

Cortina Race LLP

**Members' report and consolidated
financial statements**

Registration number: OC397893

31st March 2020



Contents

Partnership information	3
Members' Report	4
Statement of members' responsibilities in respect of the Members' Report and the financial statements	6
Independent auditor's report to the members of Cortina Race LLP	7
Consolidated statement of comprehensive income	9
Consolidated balance sheet	10
Partnership balance sheet	11
Consolidated statement of changes in equity	12
Partnership statement of changes in equity	13
Consolidated cash flow statement	14
Notes	15

Partnership information

Members	Alchemy Special Opportunities Fund III L.P. ASO Lux 3 S.à r.l. ID Goulding
Partnership number	OC397893
Registered office	21 Palmer Street London SW1H 0AD
Auditor	RSM UK Audit LLP 7 th Floor City Gate East Tollhouse Hill Nottingham NG1 5FS
Bankers (clearing)	Barclays Bank 1-3 Haymarket Towers Humberstone Gate Leicester LE1 1WA
Solicitors	Macfarlanes LLP 20 Cursitor Street London EC4A 1LT

Members' report

The members present their report and financial statements of the Partnership for the year ended 31st March 2020.

Registered office

As set out in note 1, Cortina Race LLP is incorporated in the UK as a limited liability partnership under the Limited Liability Partnerships Act 2000 and is referred to in these financial statements as 'the Partnership' or 'the Company'.

The Partnership's registered office is 21 Palmer Street, London, SW1H 0AD.

Principal activity

The Partnership's principal activity during the year was the provision of residential and nursing care for the elderly and the investment in residential and nursing care home properties.

Going concern and subsequent events

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 care 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 targeted disposals noted above were completed by November 2020. The exceptional costs incurred to complete the restructure in the year were £2.2m and profit on disposal of operations was £1.4m.

COVID-19 has had an impact on the performance of the homes with an increase in temporary agency costs from 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 January 2021. 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. The forecasts were prepared prior to the vaccination programme which reduces the likelihood of a third wave. The majority of care home residents have been vaccinated.

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

Members' report *(continued)*

Designated members

The designated members (as defined in the Limited Liability Partnership Agreement) of the Partnership during the year were:

Alchemy Special Opportunities Fund III L.P.
ASO Lux 3 S.à r.l.
ID Goulding

Policy regarding members' drawings and repayment of members' capital

The LLP agreement states that profits and losses for financial years shall, unless otherwise determined by Alchemy Special Opportunities Fund III L.P., be allocated to the Alchemy Special Opportunities Fund III L.P. capital account. Any losses will be allocated between the members in such proportions as Alchemy Special Opportunities Fund III L.P. determines. No members are entitled to any remuneration for acting in the business or management of the Partnership.

Any positive balances on a Member's capital account may be withdrawn by such member at their discretion.

Environmental awareness

The Group is committed to ensuring that the environmental consequences of its operations are minimised as far as practicable. The Group attempts to conserve energy and water where possible.

The Group falls within the scope of the UK Energy Savings Opportunities Scheme (ESOS). Based on the latest ESOS assessment the total energy consumption for the Group is 25.2m kWh. This includes:

- 23.8m kWh relating to the consumption of fuel in relation to care home properties; and
- 1.4m kWh relating to the consumption of fuel for the purpose of transport

The energy consumption of the Group has been estimated using samples and pro-rata extrapolation of mileage claims and other asset usage data.

Statement as to disclosure of information to the Auditor

The members who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditor is unaware. Each of the members have confirmed that they have taken all the relevant steps that they ought to have taken as members in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

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.

Strategic report

Under the Limited Liability Partnership act, there is no statutory requirement to prepare a strategic report and therefore the members have chosen to take this exemption.

Signed on behalf of the members:



Julie Preece
Director
ASO (GP) III Limited
as general partner of ASOF (GP) III L.P.
as general partner of Alchemy Special Opportunities Fund III L.P.
as designated member of Cortina Race LLP

5th February 2021

21 Palmer Street
London
SW1H 0AD

Statement of members' responsibilities in respect of the Members' Report and the financial statements

The members are responsible for preparing the Members' Report and the financial statements in accordance with applicable law and regulations.

The Limited Liability Partnerships (Accounts and Audit) (Application of Companies Act 2006) Regulations 2008 (the 2008 Regulations) require the members to prepare financial statements for each financial year. Under that law the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under the 2008 Regulations the members 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 group and the limited liability partnership and of the profit or loss of the group for that year.

