

Orchard Care Homes.com Limited

**Directors' report and financial
statements**

Registered number 5245993

Year ended 31st March 2016



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Officers and professional advisers

Directors	PC Mancey P Tomlinson D Johnson
Registered office	The Hamlet Hornbeam Park Harrogate HG2 8RE
Auditor	KPMG LLP 1 Sovereign Square Sovereign Street Leeds LS1 4DA
Bankers	National Westminster Bank plc 8 Market Place Huddersfield HD1 2AL
Solicitors	Pinsent Masons LLP 1 Park Row Leeds LS1 5AB

Strategic report

Principal activity

The company's principal activity during the year continued to be the provision of residential and dementia care for the elderly.

The company operates the care homes as a tenant under leases with landlords external to the Cortina Race LLP group (the "Group").

The company also provides services to operate care homes under management agreements.

Review of the business

The company operates fourteen leasehold care homes across eight sites with average occupancy in the year of 89%.

Fee pressure exerted by local authorities continues to have a downward impact on margins. The average local authority increase in fees in their 2015-16 settlements was less than 2% at a time when cost inflation is increasing by up to 5%. To mitigate the impact of low local authority fees, the company continues to focus on improving the percentage of residents who pay privately for their care. This percentage increased from an average of 32% in 2015 to 33% in 2016 and ended the year in March 2016 at 34%.

Market conditions continue to be challenging with wage inflation increasing ahead of fee inflation to attract and retain good quality staff.

At the end of 2015 the Company introduced e-learning software, Orchard World of Learning ("OWL"). OWL has provided real time access to learning through a tailored learning management system. Significant improvements in compliance with mandatory training have been experienced. Better trained staff results in higher quality care. The move away from reliance on trainer led face to face learning has enabled the training team to focus on other value add learning initiatives, such as auditing compliance with the new Care Certificate and reviewing staff inductions.

Following the year end (May 2016) the Management Development Programme has been launched. This programme has been developed to ensure new home managers are trained in the values and competence required to manage a successful home.

The company was also party to a management services agreement to provide field and back office support to c. 70 homes operated under the Larchwood brand. The company received a management fee for these services. This contract ended in January 2016.

During the year the company also entered into a further two management services agreements for c. 50 care homes. The company received a management fee for these services. One of these contracts has terminated post year end (June 2016).

Key performance indicators

The key drivers of the business are:

	2016	2015	Comments
Available beds	606	606	
Occupancy (%)	89%	95%	Mainly driven by a 90 bed home being impacted by a competitor opening nearby
Private occupancy (%)	33%	32%	Continued focus on private occupancy
Revenue	19,565,386	18,546,722	
Average weekly fee	£534	£524	Increase due to improvement in private occupancy
Rent cover	1.22	1.60	

Strategic report (continued)

Key performance indicators (continued)

Definitions and method of calculation

Occupancy percentage is defined as the average occupied beds divided by the average available beds for the year.

Available beds are the average number of beds available for occupation during the year. Where a bedroom is registered as a double room with the Care Quality Commission ("CQC"), this is counted as one room in the available beds calculation since typically double rooms are only used as single occupancy.

Rent cover is earnings before interest, tax, depreciation, rent, management fee income and central costs (i.e. profits generated by the care homes) divided by rent.

Matters of strategic importance

The compliance risk is primarily the non-compliance with regulatory standards as set out by the industry regulator, CQC. The company is committed to maintaining an open dialogue with CQC and has dedicated operational resources at Group level which have the responsibility for developing policy and implementing best practice consistently across the Group to ensure policy compliance. A compliance team, who are independent to the operational team, perform regular audits of the homes in conjunction with CQC regulations and local authority framework standards. This team has been strengthened through the appointment of a Director of Quality and Clinical Governance during the year. Additionally, the company continues to forge strong links with local authorities to keep up to date with current issues and promote our services as a first class provider of residential and dementia care for the elderly.

The company has experienced a heightened regulatory environment and awareness following the increasing public and media scrutiny in relation to care homes.

The implementation of National Living Wage ("NLW") will have a significant impact on margins since local authorities already fail to pay an appropriate fee for care and the April 2016 NLW increase is forecast to be 7.5%.

Business review and results

The loss for the year after taxation amounted to £4,576,488 (2015: profit of £1,386,884). The company had net assets at the year end of £2,898,236 (2015: £7,474,724).

Admin expenses includes £3,868,465 provision against intercompany debtor. The provision against intercompany debtor relates to financial support of loss making homes where recovery of the amounts owing is uncertain.

