70154/3/200

70154/3/200

**Esquire Realty (B) Limited**

# Annual report and financial statements

Registered number 48690 (Guernsey)

Company number FC032024

UK establishment number BR017094

Year ended

30 June 2014

## Directors and Advisors

| | |
|---|---|
| Directors | David Manson<br>Ted Smith |
| Company Number | 48690 (Guernsey)<br>FC032024 |
| UK Establishment Number | BR017094 |
| Registered Office | Frances House<br>Sir William Place<br>St Peter Port<br>Guernsey<br>GY1 4HQ |
| Auditors | KPMG LLP<br>One Snow Hill<br>Snow Hill Queensway<br>Birmingham<br>B4 6GH<br>United Kingdom |

# Contents

# Directors' report

The directors present their report and financial statements for the year ended 30 June 2014

**Principal activities and review of the business**

The principal activity of the company is that of property rental to other group companies

**Results and dividends**

The results for the year are set out on page 6

The directors do not recommend payment of an ordinary dividend for the period

**Change of ownership**

The Company, along with certain of the fellow subsidiaries of the Group previously known as European Care Group was acquired by Embrace Group Limited (previously Berlin Acquisition Limited) on 16 April 2014 Embrace Group Limited is funded by long term shareholder debt on which there are no cash servicing requirements This places the Group in an extremely strong financial position and means that all of the cash generated by the Group is available to be reinvested for the benefit of the people that we support In addition the Group has an undrawn facility of £10 million available to it in order to fund investment in the current estate and future developments

From April 2014 the company has been resident in the UK for Corporation Tax purposes It had previously been subject to UK income tax under HMRC's Non-resident landlord scheme

**Directors**

The following directors have held office since 1 July 2013

| | |
|---|---|
| ADL One Limited | (resigned 9 April 2014) |
| ADL Two Limited | (resigned 9 April 2014) |
| MDL Limited | (resigned 9 April 2014) |
| David Manson | |
| Ted Smith | |

**Company Secretary**

The company secretary (Fidsec Limited) resigned on 9 April 2014 No new company secretary has been appointed

**Statement of disclosure to auditor**

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

**Auditor**

On 25 July 2014, KPMG LLP were appointed as auditor

The auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

## Directors' report *(continued)*

**Statement of disclosure to auditor**

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

**Auditor**

On 25 July 2014, KPMG LLP were appointed as auditor

The auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office

**Preparation of accounts on Going Concern basis**

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

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

By order of the board

**David Manson**
*Director*

Frances House
Sir William Place
St Peter Port
Guernsey
GY1 4HQ

18 December 2014

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

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

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

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

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

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

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESQUIRE REALTY (B) LIMITED

We have audited the financial statements of Esquire Realty (B) Limited for the year ended 30 June 2014 set out on pages 6 to 12 The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Framework for Smaller Entities (effective April 2008) (UK Accounting Standards UK Generally Accepted Accounting Practice)

This report is made solely to the Company's members, as a body, in accordance with section 262 of the Companies (Guernsey) Law, 2008 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed

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

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

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

In addition we read all the financial and non-financial information in the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

**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 2014 and of its profit for the year then ended,
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice, and
- comply with the Companies (Guernsey) Law, 2008

## Independent auditor's report to the members of Esquire Realty (B) Limited
*(continued)*

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

In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements

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

We have nothing to report in respect of the following matters where the Companies (Guernsey) Law 2008 requires us to report to you if, in our opinion

- the Company has not kept proper accounting records, or
- the financial statements are not in agreement with the accounting records, or
- we have not received all the information and explanations, which to the best of our knowledge and belief are necessary for the purpose of our audit
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime and take advantage of the small companies exemption from the requirement to prepare a Strategic Report

S. Smith

**Stuart Smith (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
*Chartered Accountants*
*One Snowhill*
*Snow Hill Queensway*
*Birmingham*
*B4 6GH*
*United Kingdom*

18 December 2014

# Profit and loss account
*for the year ended 30 June 2014*

| | *Note* | **Year ended 30 June 2014 £'000** | 18 month penod ended 30 June 2013 £'000 |
|---|---|---|---|
| **Turnover** | *2* | **202** | 304 |
| Admınıstratıve ıncome/(expenses) (ıncludes exceptıonal ıncome of £6,323,000 (2013 £Nıl)) | *3* | **6,324** | (2) |
| **Operatıng profit** | | **6,526** | 302 |
| Interest payable and sımılar charges (ıncludes exceptıonal costs of £Nıl (2013 £81,000)) | *4* | **(197)** | (291) |
| Reversal of prevıous ımpaırments | *5* | **-** | 420 |
| **Profit on ordınary actıvitıes before taxation** | *3* | **6,329** | 431 |
| Taxatıon on profit on ordınary actıvıtıes | *6* | **(1)** | - |
| **Profit for the financial penod** | *12* | **6,328** | 431 |

