payments		
	Contribution to costs	168,324
		<u>(168,324)</u>
Floating charge creditor		
	Distributed to floating charge creditor	9,408,954
		<u>(9,408,954)</u>
Total balance		<u><u>600,000</u></u>
Represented by		
600,000	Unsecured Creditors' Fund	600,000
		<u><u>600,000</u></u>

Time Analysis and details of time spent

Appendix D

Total time costs for the Period are £17,052. This represents 49.2 hours at an average rate of £347 per hour.

	Employee grade (hours)				£		
	Partner/ director	Senior associate	Associate/ analyst	Junior analyst/ support	Total hours	Total cost	Average rate per hour
Administration and planning							
Strategy and control	4.5	1.1	0.4		6.0	3,021.50	504
Statutory duties		2.1	2.6	0.1	4.8	1,354.50	282
Case administration		0.5	4.8	0.2	5.5	1,501.00	273
Accounting and treasury	0.2	0.5	2.3	0.7	3.7	1,000.50	270
Internal documentation		0.5	3.9		4.4	1,443.00	328
Investigations							
Director conduct reports		1.0	-		1.0	390.00	390
Realisation of assets: floating charge							
Asset identification and valuation			0.1		0.1	20.00	200
Sale of assets		15.5			15.5	5,877.00	379
Creditors							
Creditor strategy		0.3			0.3	132.00	440
Reporting to creditors		2.0	2.0		4.0	1,196.00	299
Secured creditors		0.5			0.5	195.00	390
Unsecured creditors		1.0	0.9		1.9	625.00	329
Employees		0.1	0.9		1.0	219.00	219
Totals	4.7	25.1	17.9	1.5	49.2	17,052.00	347

Principal areas of activity during the period are discussed in further detail below

Administration and planning - formulating and implementing the initial case strategy, complying with statutory duties and performing general administrative work. Case related treasury and support time is also recorded here

Investigations - requesting information from the directors in order to conduct investigations into the directors' conduct together with the Company's dealings prior to the appointment of the Administrators

Realisation of assets: fixed charge - requesting for bank accounts to be opened.

Realisation of assets: floating charge - liaising with the Purchaser in relation to the sales consideration. Time has also been spent arranging for a pre-packaged sale insurance to cover the Company and the Administrators in any event between the time the Company went into Administration and the conclusion of the sale. Time incurred dealing with post-completion matters including management of the pre-appointment bank accounts and dealing with tax steps following the transaction is also recorded in this section.

Creditors - notifying all creditors of the appointment and preparing the SIP 16 disclosure report and the Administrators' Proposals. Time has also been spent dealing with creditor queries.

Administrators' fees and pre-appointment costs

Appendix E

Administrators' fees

The basis of the Administrators' fees may be fixed on one or more of the following bases, and different bases may be fixed for different duties performed by the Administrators

- a percentage of the value of the assets with which they have to deal,
- by reference to time properly spent by them and their staff dealing with matters arising in the Administration; or
- as a set amount.

On this assignment the basis of the Administrators' fees shall be fixed by reference to the time properly spent by the Administrators and their staff on matters arising in the Administration

Shortly after the sale concluded, funds (the Funds) from the sale consideration were provided to the Administrators to meet, inter alia, the costs and expenses of the Administration process. The Funds have been agreed with the Purchaser, the Company and the Current Senior Lenders, and are held in a separate bank account.

The Administrators will draw their fees from the Funds subject to the secured creditor's consent as per section 1.6 of this report.

In accordance with the above agreement, the Administrators' fees and costs in association with the distribution of the Unsecured Creditors' Fund will also be deducted from the Funds.

Pre-appointment costs

Pre-appointment fees charged and expenses incurred by Zolfo Cooper LLP are as follows:

Charged by	Brief description of services provided	Total amount charged £	Amount paid £	Payment made by	Amount unpaid £
Zolfo Cooper LLP	Fees in relation to the review of the business and Group Discussions with key stakeholders and implementing the pre-packaged sale transaction	304,364	304,364	European Care Group	Nil
Zolfo Cooper LLP	Disbursements	1,886	1,036	European Care Group	850
Hilco Valuation Services	Fees in relation to the valuation of fixtures and fittings, computer hardware and other office equipment	1,500	Nil	Company	1,500
Hilco Valuation Services	Disbursements	189	Nil	Company	189

The costs incurred by ZC were subject to an agreement dated 13 March 2014. ZC was engaged by the Group on a time cost basis. The work was performed prior to the Administration in order to review the sale process, assess the financial statements of the Group, and understanding the pre-existing group structure as well as any proposed new group structure and which other group companies require insolvency processes.

ZC has unpaid pre-appointment disbursements of £850. Please note that payment of these unpaid disbursements will be met by a third party therefore no creditors' approval is required.

