

ACG HOLDCO LIMITED- IN ADMINISTRATION

Joint Administrators' proposals

5 June 2024

Contents

1	Executive summary	3
2	Group structure	4
3	Background and events leading to the administration.....	5
3.1	Background information	5
3.2	Funding and financial position of the Group	5
3.3	Events leading to the administration	5
3.4	Pre-administration work	7
3.5	Appointment of Joint Administrators	7
4	Strategy and progress of the administration to date.....	8
4.1	Strategy	8
4.2	Asset realisations	8
4.3	Expenses.....	9
4.4	Ongoing strategy	10
5	Dividend prospects	11
5.1	Secured creditor	11
5.2	Preferential creditors	11
5.3	Unsecured creditors	11
6	Ending the administration	12
6.1	Exit from administration.....	12
6.2	Discharge from liability	12
7	Approval of proposals.....	13
7.1	Deemed approval of proposals	13
7.2	Creditors' right to request a decision	13
8	Joint Administrators' remuneration, category 2 expenses and pre-administration costs.....	14
8.1	Approval of the basis of remuneration and category 2 expenses.....	14
8.2	Pre-administration costs.....	14
	Appendix 1 – Statutory information	16
	Appendix 2 – Receipts and payments account	17
	Appendix 3 – Charging policy	18
	Appendix 4 – Estimated financial position	20
	Appendix 5 – SIP 16 statement	22
	Appendix 6 – Evaluator's report	40
	Appendix 7 – Glossary.....	50
	Appendix 8 – Notice: About this statement of proposals	51

1 Executive summary

Richard Beard and Richard Fleming of Alvarez & Marsal Europe LLP (“A&M”) were appointed as Joint Administrators (“we” / “our” / “us”) of ACG Holdco Limited (the “Company”) on 29 May 2024.

The Company was an intermediate holding company, which together with its parent, Ruby Holdco Limited (“Ruby Holdco”), Montreux Holdings Limited, and the Company’s direct and indirect subsidiaries, formed the Active Care group of companies (the “Group”). The Group’s ultimate controlling party was Montreux Healthcare Fund Plc (the “Shareholder”).

The Company was incorporated on 18 January 2018 to facilitate the Group’s acquisition of Active Assistance (UK) Group Limited and its subsidiaries, an adult healthcare provider. ACG Bidco Limited (“Bidco”), an indirect subsidiary of the Company, completed the acquisition on 31 January 2018. The Group went on to make further acquisitions in the healthcare sector.

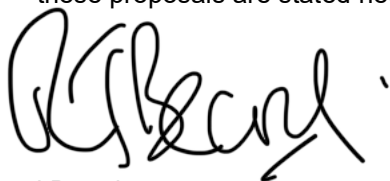
The Company’s main assets at the time of our appointment were its shareholding in its subsidiary, ACG Midco Limited (“Midco”), (the “Midco Shares”) and an intercompany loan due from Midco, of approximately £479 million (the “Midco ICL”).

Shortly after our appointment, a sale of the Company’s assets (the Midco Shares and the Midco ICL) was completed to Gadwall Holdings Limited (the “Purchaser”) on 29 May 2024 for consideration of £62,007,952 (the “Pre-packaged Sale”). Further details of the sale are set out at Section 4.1.1 and Appendix 5.

Our primary objective is to achieve a better result for the Company’s creditors as a whole than would be likely if the Company were wound up, in accordance with paragraph 3(1)(b) of Schedule B1 to the Act. This will be achieved by the completion of the Pre-packaged Sale as detailed at Section 4.1.1. Please see further detail about the purpose in Appendix 1.

A summary of the matters contained in our proposals is as follows:

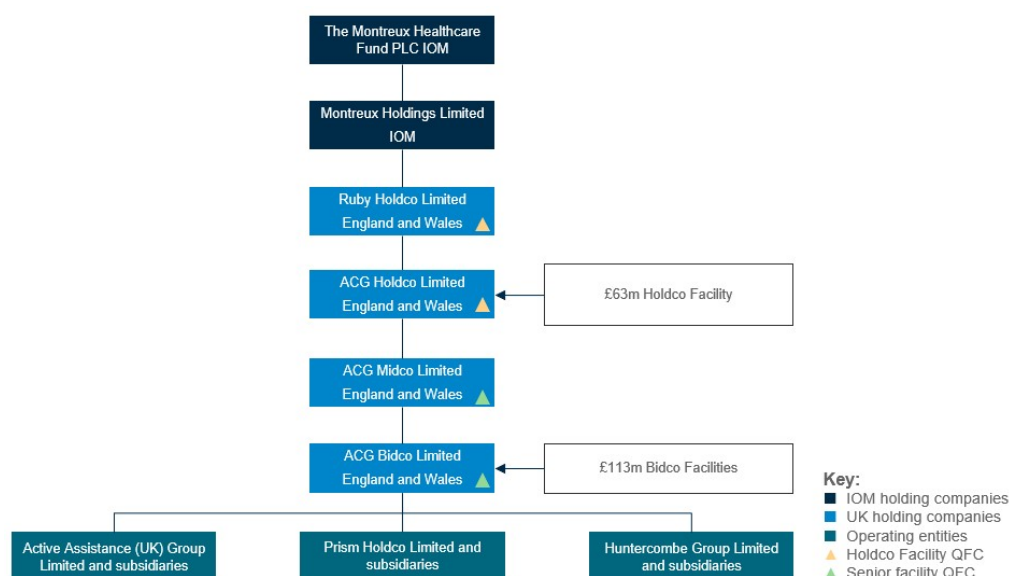
- A distribution to the secured creditor was made on 29 May 2024. We anticipate the indebtedness of the secured creditor will not be repaid in full (Section 5 – Dividend prospects).
- We are not aware of any preferential claims against the Company (Section 5 – Dividend prospects).
- We anticipate that a distribution will be made to the unsecured creditors in relation to the prescribed part (Section 5 – Dividend prospects).
- We intend to seek the approval of our proposals by way of deemed approval (Section 7 – Approval of proposals).
- The basis and approval of our remuneration does not form part of our proposals. We propose to seek approval from the secured creditor in due course that our remuneration will be based on time properly given by us and the various grades of our staff (Section 8 - Joint Administrators’ remuneration, category 2 expenses and pre-administration costs).
- This document in its entirety is our statement of proposals. The relevant statutory information is included by way of appendices. Unless stated otherwise, all amounts in these proposals are stated net of VAT.



Richard Beard
Joint Administrator

2 Group structure

An abridged version of the Group's structure chart is set out below.



ACG Holdco Limited - in administration

The Company was established in 2018 as a holding company for the purpose of acquiring Active Assistance (UK) Group Limited.

ACG Midco Limited

Midco was established in 2018 as a holding company for the purpose of acquiring Active Assistance (UK) Group Limited.

ACG Bidco Limited

Bidco was established in 2018 as a holding company for the purpose of acquiring Active Assistance (UK) Group Limited.

Active Assistance (UK) Group Limited

Active Assistance (UK) Group Limited, incorporated in 2011 and a wholly owned subsidiary of Bidco, was acquired by the Group in 2018. Its main activities include the provision of care for the physically disabled.

Prism Holdco Limited

Prism Holdco Limited, incorporated in 2019 and a wholly owned subsidiary of Bidco, was acquired by the Group in 2020. It is a holding company and the principal activity of its subsidiaries is the provision of residential care services.

Huntercombe Group Holdco Limited

Huntercombe Group Holdco Limited, incorporated in 2020 and a wholly owned subsidiary of Bidco, was acquired by the Group in 2021. It is a holding company and the principal activity of its subsidiaries is the provision of care services.

3 Background and events leading to the administration

3.1 Background information

As an intermediate holding company, the Company did not generate revenue, and its main assets were the Midco Shares and the Midco ICL. The Company had no employees. The statutory directors were employed and remunerated by another company in the Group.

The Group (through its operating companies) provided specialist care services supporting adults with complex continuing health needs operating 52 specialist care facilities in the UK. The Group had approximately 4,300 employees and almost 2,000 patients including over 700 residents.

The Group's trading performance had deteriorated since around 2022, as detailed below, which resulted in the Group experiencing financial difficulties in the period leading up to the administration of the Company.

3.2 Funding and financial position of the Group

The Group's external debt (at or below Ruby Holdco level) as at 30 April 2024 was approximately £175 million, lent to various entities within the Group under different facilities. The Group's facilities comprised:

- a super senior facility (approximately £15 million) and a senior facility (approximately £98 million) provided to Bidco (together, the "Bidco Facilities") by various lenders (the "Bidco Lenders"); and
- a junior facility (approximately £62.5 million) lent to the Company (the "Holdco Facility") by Sequoia IDF Asset Holdings S.A. ("Sequoia").

In terms of the Group's trading performance, in the year ended 30 September 2022, it reported operating profit before amortisation, depreciation and exceptional costs of £28.8 million. Trading performance deteriorated and in the 12-month period to 30 April 2024, EBITDA reduced to £9.9 million.

3.3 Events leading to the administration

Since the Group's acquisition of Active Assistance (UK) Group Limited and its subsidiaries in January 2018, the Group made further acquisitions in the healthcare sector and, in December 2021, acquired a number of facilities through the purchase by Bidco of Huntercombe Holdco Group Limited and its subsidiaries (the "Huntercombe Group"). The Huntercombe Group, a specialist healthcare provider, was previously part of the Four Seasons Healthcare group of companies (the "Four Seasons Group") and was sold by the Four Seasons Group in March 2021 to Montreux Fixed Yield Fund (a party connected to the Shareholder).

Given the number of acquisitions made by the Group since 2018, the Group's turnover increased from approximately £49 million in the year ended 31 March 2018 (on an annualised basis) to an estimated turnover of approximately £192 million in the year ended 30 September 2023. With acquisitions being largely debt funded, the Group's external debt (at or below Ruby Holdco level) increased from approximately £36 million as at 31 March 2018 to approximately £175 million as at 30 April 2024 (as detailed above).

Given the level of external debt and the decline in trading performance, the Group had experienced liquidity issues since late 2022.

During the period April 2023 to August 2023, the Group obtained approximately £15 million of additional funding, via investors, through the issuance of additional preference shares by Ruby Holdco. This funding enabled a partial pay down of the Group's existing debt facilities and provided the Group with additional liquidity.

With the Group facing ongoing liquidity issues, in October 2023 the Group obtained a further £15 million of funding from an investor in the Group (the "Investor") through an investment in Montreux Holdings Limited, which subscribed for further preference shares in Ruby Holdco.

As a condition of the funding provided by the Investor in October 2023, the Group's lenders (the Bidco Lenders and Sequoia (together, the "Lenders")) and the Investor entered into a standstill agreement allowing interest payments to accrue on a non-cash pay basis to allow time to progress restructuring discussions.

At a similar time, the Shareholder requested that N.M. Rothschild & Sons Limited ("Rothschild"), as existing adviser, undertake initial informal market testing for a potential sale of the Group (the "Sales Process"). The outline timetable for the Sales Process was from around the end of November 2023 to March 2024. As part of the preparation for the Sales Process, Rothschild and the Shareholder contacted a number of prospective buyers (in particular trade parties) but the process was not progressed beyond that stage given that there was limited appetite in the Group at consideration levels that would likely have been acceptable to the stakeholders.

In March 2024, Rothschild (instructed by the Shareholder) undertook broad market testing in relation to identifying an external refinancing solution for the Group and approached approximately 30 lenders. This process was unsuccessful with market participants deeming the Group to be over indebted, with the Group requiring additional funding in the near term.

From October 2023 to May 2024, there were discussions between the Group, its Lenders, the Investor and the Shareholder at various times. While a number of different proposals were made (including by the Shareholder and the Investor), the proposals were such that there was no consensus between the Lenders, the Investor and the Shareholder on the key terms of a restructuring and the proposals were not considered to be deliverable in the time available. As a result, it was not possible to achieve a consensual restructuring of the Group and its financial indebtedness in this period.