Future outlook

The company will face pressure on margins following the increase in NLW of 7.5% in April 2016 and 5.5% per annum thereafter. The company's rental uplifts have a collar of 2.5% so with a largely fixed and rising cost base, the long term future of the company is dependent on local authority fee increases to mitigate the impact of National Living Wage and/or a reduction in rent levels.

By order of the board



D Johnson
Director

The Hamlet
Hornbeam Park
Harrogate
HG2 8RE

5th December 2016

Directors' report

The directors submit their report and the financial statements of Orchard Care Homes.com Limited for the year ended 31 March 2016.

Financial risk management

The Company's principal financial instruments comprise sterling cash and bank deposits together with trade debtors and trade creditors arising directly from operations.

The credit risk attributable to trade debtors is minimal as a large proportion of fees are paid by local authorities and the incidence of bad debt on private fee payers has been minimal. The Company has a robust process of debt collection to pursue any accounts where debts fall overdue.

Employee involvement

The Company encourages the involvement of its employees in its management through weekly cascades, regular team talk newsletters and periodic employee surveys which have the responsibility for the dissemination of information of particular concern to employees and for receiving their views.

Disabled persons

The Company will employ disabled persons when they appear to be suitable for a particular vacancy and every effort is made to ensure that they are given full and fair consideration when such vacancies arise. During employment the Company seeks to work with employees, taking into account their personal circumstances, to ensure appropriate training, development and advancement opportunities are available to enable them to reach their full potential.

Results and dividends

The loss for the year, after taxation, amounted to £4,576,488 (2015: profit of £1,386,884). The directors do not recommend payment of a dividend.

Directors

The following directors have held office during the year:

P C Mancey
P Tomlinson
D Johnson

Disclosure of information 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.

Directors' report *(continued)*

Auditor

In accordance with Section 487 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



D Johnson
Director

The Hamlet
Hornbeam Park
Harrogate
HG2 8RE

5th December 2016

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

The directors are responsible for preparing the Strategic Report and 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), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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 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.



KPMG LLP

1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA
United Kingdom

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARD CARE HOMES.COM LIMITED

We have audited the financial statements of Orchard Care Homes.com Limited for the year ended 31 March 2016 set out on pages 9 to 21. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, 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 31 March 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with UK 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 Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditors' report to the members of Orchard Care Homes.com 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



Chris Butt (Senior Statutory Auditor)

For and on behalf of
KPMG LLP
Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

12 December 2016

Profit and loss account
for the year ended 31 March 2016

	<i>Note</i>	2016 £	2015 £
Turnover	2	19,565,386	18,546,722
Cost of sales		(9,605,731)	(10,432,370)
Gross profit		9,959,655	8,114,352
Administrative expenses		(14,500,521)	(7,080,140)
Operating (loss)/profit		(4,540,866)	1,034,212
Interest payable	4	(35,622)	(106,700)
Interest receivable	4	-	459,372
(Loss)/profit on ordinary activities before taxation	3	(4,576,488)	1,386,884
Taxation	7	-	-
(Loss)/profit for the financial year		(4,576,488)	1,386,884

The notes on pages 13 to 21 form an integral part of these Financial Statements

Statement of other comprehensive income
for the year ended 31 March 2016

	2016 £	2015 £
(Loss)/profit for the financial year	(4,576,488)	1,386,884
Total recognised gains and losses relating to the year	<u>(4,576,488)</u>	<u>1,386,884</u>
Prior period adjustments	<u>-</u>	<u>-</u>
Total gains and losses recognised since last report	<u><u>(4,576,488)</u></u>	<u><u>1,386,884</u></u>

The notes on pages 13 to 21 form an integral part of these Financial Statements

Balance sheet
at 31 March 2016

	<i>Note</i>	2016 £	2015 £
Fixed assets			
Tangible fixed assets	8	812,410	686,911
Investments	9	2,879,703	2,879,702
		<u>3,692,113</u>	<u>3,566,613</u>
Current assets			
Debtors (including more than 1 year £732,820 2015: £1,752,751)	10	6,589,647	8,798,463
Cash at bank and in hand		151,586	-
		<u>6,741,233</u>	<u>8,798,463</u>
Creditors: amounts falling due within one year	11	<u>(7,535,110)</u>	<u>(4,890,352)</u>
Net current (liabilities)/assets		<u>(793,877)</u>	<u>3,908,111</u>
Total assets less current liabilities		<u>2,898,236</u>	<u>7,474,724</u>
Net assets		<u>2,898,236</u>	<u>7,474,724</u>
Capital and reserves			
Called up share capital	12	2,312	2,312
Profit and loss account		2,895,924	7,472,412
		<u>2,898,236</u>	<u>7,474,724</u>
Shareholder's funds		<u>2,898,236</u>	<u>7,474,724</u>

