EMBRACE REALTY (GEFFEN) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2017

Company Number: 06786519

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Directors and advisors

Directors
Anthony King
Craig Moule
Nathan Warren
James Whitmore

Company Secretary
Craig Moule

Independent statutory auditor
KPMG LLP
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

Internal auditor
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B4 6WR

Registered office
Sanctuary House
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Registered number
Company Number: 06786519

Directors' Report for the year ended 30 June 2017

The Directors present their report and financial statements of Embrace Realty (Geffen) Limited (the Company) for the year ended 30 June 2017.

Principal activities

The Company was incorporated on 8 January 2009 and registered under the Companies Act 2006, number 06786519, with the purpose of renting out property to other Group companies.

The Company's ultimate parent undertaking is Sanctuary Housing Association and the Company forms part of the Sanctuary Group of entities (the Group).

Review of business and future developments

The Company does not have any trading activity in the financial year and is not expected to trade in the 2017/18 financial year.

Key performance indicators

As the Company does not have any trading activity no key performance indicators have been presented.

Risk Management

Major business risks of the Company are identified through a system of continuous monitoring, through the Group's review of the major strategic, business and operational risks to which the Company is exposed. Systems and procedures are established at a Group level to mitigate those risks and to minimise any potential impact on the Company should any of those risks materialise.

Directors

The Directors of the Company who have served during the year and to the date of signing the financial statements, unless otherwise stated were:

Patricia Lee	(resigned 19 June 2017)
David Manson	(resigned 19 June 2017)
Anthony King	(appointed 19 June 2017)
Craig Moule	(appointed 19 June 2017)
Nathan Warren	(appointed 19 June 2017)
James Whitmore	(appointed 19 June 2017)

Results and dividends

The Company made neither a profit nor a loss for the year ended 30 June 2017. Further details are set out on page 8.

Employee involvement

It is Group and Company policy to involve all employees in matters affecting their functions. At a formal level this takes place through the Staff Council where management consult with elected staff representatives. At an operational level a team briefing system is in place to keep all employees updated on core Group business issues.

Directors' Report for the year ended 30 June 2017 continued

Ethical business

The Group and Company are committed to conducting business in an ethical and responsible manner. This involves making decisions which take into account not only economic considerations, but also social and environmental impacts. It means running Group operations efficiently, investing in the communities where the Group works, providing training and employment opportunities, and ensuring that Group operations are run in an environmentally-friendly manner.

Equality and diversity

The Group and Company aim to be open and inclusive organisations, where diversity is promoted and discrimination eliminated. Our single equality scheme – 'Fairness for All' – outlines the commitment to ensuring that our services and operations meet the needs of all our diverse customers. It ensures that equality, diversity and human rights are integrated into the way the Group plans, develops and delivers services, covering internal functions as an employer and external operations as a provider of housing, care and commercial services. The Group operates an Equality and Diversity Working Group, which ensures that the requirements set out by the scheme are embedded across the Group's operations.

Health and safety

It is the clear intention of the Group and Company to ensure, as far as reasonably practicable, the health, safety and welfare at work of all its employees. The Group undertakes to comply, as a minimum, with the provisions of the Health and Safety at Work Act 1974 and other relevant legislation to meet the objective of achieving the highest possible standards.

Going concern

The Directors confirm that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Company continues to adopt the going concern basis in its financial statements.

Directors' Report for the year ended 30 June 2017 continued

Statement of Directors' responsibilities in respect of the Directors' Report and the Financial Statements

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations.

UK Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

Disclosure of information to auditor

In the case of each Director in office at the date the Directors' Report is approved:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and

(b) he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Independent auditor

KPMG LLP has indicated its willingness to continue in office. A resolution concerning the appointment of the auditor will be proposed at the Annual General Meeting.

By order of the Board.

Craig Moule
Director
16 February 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMBRACE REALTY (GEFFEN) LIMITED

We have audited the financial statements of Embrace Realty (Geffen) Limited for the year ended 30 June 2017 set out on pages 8 to 19. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities et out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 30 June 2017 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Directors' Report:

- we have not identified material misstatements in that report; and
- in our opinion, that report has been prepared in accordance with the Companies Act 2006.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EMBRACE REALTY (GEFFEN) LIMITED CONTINUED

Matters on which we are required to report by exception

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

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

G Docherty

Gordon Docherty (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
One Snowhill
Snow Hill Queensway
Birmingham
B4 6GH

19/2/18

Profit and Loss Account for the year ended 30 June 2017

	Notes	2017 £'000	2016 £'000
Turnover		-	-
Loss on disposal of fixed assets		(1)	-
Other operating costs	3	(9)	-
Operating loss		**(10)**	-
Interest payable and similar charges		-	-
Loss on ordinary activities before taxation		**(10)**	-
Taxation	4	-	-
Loss for the financial year		**(10)**	-

There are no differences between the loss on ordinary activities before taxation and the loss for the financial years stated above and their historical cost equivalents.