As a result of the challenges in agreeing a consensual restructuring of the Group, both Sequoia and the Senior Lenders undertook contingency planning work to identify alternative restructuring solutions in the event that a consensual solution could not be reached. This planning included preparing for a sale of the Company's main assets to be effected by an administrator of the Company.

A&M prior involvement in relation to the Company and the Group

A&M was engaged by Sequoia (as provider of the Holdco Facility), on 12 October 2023. A&M's initial scope of work was to advise Sequoia in relation to:

- the Group's refinancing process; and
- Sequoia options with regard to the Holdco Facility.

Following an update to A&M's scope of work on 4 May 2024, A&M undertook contingency planning work on behalf of Sequoia to assess and develop Sequoia's options in the event a consensual agreement between the Group and its stakeholders could not be reached. A&M did not advise the Company or other stakeholders as part of this work.

Prior to this, on 30 April 2019, Richard Fleming and Richard Beard were appointed joint administrators in respect of Elli Investments Limited and Elli Finance (UK) Plc, two holding companies in the Four Seasons Group. During the administrations, a sales process was run by the Four Seasons Group in relation to the Huntercombe Group. BDO LLP was engaged as M&A adviser in relation to the sales process. Following the sale process, a sale and purchase agreement was completed on 5 March 2021 to certain entities controlled by the

Montreux Fixed Yield Fund (a party connected to the Shareholder). The Huntercombe Group was subsequently acquired by Bidco in December 2021.

We are satisfied that the work carried out by A&M before our appointment (as set out above and including the pre-administration work summarised below), has not resulted in any relationships which create a conflict of interest or which threaten our independence. Furthermore, we are satisfied that we are acting in accordance with the relevant guides to professional conduct and ethics.

At the time of our appointment, details of the work carried out by A&M up to that time were disclosed to the Court.

3.4 Pre-administration work

Shortly before appointment, we carried out work to plan for an administration appointment. This included (but was not limited to):

- negotiating a sale and purchase agreement with the Purchaser;
- negotiating administration funding with the Purchaser;
- seeking independent legal advice on the prospective sale of assets;
- seeking independent legal advice on the validity of the security granted by the Company and the validity of the prospective appointment of administrators;
- commencing drafting of the SIP 16 statement;
- planning and preparing for the administration; and
- dealing with the formalities associated with the appointment of administrators.

Legal fees have been incurred by Osborne Clarke LLP (“Osborne Clarke”) in arranging the necessary appointment formalities. Osborne Clarke was selected as it is a well known and reputable law firm that is experienced in work of this nature. The legal fees were charged on a time cost basis.

3.5 Appointment of Joint Administrators

U.S. Bank Trustees Limited, the holder of a qualifying floating charge, lodged the notice of appointment at the High Court of Justice, Business and Property Courts of England and Wales Insolvency and Companies List (ChD) on 29 May 2024 and we were duly appointed as Joint Administrators.

4 Strategy and progress of the administration to date

4.1 Strategy

As noted above, the only material assets of the Company were the Midco Shares and the Midco ICL. The Company had no employees. Its directors were employed and remunerated by another company in the Group.

Given the assets were acquired by the Purchaser as part of the Pre-packaged Sale, there would have been no benefit to creditors to trading the Company in administration.

We concluded that the Pre-packaged Sale was in the best interests of creditors because:

- It provided the best returns for creditors as a whole;
- It preserved value in the Company's assets;
- The value obtained for the assets is significantly in excess of the value that may have been obtained under alternative scenarios (including on a break-up basis); and
- It enabled the transfer of the underlying group to the Purchaser ensuring the ongoing continuity of care in relation to the approximately 2,000 patients and residents of the underlying group and the preservation of approximately 4,000 jobs.

4.1.1 Sale of assets

The Pre-Packaged Sale was completed on 29 May 2024. Consideration of £62,007,952 was received with £62,007,951 allocated against the Midco ICL and £1 allocated against the Midco Shares. Further details of the transaction can be found in the SIP 16 statement in Appendix 5.

As a step prior to the Pre-packaged Sale, following our appointment, we entered into a partial release of the Midco ICL such that the level of the Midco ICL reduced from approximately £479 million (being the balance in the Company's books and records on appointment) to approximately £62 million. This step was a requirement as part of the Pre-packaged Sale and we considered that it was appropriate given that no value was attributable to the Midco ICL in excess of £62 million.

The Purchaser is not a connected party. We have assumed, however that the Purchaser is deemed to be connected for the following reasons (below list being not exhaustive).

- Two of the Group's directors have a Management Incentive Plan ("MIP") that allows for equity in the Purchaser's parent to be issued to them in certain circumstances.
- The Purchaser's controlling party is also the controlling party of the Holdco Facility provider, Sequoia.

Given the above, an Evaluator Qualifying Report has been produced (provided in Appendix 6). We are satisfied that the evaluator making the qualifying report had sufficient knowledge and experience to make the Evaluator Qualifying Report. The Evaluator is satisfied that the consideration to be provided for the relevant property and the grounds for the substantial disposal are reasonable in the circumstances. A viability statement was requested of the Purchaser but was not provided.

4.2 Asset realisations

Realisations from the date of our appointment to 4 June 2024 are set out in the attached receipts and payments account (Appendix 2).

Summaries of the most significant realisations to date are provided below.

4.2.1 Sale of assets

Upon our appointment, £62,007,952 was realised from the sale of the assets of the Company, as detailed in Section 4.1.1.

4.2.2 Investigations

We will review the affairs of the Company to find out if there are any actions which can be taken against third parties to increase recoveries for creditors.

If you wish to bring to our attention any matters which you believe to be relevant please do so by writing to Josh Gregory at Alvarez & Marsal Europe LLP Suite 3, Regency House, 91 Western Road, Brighton, BN1 2NW.

4.3 Expenses

Expenses are any payments from the estate which are neither our remuneration nor a distribution to a creditor or a member. Expenses also include disbursements.

Disbursements are payments which are first met by A&M, and then reimbursed to A&M from the estate. For further detail in relation to our disbursements please refer to our charging policy (Appendix 3).

Expenses are divided into those that do not need approval before they are charged to the estate (category 1) and those that do (category 2).

For the avoidance of doubt, expenses are defined in Statement of Insolvency Practice 9 ("SIP 9") as:

- Category 1 expenses: These are payments to persons providing the service to which the expense relates who are not an associate of the office holder. Category 1 expenses can be paid without prior approval; and
- Category 2 expenses: These are payments to associates or which have an element of shared costs. Before being paid, Category 2 expenses require approval in the same manner as an office holder's remuneration. Category 2 expenses require approval whether paid directly from the estate or as a disbursement.

4.3.1 Payments

A payment totalling £800,000 was made upon our appointment to Ruby Holdco. Please refer to Section 5 for further details.

4.3.2 Professional advisers and sub-contractors

Osborne Clarke has been engaged as solicitors to provide advice on the validity of appointment and other ad hoc insolvency queries. Osborne Clarke was selected due to its experience and knowledge of work of this nature and its fees have been agreed on a time cost basis.

We regularly review costs incurred by our professional advisers and sub-contractors to ensure they are reasonable and in line with estimates provided.

4.4 Ongoing strategy

In addition to the statutory requirements necessary following our appointment, we will realise any of the Company's remaining assets to maximise returns to creditors. We will also carry out investigative work into the affairs of the Company and complete a review of its financial position in order to potentially realise further assets. We will report to creditors on progress in our future progress reports.

In addition, the key outstanding workstreams include:

- Managing the tax and VAT affairs of the Company;
- Settling the costs and expenses of the administration;
- Making a distribution to unsecured creditors in respect of the prescribed part; and
- Taking steps to conclude the administration at the appropriate time.

5 Dividend prospects

5.1 Secured creditor

The table below sets out the charges registered in respect of the Company.

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
29 June 2022	1 July 2022	A qualifying floating charge.	U.S. Bank Trustees Limited (acting as Security Agent in relation to the Holdco Facility).

At the date of our appointment, the Company owed Sequoia, as a secured lender £62,507,952.

Prior to our appointment, Osborne Clarke reviewed and confirmed the validity of Sequoia's security.

As part of the Pre-packaged Sale, £62,007,952 was received in consideration for the Company's assets, the Midco Shares and the Midco ICL. Immediately following the Pre-packaged Sale on 29 May 2024, a distribution was made to Sequoia of £61,207,951. The consideration receipt and the distribution payment were governed by a Payment Direction Letter, entered into by a number of parties including us for the Company, Sequoia, the Purchaser and the Security Agent. This mechanism allowed the payments to occur on a cashless basis (see appendix 2).

5.2 Preferential creditors

We are not aware of any preferential claims against the Company.

5.3 Unsecured creditors

The Company's balance sheet shows its only unsecured creditor is an intercompany balance of approximately £116.5 million which is owed to Ruby Holdco Limited.

Sequoia has rights to any distributions relating to this intercompany payable under a turnover provision in a subordination agreement entered into in June 2022. This agreement requires Ruby Holdco in certain circumstances to turnover amounts received in respect of this balance to Sequoia.

As part of the Pre-packaged Sale, £800,000 of the consideration was directed from the Company to Ruby Holdco (as the only known unsecured creditor of the Company), on a cashless basis. In accordance with the subordination agreement referred to above, these funds were subsequently directed to Sequoia to be held pending the adjudication of unsecured creditor claims. We expect that the unsecured creditors will receive a distribution of £800,000 and intend to advertise for claims and begin the proving and adjudication process shortly.

6 Ending the administration

6.1 Exit from administration

6.1.1 Anticipated exit route

We consider it prudent to retain all the options available to us, as listed below to bring the administration to a conclusion in due course.

However, at this stage we anticipate that the most likely exit route will be dissolution as we currently expect to be able to deal with all outstanding matters within the administration.

6.1.2 All exit routes

As mentioned above, we consider it prudent to retain all the exit options available to us. We may therefore use any or a combination of the following exit route strategies in order to bring the administration to an end:

- file a notice with the Court and the Registrar of Companies that the purpose of the administration has been sufficiently achieved in relation to the Company;
- apply to Court for the administration order to cease to have effect from a specified time;
- formulate a proposal for either a company voluntary arrangement (“CVA”) or a Scheme of Arrangement under Part 26 or Part 26A of the Companies Act 2006, and put it to meetings of the Company’s creditors, shareholders or the Court for approval as appropriate;
- place the Company into creditors’ voluntary liquidation (“CVL”). In these circumstances we propose that the incumbent administrators at the time of exit from the administration be appointed as Joint Liquidators of the Company without any further recourse to creditors. If appointed Joint Liquidators, any action required or authorised under any enactment to be taken by them may be taken by them individually or together. The creditors may nominate different persons as the proposed Joint Liquidators, provided the nomination is received before these proposals are approved;
- petition the Court for a winding-up order placing the Company into compulsory liquidation and to consider, if deemed appropriate, appointing the incumbent administrators at the time of exit from the administration as proposed Joint Liquidators of the Company without further recourse to creditors. Any action required or authorised under any enactment to be taken by them as Joint Liquidators may be taken by them individually or together;
- file notice of move from administration to dissolution with the Registrar of Companies if we consider that liquidation is not appropriate because (1) no dividend will become available to creditors, and (2) there are no other outstanding matters that require to be dealt with in liquidation. The Company will be dissolved three months after the registering of the notice with the Registrar of Companies.

Alternatively, we may allow the administration to end automatically.

6.2 Discharge from liability

We propose to seek approval from Sequoia, as the secured creditor, that we will be discharged from liability in respect of any action as Joint Administrators upon filing of our final receipts and payments account with the Registrar of Companies.

Discharge does not prevent the exercise of the Court’s power in relation to any misfeasance action against us.

7 Approval of proposals

7.1 Deemed approval of proposals

Our proposals will be deemed approved with no requirement to seek deemed consent or use a decision procedure, as it appears that the Company has insufficient property to enable us to make a distribution to the unsecured creditors (other than by virtue of the prescribed part, as detailed in Appendix 1).

