

ORCHARDBROOK LIMITED

**Annual report and Financial Statements
For the year ended 31 December 2018**

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ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

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ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Apex Corporate Services (UK) Limited
Apex Trust Corporate Limited
Sean Peter Martin

SECRETARY

Apex Trust Corporate Limited
6th Floor
125 Wood Street
London
EC2V 7AN

REGISTERED OFFICE

125 Wood Street
London
EC2V 7AN

BANKERS

The Royal Bank of Scotland plc
Corporate Banking
8th Floor
250 Bishopsgate
London EC2M 4AA

SOLICITORS

Clifford Chance
10 Upper Bank Street
London
E14 5JJ

AUDITOR

Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

ORCHARDBROOK LIMITED

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STRATEGIC REPORT

ACTIVITIES

The principal activity of the Orchardbrook Limited ("the Company") is investment in asset backed loan notes issued by Finance for Residential Social Housing PLC.

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

During the period the Company maintained its investment in asset backed notes. The directors expect the level of activity to remain at the same level in the forthcoming financial year.

The existing loan agreement with The Royal Bank of Scotland plc provides a cash margin to cover its ongoing expenses and to provide a profit. The average margin for the year is 0.29% (2017: 0.28%) which is calculated by dividing net interest income with loan asset.

Profit during the year £15,000 (2017: £11,000). Net asset position as at end of 2018 £135,000 (2017: £120,000).

RISK MANAGEMENT POLICIES AND PROCEDURES

The principal risks facing the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the year and the Company has policies in place to mitigate these risks, as summarised below.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company reduces its liquidity risk by matching the maturity profile of the Company's funding to the maturity profile of the assets being funded. Currently the Company holds Series 3 loan note issued by Finance for Residential Social Housing PLC which is funded by a loan whereby the Company's funding effectively matches the underlying assets.

Interest rate risk

The Company financed the investment in Finance for Residential Social Housing plc Series 3 loan notes by borrowing funds denominated in Sterling from The Royal Bank of Scotland plc. This funding carries a fixed interest rate of 6.50% minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan) and the investment in Finance for Residential Social Housing plc yields a fixed interest rate of 6.50%. The interest rate risk is therefore mitigated as the interest received on investment is always higher than the interest paid on loan.

Credit risk

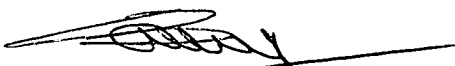
The Company regularly monitors its investment in Finance for Residential Social Housing Plc to ensure that it is recoverable.

GOING CONCERN RISK

The Company is financed by a loan which is repayable on the maturity date of October 2058 or on the settlement date of Series 3 notes, whichever is earlier. The Company earns a margin between the interest income from its investment in asset backed notes over the interest expense on the loan funding sufficient to cover its administrative expenses.

After making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Approved by the Board of Directors and signed on behalf of the Board



Carl Baldry *for and on behalf of*
Apex Corporate Services (UK) Limited (Director)

Date: 5/7/19

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

DIRECTOR'S REPORT

The directors present their report on the affairs of Orchardbrook Limited ("the Company") together with the financial statements and auditor's report for the year ended 31 December 2018.

CHANGE OF REGISTERED OFFICE

On 28 May 2019, Registered office changed from 6th Floor 65 Gresham Street London EC2V 7NQ United Kingdom to 125 Wood Street London EC2V 7AN.

RESULTS AND DIVIDENDS

The results for the year and the state of the Company's affairs are set out in the accompanying financial statements.

No dividends were declared or paid by the Company during the year (2017: £nil) and the directors do not propose a final dividend (2017: £nil).

DIRECTORS

The directors who served throughout the year, except as noted, are as follows:

Apex Corporate Services (UK) Limited
Apex Trust Corporate Limited
Sean Peter Martin

AUDITOR

Ernst & Young LLP has expressed their willingness to take the office as auditor and a resolution to appoint them will be proposed at the forthcoming Annual General Meeting.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

The directors confirm that:

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

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board



Carl Baldry *for and on behalf of*
Apex Corporate Services (UK) Limited (Director)
Date: 5/7/19

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

DIRECTORS' RESPONSIBILITIES STATEMENT

The directors are responsible for preparing the Annual 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 the directors 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 period. In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED

Opinion

We have audited the financial statements of Orchardbrook Limited for the year ended 31 December 2018 which comprise Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, Statement of Cash Flows and the related notes 1 to 17, 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 company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. 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 this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018 INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED (CONTINUED)

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

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 strategic report or 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.

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 <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORCHARDBROOK LIMITED
(CONTINUED)**

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.