The profit and loss account has been prepared on the basıs that all operatıons are contınuıng operatıons

There are no recognısed gaıns or losses durıng the current year or precedıng penod apart from the profit for the financıal penods shown above

# Balance Sheet
*at 30 June 2014*

| | Note | 30 June 2014 | | 30 June 2013 | |
|---|---|---|---|---|---|
| | | **£'000** | **£'000** | £'000 | £'000 |
| **Fixed assets** | | | | | |
| Tangible assets | 7 | | **3,100** | | 3,100 |
| **Current assets** | | | | | |
| Debtors | 8 | **700** | | 1,239 | |
| **Creditors** amounts falling due within one year | 9 | **(1,328)** | | (8,196) | |
| **Net current (liabilities)/assets** | | | **(628)** | | (6,957) |
| **Total assets less current liabilities** | | | **2,472** | | (3,857) |
| **Provisions** | 10 | | **(1)** | | - |
| **Net assets/(deficit)** | | | **2,471** | | (3,857) |
| **Capital and reserves** | | | | | |
| Called up share capital | 11 | | - | | - |
| Profit and loss account | 12 | | **2,471** | | (3,857) |
| **Shareholders' funds/(deficit)** | 13 | | **2,471** | | (3,857) |

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

These financial statements were approved by the board of directors on 18 December 2014 and were signed on its behalf by

**David Manson**
*Director*

Company registered number 48690

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

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

***Basis of accounting***

The financial statements are prepared under the historical cost convention, with the exception of freehold land and buildings, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008)

***Tangible fixed assets and depreciation***

***Valuation***

Trading properties are re-valued professionally by independent valuers on a five year rolling basis

Surpluses arising from the professional valuation are taken directly to the revaluation reserve Valuation surpluses realised on sale are transferred from the revaluation reserve to the profit and loss account reserve

Any deficit arising from the professional valuation of properties is taken directly to the revaluation reserve until the carrying amount reaches historical cost and thereafter, to the extent that the value in use can be demonstrated to be higher than valuation Any other deficit arising is charged to the profit and loss account

***Depreciation***

Depreciation is charged on a straight line basis on freehold and long leasehold buildings over the estimated useful life of the asset It is the company's policy to maintain the properties comprising the estate in such a condition that the residual values of the properties, based on prices prevailing at the time of acquisition or subsequent revaluation, are at least equal to their book values As a result, the depreciation charged on freehold and long leasehold buildings is nil

It is the opinion of the directors that it is not practical or appropriate to separate from the value of the buildings the value of long life fixtures and fittings, which are an integral part of the buildings

An annual impairment review is carried out on such properties in accordance with FRS 11 and FRS 15

***Cash flow statement***

Under FRS 1 the Company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the Company in its own published consolidated Financial Statements

***Going concern***

The Directors have conducted an assessment of the Company's going concern status based on its current position and forecast results They have concluded that the Company has adequate resources to operate for the foreseeable future In making this assessment the Directors have considered forecasts which take into account reasonably possible changes in trading performance

Details of the Group's business activities, together with the factors likely to affect its future trading performance and financial position are set out in the Strategic Report of Embrace Group Limited In addition to the funding already drawn, as at 30 June 2014, the Group had a further £10 million facility available to be drawn if required

***Provisions***

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

***Deferred taxation***

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

# Notes *(continued)*

## 2 Turnover

Revenue comprises the fair value of rental income receivable for the year in respect of properties occupied by tenants and is recognised in respect of the days that properties have been occupied in the relevant period

## 3 Profit on ordinary activities before taxation

| | Year ended 30 June 2014 £'000 | 18 month period ended 30 June 2013 £'000 |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated after charging.*** | | |
| *Fees payable to the company's auditor* | | |
| Audit of these financial statements | **2** | 2 |

Audit fees for the year ended 30 June 2014 have been paid by a fellow subsidiary undertaking, Embrace All Limited Fees paid to KPMG LLP and its associates for non-audit services to the company itself are not disclosed because Embrace Group Limited is required to disclose such fees on a consolidated basis

| | | |
|---|---|---|
| ***Exceptional items (credited)/charged to the profit and loss account is comprised of.*** | | |
| ***Administrative:*** | | |
| Release of intercompany balances[1] | **(6,322)** | - |
| Release of balances due to former group companies | **(1)** | - |
| ***Interest.*** | | |
| Professional fees relating to refinancing (note 4) | - | 81 |

[1] The credit has arisen from the formal releases of inter-company balances as part of an ongoing group restructuring and simplification process