On expiry of eight business days from the date our proposals are delivered to the creditors, they will be deemed to have been approved by the creditors unless 10% in value of the creditors request that a decision is sought. Further details of the steps required to request a decision are detailed below.

7.2 Creditors' right to request a decision

We will use a decision procedure or deemed consent to seek approval of our proposals (1) if asked to do so by creditors whose debts amount to at least 10% of the total debts of the Company and (2) if the procedures set out below are followed.

Requests for a decision must be made within eight business days of the date on which our proposals were delivered. They must include:

- a statement of the requesting creditors' claim;
- a list of the creditors concurring with the request, showing the amounts of their respective debts in the administration;
- written confirmation of their concurrence from each concurring creditor; and
- a statement of the purpose of the proposed decision.

In addition, the expenses of the decision procedure at the request of a creditor must be paid by that creditor. That creditor is required to deposit security for such expenses with us.

If you wish to request a decision, this can be done via the Portal. Alternatively, please contact Josh Gregory at INS_ACGHOL@alvarezandmarsal.com.

8 Joint Administrators' remuneration, category 2 expenses and pre-administration costs

8.1 Approval of the basis of remuneration and category 2 expenses

8.1.1 Basis of remuneration and category 2 expenses

We propose to seek approval from Sequoia, as the secured creditor, that:

- our remuneration will be drawn on the basis of time properly given by us and the various grades of our staff in accordance with the fees estimate (which will be provided prior to seeking such approval) and the charge-out rates included in Appendix 3; and
- category 2 expenses (as defined in SIP 9 and set out in Section 4.3 above) will be paid as an expense of the estate, including disbursements paid directly by A&M and charged in accordance with our charging policy as set out in Appendix 3.

Agreement to the basis of our remuneration and the payment of category 2 expenses is subject to specific approval. It is not part of our proposals.

8.1.2 Time costs

As the proposals have been prepared shortly after our appointment, we have not yet recorded any time costs in the administration to date. We will provide a summary of our time costs incurred in our next report to creditors.

8.1.3 Additional information

We have attached the charge-out rates for each grade of staff and our charging policy at Appendix 3.

8.2 Pre-administration costs

The following pre-administration costs have been incurred in relation to the pre-administration work detailed in Section 3.4:

Pre-administration costs	Paid (£)	Unpaid (£)	Total (£)
Fees incurred by the Joint Administrators:			
- Engagement acceptance & control	-	6,621	6,621
- Dealing with stakeholders	-	2,453	2,453
- Sale of business	-	37,980	37,980
- Appointment documents	-	4,078	4,078
	-	51,132	51,132
Legal fees - Osborne Clarke	-	64,568	64,568
Total	-	115,700	115,700

A&M pre-administration fees

In the days prior to our appointment, it became apparent that a solvent solution in respect of the Company (and the wider Group) would not be reached. From this point, our work focused on intensive planning for an administration appointment in relation to the Company (and the Pre-packaged Sale). This included (but was not limited to):

- negotiating a sale and purchase agreement with the Purchaser
- negotiating administration funding with the Purchaser;
- seeking independent legal advice on the prospective sale of the assets;
- seeking independent legal advice on validity of the security granted by the Company and the validity of the prospective appointment of administrators;
- commencing drafting of the SIP 16 statement;
- planning and preparing for the administration; and
- dealing with the formalities associated with the appointment of administrators.

Legal fees - Osborne Clarke

The legal fees have been incurred by Osborne Clarke in arranging the necessary appointment formalities. Osborne Clarke was selected as it is a well-known and reputable law firm that is experienced in work of this nature. The legal fees detailed above have been charged on a time cost basis.

The payment of unpaid pre-administration costs as an expense of the administration is subject to the same approval as our remuneration, as outlined above. It is not part of our proposals.

Appendix 1 – Statutory information

Company information

Company and trading name	ACG Holdco Limited
Date of incorporation	18 January 2018
Company registration number	11157123
Present registered office	1 Suffolk Way, Sevenoaks, Kent, England, TN13 1YL
Company Directors	Keith Browner Shares held: NIL Kathryn Lineker Shares held: NIL
Moratorium under Part A1 of the Insolvency Act	No such moratorium has been in force for the Company at any time within the period of two years ending with the day on which it entered administration.

Administration information

Delivery date of proposals	5 June 2024
Administration appointment	The administration appointment granted in the High Court of Justice Business and Property Courts of England and Wales Insolvency and Companies List (ChD) CR-2024-003221
Appointor	U.S. Bank Trustees Limited
Date of appointment	29 May 2024
Joint Administrators	Richard Beard and Richard Fleming
Joint Administrators' contact details	Address: Suite 3, Regency House, 91 Western Road, Brighton BN1 2NW Tel: +44 (0) 20 7715 5223 Email: INS_ACGHOL@alvarezandmarsal.com
Purpose of the administration	Rescuing the Company in accordance with Paragraph 3(1)(a) is not achievable as a solvent sale was not possible. Therefore, our primary objective is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, in accordance with Paragraph 3(1)(b). This will be achieved by the completion of the Pre-packaged Sale as detailed at Section 4.1.1.
Functions	The functions of the Joint Administrators are being exercised by them individually or together in accordance with Paragraph 100(2).
Current administration expiry date	28 May 2025
Prescribed part	The prescribed part is applicable on this case. It has been taken into account when determining the dividend prospects for unsecured creditors (Section 5).
Estimated values of the net property and prescribed part	Estimated net property is £62,007,952. Estimated prescribed part is capped at the statutory maximum of £800,000.
Prescribed part distribution	We do not intend to apply to Court to obtain an order that the prescribed part shall not apply. Accordingly, we intend to make a distribution to the unsecured creditors.
Insolvency proceedings	These proceedings are centre of main interest ("COMI") proceedings.

Appendix 2 – Receipts and payments account

ACG Holdco Limited
(In Administration)
Joint Administrators' Summary of Receipts & Payments

Statement of Affairs £	From 29/05/2024 To 04/06/2024 £	From 29/05/2024 To 04/06/2024 £
ASSET REALISATIONS		
Book Debts	62,007,950.90	62,007,950.90
Shares & Investments	1.00	1.00
	<u>62,007,951.90</u>	<u>62,007,951.90</u>
COST OF REALISATIONS		
Ruby Holdco Limited	800,000.00	800,000.00
	<u>(800,000.00)</u>	<u>(800,000.00)</u>
FLOATING CHARGE CREDITORS		
Floating Charge Creditor	61,207,951.90	61,207,951.90
	<u>(61,207,951.90)</u>	<u>(61,207,951.90)</u>
	<u>NIL</u>	<u>NIL</u>
REPRESENTED BY		<u>NIL</u>

Note: The above receipts and payments for the period to 4 June 2024 reflect the Pre-packaged Sale consideration and payments made to the Company's creditors.

As part of the Pre-packaged Sale we (acting for the Company in administration) entered into a Payment Direction Letter with, amongst others, Sequoia (as secured creditor), the Purchaser and the Security Agent. This mechanism allowed all of the transactions detailed above to occur on a cashless basis.

Appendix 3 – Charging policy

Joint Administrators' charging policy

The time charged to the administration is by reference to the time properly given by us and our staff in attending to matters arising in the administration. This includes work undertaken in respect of tax, VAT and investigations by A&M in-house specialists.

Our policy is to delegate tasks in the administration to appropriate members of staff considering their level of experience and requisite specialist knowledge, supervised accordingly, so as to maximise the cost effectiveness of the work performed. Matters of particular complexity or significance requiring more exceptional responsibility are dealt with by senior staff or us.

A copy of "Administration: A Guide for Creditors on Insolvency Practitioner Fees" from SIP 9 produced by the Association of Business Recovery Professionals is available via the Portal.

If you are unable to access this guide and would like a copy, please contact Josh Gregory at INS_ACGHOL@alvarezandmarsal.com or on +44 (0) 20 7715 5223.

Hourly rates

Set out below are the relevant hourly charge-out rates for the grades of our staff actually or likely to be involved on this administration. Time is charged by reference to actual work carried out on the administration, using a minimum time unit of six minutes.

All staff who have worked on the administration, including cashiers and secretarial staff, have charged time directly to the administration and are included in the analysis of time spent. The cost of staff employed in central administration functions is not charged directly to the administration but is reflected in the general level of charge-out rates.

Charge-out rates (£/hour) for: Restructuring

Grade	From 29 May 2024
Managing Director	785
Senior Director	765
Director	725
Associate Director	645
Senior Associate	540
Associate	425
Analyst	275
Support	180

The charge-out rates used by us might periodically rise (for example to cover annual inflationary cost increases) over the period of the administration. In our next statutory report, we will inform creditors of any material amendments to these rates.

Policy for the recovery of disbursements

Where funds permit, the office holders will seek to recover disbursements falling into both category 1 and category 2 expenses from the estate. For the avoidance of doubt, disbursements are defined within SIP 9 as payments which are first met by the office holder, and then reimbursed to the office holder from the estate. These are divided in SIP 9 as follows:

- **Disbursements within category 1 expenses:** These are payments which do not have any element of shared costs and are made to persons who are not an associate of the office holder. These may include, for example, advertising, room hire, storage, postage, telephone charges, travel expenses, and equivalent costs reimbursed to the office holder or his or her staff.

- *Disbursements within category 2 expenses:* These are payments to associates or which have an element of shared costs. These may include shared or allocated costs that can be allocated to the appointment on a proper and reasonable basis, for example, business mileage.

Disbursements within category 2 expenses charged by A&M include mileage at a rate of 45p per mile. When carrying an A&M passenger, no additional cost per passenger will be charged.

We have the authority to pay disbursements falling within category 1 expenses without the need for any prior approval from the creditors of the Company.

Disbursements falling within category 2 expenses are to be approved in the same manner as our remuneration. It is not current anticipated that any disbursements falling within category 2 expenses will be incurred during the administration.

Disbursements falling within category 1 expenses:

We have not incurred any disbursements falling within category 1 expenses during the period since our appointment.

Disbursements falling within category 2 expenses:

We have not incurred any disbursements falling within category 2 expenses during the period since our appointment.

Appendix 4 – Estimated financial position

A Statement of Affairs has been requested from the Directors.

Once received, the Statement of Affairs will be filed with the Registrar of Companies. Please note that the disclosure of the Statement of Affairs may be restricted with the Court's permission if it is considered that disclosure would be adverse to the interests of the creditors.

As a Statement of Affairs has not yet been provided, details of the estimated financial position of the Company, at the latest practicable date, are provided below.

Estimated financial position at 29 May 2024 (£k)	
Non-current assets	
Investments	0
Intercompany receivable	479,094
Total	479,094
Total assets	479,094
Current liabilities	
Accrued interest*	(944)
Other taxes	0
Total	(944)
Non-current liabilities	
Intercompany payable	(116,473)
Sequoia loan*	(60,732)
Preference shares	(332,187)
Accrued preference interest	(13,942)
Total	(523,334)
Total liabilities	(524,278)
Net liabilities	(45,184)
Equity	
Share capital	13
Share premium	934
Retained earnings	(37,243)
(Profit)/loss for the year	(8,888)
Total equity	(45,184)

Note*accrued interest relates to Holdco Facility (Sequoia). Holdco Facility including accrued interest as at 28 May 2024 estimated to be £62,507,952.

Secured creditor

Name of creditor	Address (incl. postcode)	Amount of debt on appointment (£)	Details of security held	Date Security Given	Value of security
Sequoia IDF Asset Holdings S.A.	46A Avenue J. F. Kennedy, Luxembourg 1855, Luxembourg	62,507,952	A qualifying floating charge held by U.S. Bank Trustees Limited.	1 July 2022	Unknown

Unsecured creditors

Name of creditor	Address (incl. postcode)	Amount of debt (£)	HP/Chattel/Conditional Sale/ Claiming ROT
Ruby Holdco Limited	1 Suffolk Way, Sevenoaks, Kent, England, TN13 1YL	116,473,396	N/A

A schedule of the known creditors' names, addresses, debts and details of any security held is included above.