Ernst & Young LLP

Rhys Taylor (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
11 July 2019

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

STATEMENT OF COMPREHENSIVE INCOME For the Financial Year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Interest income	3	632	632
Interest expense	4	(603)	(604)
Administrative and Other expenses	5	(26)	(39)
Other income		15	24
PROFIT BEFORE TAXATION		<u>18</u>	<u>13</u>
Tax charge	6	<u>(3)</u>	<u>(2)</u>
PROFIT FOR THE FINANCIAL YEAR	12	<u><u>15</u></u>	<u><u>11</u></u>

All of the amounts above are in respect of continuing operations.

The accompanying notes on pages 12 to 19 are an integral part of this Statement of Comprehensive income

A separate statement of other comprehensive income is not presented as there are no reportable gains and losses in other comprehensive income.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	2018 £'000	2017 £'000
NON-CURRENT ASSETS			
Investments - loan notes	7	9,717	9,717
CURRENT ASSETS			
Debtors	8	159	160
Cash at Bank		51	55
TOTAL ASSETS		9,927	9,932
CURRENT LIABILITIES			
Creditors	9	(158)	(164)
Deferred tax liabilities	6	(1)	(1)
NON-CURRENT LIABILITIES			
Loan payable	10	(9,629)	(9,642)
Deferred tax liabilities		(4)	(5)
TOTAL LIABILITIES		(9,792)	(9,812)
NET ASSETS		135	120
Capital and reserves			
Called-up share capital	11	-	-
Retained earnings	12	135	120
Total shareholders' equity		135	120
SHAREHOLDERS' FUNDS		135	120

The accompanying notes on pages 12 to 19 are an integral part of the statement of financial position.

These financial statements of Orchardbrook Limited, registration number 03302753, were approved and authorised for issue by the Board of Directors on 5 July 19

Signed on behalf of the Board of Directors



Carl Baldry for and on behalf of
Apex Corporate Services (UK) Limited (Director)

5/7/19

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

STATEMENT OF CHANGE IN EQUITY

For the year ended 31 December 2018

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2017	-	109	109
Total comprehensive profit for the year	-	11	11
Balance at 31 December 2017	-	120	120
Total comprehensive profit for the year	-	15	15
Balance at 31 December 2018	-	135	135

The accompanying notes on pages 12 to 19 are an integral part of these statutory financial statements.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

STATEMENT OF CASH FLOWS For the year ended 31 December 2018

	Notes	2018 £'000	2017 £'000
Profit before tax		18	13
Tax charge		(3)	(2)
Movement in loans payable		(13)	(12)
Decrease in creditors		(6)	(5)
Net cash flow generated from operating activities		(4)	(6)
Decrease in cash		(4)	(6)
Opening balance of cash		55	61
Closing balance of cash		51	55

The accompanying notes on pages 12 to 19 are an integral part of these statements.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below:

General Information and basis of accounting

Orchardbrook Limited is a company limited by shares incorporated in England in the United Kingdom under the Companies Act. The nature of the Company's operations and its principal activities are set out in the Directors' and Strategic report.

The accounts has been prepared and presented in Sterling (£) and the level of rounding used in presentation of amounts in the financial statement is thousands.

The financial statements have been prepared under historical cost convention and in compliance with Financial Reporting Standard 102 (FRS 102) issued by Financial Reporting Council. The financial statements have been prepared on a going concern basis as explained in the Directors' and Strategic report.

The functional currency of Orchardbrook Limited is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates.

Due to the fact that the nature of the business is to provide loan finance, the directors are of the opinion that it is more appropriate to use interest income and interest expense rather than turnover and cost of sales in preparing the Statement of Comprehensive Income.

Going concern

The Company is financed by a loan which is repayable on the maturity date of October 2058 or on the settlement date of Series 3 notes, whichever is earlier. The Company earns a margin between the interest income from its investment in asset backed notes over the interest expense on the loan funding sufficient to cover its administrative expenses.

After making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

Financial Instruments

In accordance with Financial Reporting Standard 102, the provisions of Section 11 and 12 have been adopted in full with respect to the recognition and measurement of financial instruments.

Financial assets and liabilities are recognised on Company's Statement of Financial Position when the Company becomes party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits with banks together with short-term highly liquid investments that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value are classified as loans and receivables. Interest income receivable on cash and cash equivalents is accounted for on an accruals basis using the effective interest rate method.

Short-term debtors and creditors

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Financial Instruments (Continued)

Financial assets

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables.

Loans and receivables are initially recognised at fair value plus directly related transaction costs. They are subsequently measured at amortised cost using the effective interest method less any impairment losses.

All financial assets are classified as loans and receivables unless otherwise indicated.

