

COMPANY REGISTRATION NUMBER: 10907041

**Orchard Residential Care Limited**  
**Directors' Report and Financial Statements**  
**30 March 2020**

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COMPANIES HOUSE

# **Orchard Residential Care Limited**

## **Financial Statements**

**Year ended 30 March 2020**

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# Orchard Residential Care Limited

## Officers and Professional Advisers

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<b>The board of directors</b>	D Johnson HW Knight
<b>Registered office</b>	The Hamlet Hornbeam Park Harrogate North Yorkshire HG2 8RE
<b>Auditor</b>	RSM UK Audit LLP 7th Floor City Gate East Tollhouse Hill Nottingham NG1 5FS
<b>Bankers</b>	National Westminster Bank plc 8 Market Place Huddersfield HD1 2AL
<b>Solicitors</b>	Pinsent Masons LLP 1 Park Row Leeds LS1 5AB

# **Orchard Residential Care Limited**

## **Directors' Report**

### **Year ended 30 March 2020**

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The directors present their report and the financial statements of the company for the year ended 30 March 2020.

#### **Principal activities**

The principal activity of the company during the year was that of a holding company.

#### **Directors**

The directors who served the company during the year were as follows:

D Johnson	
HW Knight	(appointed 1 May 2020)
TA Brookes	(resigned 5 February 2020)
J Rodgers	(resigned 31 March 2019)
D J Ryan	(resigned 31 March 2019)
L Lee	(resigned 1 May 2020)

#### **Going concern and subsequent events**

The company's ability to continue as a going concern is dependent on the going concern status of the Cortina Race group of which it forms a part.

The group's latest cash flow forecasts, taking account of the inherent risks and uncertainties of the trading environment, indicate that along with continuing shareholder/member support, the group has sufficient liquidity to continue trading as a going concern.

A strategic review of the group was concluded in Summer 2019, resulting in an operational plan to move the group to profitability and assure the sustainability of each care home retained within the group. The plan included the decision to sell nine loss-making freehold homes, secure an exit from seven cash-absorbing leasehold homes and restructure the group's central resource. The performance of the retained 24 care homes (23 freehold and 1 leasehold) was improving as planned and in February 2020 the core group of homes was cash break even.

The trade of the seven leasehold homes was sold to third parties in January and February 2020 for consideration of £nil. The subsidiary companies that were the lessees of these homes have been released from any future obligations under the leases.

All of the disposals have been sold by November 2020.

COVID-19 has had an impact on the performance of the homes with an increase in temporary agency costs in March 2020 to cover self-isolation of permanent staff. The group has a robust operational and clinical plan to respond to the risks of COVID-19 and minimise any potential increase in costs and/or loss in income. The group's management team is pro-actively engaging with local authority and NHS commissioning teams to provide assistance to relieve pressure on hospitals during the pandemic.

Whilst there has been a significant impact due to the decline in occupancy, through good cost control and local authority funding, the group has significant cash reserves in November 2020. Cash flow forecasts including the impact of the second COVID-19 wave in Autumn 2020 have been prepared. These forecasts include a base case and a downside scenario for a high number of outbreaks. Under both scenarios the group has sufficient cash to trade as a going concern without the requirement for funding from the members of Cortina Race LLP.

# **Orchard Residential Care Limited**

## **Directors' Report (continued)**

**Year ended 30 March 2020**

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### **Going concern and subsequent events (continued)**

A third scenario has been forecast which includes a third COVID-19 wave in spring 2021. Under this scenario the group would require new equity funding of up to £2m from January 2022, before returning to a breakeven position from July 2022.

Cortina Race LLP members approved additional equity funding of £4m in November 2019, of which £1m was drawdown in December 2019. The members have confirmed support should there be a third wave. The accounts have therefore been prepared on a going concern basis.

### **Auditor**

RSM UK Audit LLP have indicated their willingness to continue in office. They will therefore be deemed reappointed as auditors in the absence of a general meeting.