Creditors should be aware that as the Company may not have completed updating its ledgers as at the date of appointment and the balances stated may be revised.

The information provided has been extracted from the Company's books and records and we have not carried out anything in the way of an audit on the information. The figures do not take into account the costs of the administration.

The actual level of asset recoveries and claims against the Company might differ materially from the amounts included in the financial information above.

Appendix 5 – SIP 16 statement

ACG HOLDCO LIMITED – IN ADMINISTRATION

SIP 16 Statement of sale of assets

5 June 2024

1 Introduction

We have made this statement, as Joint Administrators, in order to comply with our responsibilities under Statement of Insolvency Practice 16 ("SIP 16").

The Statements of Insolvency Practice are a series of guidance notes issued to licenced insolvency practitioners with a view to maintaining standards by setting out required practice and harmonising practitioners' approach to particular aspects of insolvency.

SIP 16 covers arrangements where the sale of all or part of a company's business and assets is negotiated with a purchaser prior to the appointment of an administrator, who then affects the sale immediately or shortly after, their appointment.

A SIP 16 guidance note is available on the Portal and can also be accessed via this link to the R3 website:

<https://www.r3.org.uk/technical-library/england-wales/sips/more/29131/page/1/sip-16-pre-packaged-sales-in-administrations/>

Creditors should be aware of the differing roles of insolvency practitioners associated with an administration which involves a pre-packaged sale of a company's business and assets.

Prior to the formal appointment, the insolvency practitioners' firm may have been instructed by the company and/or a secured creditor to provide advice. It is important to note that during this stage they act independently of the company's management, who remain responsible for the affairs of the company.

Such advice may include consideration of the potential options available to the company, including insolvency options and may also involve advice in relation to management's fiduciary duties and obligations when a pre-packaged sale is contemplated. Please note that it does not include providing advice to a potential purchaser.

Specific details of the pre-appointment role for this case are provided in Section 4 below.

Following the appointment of the insolvency practitioners as Joint Administrators of the company, they are officers of the court and act as agents of the company in order to manage the company's affairs, business and property for the benefit of the creditors as a whole.

2 Pre-packaged sale of the business and assets of the Company

On 29 May 2024, Richard Beard and Richard Fleming ("we"/"our") were appointed as the Joint Administrators of ACG Holdco Limited (the "Company"). Immediately following our appointment, a sale of certain of the assets of the Company was completed to Gadwall Holdings Limited (the "Purchaser / Gadwall") for consideration of £62,007,952.

Gadwall is a new company incorporated for the purpose of the acquisition and is controlled by Sequoia Economic Infrastructure Income Fund, an affiliate of Sequoia IDF Asset Holdings S.A., a lender to the Company ("Sequoia IDF") (together with Sequoia Economic Infrastructure Income Fund, "Sequoia"). Given the Purchaser is controlled by an affiliate of the Company's lender, the Purchaser could be considered a connected person. Further detail is provided in section 10.

The business and/or assets of the Company have not been acquired out of an insolvency process in the last 24 months.

In accordance with SIP 16, an explanation of the transaction is set out below.

3 Initial introduction

Alvarez & Marsal Europe LLP (“A&M”) was initially introduced to Sequoia IDF, lender to the Company, on 12 October 2023 by Keystone Law Limited, an adviser to Sequoia IDF.

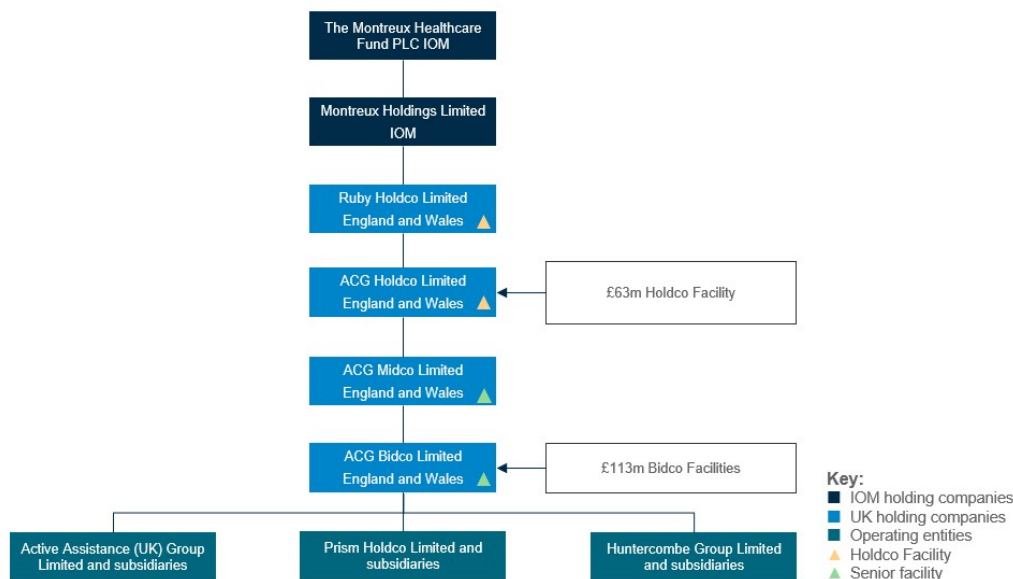
4 Pre-appointment considerations

Company overview

The Company was an intermediate holding company in the group, which together with its parent, Ruby Holdco Limited (“Ruby Holdco”), Montreux Holdings Limited, and the Company’s direct and indirect subsidiaries, formed the Active Care group of companies (the “Group”). The Group’s ultimate controlling party was Montreux Healthcare Fund Plc (the “Shareholder”). The Group (through its operating companies) provided specialist care services supporting adults with complex continuing health needs operating 52 specialist care facilities in the UK. The Group had approximately 4,300 employees and almost 2,000 patients including over 700 residents.

As an intermediate holding company, the Company did not generate revenue and the Company’s main assets were its shareholding of its subsidiary ACG Midco Limited, (“Midco”), (the “Midco Shares”) and an intercompany loan due from Midco of approximately £479 million as at 29 May 2024 (the “Midco ICL”). The Company had no employees. The statutory directors were remunerated by another company in the Group.

Abridged group structure chart



Background

The Company was incorporated on 18 January 2018 to facilitate the Group's acquisition of Active Assistance (UK) Group Limited and its subsidiaries, an adult healthcare provider. ACG Bidco Limited ("Bidco"), an indirect subsidiary of the Company, completed the acquisition on 31 January 2018.

Since January 2018, the Group made further acquisitions in the healthcare sector and, in December 2021, acquired a number of facilities through the purchase by Bidco of Huntercombe Holdco Group Limited and its subsidiaries (the "Huntercombe Group"). The Huntercombe Group, a specialist healthcare provider, was previously part of the Four Seasons Healthcare group of companies (the "Four Seasons Group") and was sold by the Four Seasons Group in March 2021 to Montreux Fixed Yield Fund (a party connected to the Shareholder).

Given the number of acquisitions made by the Group since 2018, the Group's turnover increased from approximately £49 million in the year ended 31 March 2018 (on an annualised basis) to an estimated turnover of approximately £192 million in the year ended 30 September 2023. With acquisitions being largely debt funded, the Group's external debt increased from approximately £36 million as at 31 March 2018 to approximately £175 million as at 30 April 2024.

In terms of trading performance, in the year ended 30 September 2022, the Group reported operating profit before amortisation, depreciation and exceptional costs of £28.8 million. Trading performance deteriorated and in the last 12-month period to 30 April 2024, EBITDA reduced to £9.9 million. The deterioration in the Group's underlying performance was attributed to:

1. a decrease in the Group's revenue as a result of a reduction in care in the home and case management's services;
2. a reduction in residential occupancy from mid 2023 into early 2024;
3. an increase in staffing costs, across both residential and care in the home services (largely due to inflationary pressures); and
4. an increase in central overheads and support centre costs arising from inflation and additional costs incurred by management to improve the quality of the Group's provision of care and in relation to its investment in IT and digital infrastructure.

Given the challenges around underlying trading performance, the Group has had liquidity issues since late 2022.

During the period April 2023 to August 2023, the Group obtained approximately £15 million of additional funding, via investors, through the issuance of additional preference shares by Ruby Holdco. This funding enabled a partial pay down of the Group's existing debt facilities and provided the Group with additional liquidity.

With the Group facing ongoing liquidity issues, in October 2023 the Group obtained a further £15 million of funding from an investor in the Group (the "Investor") through an investment in Montreux Holdings Limited, which subscribed for further Ruby Holdco preference shares.

As referred above, the Group (at or below Ruby Holdco level) had debt facilities of approximately £175 million which were lent to various entities within the Group. The Group's facilities comprised:

- a super senior facility (approximately £15 million) provided by the Super Senior Lender and a senior facility (approximately £98 million) provided by the Senior Lender, to Bidco (together, the "Bidco Facilities") (the Super Senior Lender and the Senior Lender together, the "Bidco Lenders"); and
- a junior facility (approximately £62.5 million) lent to ACG Holdco Limited (the "Holdco Facility") by Sequoia IDF.

The key creditors of the Company at the time of our appointment were the Holdco Facility in the amount of £62.5 million (secured creditor) and an amount due to Ruby Holdco of £116.5 million largely in relation to funding amounts that were passed down the structure.

As a condition of the funding provided by the Investor in October 2023, the Group's lenders (the Bidco Lenders and Sequoia IDF (together, the "Lenders")) and the Investor entered into a standstill agreement allowing interest payments to accrue on a non-cash pay basis to allow time to progress restructuring discussions.

At a similar time, the Shareholder requested that N.M. Rothschild & Sons Limited ("Rothschild"), (as existing adviser) undertake initial informal market testing for a potential sale of the Group (the "Sales Process"). The outline timetable for the Sales Process was from around the end of November 2023 to March 2024. As part of the preparation for the Sales Process, Rothschild and the Shareholder contacted a number of prospective buyers (in particular trade parties) but the process was not progressed beyond that stage given that there was limited appetite in the Group at levels that would likely have been acceptable to the stakeholders.

As part of the Sales Process, the Shareholder / Group received an expression of interest ("EOI") from a trade party to acquire the Group. The EOI, which was made informally and based on a limited pack of information, was in the region of £70 million for the Group on a debt free basis. Given the level of this interest would have been insufficient to repay the Bidco Facilities (with indebtedness at that time in the region of £110 million) and would not have enabled any returns to Sequoia IDF, the Investor and the Shareholder, the Sales Process was stopped at this time as interest at around this level would not have been attractive to the stakeholders.

In March 2024, Rothschild (instructed by the Shareholder) undertook broad market testing in relation to identifying an external refinancing solution for the Group (the "External Refinancing Process") and approached approximately 30 lenders. This process was unsuccessful with market participants deeming the Group to be over indebted, with the Group requiring additional funding in the near term.

From October 2023 to May 2024, there were discussions between the Group, its Lenders, the Investor and the Shareholder at various times. While a number of different proposals were made (including by the Shareholder and the Investor), the proposals were such that there was not a consensus between the Lenders, the Investor and the Shareholder on the key terms of a restructuring and the proposals were not considered to be deliverable in the time available. As a result, it was not possible to achieve a consensual restructuring of the Group and its financial indebtedness in this period.

During this period, the Group's financial position had deteriorated with EBITDA on an LTM basis reducing from around £10.8 million in October / November 2023 to £9.9 million by April 2024.

As a result of the challenges in agreeing a consensual restructuring of the Group, both Sequoia and the Senior Lenders undertook contingency planning work to identify alternative restructuring solutions in the event a consensual solution could not be reached. This planning included preparing for a sale of the Company's main assets to be effected by an administrator of the Company.

As part of this contingency planning work, an independent valuation of the Group was undertaken by FRP Advisory Trading Limited ("FRP") in May 2024. FRP's valuation indicated a value range for the underlying group on a debt free basis of £52.5 million to £72.5 million on a going concern basis, after taking into account the immediate funding needs of the underlying group. As part of the work, FRP also undertook a valuation of the Company's main assets being the Midco ICL and the Midco Shares, valuing these assets at zero, given the underlying group's value was less than the Bidco Facilities that would need to be repaid before value could be attributed to these assets.

