

**European Care (Danbury) Limited**

**Directors' report and financial  
statements**

**Registered number 06307000**

**For the 18 month period ended**

**30 June 2013**

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COMPANIES HOUSE

## Directors and Advisors

Directors	David Manson Ted Smith
Secretary	Katharine Kandelaki (resigned 6 September 2013)
Company Number	06307000
Registered Office	Two Parklands Business Park Great Park Rubery Birmingham B45 9PZ
Auditors	KPMG LLP One Snow Hill Snow Hill Queensway Birmingham B4 6GH United Kingdom

## **Contents**

Directors' report	1
Statement of directors' responsibilities in respect of the Directors' Report and the financial statements	3
Independent auditor's report to the members of European Care (Danbury) Limited	4
Profit and loss account	6
Balance Sheet	7
Notes	8

## Directors' report

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

### Change of accounting reference date

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

### Principal activities and review of the business

The principal activity of the company in the period under review was to manage and operate care homes providing long term care to the elderly.

On 16 April 2014, European Care & Lifestyles (UK) Limited (the Company's immediate parent company) was placed into administration. The Directors of the Company have subsequently entered into negotiations with the landlord of the care homes operated by the company as the rental amounts charged are deemed to be unsustainable and above market norms. The result of these negotiations is that the landlord has identified a third party to operate the care homes currently leased by the Company. The Directors of the Company expect that the transfer of the care homes operated by the company to the new operator will take place by the end of August, at which time the Company will have no operations and will cease to trade. At the date of signing these financial statements, however, no such agreement has been reached and the company remains liable for the rent due under the terms of the existing lease. Accordingly, the directors have included a provision for their best estimate of that liability in drawing up these financial statements. On that basis, and recognising there is no support available to the company from its parent company, the financial statements for the period ended 30 June 2013 have not been prepared on a going concern basis. The effect of this is explained in note 1.

### Results and dividends

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

The directors do not recommend payment of an ordinary dividend.

### Directors

The following directors have held office since 1 January 2012:

Anoup Treon	(resigned 15 March 2012)
David Perry	(resigned 21 May 2012)
Jaynee Treon	(resigned 15 March 2012)
David Manson	(appointed 15 March 2012)
Ted Smith	(appointed 15 March 2012)

### Company Secretary

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

### Statement of disclosure to auditor

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

### Auditor

On 3 April 2014, KPMG LLP was appointed as auditor.

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

## Directors' report (continued)

## Directors' report (continued)

### Change in basis of preparation

As required by FRS 18.21 and as permitted by SI 2008/420 Schedule 1 (10) (2), the directors have prepared the financial statements on the basis that the company is no longer a going concern.

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

By order of the board



**David Manson**  
*Director*

Two Parklands Business Park  
Great Park  
Rubery  
Birmingham  
B45 9PZ

25 July 2014

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

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

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

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

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

As explained in note 1 to the financial statements, the directors do not believe the going concern basis to be appropriate and these financial statements have not been prepared on that basis.

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

## **Independent auditor's report to the members of European Care (Danbury) Limited**

We have audited the financial statements of European Care (Danbury) Limited for the period ended 30 June 2013 set out on pages 6 to 15. These financial statements have been prepared under the accounting policies set out therein. As described in note 1, they have not been prepared on a going concern basis. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Framework for Smaller Entities (Effective April 2008) (UK Generally Accepted Accounting Practice applicable to Smaller Entities).

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

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

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

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

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

### **Opinion on financial statements**

In our opinion the financial statements:

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

## **Independent auditor's report to the members of European Care (Danbury) Limited** (continued)

### **Emphasis of matter - non-going concern basis of preparation**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements which explains that the financial statements have not been prepared on the going concern basis for the reasons set out in that note.