## 4 Interest payable and similar charges

| | Year ended 30 June 2014 £'000 | 18 month period ended 30 June 2013 £'000 |
|---|---|---|
| On bank loans and overdrafts | **91** | 146 |
| Other interest | **85** | 64 |
| Professional fees in relation to refinancing (note 3) | - | 81 |
| Intercompany interest | **21** | - |
| | **197** | 291 |

## 5 Impairment of fixed assets

| | Year ended 30 June 2014 £'000 | 18 month period ended 30 June 2013 £'000 |
|---|---|---|
| Diminution in value | - | 130 |
| Reversal of previous fixed asset impairments | - | (550) |
| | - | (420) |

The diminution is in relation to the revaluation of land and buildings detailed in note 7

## Notes *(continued)*

### 6 Taxation

| | Year ended 30 June 2014 £'000 | 18 month period ended 30 June 2013 £'000 |
|---|---|---|
| Deferred tax | | |
| Prior year | 1 | - |

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

### 7 Tangible fixed assets

| | Land and buildings £'000 |
|---|---|
| *Cost* | |
| At beginning and end of year | 3,100 |
| *Depreciation* | |
| At beginning and end of year | - |
| *Net book value* | |
| **At 30 June 2014** | **3,100** |
| At 30 June 2013 | 3,100 |

The group's freehold units are re-valued professionally by independent valuers on a five year rolling basis A full property portfolio revaluation was completed as at 30 August 2013 for the valuations at 30 June 2013 by an external valuer, Knight Frank LLP, on the basis of existing use value with regards to future income

The valuations were in accordance with the requirements of the Royal Institute of Chartered Surveyors ("RICS") Valuation Standards, sixth edition and the International Valuation standards

On a historical cost basis these would have been included at an original cost of £6,769,072 *(2013 £6,769,072)*

### 8 Debtors

| | 30 June 2014 £'000 | 30 June 2013 £'000 |
|---|---|---|
| Amounts owed by parent and fellow subsidiary undertakings | 699 | 1,238 |
| Prepayments | - | 1 |
| Other debtors | 1 | - |
| | 700 | 1,239 |

## Notes *(continued)*

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

| | 30 June 2014 £'000 | 30 June 2013 £'000 |
|---|---|---|
| Trade creditors | - | 2 |
| Bank loans and overdrafts | - | 4,580 |
| Amounts owed to parent and fellow subsidiary undertakings | **1,327** | 3,461 |
| Other creditors | **1** | - |
| Accruals and deferred income | - | 153 |
| | **1,328** | 8,196 |

### 10 Provisions

| | Deferred tax £'000 |
|---|---|
| At beginning of year | - |
| Charge for the year | 1 |
| **At end of year** | **1** |

| | 30 June 2014 £'000 | 30 June 2013 £'000 |
|---|---|---|
| Accelerated capital allowances | **1** | - |

### 11 Called up share capital

| | 30 June 2014 £ | 30 June 2013 £ |
|---|---|---|
| ***Allotted, called up and fully paid*** | | |
| 2 ordinary shares of £1 each | **2** | 2 |

### 12 Reserves

| | Profit and loss account £'000 |
|---|---|
| At beginning of year | (3,857) |
| Profit for the financial year | 6,328 |
| **At end of year** | **2,471** |

## Notes *(contınued)*

### 13 Reconciliation of movements in shareholders' deficit

| | **Year ended 30 June 2014 £'000** | 18 month penod ended 30 June 2013 £'000 |
|---|---|---|
| Profit for the financıal year | **6,328** | 431 |
| Openıng shareholders' deficıt | **(3,857)** | (4,288) |
| Closıng shareholders' funds/(deficıt) | **2,471** | (3,857) |

### 14 Remuneration of directors

The dırectors of the company are paıd by Embrace All Lımıted Detaıls of theır remuneratıon are dısclosed ın that company's financıal statements

### 15 Related party disclosures

The company has taken advantage of the exemptıon ın Fınancıal Reportıng Standard Number 8 from the requırement to dısclose transactıons wıth group companıes on the grounds that consolıdated financıal statements are prepared by Embrace Group Lımıted

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

The Dırectors regard Embrace Realty Scotland Lımıted (formerly Esquıre Realty (Scotland) Lımıted), a company regıstered ın Scotland, as the ımmedıate parent company of Esquıre Realty (B) Lımıted, and as of 16 Apnl 2014, Embrace Group Lımıted, a company regıstered ın England and Wales, as the ultımate parent company ın the Unıted Kıngdom Embrace Group Lımıted ıs beneficıally owned by funds managed by Varde Partners and D E Shaw & Co and therefore the dırectors consıder there to be no ultımate controllıng party of the group

### 17 Post balance sheet events

There are no post balance sheet events requırıng dısclosure under FRS 21