The pre-appointment fees and disbursements incurred by Hilco Valuation Services (Hilco) in relation to the valuations they carried out have not yet been paid. Payment of Hilco's pre-appointment fees and disbursements is subject to approval of creditors, separately to the approval of the Administrators' proposals. This approval will be the responsibility of the creditors' committee, if one is appointed. However, as detailed within section 1 of this report, the Administrators do not intend to convene a creditors' meeting and therefore it is proposed that approval will be sought from the secured creditor in accordance with rule 2.67A of the Insolvency Rules 1986.

Additional information in relation to the Administrators' fees pursuant to Statement of Insolvency Practice 9

Appendix F

Policy

Detailed below is Zolfo Cooper's policy in relation to

- staff allocation and the use of sub-contractors;
- professional advisors; and
- charge-out rates

Staff allocation and the use of sub-contractors

The Administrators' general approach to resourcing their assignments is to allocate staff with the skills and experience to meet the specific requirements of the case

The case team will usually consist of a partner, an associate director or senior associate, an associate and an analyst. The exact case team will depend on the anticipated size and complexity of the assignment and the experience requirements of the assignment. On larger, more complex cases, several staff at all grades may be allocated to meet the demands of the case. The Administrators' charge-out rate schedule below provides details of all grades of staff and their experience level

With regard to support staff, the Administrators advise that time spent by their treasury department in relation to specific tasks on an assignment is charged. The Administrators only seek to charge and recover secretarial time if a large block of time is incurred, eg report compilation and distribution.

The Administrators have not utilised the services of any sub-contractors in this case

Professional advisors

On this assignment the Administrators have used the professional advisors listed below. The Administrators have also indicated the basis of their fee arrangement with them, which is subject to review on a regular basis

Name of professional advisor	Basis of fee arrangement
Willis Limited (insurance)	Fixed premium for pre-pack administrations
Pinsent Masons LLP (legal advice)	Hourly rate and disbursements

The Administrators' choice was based on their perception of the professional advisors' experience and ability to perform this type of work, the complexity and nature of the assignment and the basis of their fee arrangement with them

Charge-out rates

A schedule of Zolfo Cooper LLP's charge-out rates for this assignment effective from 1 April 2014 is detailed below. Time is charged by partners and case staff in units of six minutes.

Description	Rates from 1 April 2014 £
Partner 1 ^(a)	595
Partner 2 ^(b)	540
Director	520
Associate director	440
Senior associate	390
Associate	330
Analyst	280
Junior analyst	200
Senior treasury associate	230
Treasury associate	155
Treasury analyst	100
Support	84

Key (a) Partner 1 - partners with three or more years' experience at partner level

(b) Partner 2 - partners with fewer than three years' experience at partner level

Exit routes and discharge from liability

Appendix G

Dissolution

In accordance with Paragraph 65 of Schedule B1 of the Insolvency Act 1986, the Administrators will seek consent from the court to enable a distribution to be made to the Company's unsecured creditors. If granted, the Company will proceed to dissolution after the distribution has been made. To do this, the Administrators will file a notice together with their final progress report at court and with the Registrar of Companies for the dissolution of the Company. The Administrators will send copies of these documents to the Company and its creditors. The Administration will end following the registration of the notice by the Registrar of Companies.

Creditors' voluntary liquidation (CVL)

An administrator does not have the power to make a distribution to unsecured creditors without consent of the court. A dividend will be paid to the unsecured creditors. In this situation, if the request to distribute in the Administration is not granted by the court, the Administrators will file a notice with the Registrar, which will have the effect of bringing the appointment of the Administrators to an end and will move the Company automatically into CVL.

Creditors have the right to nominate an alternative liquidator of their choice. To do this, creditors must make their nomination in writing to the Administrators prior to these proposals being approved. Where this occurs, the Administrators will advise creditors and provide the opportunity to vote. In the absence of a nomination, the Administrators will automatically become the Liquidators in the subsequent CVL, and the basis or bases of their remuneration approved by creditors in the Administration will also apply to the CVL.

Compulsory liquidation

A liquidator of a company has greater powers to investigate, and if required, take action on behalf of a company to recover funds for the benefit of creditors, if, prior to its insolvency, transactions had been entered into by a company without commercial justification and which diminished its net assets. If the Administrators become aware of transactions requiring further investigation and potential action by a liquidator, but it is not possible or appropriate to place the Company into CVL, they may make an application to court to end the Administration and request that the court places the Company into compulsory liquidation. The Administrators will send notice of any such application to the Company and its creditors.

Discharge from liability

Subject to the approval of the relevant creditors, it is proposed that the Administrators will be discharged from liability under paragraph 98 of schedule B1 to the Insolvency Act 1986 directly after their appointment as Administrators ceases to have effect.