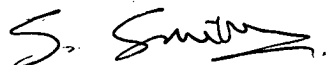
### **Opinion on other matter prescribed by the Companies Act 2006**

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

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

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

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



**Stuart Smith (Senior Statutory Auditor)**  
**for and on behalf of KPMG LLP, Statutory Auditor**

25 July 2014

*Chartered Accountants*  
*One Snowhill*  
*Snow Hill Queensway*  
*Birmingham*  
*B4 6GH*  
*United Kingdom*



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

	<i>Note</i>	<b>Period ended 30 June 2013 £'000</b>	<b>Year ended 31 December 2011 £'000</b>
<b>Turnover</b>	<b>2</b>	<b>10,738</b>	5,598
Cost of sales		(6,660)	(3,708)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>4,078</b>	1,890
Administrative expenses (includes exceptional cost of £157,041,000 (2011: £Nil))		(161,649)	(3,616)
		<hr/>	<hr/>
<b>Operating loss</b>		<b>(157,571)</b>	(1,726)
Interest payable and similar charges	<b>4</b>	(26)	(37)
		<hr/>	<hr/>
<b>Loss on ordinary activities before taxation</b>	<b>3</b>	<b>(157,597)</b>	(1,763)
Taxation on loss on ordinary activities	<b>5</b>	-	-
		<hr/>	<hr/>
<b>Loss for the financial period</b>	<b>12</b>	<b>(157,597)</b>	(1,763)
		<hr/>	<hr/>

All amounts relate to continuing activities (see note 1).

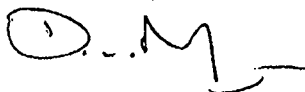
There were no recognised gains or losses during the current period or preceding year apart from the loss for the financial period shown above.

**Balance Sheet**  
at 30 June 2013

	Note	30 June 2013		31 December 2011	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	6		-		108
<b>Current assets</b>					
Stocks	7	9		9	
Debtors	8	1,014		360	
Cash at bank and in hand		6		2	
		<u>1,029</u>		<u>371</u>	
<b>Creditors: amounts falling due within one year</b>	9	<u>(4,680)</u>		<u>(4,474)</u>	
<b>Net current liabilities</b>			(3,651)		(4,103)
<b>Total assets less current liabilities</b>			<u>(3,651)</u>		<u>(3,995)</u>
<b>Provisions</b>	10		<u>(157,941)</u>		-
<b>Net liabilities</b>			<u>(161,592)</u>		<u>(3,995)</u>
<b>Capital and reserves</b>					
Called up share capital	11		-		-
Profit and loss account	12		<u>(161,592)</u>		<u>(3,995)</u>
<b>Shareholders' deficit</b>	13		<u>(161,592)</u>		<u>(3,995)</u>

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

These financial statements were approved by the board of directors on 25 July 2014 and were signed on its behalf by:



**David Manson**  
Director

Company registered number: 06307000

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

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

#### *Basis of accounting*

The financial statements are prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008). As explained in the Directors report, the Directors do not consider the company to be a going concern, and have therefore prepared the financial statements on a break up basis. The financial impairment of the company's assets as a result of a break up basis of valuation is £156,150,000.

#### *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 land and buildings	- Over the term of the lease
Plant & equipment	- 20% reducing balance
Fixtures, fittings & equipment	- 20% reducing balance
Motor vehicles	- 25% reducing balance

#### *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.

#### *Provisions*

A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, that can be reliably measured and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

#### *Property related provisions*

A provision for vacant or loss making properties is recognised when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Company recognises any impairment loss on the assets associated with that contract. The main uncertainty is the timing of the amounts payable, and the time value of money has been incorporated into the provision amount to take account of this sensitivity.

#### *Operating Leases*

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. The benefit of incentives from lessors is recognised on a straight-line basis over the lower of the first break clause or to the term of the lease.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Fixed Assets - Leasehold properties*

Leasehold properties are recorded at cost.

#### *Stock*

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

#### *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 directors, there is a reasonable probability that a liability or asset will crystallise in the foreseeable future.

#### *Going concern*

On 16 April 2014, European Care & Lifestyles (UK) Limited (the Company's immediate parent company) was placed into administration. The Directors of the Company have subsequently entered into negotiations with the landlord of the care homes operated by the company as the rental amounts charged are deemed to be unsustainable and above market norms. The result of these negotiations is that the landlord has identified a third party to operate the care homes currently leased by the Company. The Directors of the Company expect that the transfer of the care homes operated by the company to the new operator will take place by the end of August, at which time the Company will have no operations and will cease to trade. At the date of signing these financial statements, however, no such agreement has been reached and the company remains liable for the rent due under the terms of the existing lease. Accordingly, the directors have included a provision for their best estimate of that liability in drawing up these financial statements. On that basis, and recognising there is no support available to the company from its parent company, the financial statements for the period ended 30 June 2013 have not been prepared on a going concern basis.