In preparing the financial statements, the members are required to:

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

Under the 2008 Regulation 6 the members are responsible for keeping adequate accounting records that are sufficient to show and explain the group and limited liability partnership's transactions and disclose with reasonable accuracy at any time the financial position of the group and the limited liability partnership and to enable them to ensure that the financial statement comply with those regulations. They are also responsible for safeguarding the assets of the group and the limited liability partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

These responsibilities are exercised by the designated members on behalf of the members.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORTINA RACE LLP

Opinion

We have audited the financial statements of Cortina Race LLP (the 'parent limited liability partnership') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise the consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement, partnership balance sheet, partnership 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 FRS102 "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 group's and parent limited liability partnership's affairs as at 31 March 2020 and of the group's 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 as applied to limited liability partnerships.

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 group and parent limited liability partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including 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.

Conclusion 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 members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and parent limited liability partnership'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 members are responsible for the other information. Our opinion on the financial statements does not cover the other information and, 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.

Matters on which we are required to report by exception

~~We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 applied to limited liability partnerships requires us to report to you if, in our opinion:~~

- adequate accounting records have not been kept by the parent limited liability partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent limited liability partnership financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CORTINA RACE LLP (continued)

Responsibilities of members

As explained more fully in the Members' Responsibilities Statement set out on page 6, the members 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 members 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 members are responsible for assessing the group's and parent limited liability partnership'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 members either intend to liquidate the group or parent limited liability partnership 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 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 limited liability partnership's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 as applied to limited liability partnerships. Our audit work has been undertaken so that we might state to the limited liability partnership'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 limited liability partnership and the limited liability partnership'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
Chartered Accountants
Suite A
7th Floor, East West Building
2 Tollhouse Hill
Nottingham
NG1 5FS

5 February 2021

Consolidated statement of comprehensive income
for the year ended 31st March 2020

	Note	2020 £	2019 £
Turnover	3	60,465,604	62,148,674
Cost of sales		(50,854,035)	(50,904,026)
Gross profit		9,611,569	11,244,648
Administrative expenses		(17,848,962)	(27,418,829)
Operating loss before exceptional items		(7,317,581)	(19,146,573)
Exceptional items	6	(919,812)	2,972,392
Operating loss		(8,237,393)	(16,174,181)
Interest payable and similar charges	7	(2,340,436)	(2,334,770)
Other interest receivable and similar income	8	1,569,586	1,404,680
Loss before taxation and members' remuneration and profit shares		(9,008,243)	(17,104,271)
Taxation	9	65,628	(486,950)
Loss after taxation and before members' remuneration and profit shares		(8,942,615)	(17,591,221)
Members' remuneration charged as an expense		-	-
Loss for the financial year and total comprehensive income available for discretionary division among members		(8,942,615)	(17,591,221)
Total comprehensive income for the financial year is attributable to:			
Owners of the parent		(8,942,615)	(17,591,221)
Non-controlling interest		-	-

All of the above results relate to continuing activities

The notes on pages 15 to 29 form an integral part of these financial statements.

Consolidated balance sheet
as at 31st March 2020

Registration number: OC397893

	Note	2020 £	2019 £
Fixed assets			
Intangible assets	10	-	-
Tangible assets	11	41,327,028	46,810,214
Investment property	12	-	1,362,719
		<u>41,327,028</u>	<u>48,172,933</u>
Current assets			
Debtors	14	12,765,613	40,150,268
Cash at bank and in hand		4,152,133	3,731,823
		<u>16,917,746</u>	<u>43,882,091</u>
Creditors: amounts falling due within one year	15	(10,905,067)	(39,756,974)
Net current assets		<u>6,012,679</u>	<u>4,125,117</u>
Total assets less current liabilities		<u>47,339,707</u>	<u>52,298,050</u>
Creditors: amounts falling due after more than one year	16	(37,921,408)	(37,212,531)
Provision for liabilities			
Other provisions	18	(1,085,245)	(1,809,850)
Net assets		<u>8,333,054</u>	<u>13,275,669</u>
Loans and other debts due to members within one year			
Members' capital classified as a liability		58,510,626	54,510,626
Members' other interests			
Members' other interest – other reserves classified as equity	19	(50,194,050)	(41,251,435)
Total members' interests		<u>8,316,576</u>	<u>13,259,191</u>
Non-controlling interest		16,478	16,478
		<u>8,333,054</u>	<u>13,275,669</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