The notes on pages 13 to 21 form an integral part of these Financial Statements

The financial statements were approved by the Board of Directors on 5th December 2016 and were signed on its behalf by:



D Johnson
Director

Company registration no: 05245993

Statement of changes in equity
at 31 March 2016

	Share capital £	Profit and loss account £	Total Equity £
Balance at 1st April 2014	2,312	6,085,528	6,087,840
Total comprehensive income for the period			
Profit for the year	-	1,386,884	1,386,884
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	1,386,884	1,386,884
Balance at 31st March 2015	2,312	7,472,412	7,474,724
Total comprehensive income for the period			
Loss for the year	-	(4,576,488)	(4,576,488)
Other comprehensive income	-	-	-
Total comprehensive income for the period	-	(4,576,488)	(4,576,488)
Balance at 31st March 2016	2,312	2,895,924	2,898,236

Notes

(forming part of the financial statements)

1 Accounting policies

Basis of accounting

Orchard Care Homes.com Limited (the "Company") is a company limited by shares and incorporated and domiciled in the UK.

These financial statements were prepared in accordance with Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014. The amendments to FRS 102 issued in July 2015 and effective immediately have been applied. The presentation currency of these financial statements is sterling.

In the transition to FRS 102 from old UK GAAP, the Company has made no measurement and recognition adjustments. An explanation of the transition to FRS 102 is provided in note 18.

FRS 102 grants certain first-time adoption exemptions from the full requirements of FRS 102. The following exemptions have been taken in these financial statements:

- Lease arrangements – in order to determine whether an arrangement contains a lease, the Company has analysed facts and circumstances existing at 1st April 2014 (transition date) rather than commencement date of the arrangement.
- Lease incentives – for leases commenced before 1st April 2014 the Company continued to account for lease incentives under previous UK GAAP.

The Company's ultimate parent undertaking, Cortina Race LLP includes the Company in its consolidated financial statements. The consolidated financial statements of Cortina Race LLP are prepared in accordance with Financial Reporting Standard 102 applicable in the UK and Republic of Ireland and are available to the public and may be obtained from 21 Palmer Street, London, SW1H 0AD. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Reconciliation of the number of shares outstanding from the beginning to end of the period;
- Cash Flow Statement and related notes; and
- Key Management Personnel compensation.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Going concern

The company's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report on page 2. The directors have prepared cash flow forecasts which show the company having adequate resources to continue in operational existence for the foreseeable future. The directors have therefore continued to adopt the going concern basis of accounting in preparing the financial statements.

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged to the profit and loss accounts on a straight-line basis over the estimated useful lives of each asset. The depreciation rates are as follows:

Fixtures, fittings & equipment	20%-33% straight line
Motor vehicles	25% straight line

The company assesses at each reporting date whether tangible fixed assets are impaired. Depreciation methods, useful lives and residual values are reviewed if there is an indication of a significant change since last annual reporting date in the pattern by which the company expects to consume an asset's future economic benefits.

Notes (continued)

1 Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Leased assets and obligations

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account as incurred. The lease payments are structured to increase in-line with rates of inflation.

Operating leases

Rentals applicable to operating leases, where substantially all the benefits and risks of ownership remain with the lessor, are charged to the profit and loss account on a straight line basis over the term of the lease.

Held within other debtors are amounts relating to rent deposits and retentions in respect of operating leases. These are recoverable at the earlier of the end of the lease term or on the meeting of certain performance criteria.

Revenue recognition

Revenue is recognised at the point at which services are supplied to residents. Where services are performed gradually over time, revenue is recognised as the activity progresses by reference to the value of the services provided.

Pensions

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs is the contributions payable in the period. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Investment in subsidiaries

Investment in subsidiaries are stated in the company balance sheet at the consideration paid to acquire the investment, less any provision considered necessary by the directors for diminution in value.

2 Turnover

Turnover is attributable to one activity and relates to continuing activities. Turnover originates entirely from the United Kingdom.