Pre-appointment A&M involvement with regards to the Company

A&M was engaged by Sequoia IDF (as provider of the Holdco Facility), on 12 October 2023. A&M's initial scope of work was to advise Sequoia IDF in relation to:

- a. the Group's refinancing process; and
- b. Sequoia IDF's options with regard to the Holdco Facility.

Following an update to A&M's scope of work on 4 May 2024, A&M undertook contingency planning work on behalf of Sequoia IDF to assess and develop Sequoia IDF's options in the event a consensual agreement between the Group and its stakeholders could not be reached. A&M did not advise the Company or other stakeholders as part of this work.

Pre-appointment A&M involvement with regards to the Group

Prior to the recent work referred to above, on 30 April 2019, Richard Fleming and Richard Beard were appointed joint administrators in respect of Elli Investments Limited and Elli Finance (UK) Plc, two holding companies in the Four Seasons Group. During the administrations, a sales process was run by the Four Seasons Group in relation to the Huntercombe Group. BDO LLP was engaged as M&A adviser in relation to the sales process. Following the sale process, a sale and purchase agreement was completed on 5 March 2021 to certain entities controlled by the Montreux Fixed Yield Fund (a party connected to the Shareholder). The Huntercombe Group was subsequently acquired by Bidco in December 2021.

Alternative options considered by the Company and the Joint Administrators

The options available to the Company, its directors and the Joint Administrators were limited by:

- a) the Lenders, the Shareholder and the Investor being unable to agree a consensual restructuring and/or terms to enable the Group to secure ongoing funding and to continue to trade; and
- b) there being significant pressures on the underlying group including in relation to its liquidity position (with the Group's cash levels being very low at the end of May 2024 and with insufficient liquidity to pay the payroll towards the end of June 2024) and actions being taken by regulatory bodies in respect of the business and its operations.

In the period prior to our appointment as Joint Administrators, A&M, Sequoia IDF and other stakeholders considered the following options for the Company:

1. Raising additional external finance

As referred to earlier, Rothschild undertook the External Refinancing Process in early 2024, to identify alternative external finance, to seek to refinance all or some of the Group's existing lenders. As part of that process, we understand that Rothschild contacted approximately 30 lenders (across both financial institutions and credit funds), with lenders that signed a non-disclosure agreement being provided with an information memorandum. Whilst as part of the External Refinancing Process, there was engagement with a number of lenders, we understand that none of the lenders were able to progress a refinancing solution for the Group. Feedback received from the lenders approached indicated that the Group was over-indebted and existing debt levels were too high to enable a refinancing to be achieved.

Given the External Refinancing Process was unsuccessful in early 2024, it was considered unlikely that additional finance could be raised from external parties in the lead up to the appointment of administrators in particular given the limited time available as a result of the Group's liquidity position.

2. A restructuring of the Group involving the agreement of the Investor and the Shareholder (or the Investor only)

As referred to above, following the refinancing in October 2023, there was a period of around six months for the key stakeholders (the Group, the Lenders, the Shareholder and the Investor) to pursue discussions around a restructuring or refinancing of the Group and its indebtedness to provide the Group with a stable financial platform in the medium to long-term.

These discussions were unsuccessful with the Lenders, the Shareholders and the Investor unable to agree commercial terms on the basis that the Group could be funded going forward while the Group implemented its turnaround plan. As part of these discussions, the Shareholder was not able to demonstrate that it was in a position to provide additional funding to the Group in the timeframe required and was looking to the Lenders to provide the immediate funding solution.

In May 2024, Sequoia and the Bidco Lenders agreed terms on which to fund the Group going forward involving Sequoia agreeing to provide approximately £23 million of additional funding to the Group. In addition, the Senior Lenders agreed to defer interest receipts over a one-year period (with interest being added to the senior facility debt) (the "Consensual Proposal"). The additional funding requirement increased to £35 million following the Super Senior Lender trading its position to the Investor around 24 May 2024. Under the Consensual Proposal, the intention was to make an offer to the Investor and the Shareholder with a view to incorporating those parties in the Consensual Proposal to the extent that was capable of being agreed with those parties. This would have been predicated on Sequoia taking majority equity ownership of the underlying group.

Around the same time, the Group was contacted by NHS England ("NHSE"), a key regulator in relation to the Group and its underlying business. NHSE had become aware of the Group's precarious financial position and was keen to understand plans around a restructuring solution. Given its concerns around the precarious financial situation, NHSE placed an embargo on the Group taking in new residents and required that the Group report to NHSE on the latest developments on a daily basis. There was a heightened risk that NHSE may have taken further action in relation to the Group which would likely have had a further adverse impact on the Group and its underlying operations.

As part of the contingency planning (referred to above), Sequoia agreed terms with the Senior Lenders on which to fund the Group without the Shareholder's support (the "Contingency Proposal"). Under the Contingency Proposal, the terms as between Sequoia and the Senior Lenders were broadly similar to those in the Consensual Proposal including the provision of new money by Sequoia of in the region of £35 million. In addition, in the Contingency Proposal, the intention was that Sequoia would enforce in respect of its security and appoint administrators to the Company with the underlying group being transferred to a new structure through a pre-packaged sale of the Company's assets following the appointment of administrators (the "Pre-packaged Sale").

During May 2024, Sequoia approached the Investor with a view to incorporating the Investor in the restructuring solution potentially through the Investor refinancing the Holdco Facility and the Bidco Facilities. The Investor indicated it was not willing to participate on the terms offered.

Also, during May, the Investor suggested that it would look to progress an alternative option that allowed for a full refinancing of the Bidco Lenders, an enforcement and administration appointment at the level of the Bidco Facilities with the interest in the structure and the underlying group being transferred to the Investor via a pre-packaged sale. We understand that the Investor approached the Company and the Bidco Lenders during May 2024 around a similar proposal. These proposals implied a valuation of the underlying group of around the level of the Bidco Facilities (approximately £113 million). The proposals were not considered deliverable and agreement was not reached between the parties.

In late May, the Investor put forward alternative proposals to Sequoia, including in the days prior to our appointment, although these were at a level significantly below the consideration achieved in the Pre-

packaged Sale. At this stage, there was limited time to engage with the Investor with a view to agreeing terms such that the Investor could be incorporated into the restructuring solution ahead of the appointment of administrators, in part, due to the complexity of the restructuring solution. In addition, given the increasing commercial and regulatory pressures on the business, in particular in relation to the action taken by NHSE (and the risk of further potential action), a decision was taken to move forward as rapidly as possible to execute the proposed restructuring as this was the only deliverable restructuring in the time available that would enable the provision of continuity of care to patients and residents of the underlying group. Given the challenges faced by the underlying group and the limited timeframe available, a decision was taken to not engage further with the Shareholder around the Consensual Proposal. The proposed solution provided the best outcome for the Company's creditors.

As part of the above process, Sequoia considered the provision of an amount of interim funding to address the immediate cash flow issues of the Group with a view to providing some further time for the implementation of a consensual solution. Sequoia considered certain structures and made proposals to the Group. However, there were concerns as to whether the structures considered would address the NHSE position and a general concern around the Group's financial position and stability. As such, it was not possible to agree an interim funding solution.

There were significant challenges around reaching a consensual solution, in particular later in the period, given the urgent liquidity needs of the business and the fact that all debt facilities were in default and the standstill had expired. As a result, any solution would have required either a refinancing of all the existing debt facilities or the agreement of all lenders to waive all existing events of default and extend maturity dates in relation to the debt. Although a number of proposals around a refinancing or restructuring of the Group had been put forward and discussed in this period, none of the proposals indicated an ability to refinance all existing debt facilities (and was considered to be deliverable) and it was not possible to obtain the agreement of all lenders to waive all existing events of default and extend maturity dates in relation to the debt in the context of any of the proposals.

3. A solvent sale of the shares in the Company

As referred to previously, the Sales Process that was commenced in late 2023 resulted in one EOI in the region of £70 million for the underlying group on a debt-free basis. Given the level of the interest would have been insufficient to repay the Bidco Facilities (at that time in the region of £110 million), we understand a decision was taken not to progress the interest. The Sales Process was stopped at this time as interest at around this level would not have been attractive to the stakeholders.

Given the Sale Process already conducted, it was considered extremely unlikely that running a further sales process on an accelerated basis for a group of this complexity would yield a better return to creditors than the Pre-packaged Sale. This together with the lack of funding available to conduct the process were the reasons that it was not considered necessary to undertake a further sales process.

4. Company Voluntary Arrangement ("CVA"), Restructuring Plan or Scheme

Further options to provide a rescue of the Company such as a CVA, a Scheme of Arrangement, or a Restructuring Plan were not considered to be deliverable given the Group's liquidity position and the timeframe that would be required for implementation.

5. Trading the Company in administration to support a sales process for the Group

Consideration was given by the Joint Administrators to the option of running a sales process, following appointment at the Company or at Ruby Holdco, whilst the operating entities of the Group continued to trade. This option was considered not viable given;

- the challenges around securing funding for the Group (given the issues outlined above) whilst a sales process was undertaken and related issues around actions taken by NHSE in respect of the operations of the Group;
- the nature of the Group's operations and the uncertainty and potential damage an administration and further sales process would have on the Group's operations, with risks around the retention of staff and the provision of continuity of care to the Group's residents and patients;
- the very high likelihood that a sales process would not lead to a better outcome for creditors than the Pre-packaged Sale.

6. Creditors' Voluntary liquidation ("CVL") of the Company with a sale of its assets

As an alternative to a pre-packaged sale (from administration) we considered the option of a CVL followed by a sale of the Company's assets.

This option had more challenges around deliverability and, therefore, it was considered that a CVL would not have provided a better return to creditors than the Pre-packaged Sale.

7. Do nothing

To the extent that the Pre-packaged Sale was not implemented, it was anticipated that the Company and the underlying group would have been unable to implement an alternative solution which would likely have led to insolvency appointments lower down the group structure and potentially at operating entities. For a number of reasons this would have been a very sub-optimal outcome given that it would have led to significant costs in the numerous operating entities, a disorderly wind-down and this would likely have impacted adversely on value.

5 Registered charge

The Company had the following registered charge as at the date of appointment:

Date of creation of charge	Date of registration of charge	Details of charge	Name of charge holder
29 June 2022	1 July 2022	A qualifying floating charge.	U.S. Bank Trustees Limited (acting as Security Agent in relation to the Holdco Facility).

6 Marketing of the business and assets

A decision was made not to conduct further marketing of the business and assets prior to the appointment of the Joint Administrators. This decision was considered appropriate for the reasons outlined below.

1. Valuation of the underlying Group, the Midco ICL and the Midco Shares

As referred to in more detail in section 7, FRP undertook an independent valuation of the underlying group during May 2024. This work was carried out on different bases and, on a going concern basis, indicated a value range of £52.5 million to £72.5 million after taking into account the immediate funding needs of the underlying group.

Based on the indicative valuation of the underlying group, in a disposal scenario there would be insufficient realisations to repay the existing Bidco Facilities of in the region of £113 million. As a result, there would be no realisations by Midco for its interests in Bidco and, in turn, for the Company in relation

its interests in Midco. As such, the Company would realise no value for the Midco ICL and the Midco Shares.

In the Pre-packaged Sale, the assets were acquired for £62,007,952 (the Midco ICL for £62,007,951 and the Midco Shares for £1).

The enterprise value of the transaction is approximately £175 million (being the consideration for the assets acquired of £62 million and the Bidco Facilities of £113 million, the latter which transferred as part of the transaction). The enterprise value of £175 million compares with the valuation range of the underlying group of £52.5 million to £72.5 million.

2. Negotiations with other stakeholders

The various stakeholders in the Group including the Lenders, the Shareholder and the Investor had been in discussions at different times in recent months. Although a number of proposals around a refinancing or restructuring of the Group had been put forward and discussed in this period, it was not possible to reach a solution including a consensual solution between all stakeholders on a restructuring that would provide a stable financial platform for the Group to continue to operate over the next 12 to 24 months.