These financial statements were approved by the members on 5th February 2021 and were signed on their behalf by:



Julie Preece
Director
ASO (GP) III Limited
as general partner of ASOF (GP) III L.P.
as general partner of Alchemy Special Opportunities Fund III L.P.
as designated member of Cortina Race LLP

21 Palmer Street
London
SW1H 0AD

Partnership balance sheet
as at 31st March 2020


Registration number: OC397893

	Note	2020 £	2019 £
Fixed assets			
Investments	13	60,307,630	56,307,630
		<u>60,307,630</u>	<u>56,307,630</u>
Current assets			
Debtors	14	9,711,195	35,557,472
Cash at bank and in hand		-	15,726
		<u>9,711,195</u>	<u>35,573,198</u>
Creditors: amounts falling due within one year	15	(4,953,969)	(30,733,910)
Net current assets		<u>4,757,226</u>	<u>4,839,288</u>
Total assets less current liabilities		<u>65,064,856</u>	<u>61,146,918</u>
Loans and other debts due to members within one year			
Members' capital classified as a liability		58,510,626	54,510,626
Members' other interests			
Members' other interest – other reserves classified as equity	19	6,554,230	6,636,292
Total members' interests		<u>65,064,856</u>	<u>61,146,918</u>

The notes on pages 15 to 29 form an integral part of these financial statements.

Under Section 408 of the Companies Act 2006 the Partnership is exempt from the requirement to present its own statement of comprehensive income. The Partnership's loss for the year was £82,062 (2019: profit of £884,157).

These financial statements were approved by the members on 5th February 2021 and were signed on their behalf by:



Julie Preece
Director

ASO (GP) III Limited
as general partner of ASOF (GP) III L.P.
as general partner of Alchemy Special Opportunities Fund III L.P.
~~as designated member of Cortina Race LLP~~

21 Palmer Street
London
SW1H 0AD

Consolidated statement of changes in equity

For the year ended 31st March 2020

	Members' capital classified as a liability £	Members' other interests £	Total attributable to members £	Non- controlling interest £	Total £
At 1st April 2018	45,510,626	(23,660,214)	21,850,412	16,478	21,866,890
Total comprehensive loss	—	(17,591,221)	(17,591,221)	—	(17,591,221)
New capital introduced	9,000,000	—	9,000,000	—	9,000,000
At 31st March 2019	54,510,626	(41,251,435)	13,259,191	16,478	13,275,669
Total comprehensive loss	—	(8,942,615)	(8,942,615)	—	(8,942,615)
New capital introduced	4,000,000	—	4,000,000	—	4,000,000
At 31st March 2020	58,510,626	(50,194,050)	8,316,576	16,478	8,333,054

The notes on pages 15 to 29 form an integral part of these financial statements.

Partnership statement of changes in equity
For the year ended 31st March 2020

	Members' capital classified as a liability £	Members' other interests £	Total £
At 1 st April 2018	45,510,626	5,752,135	51,262,761
Shares issue	9,000,000	—	9,000,000
Total comprehensive income	—	884,157	884,157
At 31st March 2019	54,510,626	6,636,292	61,146,918
Share issue	4,000,000	—	4,000,000
Total comprehensive income	—	(82,062)	(82,062)
At 31st March 2020	58,510,626	6,554,230	65,064,856

The notes on pages 15 to 29 form an integral part of these financial statements.