The Company has no recognised gains and losses other than those included in the Profit and Loss Account above and therefore no separate Other Comprehensive Income Statement has been presented.

The notes on pages 11 to 19 form part of these financial statements.

Balance Sheet as at 30 June 2017

	Notes	2017 £'000	2016 £'000
Fixed assets			
Investments	5	-	1
Current assets			
Debtors	6	624	889
Creditors : amounts falling due within one year	7	(82)	(338)
Net current liabilities		542	551
Total assets less current liabilities		542	552
Net assets		**542**	**552**
Capital and reserves			
Called up share capital	9	-	-
Profit and loss account		542	552
Total shareholders' funds		**542**	**552**

The notes on pages 11 to 19 form part of these financial statements.

The financial statements have been authorised and approved by the Board of Directors on 16 February 2018 and signed on its behalf by:

Craig Moule
Director

Statement of Changes in Equity as at 30 June 2017

	Share capital £'000	Profit and Loss Account £'000	Total £'000
At 1 July 2015	-	552	552
Profit for the financial year	-	-	-
At 30 June 2016	**-**	**552**	**552**
At 1 July 2016	-	552	552
Loss for the financial year	-	(10)	(10)
At 30 June 2017	**-**	**542**	**542**

The notes on pages 11 to 19 form part of these financial statements.

Notes to the financial statements for the year ended 30 June 2017

1. Principal accounting policies

General information

Embrace Realty (Geffen) Limited (the Company) is a company incorporated and domiciled in the UK.

The financial statements are presented in pounds sterling, which is the Company's functional currency. Unless otherwise stated, amounts are denominated in thousands (£'000) rounded to the nearest thousand.

Basis of accounting

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The amendments to FRS 101 (2015/16 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU (Adopted IFRSs), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The year ended 30 June 2017 is the first time that the Company has prepared accounts in accordance with FRS 101. Previously, the accounts were prepared in accordance with Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102).

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note 12.

The Company's ultimate parent undertaking, Sanctuary Housing Association, includes the Company in its consolidated financial statements. The consolidated financial statements of Sanctuary Housing Association are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Sanctuary Housing Association, Chamber Court, Castle Street, Worcester WR1 3ZQ.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- The effects of new but not yet effective IFRSs;
- An additional Balance Sheet for the beginning of the earliest comparative period following the retrospective change of accounting policy; and
- Disclosures in respect of the compensation of Key Management Personnel.

In accordance with section 400 of the Companies Act 2006, consolidated accounts have not been prepared as the Company is a wholly owned subsidiary of Sanctuary Housing Association, a Housing Association incorporated in England, which prepares consolidated financial statements to include the results of the company and its subsidiaries.

The financial statements are prepared on the historical cost basis.

Notes to the financial statements for the year ended 30 June 2017 continued

1. Principal accounting policies continued

Going concern

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Director's Report on page 3.

The Company has the continued support of its ultimate parent, Sanctuary Housing Association and is viewed as a going concern by the Directors as it has adequate resources to continue in operational existence for a period of at least 12 months. Accordingly the Company continues to adopt the going concern basis in its financial statements.

Investments

Investments in subsidiary undertakings are accounted for at cost less any impairment for permanent diminutions in value.

Financial instruments

Financial assets

All financial assets within the Company are deemed to be classified as loans and receivables.

These are initially recognised at fair value plus transaction costs, and subsequently at amortised cost. Examples of loans and receivables include trade receivables, unlisted investments, sundry receivables and cash at bank and in hand.

Financial liabilities

All financial liabilities within the Company are deemed to be classified as other financial liabilities.

They are valued at fair value at inception and then amortised cost subsequently. Other financial liabilities are all financial liabilities that have value to the supplying party, for instance debt finance, trade payables, other payables and accruals.

Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the Profit and Loss Account except to the extent that it relates to items recognised directly in equity or Other Comprehensive Income, in which case it is recognised directly in equity or other comprehensive income.

Current taxation

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Notes to the financial statements for the year ended 30 June 2017 continued

1. Principal accounting policies continued

Deferred taxation

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

Critical accounting estimates, judgements and assumptions

The Directors have not been required to make any judgements which have a significant impact upon the financial statements, nor have they been required to make any significant estimates or assumptions which could result in a significant risk of material adjustments in future periods.