### 2 Turnover

Revenue comprises the fair value of fee income receivable for the period in respect of the provision of care services and is recognised in respect of the days that care has been provided in the relevant period. Revenue invoiced in advance is included in deferred income until service is provided.

### 3 Loss on ordinary activities before taxation

	Period ended 30 June 2013 £'000	Year ended 31 December 2011 £'000
<i>Loss on ordinary activities before taxation is stated after charging:</i>		
Depreciation of tangible assets	58	27
Operating lease rentals - land and buildings	2,745	3,015
Operating lease rentals - plant and machinery	13	3
<i>Fees payable to the company's auditor:</i>		
Audit of these financial statements	2	6

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

## Notes (continued)

### 3 Loss on ordinary activities before taxation (continued)

*Exceptional income and costs (credited)/charged to the profit and loss account is comprised of:*

	Period ended 30 June 2013 £'000	Year ended 31 December 2011 £'000
<b>Administrative:</b>		
Prior period rent accrued not paid <sup>1</sup>	(1,571)	-
Write off of balance due from former related party (note 17)	200	-
Bad debt provision <sup>1</sup>	202	-
Provisions for litigations and claims (note 10)	2,200	-
Onerous lease provision (note 10)	155,741	-
Impairment of fixed assets to net recoverable amount	269	-
	<u>157,041</u>	<u>-</u>

<sup>1</sup>These items have been classified as exceptional because they are considered to relate to matters coming to light during the period as a result of both the restructuring exercise and the introduction of a new financial platform.

### 4 Interest payable and similar charges

	Period ended 30 June 2013 £'000	Year ended 31 December 2011 £'000
On bank loans and overdrafts	26	37
	<u>26</u>	<u>37</u>

### 5 Taxation

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

**Notes (continued)**

**6 Tangible fixed assets**

	Leasehold land and buildings £'000	Plant and machinery £'000	Fixtures, fittings & equipment £'000	Motor vehicles £'000	Total £'000
<i>Cost</i>					
At beginning of period	6	2	147	36	191
Additions	1	-	218	-	219
Impairment	(7)	(2)	(365)	(36)	(410)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Depreciation</i>					
At beginning of period	1	1	60	21	83
Charge for period	-	-	53	5	58
Impairment	(1)	(1)	(113)	(26)	(141)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of period	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<i>Net book value</i>					
At 30 June 2013	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2011	5	1	87	15	108
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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

	Fixtures & fittings £'000
<i>Net book values</i>	
At 30 June 2013	-
	<hr/>
At 31 December 2011	15
	<hr/>
<i>Depreciation for the period</i>	
At 30 June 2013	3
	<hr/>
At 31 December 2011	5
	<hr/>

## Notes (continued)

### 7 Stocks

	30 June 2013 £'000	31 December 2011 £'000
Consumables	9	9
	<u>9</u>	<u>9</u>

### 8 Debtors

	30 June 2013 £'000	31 December 2011 £'000
Trade debtors	168	280
Amounts owed by parent and fellow subsidiary undertakings	810	1
Other debtors	5	79
Prepayments and accrued income	31	-
	<u>1,014</u>	<u>360</u>

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

	30 June 2013 £'000	31 December 2011 £'000
Bank loans and overdrafts	-	419
Net obligations under hire purchase contracts	-	2
Trade creditors	149	262
Amounts owed to parent and fellow subsidiary undertakings	4,162	1,777
Taxation and social security	78	133
Other creditors	22	1,882
Accruals and deferred income	269	-
	<u>4,680</u>	<u>4,475</u>

## Notes (continued)

### 10 Provisions

	Provision for litigation and claims <sup>1</sup> £'000	Onerous lease provision £'000	Total £'000
At beginning of period	-	-	-
Charge for the period	2,200	155,741	157,941
<b>At end of period</b>	<b>2,200</b>	<b>155,741</b>	<b>157,941</b>

<sup>1</sup>The company is subject to ongoing legal proceedings and has provided accordingly. This matter is expected to be settled within 1 year of the period end.