This had included discussions (and outline proposals being made) between the Investor and/or the Shareholder and certain of the Lenders in relation to refinancing all or parts of the Group's indebtedness.

The Shareholder made certain proposals with an outline that Sequoia IDF would be refinanced over an approximate nine month period but which required Sequoia to provide further funding to the Group in the interim. The Shareholder indicated that it intended to refinance the Holdco Facility from funding which it intended to raise from various equity investors and from asset sales by the Group. The proposals did not involve an immediate repayment or refinancing of the Holdco Facility and in fact the earliest that it was indicated this may happen was 1 September 2024. There were no proposals made in this regard which were acceptable and, as a result, these were not progressed.

As referred in more detail in section 5, while there were extensive negotiations between the stakeholders, agreement could not be reached on a restructuring solution.

3. The nature of the Group's underlying business and liquidity issues

The Group had approximately 4,300 employees and provided specialist care services to almost 2,000 patients and residents at 52 facilities. The Group operated in a highly regulated environment with key stakeholders including NHSE and the Care Quality Commission.

In the period leading up to the appointment of administrators, as referred to in section 4 above, there were very significant pressures on the underlying business and its operations. According to management forecasts, the cash position of the Group was forecast to be low (less than £1 million) at 31 May 2024 following payment of the May payroll and other supplier payments. In addition, the Group was forecasting to have insufficient liquidity to pay the June payroll at the end of June 2024.

Given the severe liquidity issues the Group was facing, and the fact that, at that stage, it had not achieved a restructuring solution, on 21 May 2024, NHSE placed an embargo on the Group taking in new patients and residents and required the Group to report to it with updates on a daily basis. Following these events, there was a heightened risk that NHSE may have taken further action which would potentially have had a significant adverse impact on the business and its value. This may have included taking action to plan for the transfer of the Group's residents to alternative operators in the short term in order to ensure continuity of care.

As a result, the directors considered that trading after the end of May would have been extremely challenging for a number of reasons with the risk of there being a further deterioration in the underlying

business and its value. With this backdrop, it was not considered viable to run a sales process with the uncertainty of the situation very likely to lead to further destabilisation including in relation to the Group's 4,300 workforce and around the potential actions that may have been taken by NHSE and other stakeholders.

4. Best outcome for creditors

The Pre-packaged Sale realised £62,007,952 for the assets of the Company and allowed for almost full repayment of the Holdco Facility.

The indications of the value of the underlying operations of the Group were significantly below the value of the Bidco Facilities of £113 million and, therefore, in a sale of the underlying operations of the Group there would have been insufficient realisations to repay the Bidco facilities.

This in turn would mean no realisations for Midco in relation to its interests in Bidco and, therefore, no realisations for the Company in relation to the Midco ICL and the Midco Shares.

The enterprise value of the transaction is approximately £175 million (being the consideration for the assets acquired by the Purchaser of £62 million and the Bidco Facilities of £113 million, the latter which transferred as part of the transaction). The enterprise value of £175 million compares with the valuation range of the underlying group of £52.5 million to £72.5 million after taking into account the immediate funding needs of the underlying group.

As a result, the Pre-packaged Sale represented the best outcome to the Company's creditors as a whole. As part of the Pre-packaged Sale, the administrators agreed an anti-embarrassment clause such that in certain circumstances, the Company would recover value in the event of a follow-on sale of the Midco ICL and / or the Midco Shares.

We are therefore of the view that the transaction provides the best return to creditors. In respect of the marketing essentials outlined in SIP 16, we have considered each aspect and provide the following explanation as to why, in this instance, they have not been applied:

- **Broadcast:** not applicable as the assets subject to sale have not been marketed since the Sale Process in late 2023.
- **Justify the marketing strategy:** As referred earlier, a sales process was commenced by Rothschild in late 2023. No further marketing was undertaken in the lead up to our appointment for the reasons outlined above.
- **Independence:** Not applicable as no marketing has been undertaken in recent months for the reasons outlined above.
- **Publicise rather than simply publish:** Not applicable as no marketing has been undertaken in recent months for the reasons given above.
- **Connectivity:** Not applicable as no marketing has been undertaken in recent months for the reasons given above.
- **Comply or explain:** Not applicable as no marketing has been undertaken in recent months for the reasons given above.

It is therefore considered that, in the circumstances, the best available outcome for creditors as a whole is being delivered.

7 Valuation of business and assets

As referred to above, FRP was instructed in May 2024 to undertake valuations of both the Company's main assets (the Midco ICL and the Midco Shares) and the Group's underlying operations. FRP's valuation as at 30 April 2024 attributed no value to the Midco Shares, given the valuation of the Group's underlying assets. In addition, FRP's analysis attributed no value to the Midco ICL, as per the table below.

Company Asset	Purchaser offer £	Valuation £
Midco ICL*	£62,007,951	Nil
Midco Shares	£1	Nil

Note*: Immediately following appointment, the Joint Administrators entered into a partial release of the Midco ICL such that the level of the Midco ICL reduced from approximately £479 million (being the balance in the Company's books and records prior to the Pre-packaged Sale) to £62.0 million. This was a required step as part of the Pre-packaged Sale and was an appropriate step given no value was attributable to the Midco ICL in excess of £62.0 million.

FRP has attributed no value to the Midco ICL and the Midco Shares. This is as a result of FRP's valuation of the underlying group at £52.5 million to £72.5 million. This value range is materially lower than the Bidco Facilities (£113 million) which would be required to be repaid prior to any value potentially flowing to the Midco ICL and the Midco Shares.

FRP's valuation of the underlying group was undertaken on two bases.

- Assuming a going concern sale of the underlying group with a normal sales process.
- Assuming a going concern sale of the underlying group under an accelerated timeline.

A summary of FRP's valuation ranges is set out below.

FRP Methodology	Normal sales process £m	Accelerated sales process £m	Comments
DCF sensitised case (mid)	58.6 - 68.5	46.7 - 54.6	Based on FRP's sensitised management turnaround case (mid) assumes 62.5% of turnaround improvements are achieved, discounted with a spread of WACC and long term growth rate for range. Accelerated sales process assumes 50.0% of turnaround improvements are achieved.
DCF sensitised case (high)	63.2 - 81.1	N/A	Based on FRP's sensitised management turnaround case (high) assumes 62.5% - 75.0% of turnaround improvements are achieved, discounted with a spread of WACC and long term growth rate for range.
EBITDA multiples comparables companies FY24	64.6 - 72.7	52.0 - 58.4	EBITDA multiples of comparable listed peers (7.5x - 8.5x) for FY24 applied to FY24 normalised EBITDA of £8.1m accounting for FRP sensitivities and normalisation adjustments. Accelerated sale process assumes 20% discount to multiples noted above.
EBITDA multiples comparables companies FY25	76.4 - 87.9	57.2 - 65.6	EBITDA multiples of comparable listed peers (6.75x - 7.75x) for FY25 applied to FY25 normalised EBITDA of £11.5m accounting for FRP sensitivities and normalisation adjustments. Accelerated sale process assumes 20% discount to multiples noted above.
EBITDA multiples comparables transactions	58.2 - 77.5	47.4 - 62.8	EBITDA multiples of comparable transactions (7.0x - 9.5x) applied to LTM normalised EBITDA of £7.7m overlaid with normalisation adjustments. Accelerated sale process assumes 20% discount to multiples noted above.
FRP indicative market value	62.5 - 82.5	45.0 - 65.0	
Less working capital adjustment	(10.0)	(10.0)	
Overall range	52.5 - 72.5	35.0 - 55.0	

Note: Overall range shown above includes a £10 million adjustment to account for the Group's current liquidity issues.

On a going concern basis, FRP's DCF and multiple approaches provide an overall value range of £52.5 million to £72.5 million. On the same basis but with an accelerated sales process, FRP's overall value range reduces to £35 million to £55 million.

A&M's European Head of Valuation Services reviewed FRP's valuation methodology, assumptions and outputs and considered these to be reasonable and appropriate. FRP's approach to valuing the Group on a going concern basis also appeared to be reasonable given typically this would be the most likely route to realise value, with a wind-down or break up basis likely to lead to a detrimental impact on returns to creditors.

FRP is regarded as a reputable professional services firm with relevant experience in valuing businesses in the healthcare sector. The above valuations were undertaken by individuals with appropriate qualifications (Chartered Accountants with a number of years of experience in conducting independent valuations in support of transactions) and FRP has adequate professional indemnity insurance. FRP has confirmed its independence and provided reliance to the Company and the Joint Administrators in respect of the valuation work.

As part of A&M's work, A&M was made aware of valuations undertaken in 2023 but has not had reliance on these. These valuations are based on the Group's financial performance at the time and the market conditions at the time and are out of date.

8 Offer received

Following extended restructuring discussions among the Group's stakeholders, the only deliverable offer was the offer received for the Company's main assets, the Contingency Proposal. This offer, which was to be implemented by the Pre-packaged Sale, to purchase the Company's main assets being its interest in the Midco ICL and the Midco Shares. No alternative third party offers were received given the Company and / or the underlying group were not marketed for reasons outlined in section 6.

As part of the Pre-packaged Sale, the total consideration was £62,007,952. We are not aware that the Company had any other material assets other than the Midco ICL and Midco Shares.

The purchaser's consideration has been detailed below.

Company Asset	Purchaser offer £	Valuation £
Midco ICL*	£62,007,951	Nil
Midco Shares	£1	Nil

*Note: These assets are likely to be subject to the floating charge associated with the Holdco Facility.

The above consideration was paid on a cashless basis on the simultaneous exchange and completion of a Share Purchase Agreement and Assignment of the Midco ICL. The Purchaser's consideration of £62,007,952 was allocated £62,007,951 for Midco ICL and £1 for Midco Shares. This allocation appeared to be reasonable given Midco's balance sheet was in a net liability position and that any value that flowed to Midco would be applied to Midco's liabilities first (ahead of equity), the main unsecured liability being the Midco ICL.

The above offer was assessed using a number of criteria, including value, timing and deliverability. The Pre-packaged Sale was deemed in the best interest of the Company's creditors and effected given the transaction exceeded FRP's valuation of the Company's assets by £62,007,952 and was the only deliverable solution.

FRP's value of the Group's underlying operations was £52.5 million to £72.5 million. In assessing the offer above the Group's operations would need to be sold for in excess of £175 million to allow for a better outcome for the Company's creditors (allowing for the repayment of the Bidco Facility and the Holdco Facility). Given FRP's valuation range, and the level of interest in the underlying group from the Sales Process, we considered it very unlikely that an alternative sale in the region of £175 million (approximately £100 million in excess of the high end of the FRP valuation range) would be achieved.

9 Comparison of options

In assessing the appropriateness of the Pre-packaged Sale we also compared the outcome to an alternative scenario which is a liquidation of the Company with an orderly wind-down of the underlying group's operations (including transfer of care to alternative providers) followed by a realisation of assets.

This scenario is based on the provision of funding at the operating companies given the immediate liquidity issues being faced by the Group. We assumed that funding would have been provided by the Group's shareholders to allow an orderly wind down, avoid an immediate cessation of services and to facilitate the closure of the facilities. This would also allow the creditors to recover value from the underlying property assets in due course.

To illustrate the outcome for the Company's creditors from the wind down of the operating companies, we considered at a high level the operating companies' main assets and the realisations that could be achieved. We relied on management accounts, discussions with management, and our experience of wind down scenarios, the likely level of asset realisations and associated costs.