Consolidated cash flow statement

For the year ended 31st March 2020

	2020 £	2019 £
Cash flows from operating activities		
Operating loss	(8,237,393)	(16,174,181)
Adjustments for:		
Depreciation	1,899,431	3,030,679
Amortisation	-	1,965,506
Impairment	1,906,068	8,448,281
Profit on disposal	(1,433,824)	(2,972,392)
Decrease in trade and other receivables	2,250,663	1,025,062
Decrease in trade and other payables	(2,040,839)	(1,054,942)
Decrease in stock	-	8,081
Net cash outflow from operating activities	(5,655,894)	(5,723,906)
Taxation	(271,881)	(468,629)
Net cash used in operating activities	(5,927,775)	(6,192,535)
Cash flows from investing activities		
Proceeds from sale of investment properties	1,271,069	-
Purchase of tangible assets	(3,366,875)	(4,095,794)
Proceeds from sale of operations	5,714,123	3,366,052
Interest received	3,563,977	183,350
Cash from/(used in) investing activities	7,182,294	(546,392)
Cash flows from financing activities		
Proceeds from existing loans receivable	22,953,202	-
Proceeds from new loans	26,008,504	6,000,000
New capital introduced	4,000,000	9,000,000
Loans issued	-	(12,677)
Repayment of borrowings	(50,889,264)	(5,300,000)
Interest paid	(2,906,651)	(1,836,257)
Cash (used in)/generated from financing activities	(834,209)	7,851,066
Net increase in cash and cash equivalents	420,310	1,112,139
Cash and cash equivalents at beginning of year	3,731,823	2,619,684
Cash and cash equivalents at end of year	4,152,133	3,731,823

The notes on pages 15 to 29 form an integral part of these financial statements.

Notes

(forming part of the financial statements)

1 Entity Information

Cortina Race LLP (the "Partnership") is a Limited Liability Partnership incorporated and domiciled in the United Kingdom.

The registered office is 21 Palmer Street, London, SW1H 0AD.

2 Accounting policies

Basis of accounting

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), the Companies Act 2006 as applied by LLPs and the 2017 Statement of Recommended Practice (SORP), Accounting by Limited Liability Partnerships.

The financial statements are presented in Sterling (£) and rounded to the nearest whole £.

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

Going concern

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 care 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.

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. The forecasts were prepared prior to the vaccination programme which reduces the likelihood of a third wave. The majority of care home residents have been vaccinated.

Cortina Race LLP members approved additional equity funding of £4m in November 2019, of which £1m was drawn down 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.

Notes (continued)

2 Accounting policies (Continued)

Measurement convention

The financial statements are prepared on the historical cost basis other than in respect of investment properties, which are stated at fair value through profit and loss.

Basis of consolidation

The consolidated financial statements include the financial statements of the Partnership and its subsidiary undertakings made up to the 31st March 2020. A subsidiary is an entity that is controlled by the parent. The results of subsidiary undertakings are included in consolidated profit and loss from the date that control commences until the date that control ceases. Control is established when the Partnership has the power to govern the operating and financial policies of an entity so as to obtain benefits from its activities.

Where a group company is party to a joint venture which is not an entity, that company accounts directly for its part of the income and expenditure, assets, liabilities and cash flows. Such arrangements are reported in the consolidated financial statements on the same basis.

The individual accounts of Cortina Race LLP have also adopted the following disclosure exemptions:

- Cash flow statement and related notes;
- Key management personnel compensation; and
- Financial instruments disclosures.

Investments in subsidiaries

Investments in subsidiaries are carried at cost less impairment. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the income statement.

Financial Instruments

Financial instruments are classified and accounted for as financial assets, financial liabilities or equity instruments, according to the substance of the contractual arrangement. Equity instruments are those that entitle the holder to a residual interest in the group's assets after deducting all of its liabilities.

Basic financial instruments are recognised at amortised cost, except for investments in non-convertible preference and non-puttable ordinary and preference shares, which are measured at fair value provided that this can be measured reliably. Derivative financial instruments are initially recorded at cost and thereafter at fair value with changes recognised in profit or loss.

Trade and other debtors/creditors

Trade and other debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are recognised at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument.

Notes (continued)

2 Accounting policies (Continued)

Investments in ordinary shares

Investments in equity instruments are measured initially at fair value, which is normally the transaction price. Subsequent measurement is at cost less impairment in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances. Bank overdrafts that are repayable on demand and form an integral part of the Partnership's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Taxation

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

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

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

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.

Revenue recognition

Revenue is recognised at the point in 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 and the number of days occupied.

Provisions

Provisions are recognised when the entity has an obligation at the reporting date as a result of a past event, it is probable that the entity will be required to transfer economic benefits in settlement and the amount of the obligation can be estimated reliably. Provisions are recognised as a liability in the balance sheet and the amount of the provision as an expense.

Provisions are initially measured at the best estimate of the amount required to settle the obligation at the reporting date and subsequently reviewed at each reporting date and adjusted to reflect the current best estimate of the amount that would be required to settle the obligation. Any adjustments to the amounts previously recognised are recognised in profit or loss unless the provision was originally recognised as part of the cost of an asset. When a provision is measured at the present value of the amount expected to be required to settle the obligation, the unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Notes (continued)

2 Accounting policies (Continued)

Defined contribution pension plans

Contributions to defined contribution plans are recognised as an expense in the period in which the related service is provided. Prepaid contributions are recognised as an asset to the extent that the prepayment will lead to a reduction in future payments or a cash refund.

