

Orchard Residential Care Limited

Directors' Report and Financial Statements

30 March 2018

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Orchard Residential Care Limited

Financial Statements

Period ended 30 March 2018

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Orchard Residential Care Limited

Officers and Professional Advisers

The board of directors

T A Brookes
D Johnson
L Lee
J Rodgers
D J Ryan

Registered office

The Hamlet
Hornbeam Park
Harrogate
North Yorkshire
HG2 8RE

Auditor

KPMG LLP
Chartered Accountants & statutory auditor
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

Orchard Residential Care Limited

Directors' Report

Period ended 30 March 2018

The directors present their report and the financial statements of the company for the period ended 30 March 2018.

Principal activities

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

Orchard Residential Care Limited was incorporated on 9 August 2017.

Directors

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

T A Brookes	(appointed 9 August 2017)
D Johnson	(appointed 9 August 2017)
L Lee	(appointed 9 August 2017)
J Rodgers	(appointed 3 October 2018)
D J Ryan	(appointed 3 October 2018)

Going concern

In assessing the company's going concern status, the directors had regard to the working capital projections prepared for the Cortina Race LLP group, and to a written letter of support received from the group's principal shareholder, confirming the intention to provide financial support to the group for at least twelve months from the date of approval of the financial statements. In light of the risks of underperformance against projections, and of additional funding not being adequate for the group's requirements, the directors concluded that there remains a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern. Nevertheless, the directors have a reasonable expectation that the company has adequate resources to continue to meet its trading liabilities as and when they fall due. The directors therefore believe that it is appropriate to prepare these financial statements on a going concern basis.

Further information in this regard is included in the accounting policies at note 3 to the financial statements.

Auditor

KPMG LLP were appointed as auditors during the period.

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.

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

Orchard Residential Care Limited

Directors' Report (continued)

Period ended 30 March 2018

This report was approved by the board of directors on 22/5/2019 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

Period ended 30 March 2018

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), 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 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 responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and 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 Orchard Residential Care Limited

Opinion

We have audited the financial statements of Orchard Residential Care Limited ("the company") for the year ended 30 March 2018 which comprise the statement of comprehensive income, balance sheet, statement of changes in equity and related notes, including the accounting policies in note 3.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 March 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 3 to the financial statements which indicates that the company incurred a net loss of £455,000 for the period and had net current assets of £688,101, and the company's ability to continue as a going concern is dependent on continued financial support from its parent. These events and conditions, along with the other matters explained in note 3, constitute a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

The impact of uncertainties due to the UK exiting the European Union on our audit

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of goodwill and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

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

Directors' report

The directors are responsible for the directors' report. Our opinion on the financial statements does not cover that report and we do not express an audit opinion thereon.

Our responsibility is to read the directors' report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the directors' report;
- in our opinion the information given in that report for the financial year is consistent with the financial statements; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required 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.

We have nothing to report in these respects.

Directors' responsibilities

As explained more fully in their 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; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

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

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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.



Johnathan Pass (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 Sovereign Square
Sovereign Street
Leeds
LS1 4DA

22 May 2019

Orchard Residential Care Limited

Statement of Comprehensive Income

Period ended 30 March 2018

	Note	Period from 9 August 17 to 30 March 18 £
Administrative Expenses		(455,000)
Operating loss	4	(455,000)
Loss before taxation		(455,000)
Tax on loss on ordinary activities	6	—
Loss for the financial period and total comprehensive income		(455,000)

All the activities of the company are from continuing operations.

The notes on pages 11 to 15 form part of these financial statements.

Orchard Residential Care Limited

Balance Sheet

30 March 2018

	Note	2018 £
Fixed assets		
Investments	7	1,856,900
Current assets		
Debtors	8	1,388,101
		<u>1,388,101</u>
Creditors: amounts falling due within one year	9	(700,000)
Net current assets		<u>688,101</u>
Net assets		<u>2,545,001</u>
Capital and reserves		
Called up share capital	10	3,000,001
Profit and loss account	11	(455,000)
Shareholders' funds		<u>2,545,001</u>

These financial statements were approved by the board of directors and authorised for issue on 22.5.18, and are signed on behalf of the board by:



D Johnson
Director

Company registration number: 10907041

The notes on pages 11 to 15 form part of these financial statements.

Orchard Residential Care Limited

Statement of Changes in Equity

Period ended 30 March 2018

	Called up share Capital £	Profit and loss account £	Total £
At 9 August 2017	–	–	–
Loss for the period	–	(455,000)	(455,000)
Total comprehensive loss for the period	–	(455,000)	(455,000)
Issue of shares	3,000,001	–	3,000,001
Total investments by and distributions to owners	3,000,001	–	3,000,001
At 30 March 2018	<u>3,000,001</u>	<u>(455,000)</u>	<u>2,545,001</u>

The notes on pages 11 to 15 form part of these financial statements.

Orchard Residential Care Limited

Notes to the Financial Statements

Period ended 30 March 2018

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, and are presented in sterling, which is also the functional currency of the entity.