Financial liabilities

Non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Interest income

Investment income is accounted for on an accruals basis using effective interest rate method. The effective interest rate is the rate that exactly discounts all estimated future cash payments or receipts through the expected life of the financial instrument. Investment income includes interest receivable on the Series 3 loan notes acquired from Finance for Residential Social Housing Plc.

Interest expense

Interest expense paid on The Royal Bank of Scotland loan is accounted for on an accruals basis using the effective interest rate method. The effective interest rate is the rate that exactly discounts all estimated future cash payments or receipts through the expected life of the financial instrument.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Taxation

Income tax expense or income, comprising current tax and deferred tax, is recorded in the profit and loss account except income tax on items recognised outside profit or loss which is credited or charged to other comprehensive income or to equity as appropriate.

Current tax is income tax payable or recoverable in respect of the taxable profit or loss for the year arising in income, other comprehensive income or in equity. Provision is made for current tax at rates enacted or substantively enacted at the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable in respect of temporary differences between the carrying amount of an asset or liability for accounting purposes and its carrying amount for tax purposes. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered. Deferred tax is not recognised on temporary differences that arise from initial recognition of an asset or liability in a transaction (other than a business combination) that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated using tax rates expected to apply in the periods when the assets will be realised or the liabilities settled, based on tax rates and laws enacted, or substantively enacted, at the balance sheet date.

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES (CONTINUED)

Critical accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with UK company law requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense, in order to determine the amortised cost balance of these instruments. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements on carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates used in the financial statements.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both the current and future periods.

2. DIRECTORS AND EMPLOYEES

None of the directors received any emoluments for their services to the Company during the year (2017: £nil).

None of the directors had any material interest in any contract of significance in relation to the business of the Company (2017: £nil).

The Company does not have any employees (2017: none).

3. INTEREST INCOME

	2018 £'000	2017 £'000
Interest income on loan notes	632	632
	<u>632</u>	<u>632</u>

4. INTEREST EXPENSE

	2018 £'000	2017 £'000
Interest on loan payable	603	604
	<u>603</u>	<u>604</u>

5. ADMINISTRATIVE & OTHER EXPENSES

	2018 £'000	2017 £'000
Auditor's fees- audit of the Company's annual accounts	16	6
Other expenses	10	33
	<u>26</u>	<u>39</u>

ORCHARDBROOK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

6. TAXATION

The tax charge for the year comprises:

	2018 £'000	2017 £'000
Current taxation		
Charge for the year	4	3
(Over) provision in respect of prior periods	-	(7)
	<u>4</u>	<u>(4)</u>
Current tax charge for the period	4	(4)
Deferred taxation:		
Credit for the year	(1)	(1)
Under provision in respect of prior periods	-	7
	<u>(1)</u>	<u>7</u>
Tax charge for the year	<u><u>3</u></u>	<u><u>2</u></u>

The actual tax (credit)/charge match the expected tax (credit)/charge computed by applying the rate of UK corporation tax of 19% (2017: blended tax rate 19.25%) as follows:

	2018 £'000	2017 £'000
Expected tax charge	<u>3</u>	<u>2</u>
Actual tax charge	<u><u>3</u></u>	<u><u>2</u></u>

In recent years the UK Government has steadily reduced the rate of UK corporation tax, with the latest rates substantively enacted at the balance sheet date standing at 19% from 1 April 2017 and 17% from 1 April 2020. The closing deferred tax assets and liabilities have been calculated taking into account that existing temporary differences may unwind in periods subject to the reduced rates.

	£'000
Deferred tax liability as at 1 January 2017	-
Charge to income account	<u>6</u>
Deferred tax liability as at 31 December 2017	6
Credit to income account	<u>(1)</u>
Deferred tax liability as at 31 December 2018	<u><u>5</u></u>

7. INVESTMENT IN LOAN NOTES

	2018 £'000	2017 £'000
Series 3 loan notes issued by Finance for Residential Social Housing plc	<u>9,717</u>	<u>9,717</u>

The legal maturity of the loan notes is October 2058. The directors consider there has been no impairment in value, as they believe the cost of the notes will be realised in full. The loan note carries a fixed rate of interest of 6.50%.

ORCHARDBROOK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

8. DEBTORS

	2018 £'000	2017 £'000
Accrued interest income on loan note - within one year	159	160

9. CREDITORS

	2018 £'000	2017 £'000
Amounts due to Finance for Residential Social Housing Plc	10	10
Other accruals	148	154
	158	164

10. LOAN PAYABLE

	2018 £'000	2017 £'000
Loan payable - amounts falling due after more than one year	9,629	9,642

The loan payable to the Royal Bank of Scotland Plc carries a fixed rate of interest of 6.50% minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan). The annual effective interest rate applicable to these notes at period end was 6.26% (2017: 6.26%) and the legal maturity is at 2058.