When contributions are not expected to be settled wholly within 12 months of the end of the reporting date in which the employees render the related service, the liability is measured on a discounted present value basis. The unwinding of the discount is recognised as a finance cost in profit or loss in the period in which it arises.

Tangible fixed assets

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

Fixtures and fittings - 20% straight line

Freehold buildings - 2% straight line

The Partnership 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 the last annual reporting date in the pattern by which the Partnership expects to consume an asset's future economic benefits.

Investment property

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Investment properties are recognised initially at cost.

Subsequent to initial recognition investment properties whose fair values can be measured reliably without undue cost or effort are held at fair value. Any gains or losses arising from changes in fair value are recognised in profit or loss in the period that they arise and no depreciation is provided in respect of investment properties applying the fair value model.

Intangible assets, goodwill and negative goodwill

Goodwill

Goodwill is stated at cost less any accumulated amortisation and accumulated impairment losses, and is amortised over its estimated useful life of five years.

Operating leases

Payments made under operating leases are recognised in profit and loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit and loss over the term of the lease as an integral part of the total expense.

Exceptional costs

Exceptional costs have been incurred outside of the normal course of business and are considered to be of a significant value to disclose separately in the financial statements.

Notes (continued)

2 Accounting policies (Continued)

Accounting estimates and judgements

Estimates and judgements are regularly evaluated and are based on experience and future expectations. The estimates and judgements which could yield a significant risk on the financial statements are documented below.

Impairment of intangible and tangible fixed assets – 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.

Impairment of debtors – Provision is made for non-collectability of trade debtors based on actual findings and empirical evidence on the recoverability of similar balances.

Investment property valuation – The group has an extensive investment property portfolio. Fluctuations in the open market value of the portfolio as determined by valuation specialists can have a significant impact on the balance sheet and profit and loss of the group.

3 Turnover

	2020	2019
	£	£
Provision of care services	60,451,604	61,854,837
Property rental	14,000	293,837
	<u>60,465,604</u>	<u>62,148,674</u>

All turnover related to the rendering of services in the UK.

4 Loss for the financial year available for discretionary division among members

	2020	2019
	£	£
This is stated after charging / (crediting):		
Depreciation of tangible fixed assets	1,899,431	3,030,679
Amortisation of goodwill	-	1,965,506
Impairment of goodwill	-	2,579,112
Impairment of tangible fixed assets	1,906,068	6,214,662
(Reversal)/impairment of investment properties	-	(345,493)
Profit on disposal of fixed assets	1,433,824	-
Auditor's remuneration for statutory audit	174,000	174,000
Auditor's remuneration for tax services	-	-
Operating lease rentals – land and buildings	3,440,415	3,857,002

Notes (continued)

5 Members and employees

Staff costs during the year were as follows:

	2020 £	2019 £
Wages and salaries	36,011,547	37,797,254
Social security costs	2,711,921	2,769,735
Pension cost	939,840	642,195
	<u>39,663,308</u>	<u>41,209,184</u>

The average number of full-time equivalent employees of the group during the year was:

	2020 No.	2019 No.
Members with remuneration	-	-
Administration	96	111
Care staff	2,188	2,241
Maintenance	20	23
Total	<u>2,304</u>	<u>2,375</u>

The average number of members during the year was 3 (2019: 2). No member received any remuneration for services provided, neither was there any payment or repayment of interest or capital in either the current year or the prior period.

6 Exceptional items

Exceptional items arose as follows:

	2020 £	2019 £
Profit on disposal of operations	1,433,824	2,972,392
Restructuring costs	(2,353,636)	-
	<u>(919,812)</u>	<u>2,972,392</u>

Notes (continued)

6 Exceptional items (continued)

Current year (2020)

The profit on disposal of investment property and the trade and assets of homes disposed of can be further analysed as follows:

	2020
	£
Net sale proceeds	6,985,192
Net assets disposed of:	
Investment properties	1,362,719
Tangible fixed assets	5,044,562
Debtors and prepayments	186,399
Creditors and accruals	(1,042,312)
	<hr/> 5,551,368
Net income	<hr/> <u>1,433,824</u>

Prior year (2019)

A group restructuring exercise was undertaken in 2019 in order to reduce the number of loss-making care homes operated by the group. This involved subsidiary companies both entering into administration, and being sold to third parties, but does not constitute discontinued operations as the group is continuing the sole business of operating care homes within the UK following the restructuring.