The onerous lease provision represents the Directors' best estimate of the full undiscounted liability under the existing lease agreement for the company's property. As set out in the Directors' Report and the Accounting Policies, the landlord is in negotiation with third parties to transfer the lease but at the time of signing no such agreement was in place. Accordingly the company remains liable under the existing lease agreement for the remaining 31 years of the lease and the Directors have provided for their best estimate of that liability within the onerous lease provision.

### 11 Called up share capital

	30 June 2013 £	31 December 2011 £
<i>Allotted, called up and fully paid</i>		
1 ordinary share of £1 each	1	1

### 12 Profit and loss account

	£000
At beginning of period	(3,995)
Loss for the period	(157,597)
<b>At end of period</b>	<b>(161,592)</b>

### 13 Reconciliation of movements in shareholders' deficit

	Period ended 30 June 2013 £'000	Year ended 31 December 2011 £'000
Loss for the financial period	(157,597)	(1,763)
Opening shareholders' deficit	(3,995)	(2,232)
<b>Closing shareholders' deficit</b>	<b>(161,592)</b>	<b>(3,995)</b>



## Notes (continued)

### 14 Commitments

At 30 June 2013, the company was committed to making the following annual payments under non-cancellable operating leases:

	30 June 2013 £'000	31 December 2011 £'000
Operating leases which expire:		
In more than five years	3,563	1,640

### 15 Contingent liabilities

As at the balance sheet date, the company had given cross guarantees to the bankers of the holding company and some of its fellow subsidiaries and connected companies, up to £280,717,000. These cross guarantees ceased to exist as part of the process referred to in note 19.

### 16 Remuneration of directors

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

### 17 Related party disclosures

During the period rent of £2,672,934 (2011: £3,015,000) was paid to Esquire Pearl Realty (Danbury) Limited. The transaction was carried out at arm's length.

Esquire Realty Holdings Limited, a subsidiary of the ultimate parent company, is a 33% shareholder of Esquire Pearl Realty (Danbury) Limited.

During the period, the company made purchases for food, consumables and fixed assets from Vendors Plus Limited amounting to £Nil (2011: £274,000). The purchases were made in the normal course of business.

Vendors Plus Limited was related by virtue of common directors and common ownership until 31 December 2012.

The company has taken advantage of the exemptions conferred by Financial Reporting Standard No 8 from the requirements to make disclosure of transactions with entities that are part of the group on the grounds that the voting rights in the company are 100% controlled within the group headed by Esquire Consolidated Group Limited and the company is included in the consolidated financial statements.

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

In the opinion of the directors, the ultimate parent company and ultimate controlling party is Esquire Group Investment (Holdings) Limited, a company incorporated in the British Virgin Islands.

The smallest and largest group in which the results of the company are consolidated is that headed by Esquire Consolidated Group Limited, incorporated in Guernsey, whose accounts can be obtained from PO Box 175, Frances House, Sir William Place, St Peter Port, Guernsey GY1 4HQ. No other group financial statements include the results of the company.

## Notes (continued)

### 19 Post balance sheet events.

On 16 April 2014, European Care & Lifestyles (UK) Limited (the Company's immediate parent company) was placed into administration. The Directors of the Company have subsequently entered into negotiations with the landlord of the care home operated by the company as the rental amounts charged are deemed to be unsustainable and above market norms. The result of these negotiations is that the landlord has identified a third party to operate the care home currently leased by the Company. The Directors of the Company expect that the transfer of the care home operated by the company to the new operator will take place by the end of August, at which time the Company will have no operations and will cease to trade. At the date of signing these financial statements, however, no such agreement has been reached and the company remains liable for the rent due under the terms of the existing lease. Accordingly, the directors have included a provision for their best estimate of that liability in drawing up these financial statements. On that basis, and recognising there is no support available to the company from its parent company, the financial statements for the period ended 30 June 2013 have not been prepared on a going concern basis.