2. Director's remuneration

The Directors received no remuneration for qualifying services in relation to the Company during the year. The current Directors are paid by Sanctuary Housing Association, while the Directors in place before 19 June 2017 were paid by Embrace All Limited. Details of Directors' remuneration is disclosed in the relevant entities' financial statements.

3. Other operating costs

	2017 £'000	2016 £'000
Release of intercompany balances	9	-

Balances due to Group companies were released as part of a restructuring process prior to acquisition by Sanctuary Housing Association.

Notes to the financial statements for the year ended 30 June 2017 continued

4. Taxation on profit on ordinary activities

(a) Analysis of tax charge for the year

	2017 £'000	2016 £'000
Current tax:		
UK corporation tax on profit for the year	-	-
Adjustments to prior periods	-	-
	-	-

The tax charge for the year is at the main rate, due to the number of associated companies within the Group.

(b) Factors affecting the tax charge for the year

	2017 £'000	2016 £'000
Loss on ordinary activities before tax	(10)	-
Loss on ordinary activities multiplied by the main rate of corporation tax in the UK 19.75% (2016: 20%)	(2)	-
Effects of:		
Tax effect of expenses that are not deductible/(income that is not chargeable) in determining taxable profit	2	-
Group relief	-	-
Rate difference	-	-
Transfer pricing adjustment	-	-
Deferred tax not recognised	-	-
Total tax charge for the year	-	-

(c) Factors affecting future tax charge

Reductions in the UK corporation tax rate from 20% to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015.

An additional reduction to 17% (effective from 1 April 2020) was announced in the Budget on 16 March 2016 and substantively enacted on 15 September 2016. This will reduce the Company's future current tax charge accordingly.

Notes to the financial statements for the year ended 30 June 2017 continued

5. Investments

	Total
	£'000
Cost or valuation	
Balance at 1 July 2016	2,274
Disposals	(2,274)
Balance at 30 June 2017	-
Depreciation and impairment	
Balance at 1 July 2016	2,273
Disposals	(2,273)
Balance at 30 June 2017	-
Net book value	
30 June 2017	-
30 June 2016	1

Subsidiary undertakings

The company sold shares in the following entities during the year:

Entities registered at C/O Pinsent Masons Llp, 1 Park Row, Leeds, England, LS1 5AB:

Subsidiary undertaking	Country of incorporation	Nature of business	Class of shares held	% held
Codesurge Limited	England and Wales	Dormant	Ordinary	100

6. Debtors

	2017	2016
	£'000	£'000
Amounts owed by parent and fellow subsidiary undertakings	624	889

Amounts owed by parent and fellow subsidiary undertakings at 30 June 2017 are trading in nature, are repayable on demand and do not bear interest.

Amounts owed by parent and subsidiary undertakings in 2016 relate to the Embrace Group as it was comprised at the time the Financial Statements were signed.

Notes to the financial statements for the year ended 30 June 2017 continued

7. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Amounts owed to parent and fellow subsidiary undertakings	82	338

Amounts owed to parent and fellow subsidiary undertakings at 30 June 2017 are trading in nature, are repayable on demand and do not bear interest.

Amounts owed to parent and subsidiary undertakings at 30 June 2016 relate to the Embrace Group as it was comprised at the time the Financial Statements were signed.

8. Financial Instruments and risk management

Financial risk management objectives and policies

The Group's Treasury function is responsible for the management of funds and control of the associated risks. Other financial risks, for example arrears, are the responsibility of other operating divisions of the Group's finance function. Treasury and finance activities are governed in accordance with the Board approved policy and the management of associated risks is reviewed and approved by the Group Audit and Risk Committee. There is further explanation of the Group's approach to risk management in the Board's Report and Operating and Financial Review within the Group's Financial Statements.

Where financial instruments are measured in the Balance Sheet at fair value, disclosure of fair value measurements by level is required, in accordance with the following fair value measurement hierarchy:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3 – Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The Company's financial instruments include:

Financial assets

As at 30 June 2017 the Company's financial asset balances were as follows:

Loans and Receivables

	2017 £'000	2016 £'000
Amounts owed by parent and fellow subsidiary undertakings (note 6)	624	889
	624	**889**

Financial liabilities

As at 30 June 2017 the Company's financial liability balances were as follows:

Other financial liabilities - current

	2017 £'000	2016 £'000
Amounts owed to parent and fellow subsidiary undertakings (note 7)	82	338
	82	**338**

Notes to the financial statements for the year ended 30 June 2017 continued

8. Financial Instruments and risk management continued

Financial risk management objectives and policies continued

Valuation

Balances are valued in accordance with note 1 Principal Accounting Policies – Financial Instruments. Fair value equates to book value.