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as they are aware, there is no relevant audit information of which the company's auditor is unaware; and
- they have taken all steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

### **Small company provisions**

This report has been prepared in accordance with the provisions applicable to companies entitled to the small companies exemption.

This report was approved by the board of directors on 5th February 2021 and signed on its behalf by:



D Johnson  
Director

Registered office:  
The Hamlet  
Hornbeam Park  
Harrogate  
North Yorkshire  
HG2 8RE

## **Orchard Residential Care Limited**

### **Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements**

**Year ended 30 March 2020**

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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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 year.

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;
- assess the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent Auditor's Report to the Members of Orchard Residential Care Limited**

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### **Opinion**

We have audited the financial statements of Orchard Residential Care Limited (the 'company') for the year ended 30 March 2020 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 March 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

## **Independent Auditor's Report to the Members of Orchard Residential Care Limited** *(continued)*

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

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which 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

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities> This description forms part of our auditor's report.

### **Use of our report**

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.

*RSM UK Audit LLP*

Richard King FCA (Senior Statutory Auditor)  
For and on behalf of RSM UK Audit LLP, Statutory Auditor  
7th Floor  
~~City Gate East~~  
Tollhouse Hill  
Nottingham  
NG1 5FS

8 February 2021



# Orchard Residential Care Limited

## Statement of Comprehensive Income

Year ended 30 March 2020

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	Note	2020 £	2019 £
Administrative Expenses		(529,040)	(1,238,110)
Amounts written off investments		–	(1,856,900)
<b>Operating loss</b>	<b>4</b>	<b>(529,040)</b>	<b>(3,095,010)</b>
Interest payable and similar expenses		–	–
<b>Loss before taxation</b>		<b>(529,040)</b>	<b>(3,095,010)</b>
Tax on loss on ordinary activities	<b>6</b>	–	–
<b>Loss for the financial year and total comprehensive income</b>		<b>(529,040)</b>	<b>(3,095,010)</b>

All the activities of the company are from continuing operations.

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The notes on pages 10 to 15 form part of these financial statements.

# Orchard Residential Care Limited

## Balance Sheet

30 March 2020

	Note	2020 £	2019 £
<b>Fixed assets</b>			
Investments	7	–	–
<b>Current assets</b>			
Debtors	8	70,000	200,001
Cash at bank and in hand		11,832	10,000
		<u>81,832</u>	<u>210,001</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(1,160,881)</u>	<u>(760,010)</u>
<b>Net current liabilities</b>		<u>(1,079,049)</u>	<u>(550,009)</u>
<b>Net liabilities</b>		<u>(1,079,049)</u>	<u>(550,009)</u>
<b>Capital and reserves</b>			
Called up share capital	10	3,000,001	3,000,001
Profit and loss account	11	(4,079,050)	(3,550,010)
<b>Shareholders' funds</b>		<u>(1,079,049)</u>	<u>(550,009)</u>

The financial statements on pages 7 to 15 were approved by the board of directors and authorised for issue on 5th February 2021, and are signed on behalf of the board by:



D Johnson

Director

Company registration number: 10907041

The notes on pages 10 to 15 form part of these financial statements.

# Orchard Residential Care Limited

## Statement of Changes in Equity

Year ended 30 March 2020

	Called up share Capital £	Profit and loss account £	Total £
<b>At 31 March 2018</b>	3,000,001	(455,000)	2,545,001
Loss for the period	—	(3,095,010)	(3,095,010)
<b>Total comprehensive loss for the year</b>	—	(3,095,010)	(3,095,010)
<b>At 30 March 2019</b>	3,000,001	(3,550,010)	(550,009)
Loss for the year	—	(529,040)	(529,040)
<b>Total comprehensive loss for the year</b>	—	(529,040)	(529,040)
<b>At 30 March 2020</b>	3,000,001	(4,079,050)	(1,079,049)

The notes on pages 10 to 15 form part of these financial statements.