Notes (continued)

3 (Loss)/profit on ordinary activities before taxation

This is stated after charging/(crediting):

	2016 £	2015 £
Provision against amounts owing from subsidiary	3,868,465	1,177,325
Reinstatement of Rent Deposit	-	(735,288)
Depreciation of owned fixed assets	344,922	282,395
Operating lease rentals – land and buildings	4,230,244	4,196,050
Operating lease rentals – other	58,777	73,171
Auditor's remuneration		
- audit	20,000	20,000
- taxation compliance	10,000	10,000
- advisory	-	10,500
	<u> </u>	<u> </u>

4 Interest receivable and interest payable

	2016 £	2015 £
Bank interest receivable	-	459,372
	<u> </u>	<u> </u>
Other interest payable	(35,622)	(106,700)
	<u> </u>	<u> </u>

The £459,372 interest receivable in 2015 is in relation to an interest rate hedge product which was cancelled in 2009. The early cancellation resulted in payment to the bank of c. £0.9m. Under the standards agreed with the Financial Conduct Authority, the bank reviewed the complexity of the hedging product in place and refunded £459,372 to the company being the difference between a vanilla hedge and the hedging product in place.

5 Staff costs

	2016 £	2015 £
Wages and salaries	11,618,577	10,658,158
Social security costs	812,260	750,742
Pension cost	75,284	62,894
	<u> </u>	<u> </u>
	12,506,121	11,471,794
	<u> </u>	<u> </u>

Notes (continued)

5 Staff costs (Continued)

Monthly average number of full time equivalent employees during the year:

	2016 No.	2015 No.
Administration	144	116
Care staff	426	418
Maintenance	8	8
	<u>578</u>	<u>542</u>

6 Directors' remuneration

	2016 £	2015 £
Aggregate emoluments	<u>507,769</u>	<u>444,302</u>

The emoluments of the highest paid director were £283,900 (2015: £257,796). No director has any accrued benefits under pension schemes.

7 Taxation

Total tax expense recognised in the profit and loss account

	2016 £	2015 £
<i>Current Tax</i>		
Current tax on income for the period	-	-
Adjustments in respect of prior periods	-	-
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>
<i>Deferred tax</i>		
Origination and reversal of timing differences	-	-
	<u>-</u>	<u>-</u>
Total deferred tax	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Total income tax expense	<u>-</u>	<u>-</u>

Notes (continued)

7 Taxation (continued)

Factors affecting tax charge for the year

The tax charge assessed for the period is higher (2015: lower) than the applicable rate of corporation tax in the UK of 20% (2015: 21%). The differences are explained below:

	2016 £	2015 £
(Loss)/profit on ordinary activities before tax	(4,576,488)	1,386,884
Tax on (loss)/profit on ordinary activities at standard CT rate of 20% (2015: 21%)	(915,298)	291,246
<i>Effects of:</i>		
Fixed asset differences	-	1,219
Expenses not deductible for tax	16,380	391
Group relief claimed	-	(96,468)
Inter-group provision/(release) not taxable	773,682	247,219
Capital allowances in excess of depreciation	-	(18,297)
Other short-term timing differences	-	5,922
Losses utilised	-	(431,232)
Losses not utilised	125,236	-
Total tax charge for the year	-	-

Reductions in the corporation tax rate to 19% from 1st April 2017 and 18% from 1st April 2020 were substantively enacted on 26th October 2015. Unrecognised deferred tax assets in respect of losses amount to £395,189 (2015:£366,395) has not been recognised in the financial statements as there is uncertainty over the availability or timing of future tax profits to utilise the losses.

Notes (continued)

8 Tangible fixed assets

	Fixtures, fittings & equipment £	Motor vehicles £	Total £
Cost			
At 31 st March 2015	1,425,734	99,767	1,525,501
Additions	477,006	-	477,006
Disposals	-	(21,320)	(21,320)
	<hr/>	<hr/>	<hr/>
At 31 st March 2016	1,902,740	78,447	1,981,187
	<hr/>	<hr/>	<hr/>
Depreciation			
At 31 st March 2015	781,331	57,259	838,590
Charged in the year	331,600	13,322	344,922
Eliminated on disposal	-	(14,735)	(14,735)
	<hr/>	<hr/>	<hr/>
At 31 st March 2016	1,112,931	55,846	1,168,777
	<hr/>	<hr/>	<hr/>
Net book value			
At 31 st March 2016	789,809	22,601	812,410
	<hr/>	<hr/>	<hr/>
At 31 st March 2015	644,403	42,508	686,911
	<hr/>	<hr/>	<hr/>

9 Investments

	Shares in group undertakings £
At 31 st March 2015	2,879,702
Additions	2
Disposals	(1)
	<hr/>
At 31 st March 2016	2,879,703
	<hr/>

Notes (continued)

9 Investments (continued)

The Company has the following investments in subsidiaries:

	Aggregate of capital and reserves £000	Profit or loss for the year £000	County of incorporation	Class of shares held	Ownership 2016 %	Ownership 2015 %
Orchard Care Homes.com (2) Limited	877	(23)	UK	Ordinary	100%	100%
Orchard Care Homes.com (4) Limited	405	234	UK	Ordinary	100%	100%
Orchard Care Homes.com (5) Limited	896	47	UK	Ordinary	100%	100%
Orchard Care Homes.com (6) Limited	1,099	268	UK	Ordinary	100%	100%
Orchard Care Homes.com (7) Limited	(3,456)	(1,515)	UK	Ordinary	100%	100%
Orchard Care Homes.com (8) Limited	9	9	UK	Ordinary	100%	0%
Lifestyle Management Limited	-	-	UK	Ordinary	100%	0%

10 Debtors

	2016 £	2015 £
Trade debtors	1,113,343	380,797
Amounts owed by group undertakings	3,407,107	4,356,262
Other debtors	749,820	1,769,753
Prepayments and accrued income	1,319,377	2,291,651
	<hr/>	<hr/>
	6,589,647	8,798,463
	<hr/>	<hr/>
Due within one year	5,856,827	7,045,712
Due after one year	732,820	1,752,751
	<hr/>	<hr/>

Notes (continued)

11 Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	1,474,788	843,622
Amounts owed to group undertakings	5,271,505	2,985,755
Other taxation and social security	160,225	250,159
Other creditors	217,357	254,319
Accruals and deferred income	411,235	284,497
Bank Overdraft	-	272,000
	<u>7,535,110</u>	<u>4,890,352</u>

Other creditors includes a loan repayable within one year of £0 (2015: £225,000) with interest payable at 12% per annum and £200,000 for an on-going legal claim which is expected to be settled within 12 months. The amount is based on directors best estimates.

12 Equity share capital

Allotted, issued and fully paid:

	2016 £	2015 £
760 Ordinary A shares of £1 each	760	760
240 Ordinary B shares of £1 each	240	240
1,312 Ordinary C shares of £1 each	1,312	1,312
	<u>2,312</u>	<u>2,312</u>

All shares hold equal voting rights and equal rights in respect of capital and income.

13 Commitments under operating leases

	2016 £	2015 £
Operating leases which expire:		
Within one year	4,299,721	4,198,009
In the second to fifth years	17,954,813	17,654,415
In over five years	140,782,082	145,385,171
	<u>163,036,616</u>	<u>167,235,595</u>

During the year £4,289,021 was recognised as an expense in the profit and loss account in respect of operating leases (2015: £4,269,221).

Notes (continued)

14 Guarantees

The company has guaranteed any sums due to The Royal Bank of Scotland plc by Orchard Care Homes.com Holdings Limited. At the year end Orchard Care Homes.com Holdings Ltd did not have any facilities with The Royal Bank of Scotland plc. The company has also given a debenture over its assets in respect of a £100,000 card facility with The Royal Bank of Scotland plc.

15 Pensions

The company operates a defined contribution scheme whose assets are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company and amounted to £75,284 (2015: £62,894). Contributions totalling £42,900 (2015: £56,400) were payable to the fund at the year end.

16 Parent company

The Company is a subsidiary undertaking of Cortina Race LLP. The ultimate controlling party is Alchemy Special Opportunities Fund III LP.

The largest group in which the results of the Company are consolidated is that headed by Cortina Race LLP, incorporated in the United Kingdom. The consolidated financial statements of these groups are available to the public and may be obtained from 21 Palmer Street, London, SW1H 0AD.

17 Related party transactions

As permitted by the exemption allowed under FRS 102 Section 33, transactions with wholly owned group member companies are not disclosed. There were no transactions with directors in the current or previous period.

	Receivables outstanding		Creditors outstanding	
	2016	2015	2016	2015
	£	£	£	£
Entities with control, joint control or significant influence	-	-	-	-
Key management personnel of the company	-	-	-	225,000
Other related parties	30,000	-	-	-
	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>225,000</u>

Bad debt expense recognised during the year in relation to related party balances was £3,868,465 (2015: £1,177,325).

18 Explanation of transition to FRS 102 from UK GAAP

As stated in note 1, these are the Company's first financial statements prepared in accordance with FRS 102.

The accounting policies set out in note 1 have been applied in preparing the financial statements for the year ended 31st March 2016 and the comparative information presented in these financial statements for the year ended 31st March 2015.

The previous financial statements were prepared under UK GAAP for the year ended 31 March 2015 and as such the date of transition was 1 April 2014.

In the transition to FRS 102 from UK GAAP, no measurement and recognition adjustments have been made.