Analysis of risks

a) Interest rate risk and exposure

Interest rate risk is defined as the risk that interest rates may change in the future materially affecting the Company's liabilities and cash flows. The Company does not pay interest on its intercompany trading balances payable or receivable and is therefore not exposed to interest rate risk.

The weighted average interest rate of the Company's financial liabilities is nil% (2016: nil%). The Company operates an interest rate policy designed to minimise interest cost and reduce volatility in cash flow and debt service costs.

All of the Company's creditors are due within one year. The fair value of creditors with a maturity of less than one year is assumed to equate to their carrying value.

b) Liquidity risk

Liquidity risk is the risk that the Company will fail to be able to access liquid funds - either through:

- lack of available facilities; or
- lack of secured, but available, facilities; or
- lack of identification of need to draw on available facilities.

The Group Treasury function ensures the above risks are managed by preparing cash forecasts on a daily and longer term basis to ensure that short and longer term requirements are known. The forecasts are cautious in the approach and are constantly updated to allow for sensitivity in assumptions. These are reported to the Chief Financial Officer on a weekly basis. The forecasts identify when drawdowns on existing facilities are required and when existing facilities expire. Further facilities are negotiated and secured well in advance of them being needed for drawdown.

The Treasury function also manages a database of the Company's stock in order to identify unencumbered stock for security of new facilities. A programme of valuations is maintained to ensure that optimum value as security is gained from the Company's stock. These systems ensure that facilities are available to the Company which are secured and available to draw on as required.

The Company's liquidity policy is to maintain sufficient liquid resources to cover cash flow requirements and fluctuations in funding to enable the Company to meet its financial obligations.

Liquidity risk applies to cash and all payables balances.

Notes to the financial statements for the year ended 30 June 2017 continued

8. Financial Instruments and risk management continued

Analysis of risks continued

b) Liquidity risk continued

Contractual cash flows for all financial liabilities

The following is an analysis of the anticipated contractual cash flows including interest and finance charges payable for the Company's financial liabilities on an undiscounted basis.

At 30 June 2017	Other financial liabilities £000
Due less than one year	82
Gross contractual cash flows	**82**

At 30 June 2016	Other financial liabilities £'000
Due less than one year	338
Gross contractual cash flows	**338**

c) Credit risk

Credit risk applies to all debtor balances and to debt finance. Risk relates to financial risk.

Financial

The Company manages credit risk by carrying out monthly credit checks on all counterparties from which the Company either sources funds or places deposits. The financial credit risk is mitigated to some extent by the existence of borrowing facilities with such counterparties. It is the Company's policy not to take or place funds with any financial institution which is not accepted as a counterparty in the Company's Financial Regulations. Such counterparties are approved by the Board but only on the achievement of the desired credit agency rating.

The maximum credit risk at 30 June 2017 and 2016 was as follows:

	2017 £'000	2016 £'000
Loans and receivables (note 6)	624	889
	624	**889**

d) Concentration risk

Concentration risk is defined as the risk associated with a reliance on transactions that carry a similar risk profile.

Management determines concentrations of risk through its standard risk management procedures, as detailed in the Board's Report and Operating and Financial Review in the Group Financial Statements.

Notes to the financial statements for the year ended 30 June 2017 continued

8. Financial Instruments and risk management continued

Analysis of risks continued

e) Collateral held

The Company does not hold any significant collateral.

f) Capital

The Company considers its capital balances to be share capital and reserves (see Statement of Changes in Equity).

9. Called up share capital

	2017	2016
	£	£
Allotted, called up and fully paid:		
1 ordinary shares of £1 each	1	1

10. Controlling party

The immediate parent company is Embrace Care Limited, a company registered in England and Wales under registration number 08991220.

The ultimate parent undertaking and controlling party is Sanctuary Housing Association, being the smallest and largest group to consolidate these financial statements, registered in England as a Registered Society (Number 19059R) and with the Homes and Communities Agency (Number L0247).

11. Events after the reporting period

No matters have arisen since the year end that require disclosure in the financial statements.

12. Explanation of the transition from FRS 102 to FRS 101.

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 101.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented in these financial statements for the year ended 30 June 2016.

The transition from the Company's old basis of accounting FRS 102 to FRS 101 has not resulted in any adjustments and so there has been no impact on the Company's financial position or financial performance.