Illustrative liquidation analysis

	Book value £m**	Illustrative realisation £m	Notes
Realisable assets*			
Land and buildings (net of lease liabilities)	58.0	58.0	1
Furniture, fixture and fittings & other assets	14.9	1.5	2
Trade debtors	20.1	10.5	3
Total realisations		70.0	
Operational costs of wind down		(21.2)	4
Costs of process / insolvency		(1.0)	
Less Preferential claims		-	5
Less Prescribed part (distributed to unsecured creditors of operating companies)		(0.8)	6
Available to floating charge holders		47.0	
Less Bidco Facilities		(113.0)	
Deficit in respect to Bidco Facilities		(66.0)	
Estimated employee claims		(33.7)	7
Amounts available to Holdco Facility		Nil	
Amounts available to Company's unsecured creditors		Nil	

*Note: Illustrative analysis only includes assets that are realisable, accruals, prepayments and capitalised bank fees are excluded from this analysis on this basis. We also assume cash to be zero in the liquidation scenario.

**Note: Book values from April 2024 other than trade debtors which reflects anticipated trade debtors at the end of the wind down period.

The above illustrative analysis highlights that, in a liquidation scenario, it is likely that there would be no return in respect of the Holdco Facility or to the Company's unsecured creditors. In the Pre-packaged Sale, the Holdco Facility was almost repaid in full (being repaid from the consideration for the Midco ICL).

We have not commissioned a valuation of the Group's properties to support the above analysis but are aware that a third party valued the properties for the Group at in the region of £100 million in 2023 (on a vacant possession basis). For illustrative purposes, if the properties could be realised for such value in a liquidation scenario, there would still be no return in respect of the Holdco Facility or to the Company's unsecured creditors.

Key assumptions to the illustrative liquidation analysis are detailed below.

- 1. Land and Buildings:** The Group owns 58 residential properties (of which 52 are operational) that are a mix of freehold and leasehold, with approximately two thirds of the properties being subject to ground rents. The Group's balance sheet accounts for these assets at acquisition costs less depreciation being £149.8 million as at 30 April 2024. It is considered likely that disposing of these properties would require the associated ground rent liabilities to be repaid, approximately £91.8 million, and accordingly we have used book values for land and buildings net of ground leases in our illustrative analysis.
- 2. Furniture, fixture and fittings and other assets:** In a wind-down scenario we would not anticipate material recoveries from assets such as furniture and fixture and fittings and for illustrative purposes have assumed a 10% recovery of book value.
- 3. Trade debtors:** The Group's debtors are mainly due from public sector counterparties (80%) with the balance being due from private sector counterparties. Management has estimated that recoverability of these balances in a liquidation scenario would likely to be 60% and 20% respectively. We do not consider these estimates to be unreasonable.
- 4. Costs:** Management consider the costs to implement a wind down to be significant, approximately £21.2 million. It is assumed that a wind down would take at least six months given there would be significant operational challenges around the transfer of residents and patients to alternative providers whilst facilities are moved to closure. During this period direct care staffing levels (and costs) would have to be maintained. In addition, the unwind of the central head office function would not be straightforward, given as revenue decreases from the reduction in the provision of services it would likely be challenging to reduce costs (including central overhead) at the same rate. Additionally, considering the nature of the Group's property portfolio, with bespoke facilities (that would either be repurposed or sold to trade buyers) we would anticipate realisation of these assets to take several months.
- 5. Preferential claims:** We have assumed that employees are paid up to date during the wind down period and accordingly do not have any preferential claims at the end of the period.
- 6. Monies available to unsecured creditors:** Our illustrative analysis shows £0.8 million being paid to unsecured creditors arising from the prescribed part distribution.
- 7. Employee claims:** The Group has previously undertaken a closure of a residential property in 2023 and used the redundancy and notice costs incurred during this process as a guide in estimating employee claims in a wind down scenario.

10 The transaction

A sale to the Purchaser was completed on 29 May 2024. Details of the transaction are set out below:

Sales consideration

Consideration of £62,007,951.90 was received and allocated to the assets of the Company as set out in section 8. The Purchaser may be considered to be a Connected Party and accordingly an evaluator report was obtained (as required by Restriction on Disposal to Connected Persons Regulations 2021) to support the transaction. The evaluator's report is dated 29 May 2024.

Purchaser and related parties

The Purchaser could be deemed to be a connected party due to the following persons and/or entities relationship with the Group (directly or indirectly). The below list is not exhaustive:

- Two of the Group's directors have a Management Incentive Plan ("MIP"), that allows for equity in the Purchaser's parent to be issued to them in certain circumstances.
- The Purchaser's controlling party is the same controlling party as the Holdco Facility provider (Sequoia).

Given the above an Evaluator Qualifying Report has been produced (provided in the Appendix). The Joint Administrators are satisfied that the evaluator making the qualifying report had sufficient knowledge and experience to make the Evaluator Qualifying Report. The Evaluator is satisfied that the consideration to be provided for the relevant property and the grounds for the substantial disposal are reasonable in the circumstances. A viability statement was requested of the Purchaser but was not provided.

11 Conclusion

Given the significant challenges facing the underlying group (including around liquidity) and the level of indebtedness of the Company as compared with the value of its assets, rescuing the Company in accordance with paragraph 3(1)(a) of schedule B1 to the Insolvency Act 1986 was not achievable.

Therefore, our primary objective and role as Joint Administrators is to achieve a better result for the Company's creditors as a whole than would be likely if the Company were wound up, in accordance with Paragraph 3(1)(b) of schedule B1 to the Insolvency Act 1986.

We are satisfied that the Pre-packaged Sale will enable us to achieve this purpose because the total sales proceeds obtained for the Midco ICL and the Midco Shares are significantly higher than would have been achievable had the Company been immediately wound up.

In addition, the Pre-packaged Sale has ensured continuity of the provision of care to the approximately 2,000 patients and residents of the underlying business and the preservation of 4,300 jobs.

We acted in the best interests of the creditors as a whole when negotiating the Pre-packaged Sale and are satisfied that the outcome achieved is the best available outcome for creditors as a whole in the circumstances.

Appendix 6 – Evaluator's report

Qualifying Report

Under The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021 in relation to the proposed substantial disposal of the business and assets of:

ACG HOLDCO LIMITED, to

GADWALL HOLDINGS LIMITED

29 MAY 2024



The Pinnacle
Albion Street
Leeds
LS1 5AA

0113 457 0583

The Shard
London Bridge Street
London
SE1 9SG

0203 727 7259

www.j9advisory.com
info@j9advisory.com



PURPOSE, CONTENTS AND INTERPRETATION

PURPOSE

As Per the Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021, in the absence of Creditor Approval of this substantial disposal that is within 8 weeks of entering Administration, a connected party purchaser is required to obtain a Qualifying Report in accordance with Section 6 of the Regulations. This report has been commissioned for that purpose, in order to provide an Independent Opinion as to whether the grounds and consideration for the Substantial Disposal are reasonable in the circumstances.

CONTENTS

- 1) Evaluator Profile and Professional Indemnity Insurance
- 2) Transacting Companies, The Connected Persons, and Previous Qualifying Reports
- 3) Proposed Transaction Details
- 4) Independent Valuation and Marketing, and Evidence Relied Upon
- 5) Opinion on the Proposed Transaction
- 6) Appendix 1 - Target Asset and their Subsidiaries.

INTERPRETATION

In this Report:

"The Regulations" means The Administration (Restrictions on Disposal etc. to Connected Persons) Regulations 2021.

"Qualifying Report" has the meaning given to it in Regulation 5 of the Regulations.

"Connected Persons" as defined in Paragraph 60A(3) of Schedule B1 to the Insolvency Act 1986 and includes Directors, Shadow Directors, and other Officers of the Company, as well as Connected Companies.

"Substantial Disposal" means, as given in Regulation 3 of the Regulations, a disposal, hiring out, or sale to one or more Connected Persons during the period of 8 weeks beginning with the day on which the Company enters Administration of what is, in the Administrator's opinion, a substantial part of the Company's Business or Assets, and includes a disposal which is effected by a series of transactions.

"Relevant Property" means the property being disposed of, hired out or sold by the substantial disposal as defined in Regulation 2 of the Regulations.

"Previous Report" has the meaning given to it in Regulation 8 of the Regulations.

"The Proposed Administrator" means Richard James Beard and Richard Dixon Fleming of Alvarez & Marsal Europe LLP ("A&M").

1) EVALUATOR PROFILE AND PROFESSIONAL INDEMNITY INSURANCE

EVALUATOR PROFILE

I, Johnny Abraham, confirm that I am satisfied that my knowledge and experience is sufficient to meet the requirements set out under Part 3 of The Administration (Restriction on Disposal etc. to Connected Persons) Regulations 2021.

I have over 22 years of experience specialising in Business Funding, Restructuring and Insolvency matters which has been gained within an International Big 4 Professional Services Firm, a National Independent Restructuring and Insolvency practice, and within my own Independent Specialist Business Advisory Firm. I also have experience in Commercial Lending gained within two International Banks.

I am a Fellow Member of the Institute of Chartered Accountants in England and Wales, a Fellow Member of the Association of Business Recovery Professionals, and an Accredited Member of the Institute for Turnaround. I am also a Member of the Board of the Turnaround Management Association in the UK.

I can confirm that:

- I meet the requirements as to Professional Indemnity Insurance as specified in Regulation 11, (Further details set out below);
- I meet the requirements as to independence, as specified in Regulation 12; and
- I am not excluded from acting as an Evaluator by virtue of Regulation 13.

Having met the requirements set out above, I can therefore act as an Evaluator in respect of making this Qualifying Report.

PROFESSIONAL INDEMNITY INSURANCE

Insurer: QBE UK Limited

Policy Number: 00010817PIC

Risks Covered: Professional Indemnity Insurance to cover the Business Funding, Rescue and Restructuring Advisory Services provided by J9 Advisory Limited, including acting as an Evaluator in producing a Qualifying Report under the Regulations.

Amount Covered: £1,000,000 (any one claim)

Exclusions: Geographical Exclusion (USA and Canada). Vicarious Liability Exclusion.



2) TRANSACTING COMPANIES, THE CONNECTED PERSONS, AND PREVIOUS QUALIFYING REPORTS

DISPOSING COMPANY

ACG Holdco Limited ("ACG Holdco")

Company Number - 11157123

PROPOSED PURCHASER

Gadwall Holdings Limited ("Gadwall Holdings")

Company Number - 15735242

CONNECTED PERSONS AND NATURE OF CONNECTION

Whilst in this case, the individuals and entities detailed below may not strictly be classed as Connected Persons, the Proposed Purchaser has commissioned this Qualifying Report in order to provide full transparency to all Stakeholders with regards to the Proposed Transaction.

Sequoia Economic Infrastructure Income Fund Limited ("SEIIF") (Registered in Guernsey, 59596) is the Ultimate beneficial owner of Gadwall Holdings.

Sequoia IDF Asset Holdings S.A. ("Sequoia") (a company registered in Luxembourg, B165989) is a wholly owned subsidiary of SEIIF, and provides c.£62,500,000 of Junior Debt Facilities to ACG Holdco.

Keith Browner and Kathryn Lineker - Are both Directors of ACG Holdco and various subsidiaries. Whilst they will not be Directors of Gadwall Holdings, they will retain their Directorships within the subsidiaries of ACG Holdco. Whilst they will not be Shareholders in the Proposed Purchaser, I understand that they may be offered a Management Incentive Plan, which may provide an equity interest in Gadwall Holdings immediate Parent Company, Pochard Holdings Limited, in the future.

Please note that David William Hamlett, Barry Monks and Paul Gerrard Nelson have recently resigned their positions as Directors of ACG Holdco and various subsidiaries, however, at the time of completion of the Proposed Transaction, the Companies House filings will not have been processed as yet.

PREVIOUS QUALIFYING REPORTS

The potentially Connected Persons above have provided written confirmation that no previous Qualifying Reports have been instructed or received from any other Evaluator.

There is no reason for me to believe that this is incorrect, and therefore I surmise that Section 8 of the Regulations does not apply.

3) PROPOSED TRANSACTION DETAILS

BUSINESS AND ASSETS BEING DISPOSED ("RELEVANT PROPERTY")

Gadwall Holdings is proposing to acquire the substantial assets of ACG Holdco which consist of Right, Title and Interest as are held in the following:

- The 100% Shareholding of ACG Midco Limited (11157234) ("**Target Asset**")
- The interest in an intercompany loan due from ACG Midco Limited.