# Orchard Residential Care Limited

## Notes to the Financial Statements

Year ended 30 March 2020

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### 1. General information

The company is a private company limited by shares, registered in England and Wales. The address of the registered office is The Hamlet, Hornbeam Park, Harrogate, North Yorkshire, HG2 8RE.

### 2. Statement of compliance

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").

### 3. Accounting policies

#### Basis of preparation

The financial statements have been prepared on the historical cost basis. They are presented in pounds sterling, which is also the functional currency of the entity, and are rounded to the nearest whole pound.

#### Going concern

The company's ability to continue as a going concern is dependent on the going concern status of the Cortina Race group of which it forms a part. The company meets its day to day working capital requirements through existing cash reserves. Cortina Race LLP, the immediate parent, has confirmed it will provide financial support to the company for a period of not less than 12 months from the date of approval of these financial statements. The directors of the company are satisfied as to the ability of Cortina Race LLP to provide support, through utilising funds from throughout the group and based on the forecasted position of the group over this period.

The group's latest cash flow forecasts, taking account of the inherent risks and uncertainties of the trading environment, indicate that along with continuing shareholder/member support, the group has sufficient liquidity to continue trading as a going concern.

A strategic review of the group was concluded in Summer 2019, resulting in an operational plan to move the group to profitability and assure the sustainability of each care home retained within the group. The plan included the decision to sell nine loss-making freehold homes, secure an exit from seven cash-absorbing leasehold homes and restructure the group's central resource. The performance of the retained 24 care homes (23 freehold and 1 leasehold) was improving as planned and in February 2020 the core group of homes was cash break even.

The trade of the seven leasehold homes was sold to third parties in January and February 2020 for consideration of £nil. The subsidiary companies that were the lessees of these homes have been released from any future obligations under the leases.

All of the disposals have been sold by November 2020.

COVID-19 has had an impact on the performance of the homes with an increase in temporary agency costs in March 2020 to cover self-isolation of permanent staff. The group has a robust operational and clinical plan to respond to the risks of COVID-19 and minimise any potential increase in costs and/or loss in income. The group's management team is pro-actively engaging with local authority and NHS commissioning teams to provide assistance to relieve pressure on hospitals during the pandemic.

Whilst there has been a significant impact due to the decline in occupancy, through good cost control and local authority funding, the group has significant cash reserves in November 2020.

# Orchard Residential Care Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 March 2020

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### 3. Accounting policies *(continued)*

#### Going concern *(continued)*

Cash flow forecasts including the impact of the second COVID-19 wave in Autumn 2020 have been prepared. These forecasts include a base case and a downside scenario for a high number of outbreaks. Under both scenarios the group has sufficient cash to trade as a going concern without the requirement for funding from the members of Cortina Race LLP.

A third scenario has been forecast which includes a third COVID-19 wave in spring 2021. Under this scenario the group would require new equity funding of up to £2m from January 2022, before returning to a breakeven position from July 2022.

Cortina Race LLP members approved additional equity funding of £4m in November 2019, of which £1m was drawdown in December 2019. The members have confirmed support should there be a third wave. The accounts have therefore been prepared on a going concern basis.

#### Disclosure exemptions

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 the FRS) and has applied the exemptions available under FRS 102 in the respect of the following disclosures:

- Financial instruments 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.

#### Judgements and key sources of estimation uncertainty

Estimates and judgements are regularly evaluated and are based on experience and future expectations of current events. The key area of judgement relates to provision for irrecoverable amounts owing from group undertakings.

Impairment of intangible and tangible fixed assets is considered to be an area of judgement. The carrying value of intangible and tangible fixed assets at each balance sheet date is compared with an internal valuation of the homes based on future forecast cash flows and a provision for impairment is made if the carrying value is higher than the valuation.

#### Income tax

The taxation expense represents the aggregate amount of current and deferred tax recognised in the reporting period. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, respectively.