The net income arising can be further analysed as follows:

	Administrations	Sales to third parties	Total 2019
	£	£	£
Net sale proceeds	-	3,678,021	3,678,021
Net assets disposed of:			
Tangible fixed assets	-	2,642,703	2,642,703
Stock	3,120	-	3,120
Debtors and prepayments	811,401	-	811,401
Cash	311,969	-	311,969
Creditors and accruals	(3,063,564)	-	(3,063,564)
	<hr/> (1,937,074)	<hr/> 2,642,703	<hr/> 705,629
Net income	<hr/> <u>1,937,074</u>	<hr/> <u>1,035,318</u>	<hr/> <u>2,972,392</u>

Notes (continued)

7 Interest payable and similar charges

	2020 £	2019 £
Bank Interest	501,135	534,958
Loan Interest	1,839,301	1,799,812
	<u>2,340,436</u>	<u>2,334,770</u>

8 Other interest receivable and similar income

	2020 £	2019 £
Loan Interest	1,569,586	1,404,680

9 Taxation

	2020 £	2019 £
<i>Current tax</i>		
Current tax on income for the period	(65,628)	486,950
Total current and total tax (credit)/expense	<u>(65,628)</u>	<u>486,950</u>

Factors affecting the tax charge for the year

The tax charge assessed for the year is higher than the applicable rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £	2019 £
Loss before taxation	(9,008,243)	(17,104,271)
Tax on loss at standard rate of 19% (2019: 19%)	(1,711,566)	(3,249,811)

Effects of:

(Income not taxable)/expenses not deductible	(18,196)	(226,560)
Deferred tax not recognised	2,279,156	3,359,113
Utilisation of tax losses	—	(35,333)
Adjustments in respect of prior periods	(65,628)	—
Tax rate differences	(549,394)	639,541

Total tax charge for the year	<u>(65,628)</u>	<u>486,950</u>
--------------------------------------	-----------------	----------------

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, short term timing differences and fixed asset timing differences amounted to £6.7m (2019: £5.4m) and have not been recognised in the financial statements as there is uncertainty over the availability and timing of future tax profits.

Notes (continued)

10 Intangible assets

Group

	Goodwill £
Cost	
At 1 st April 2019 and 31 st March 2020	9,535,530
Amortisation and impairment	
At 1 st April 2019 and 31 st March 2020	9,535,530
Net book value	
At 31 st March 2019 and 31 st March 2020	-

Amortisation and impairment charge

The amortisation and impairment charge are recognised in administrative expenses. The impairment arose as the test carried out at year end showed that the carrying value was not supported by the recoverable amount.

The Partnership had no intangible assets (2019: £nil).

11 Tangible fixed assets

Group

	Land and buildings £	Fixtures and fittings £	Total £
Cost			
At 1 st April 2019	50,532,817	15,860,226	66,393,043
Additions	-	3,366,875	3,366,875
Disposals	(5,652,760)	(4,181,090)	(9,833,850)
At 31st March 2020	44,880,057	15,046,011	59,926,068
Depreciation			
At 1 st April 2019	9,425,402	10,157,427	19,582,829
Charge for the year	-	1,899,431	1,899,431
Disposals	(1,232,236)	(3,557,052)	(4,789,288)
Impairment	919,857	986,211	1,906,068
At 31st March 2020	9,113,023	9,486,017	18,599,040
Net book value			
At 31st March 2020	35,767,034	5,559,994	41,327,028
At 31st March 2019	41,107,415	5,702,799	46,810,214

Freehold buildings with a net book value of £15.7m are pledged as security for bank debts.

~~The impairment arose as the test carried out at year end showed that the carrying value was not supported by the recoverable amount.~~

The Partnership had no tangible assets (2019: £nil).

Notes *(continued)*

12 Investment property

Group

	£
At 1 st April 2019	1,362,719
Disposals	(1,362,719)
	<hr/>
At 31st March 2020	—
	<hr/> <hr/>

On a historical cost basis the corresponding amounts were:

	2020 £	2019 £
Cost	—	1,875,000
	<hr/> <hr/>	<hr/> <hr/>

The Partnership had no investment properties (2019: £nil).