PROPOSED CONSIDERATION AND TERMS

Gadwall Holdings proposes to acquire the Relevant Property of ACG Holdco for the consideration and under the terms detailed below:

- | | |
|--|-------------|
| • The 100% Shareholding of ACG Midco Limited (11157234) | £1 |
| • The interest in an inter-company loan due from ACG Midco Limited | £62,007,951 |

Total Consideration

£62,007,952

Terms:

- The Consideration will be payable in full on completion.
- Sequoia has confirmed that they will provide the Proposed Purchaser with funding facilities of up to £35,000,000.
- As part of the Proposed Transaction, two funders of the subsidiaries of ACG Holdco that are supportive of the Proposed Transaction, will renew their debt facilities to the value of c.£95,000,000.

4) INDEPENDENT VALUATION AND MARKETING, AND EVIDENCE RELIED UPON

INDEPENDENT VALUATION AND MARKETING

The Proposed Administrator has provided me (on a confidential basis) with a copy of a Valuation of ACG Bidco Limited, ACG Midco Limited and ACG Holdco Limited dated 28 May 2024 that has been prepared by FRP Advisory Trading Limited (“**FRP**”).

This report provides an independent valuation of the entities above, on a consolidated basis, i.e. including all direct and indirect subsidiaries.

With regards to Marketing, I have been advised that the Ultimate Shareholder of ACG Holdco, Montreux Healthcare Fund Plc (“**MHF PLC**”) engaged N.M. Rothschild & Sons Limited (“**Rothschild**”) to commence an informal Marketing process in November 2023, during which certain potential trade party buyers were identified and approached.

From this activity, only one expression of interest was received (on a debt free basis) and I have been provided with a summary of this. Due to the value and terms of the one expression of interest, the process did not progress any further.

In March 2024, MHF PLC also instructed Rothschild to undertake a market test in relation to identifying potential refinancing options, however, this was unsuccessful.

I am advised that the Proposed Administrators have not completed any further Marketing of the business, and I have discussed with the Proposed Administrators the rationale behind this and the wider commercial and stakeholder issues that have to be considered in this case, and I am happy with the reasoning discussed.

EVIDENCE RELIED UPON

In undertaking my review of the Proposed Transaction and reaching the opinion below, I have relied upon the following information and evidence that has been provided to me by the Proposed Administrators. No detailed audit or verification of the information or evidence provided has been undertaken.

- J9 Advisory Information Pack
- Company Financial Information
- Draft Sale & Purchase Agreements
- Details of Alternative Offer
- Reforecast and Business Plan
- Valuation from from FRP
- Confirmation of funding facilities from Sequoia
- Correspondence with the Connected Persons
- Correspondence with the Administrators

5) OPINION ON THE PROPOSED TRANSACTION

OPINION

In accordance with Regulation 7 of the Regulations, I am satisfied that the consideration to be provided for the Relevant Property, and the grounds for the substantial disposals, are reasonable in the circumstances.

In arriving at this opinion, I have considered all of the information that has been provided to me, and I have also considered the commercial benefit to the Proposed Administrators of completing the Proposed Transaction including:

- The total consideration that is being proposed and payable in full on completion.
- A significant consideration in reaching the opinion is that completion of the Proposed Transaction provides financial stability and viability to the trading subsidiaries of ACG Holdco (detailed in Appendix 1), who together employ c.4,300 people across 52 locations, and has a significant supply chain.
- Should this transaction not proceed, it is likely that the trading subsidiaries, detailed in Appendix 1, would fall subject to wider insolvency proceedings which would put c.4,300 jobs at risk.
- The group business provides specialist complex care services to c.2,000 people and completing the Proposed Transaction safeguards the continuity of care and wellbeing of these individuals, and in my opinion, the value of this should not be underestimated.
- Alternative restructuring options have been presented to all Funders and the Shareholders, however, an agreement has not been reached to enable the business to move forward at this point.
- An Anti-Embarrassment clause to cover any sale of the Relevant Property to a third party within the next 12 months has been requested and included for the benefit of creditors.
- In the absence of any additional viable offers, the value provided by the Proposed Transaction significantly exceeds the alternative option of a Liquidation of the Target Asset and its subsidiaries. Due to the nature of the business, it is estimated that a 6 month wind down period may be required, which would incur significantly increased costs, including insolvency costs. In addition to this there would be significantly increased Secured, Trade and Employee related creditor claims, and therefore completion of the Proposed Transaction does appear to provide the best available outcome for all creditors and stakeholders.

For the avoidance of doubt, I express no opinion as to whether Gadwall Holdings Limited is, or will in the future remain a going concern, neither do I express an opinion on any decision made by the Proposed Administrators of ACG Holdco Limited to enter into a Connected Party Transaction. These are matters for the Proposed Administrators to determine.



Johnny Abraham FCA
Managing Director
J9 Advisory Limited

APPENDIX 1: TARGET ASSET AND THEIR SUBSIDIARIES

ACG Holdco Limited (11157123)

- **ACG Midco Limited (11157234)**

- **ACG Bidco Limited (11157428)**

- **Active Assistance (UK) Group Limited (07704352)**

- Active Assistance Finance Limited (07705208)
 - Active Assistance Limited (06470511)
 - Staff Management Limited (01992626)
 - Communicare (GB) Limited (04647517)
 - Multihealth Limited (07236378)
 - 1st Care Nursing Limited (05253781)
 - Caring 4 U (UK) Limited (04638743)
 - Active Assistance Care Services Limited (05153089)
 - Tania Brown Limited (04401820)
 - J S Parker Limited (05142992)
 - Care and Case Management Services Limited (06079954)
 - Westcountry Case Management Limited (04662905)
 - Brownbill Associates Limited (03804907)
 - Rehab Without Walls Limited (03110896)
 - Anglia Case Management Holdings Ltd (09946159)
 - Anglia Case Management Limited (04827648)
 - Pegasus Medical Limited (07012748)
 - Northern Case Management Limited (05375165)
 - AJ Case Management Limited (06330418)
 - A J Specialist Recruitment Limited (11896191)
 - Kingly Care Partnership Limited (05948786)
 - Neural Pathways (UK) Limited (05116536)
 - NE Lifestyles Limited (06330418)
 - Titleworth Neuro Limited (01416615)

- Independence Homes Limited (03419025)

- MichaelHannah Limited (08047562)

- Mylife Supported Living Limited (08920281)

- Willowmead Property Limited (09430471)
 - Supported Living (UK) Limited (06814413)
 - Remeo Healthcare Limited (07998166)
 - MyHome North Limited (08536952)
 - Mylife Property Limited (11831599)
 - John-Edwards Care Homes Limited (07578190)

- Chester Healthcare Limited (07591550)

- Medbank Healthcare Solutions Limited (04689396)
 - Chester Professional Services Limited (07591479)

APPENDIX 1 CONTINUED...

- **Prism Holdco Limited (12021826)**
 - Prism Midco Limited (12022270)
 - Prism Bidco Limited (12022807)
 - Hamsard 3267 Limited (07786702)
 - Hamsard 3232 Limited (07472997)
 - Christchurch Court Holdings Limited (07109849)
 - Christchurch Court (UK) Limited (07051134)
 - Christchurch Court Limited (03385427)
 - Hunters Moor 928 Limited (08384616)
 - Hunters Moor 929 Limited (08384658)
 - Hunters Moor 930 Limited (08617519)
 - Hunters Moor Residential Limited (06722422)
 - Hunters Moor Residential Services Limited (06723633)
 - Hunters Moor Residential Property Limited (06723669)
 - Nugo Care Limited (07030702)
 - Glocare Limited (06993494)
 - Bethany Lodge Kent Limited (04658036)
 - HMM Holdings Limited (018763V) (Isle of Man)
 - **Huntercombe Group Holdco Limited (12455547)**
 - Huntercombe Group Midco Limited (12456240)
 - Huntercombe Group Bidco Limited (12456753)
 - Huntercombe Group Manco Limited (12883784)
 - Huntercombe Neuro Limited (12887805)
 - Huntercombe Adult Limited (12887793)
 - Oakleaf Westmidlands Limited (11306516)
 - Huntercombe Young People Limited (12887759)
 - Pathways North West Limited (04295753)

Appendix 7 – Glossary

Any references in these proposals to sections, paragraphs and rules are to Sections, Paragraphs and Rules in the Insolvency Act 1986, Schedule B1 of the Insolvency Act 1986 and the Insolvency Rules (England and Wales) 2016 respectively.

Defined Terms	Definition
A&M	Alvarez & Marsal Europe LLP
Bidco	ACG Bidco Limited
Bidco Facilities	A super senior facility (approximately £15 million) and a senior facility (approximately £98 million) provided to Bidco
Bidco Lenders	Various lenders which provided the Bidco Facilities to Bidco
Company	ACG Holdco Limited – in administration
Court	High Court of Justice Business and Property Courts of England and Wales
CVA	Company Voluntary Arrangement
CVL	Creditors Voluntary Liquidation
Directors	Keith Browner, Kathryn Lineker
Four Seasons Group	Four Seasons Healthcare group of companies
Group	The Active Care group of companies
Holdco Facility	A junior facility (approximately £62.5 million) lent to the Company by Sequoia
Huntercombe Group	Huntercombe Holdco Group Limited and its subsidiaries
Investor	An investor in the Group
Joint Administrators/we/our/us	Richard Beard and Richard Fleming
Lenders	The Bidco Lenders and Sequoia
Midco	ACG Midco Limited
Midco ICL	Intercompany loan due from Midco to the Company
Midco Shares	The Company's shareholding in Midco
MIP	Management Incentive Plan
Osborne Clarke	Osborne Clarke LLP
Pre-packaged Sale	Pre-packaged sale of the assets of the Company upon our appointment
Proposals	This statement of proposals
Purchaser	Gadwall Holdings Limited
Rothschild	N.M. Rothschild & Sons Limited
Ruby Holdco	Ruby Holdco Limited
Sales Process	Process commenced by Rothschild in late 2023 to undertake informal market testing for a potential sale of the Group
Security Agent	U.S. Bank Trustees Limited
Sequoia	Sequoia IDF Asset Holdings S.A.
Senior Lenders	Providers of a senior facility to Bidco
Shareholder	Montreux Healthcare Fund Plc
SIPs	Statements of insolvency practice
SIP 9	Payments to insolvency office holders and their associates from an estate
SIP 13	Disposals of assets to connected parties in an insolvency process
SIP 16	Pre-packaged sales in administrations

Appendix 8 – Notice: About this statement of proposals

This statement of proposals (“Proposals”) has been prepared by Richard Beard and Richard Fleming, the Joint Administrators of ACG Holdco Limited (“the Company”), solely to comply with their statutory duty under Paragraph 49, Schedule B1 of the Insolvency Act 1986 to lay before creditors a statement of their proposals for achieving the purpose of the administration, and for no other purpose. It is not suitable to be relied upon by any other person, or for any other purposes, or in any other context.

These proposals have not been prepared in contemplation of them being used, and are not suitable to be used, to inform any investment decision in relation to the debt of or any financial interest in the Company or any other company in the same group.

Any estimated outcomes for creditors included in these proposals are illustrative only and cannot be relied upon as guidance as to the actual outcomes for creditors.

Any person that chooses to rely on these proposals for any purpose or in any context other than under Paragraph 49, Schedule B1 of the Insolvency Act 1986 does so at their own risk. To the fullest extent permitted by law, the Joint Administrators do not assume any responsibility and will not accept any liability in respect of these proposals.

Richard Beard and Richard Fleming are authorised to act as insolvency practitioners by The Institute of Chartered Accountants in England and Wales.

We are bound by the Insolvency Code of Ethics.

The Joint Administrators act as agent for the Company without personal liability. The appointments of the Joint Administrators are personal to them and, to the fullest extent permitted by law, Alvarez & Marsal Europe LLP does not assume any responsibility and will not accept any liability to any person in respect of these proposals or the conduct of the administration.