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Current tax is recognised on taxable profit for the current period. Current tax is measured at the amounts of tax expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of all timing differences at the reporting date. Unrelieved tax losses and other deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

# Orchard Residential Care Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 March 2020

### 3. Accounting policies *(continued)*

#### Income tax *(continued)*

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date that are expected to apply to the reversal of the timing difference.

#### Investments

Investments in subsidiaries are stated in the balance sheet at cost less accumulated impairment losses.

### 4. Operating loss

Operating loss is stated after charging:

	2020 £	2019 £
Provisions for irrecoverable amounts from fellow subsidiary undertakings	559,990	1,238,110

The auditors' remuneration for 2020 was borne by a fellow group undertaking with no recharge made. The total charge for the year is disclosed in the financial statements of the ultimate parent, Cortina Race LLP.

### 5. Directors' remuneration

Directors' remuneration is borne by OCH Management Services Limited, a fellow subsidiary undertaking, and no recharge or allocation is made in relation to services provided to the Company.

### 6. Tax on loss on ordinary activities

There was no charge to current or deferred taxation during the current year or prior period.

#### Factors affecting tax credit/charge for the year

The tax assessed on the loss on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 19%.

	2020 £	2019 £
Loss on ordinary activities before taxation	(529,040)	(3,095,010)
Loss on ordinary activities by rate of tax	(100,518)	(588,052)
Effect of expenses not deductible for tax purposes	100,781	352,811
Deferred tax not recognised	(263)	212,479
Tax rate differences	—	22,762
<b>Tax on loss</b>		

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date. Unrecognised deferred tax assets in respect of losses amounted to £Nil (2019: £270,829) and have not been recognised in the financial statements as there is uncertainty over the availability and timing of future tax profits.

# Orchard Residential Care Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 March 2020

### 7. Investments

	Investment in group undertakings £
<b>Cost</b>	
At 31 March 2019 and 30 March 2020	<u>1,856,900</u>
<b>Impairment</b>	
At 31 March 2019 and 30 March 2020	<u>1,856,900</u>
<b>Carrying amount</b>	
At 30 March 2020	<u>–</u>
At 30 March 2019	<u>–</u>

### 8. Debtors

	2020 £	2019 £
Amounts owed by group undertakings	<u>70,000</u>	<u>200,001</u>

The amounts owed from group undertakings are interest-free and repayable upon demand.

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

	2020 £	2019 £
Amounts owed to group undertakings	730,424	180,010
Other creditors	430,457	580,000
	<u>1,160,881</u>	<u>760,010</u>

Included in other creditors is £460,000 (2019: £580,000) in relation to a health and safety fine acquired with the purchase of shares of the subsidiary undertakings from a fellow subsidiary undertaking.

The amounts owed to group undertakings are interest-free and repayable upon demand.

# Orchard Residential Care Limited

## Notes to the Financial Statements *(continued)*

Year ended 30 March 2020

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### 10. Called up share capital

Issued, called up and fully paid

	2020		2019	
	No.	£	No.	£
Ordinary share of £1 each	<u>3,000,001</u>	<u>3,000,001</u>	<u>3,000,001</u>	<u>3,000,001</u>

### 11. Reserves

Profit and loss account - This reserve records retained earnings and accumulated losses.

### 12. Related party transactions

During the year the Company received net loans totalling £1,118,060 (2019: £319,990) from group undertakings, and at the year end the balance owing to group undertakings was £660,424 (2019: £19,990), after provisions of £1,798,100 (2019: £1,238,110) for non-collectability.

### 13. Controlling party

The company is a subsidiary undertaking of Cortina Race LLP. The ultimate controlling party is Alchemy Special Opportunities Fund III LP, Trafalgar Court, Les Banques, St Peter's Port, Guernsey, Channel Isles, GY1 3QL.

The largest group in which the results of the company are consolidated in that headed by Cortina Race LLP, incorporated in the United Kingdom. These consolidated financial statements are available to the public and may be obtained from Companies House.