13 Fixed asset investments

Partnership

	Shares in group undertakings £
At 1 st April 2019	56,307,630
Additions	4,000,000
	<hr/>
At 31st March 2020	60,307,630
	<hr/> <hr/>

Notes (continued)

13 Fixed asset investments (continued)

The Partnership has the following investments in subsidiaries:

	Country of incorporation	Principal activity	Class of shares held	Ownership %
Indigo Care Holding Limited	Jersey	Holding company	Ordinary	98.3%
Indigo Asset Holding Limited	Jersey	Property Investment	Ordinary	100%
Indigo Property Holding 1 Limited	Jersey	Property Investment	Ordinary	100%
Indigo Care 1 Limited *	Jersey	Property Investment	Ordinary	100%
Indigo Care 2 Limited *	Jersey	Property Investment	Ordinary	100%
Indigo Care 3 Limited *	Jersey	Property Investment	Ordinary	100%
Indigo Care 4 Limited *	Jersey	Property Investment	Ordinary	100%
Indigo Care 5 Limited *	Jersey	Property Investment	Ordinary	100%
Plum Bidco Limited *	UK	Holding company	Ordinary	100%
OCH Management Services Limited	UK	Management services	Ordinary	100%
Indigo Care Services Limited *	UK	Provision of elderly care	Ordinary	100%
Indigo Care Services (2) Limited *	UK	Provision of elderly care	Ordinary	100%
Cherry Health Care Limited * #	UK	Provision of elderly care	Ordinary	100%
Loxley Health Care Limited *	UK	Provision of elderly care	Ordinary	100%
Orchard Care Homes.com Holdings Limited *	UK	Holding company	Ordinary	100%
Tri-Care Limited *	UK	Provision of elderly care	Ordinary	100%
Orchard Residential Care Limited *	UK	Provision of elderly care	Ordinary	100%
Orchard Residential Care (2) Limited *	UK	Provision of elderly care	Ordinary	100%
Orchard Care Homes.com (2) Limited *	UK	Provision of elderly care	Ordinary	100%
Orchard Care Homes.com (6) Limited *	UK	Provision of elderly care	Ordinary	100%
Orchard Care Homes.com (7) Limited * #	UK	Provision of elderly care	Ordinary	100%
Orchard Care Homes.com (8) Limited * #	UK	Provision of elderly care	Ordinary	100%
Lifestyle Care Management Limited *	UK	Provision of elderly care	Ordinary	100%

All companies incorporated in the UK are registered at The Hamlet, Hombeam Park, Harrogate, HG2 8RE.

All companies incorporated in Jersey are registered at 47 Esplanade, St Helier, Jersey, JE1 0BD.

* denotes indirectly held / # denotes in administration or liquidation

14 Debtors

Group

	2020 £	2019 £
Trade debtors	2,027,950	3,180,317
Other debtors	8,903,216	31,853,967
Prepayments and accrued income	1,834,447	5,115,984
	<u>12,765,613</u>	<u>40,150,268</u>

Other debtors include the principal sum of £8,549,030 (2019: £31,502,232) in borrowings lent to a member of the Partnership and are repayable on demand.

Notes (continued)

14 Debtors (continued)

Partnership

	2020 £	2019 £
Amounts owed by group undertakings	2,603	944,859
Other debtors	8,549,030	31,502,232
Prepayments and accrued income	1,159,562	3,110,381
	<u>9,711,195</u>	<u>35,557,472</u>

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

Other debtors include the principal sum of £8,549,030 (2019: £31,502,232) in borrowings lent to a member of the Partnership and are repayable on demand.

15 Creditors: Amounts falling due within one year

Group

	2020 £	2019 £
Trade creditors	1,689,741	2,695,342
Amounts owed to related parties	162,406	135,521
Other creditors	837,029	2,461,832
Other taxation and social security	685,493	714,067
Accruals and deferred income	7,091,933	7,362,470
Corporation tax	38,465	375,719
Borrowings	400,000-	26,012,023
	<u>10,905,067</u>	<u>39,756,974</u>

Partnership

	2020 £	2019 £
Amounts owed to group undertakings	4,953,969	4,662,590
Accruals and deferred income	-	59,297
Borrowings	-	26,012,023
	<u>4,953,969</u>	<u>30,733,910</u>

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

Notes (continued)

16 Creditors: Amounts falling due after more than one year

Group

	2020 £	2019 £
Borrowings	37,921,408	37,212,531

The Partnership had no creditors due after more than one year (2019: £nil).