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.

During the year ended 31 March 2018, the Cortina Race group incurred a loss after taxation of £14.2 million and as at 31 March 2018 the group had net current liabilities of £10.7 million. The company incurred a net loss of £455,000 for the period and had net current assets of £688,101.

In assessing the group's going concern status, the members of Cortina Race took into account that an entity is a going concern unless management either intends to liquidate the entity or to cease operations or has no realistic alternative but to do so. They also considered the requirement to assess the group's ability to continue to pay its debts as they fall due, and in particular for at least the twelve month period following the approval of the financial statements.

The group meets its day to day working capital requirements through equity funding from a member company Alchemy Special Opportunities Fund III LP ('Alchemy').

The latest working capital projections prepared for the group, taking into account the ongoing uncertainties relating to both trading and to the timing of the disposal of certain non-core properties, indicate that the group remains reliant upon the funding of its shareholder (Alchemy). Alchemy has provided a written letter of support stating that it is the intention to provide financial support to the group for at least 12 months from the date at which the financial statements are signed. On this basis, the group has sufficient liquidity to continue trading as a going concern.

However, this letter of support is not a legally binding commitment and so cannot be guaranteed, therefore in light of the risks of underperformance against projections the members concluded that there remains a material uncertainty which may cast significant doubt on the group's ability to continue as a going concern. Nevertheless, after making enquiries and considering the uncertainties described above, the members have a reasonable expectation that the group has adequate resources to continue to meet its trading liabilities as and when they fall due. The directors of the company therefore believe that it is appropriate to prepare these financial statements on a going concern basis. The financial statements do not include any adjustments that would result from the basis of preparation being inappropriate.

Orchard Residential Care Limited

Notes to the Financial Statements *(continued)*

Period ended 30 March 2018

3. Accounting policies *(continued)*

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.

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.

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. 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.

Orchard Residential Care Limited

Notes to the Financial Statements *(continued)*

Period ended 30 March 2018

4. Operating loss

Operating loss is stated after charging:

	Period from 9 August 17 to 30 March 18
	£
Provisions for irrecoverable amounts from fellow subsidiary undertakings	455,000
Fees payable for the audit of the financial statements	10,000
	<hr/>

5. Directors' remuneration

No directors' remuneration is receivable by the directors for their services to this company in the current period. Directors' remuneration is borne by fellow group companies and £nil has been allocated for the directors' time to the company based on number of beds across the group.

6. Tax on loss on ordinary activities

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

Factors affecting tax credit/charge for the period

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

	Period from 9 August 17 to 30 March 18
	£
Loss on ordinary activities before taxation	(455,000)
Loss on ordinary activities by rate of tax	(86,450)
Effect of expenses not deductible for tax purposes	86,450
Tax on loss	<hr/>

A reduction in the corporation tax rate to 17% from 1 April 2020 was substantively enacted on 6 September 2016.

Orchard Residential Care Limited

Notes to the Financial Statements *(continued)*

Period ended 30 March 2018

7. Investments

	Investment in group undertakings £
Cost and carrying amount	
At 9 August 2017	–
Additions	1,856,900
At 30 March 2018	1,856,900

Additions in the Period relate to shares acquired from a fellow subsidiary undertaking of the Cortina Race LLP Group. The consideration for the acquisition was at fair value being £1,856,900. The consideration was settled by a combination of cash settlement of £1,156,900 and assumption of a health and safety fine of £700,000.

Subsidiaries, associates and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Orchard Care Homes.com (2) Limited	Ordinary	100
Orchard Care Homes.com (6) Limited	Ordinary	100
Orchard Residential Care (2) Limited	Ordinary	100
Orchard Residential Care (3) Limited	Ordinary	100

The registered office of all subsidiaries is The Hamlet, Hornbeam Park, Harrogate, HG2 8RE.

The results and capital and reserves for the period are as follows:

	Capital and reserves 2018 £'000	Profit/(loss) for the period 2018 £'000
Subsidiary undertakings		
Orchard Care Homes.com (2) Limited	(941)	(501)
Orchard Care Homes.com (6) Limited	1,513	86
Orchard Residential Care (2) Limited	25	25
Orchard Residential Care (3) Limited	-	-

8. Debtors

	2018 £
Amounts owed by group undertakings	1,388,101

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

Orchard Residential Care Limited

Notes to the Financial Statements *(continued)*

Period ended 30 March 2018

9. Creditors: amounts falling due within one year

	2018 £
Amounts owed to group undertakings	10,000
Other creditors	690,000
	<u>700,000</u>

Included in other creditors is £690,000 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.

10. Called up share capital

Issued, called up and fully paid

	2018	
	No.	£
Ordinary share of £1 each	<u>3,000,001</u>	<u>3,000,001</u>

On incorporation, one ordinary share of £1 was issued for cash consideration on 9 August 2017 and a further 3 million shares were issued for cash consideration on 30 November 2017.

11. Reserves

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

12. 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.