11. CALLED- UP SHARE CAPITAL

	2018 £	2017 £
Alloted, called up and fully paid 1 ordinary share of £1	1	1

12. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	2018 £'000	2017 £'000
Opening equity shareholders' funds	120	109
Profit for the financial year	15	11
Closing equity shareholders' funds	135	120

ORCHARDBROOK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

13. RECONCILIATION OF OPERATING PROFIT TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2018 £'000	2017 £'000
Profit after tax	15	11
Movement in Loans payable	(13)	(12)
(Decrease)/Increase in creditors	(6)	(5)
	<hr/>	<hr/>
Net cash outflow from operating activities	(4)	(6)

14. FINANCIAL INSTRUMENTS

The Company's financial instruments comprise of fixed rate notes, loans payable and cash. Accrued interest income, accrued interest payable and other items arise, from its operations.

The principal risks facing the Company are liquidity risk, interest rate risk and credit risk. These risks have been monitored on an ongoing basis during the year and the Company has policies in place to mitigate these risks, as summarised below.

Liquidity risk

Liquidity risk is the risk that the Company is unable to meet its obligations as they fall due.

The Company reduces its liquidity risk by matching the maturity profile of the Company's funding to the maturity profile of the assets being funded. Currently the Company holds Series 3 loan note issued by Finance for Residential Social Housing PLC which is funded by a loan whereby the Company's funding effectively matches the underlying assets.

The table below reflects the undiscounted contractual cash flows of financial liabilities at the balance sheet:

As at 31 December	Carrying amount	Contractual cash flows	<1 months	1-3 months	3 months-1 year	1-5 years	5 years and over
2018	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Loan payable	(9,629)	(26,833)	-	-	(616)	(2,455)	(23,762)
Other creditors	(159)	(159)	-	-	(159)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	(9,788)	(26,992)	-	-	(775)	(2,455)	(23,762)
Net cash inflow/(outflow) from operating activities	<hr/> <hr/>						

ORCHARDBROOK LIMITED

Annual Report and Financial Statements for the year ended 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

14. FINANCIAL INSTRUMENTS (CONTINUED)

As at 31 December 2017	Carrying amount £'000	Contractual cash flows £'000	<1 months £'000	1-3 months- months £'000	3 months- 1 year £'000	1-5 years £'000	5 years and over £'000
Loan payable	(9,642)	(27,548)	-	-	(616)	(2,458)	(24,474)
Other creditors	(164)	(164)	-	-	(164)	-	-
	(9,806)	(27,712)	-	-	(780)	(2,458)	(24,474)
Net cash inflow/(outflow) from operating activities							

Interest rate risk

The Company financed the investment in Finance for Residential Social Housing plc Series 3 loan notes by borrowing funds denominated in Sterling from the Royal Bank of Scotland plc. This funding carries a fixed interest rate of 6.50% minus an adjustment rate (which is calculated to provide the Company with an increasing cash margin over the life of the loan) and the investment in Finance for Residential Social Housing Plc yields a fixed interest rate of 6.50%. The interest rate risk is therefore mitigated as the interest received on investment is always higher than the interest paid on loan.

Credit risk

The Company regularly monitors its investment in Finance for Residential Housing Plc to ensure that it is recoverable.

15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The ordinary shares of the Company are held by Royal Exchange Trust Company Limited under a trust deed for charity beneficiaries. The Company does not have a controlling party.

16. RELATED PARTY TRANSACTIONS

Royal Exchange Trust Company Limited owns 100% of the Finance for Residential Social Housing (Holdings) Limited Company and Orchardbrook Limited. Finance for Residential Social Housing (Holdings) Limited Company holds the shares in Finance for Residential Social Housing Plc. Transactions between Finance for Residential Social Housing Plc and Orchardbrook Limited are deemed related party transactions. The table below summarises the transactions with Finance for Residential Social Housing Plc which wholly relate to the Company's investment in loan notes issued by Finance for Residential Social Housing Plc:

	Balance sheet asset		Profit and Loss Account Income	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Interest on loan notes	-	-	632	632
Interest accrued	159	159	-	-
Series 3 loan notes	9,717	9,717	-	-

ORCHARDBROOK LIMITED

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NOTES TO THE FINANCIAL STATEMENTS

16. RELATED PARTY TRANSACTIONS (CONTINUED)

	Balance sheet liability	
	2018 £'000	2017 £'000
Amounts due to Finance for Residential Social Housing Plc	10	10

17. EVENTS OCCURRING AFTER THE STATEMENT OF FINANCIAL POSITION DATE

There has been no subsequent event after the statement of financial position date.