17 Interest-bearing loans and borrowings

Group

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	2020 £	2019 £
Borrowing	GBP	LIBOR + 1.9%	2025	3,804,687	25,186,893
Borrowing	GBP	10%	2025	3,377,550	6,400,748
Bank facility	GBP	LIBOR +1.8%	2020	-	26,012,023
Bank facility	GBP	LIBOR +2.5%	2023	5,130,667	5,624,890
Bank facility	GBP	LIBOR +1.8%	2023	26,008,504	-
				<u>38,321,408</u>	<u>63,224,554</u>

Partnership

Terms and debt repayment schedule

	Currency	Nominal interest rate	Year of Maturity	2020 £	2019 £
Bank facility	GBP	LIBOR +1.8%	2020	-	26,012,023

18 Provisions

Group

	2020 £	2019 £
Provisions for claims and contingencies	1,085,245	1,809,850

Other provisions represent the directors' best estimate of potential liabilities arising in relation to claims and contingencies and are expected to be settled after more than one year.

The Partnership had no provisions (2019: £nil).

Notes *(continued)*

19 Members' interests

Group

	Members' capital (classified as liability) £	Other reserves £	Total £	Total Members' Interests £
At 1 st April 2018	45,510,626	(23,660,214)	21,850,412	21,850,412
Loss for the financial year available for discretionary division among members	–	(17,591,221)	(17,591,221)	(17,591,221)
New capital introduced	9,000,000	–	9,000,000	9,000,000
At 31 st March 2019	54,510,626	(41,251,435)	13,259,191	13,259,191
Loss for the financial year available for discretionary division among members	-	(8,942,615)	(8,942,615)	(8,942,615)
New capital introduced	4,000,000	-	4,000,000	4,000,000
At 31 st March 2020	58,510,626	(50,194,050)	8,316,576	8,316,576

Partnership

	Members' Capital (classified as liability) £	Other reserves £	Total £	Total Members' Interests £
At 1 st April 2018	45,510,626	5,752,135	51,262,761	51,262,761
Profit for the financial year available for discretionary division among members	–	884,157	884,157	884,157
New capital introduced	9,000,000	–	9,000,000	9,000,000
At 31 st March 2019	54,510,626	6,636,292	61,146,918	61,146,918
Profit for the financial year available for discretionary division among members	-	(82,062)	(82,062)	(82,062)
New capital introduced	4,000,000	-	4,000,000	4,000,000
At 31 st March 2020	58,510,626	6,554,230	65,064,856	65,064,856

Notes (continued)

19 Members' interests (continued)

Rights, restrictions and preferences

Alchemy Special Opportunities Fund III L.P is entitled to profits and losses to be allocated to its capital account unless otherwise determined. Any losses will be allocated between the members in such proportions as Alchemy Special Opportunities Fund III L.P may determine.

No member is entitled to any remuneration for acting in the business or management of the Partnership.

Any positive balances held on a member's capital account may be withdrawn by such member in their discretion from time to time.

In case of winding up, any surplus assets over liabilities remaining after all monies due to creditors of the Partnership including Members in respect of any balances standing to the credit of their Capital Accounts and any other undrawn share of Profits and all expenses of winding up, will be payable to Alchemy Special Opportunities Fund III L.P.

20 Related party transactions

Group

As permitted by the exemption allowed under FRS 102 Section 33, transactions with wholly owned group member companies are not disclosed.

Amounts owed to related parties shown in note 15 are transactions with a company which is a member of the LLP.

21 Operating leases

Group

As lessee

The Group's future minimum operating lease payments are as follows:

	2020 £	2019 £
Within one year	721,289	3,931,179
Between one and five years	3,108,131	16,560,799
More than five years	18,867,323	99,929,548
	<u>22,696,743</u>	<u>120,421,526</u>

22 Financial instruments

Group

Categorisation of financial instruments:

	2020 £	2019 £
Financial assets that are debt instruments measured at amortised cost	<u>12,722,041</u>	<u>47,147,857</u>
Financial liabilities measured at amortised cost	<u>49,065,429</u>	<u>91,183,259</u>

23 Ultimate parent company

No other group financial statements include the results of the Partnership.