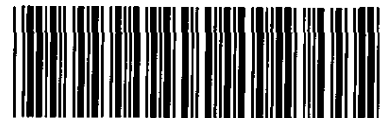


Registration number: 06596889

Cepen Lodge Limited

Annual Report and Unaudited Financial Statements
for the Year Ended 31 December 2021

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Cepen Lodge Limited

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Cepen Lodge Limited

Company Information

Directors	Pete Calveley
	Mark Hazlewood
	Michael O'Reilly
Company secretary	Michael O'Reilly
Registered office	3rd Floor, The Aspect 12 Finsbury Square London EC2A 1AS

Cepen Lodge Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

Principal activity

The principal activity of the Company is the operation of care homes.

Fair review of the business

The results of the Company are included in the consolidated financial statements of the Group headed by Barchester Finco 2019 Limited. These financial statements contain a detailed business review relating to the Group, along with a summary of likely future developments. Copies can be obtained from Companies House.

The Company's key financial and other performance indicators during the year were as follows:

	Unit	2021	2020
Turnover	£'000	2,656	2,479
Operating profit	£'000	892	666
Occupancy	%	84	84

Principal risks and uncertainties

The Board of Barchester Finco 2019 Limited analyses key risks to the business and monitors exposure to these risks through a series of Key Performance Indicators (KPIs). These KPIs are reviewed to ensure that the Group is achieving its principal objectives of providing the highest quality of care for residents, while at the same time ensuring that the infrastructure is as fully and efficiently utilised as possible to provide appropriate returns to shareholders.

Clinical quality risk

We are committed to the need to provide a consistent level of care. We have invested in a number of key areas to monitor care provision, including a specialist dementia team, clinical development nurses and a more rigorous programme of quality inspections. The business operates sophisticated levels of performance monitoring with regular reporting to senior management and the Board of any potential issues. In addition, a comprehensive programme of service audits is undertaken across all homes with reports and resulting action plans being the subject of comprehensive review. Perhaps most importantly, the Board encourages a culture of reporting any minor concerns from staff, residents and relatives, all of which are appropriately investigated. There is increased awareness of regulatory changes at Board level and regular briefing updates are being used to ensure appropriate knowledge transfer to staff throughout the business.

KPIs used:

regulatory compliance (both internal and external);
various indicators of clinical well-being; and
number of hours for staffing (employed and agency).

Health & Safety

We understand the need to provide a safe environment for our staff, residents, their guests or anyone else on our premises. Everyone in our business has accountability for health and safety, and they are given the necessary tools (including training, safety equipment and resources) to operate safely. Compliance is organised and monitored through a dedicated health and safety team across the business.

KPIs used:

notifiable accident frequency; and
accident statistics.

Cepen Lodge Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Public spending policy

Continued pressure is being exerted to reduce Government and Local Authority spending, which is manifesting itself increasingly in the reduction of fees being paid for the care of funded residents. To mitigate this, we undertake robust fee negotiations with the public sector and also focus more on the provision of space to privately funded individuals.

KPIs used:

average fee rates; and
occupancy rates and mix.

Employment of staff

Our business thrives on the skills and expertise of the staff we employ. The shortage of appropriate labour is a potential risk to the business, this is particularly acutely felt with the national shortage of qualified nursing staff. In order to mitigate this risk, the business has a proactive Human Resources and Recruitment team.

Continuity of service and care provided to residents is vitally important to the business. In order to ensure high quality care is provided it is necessary for the business to employ well trained staff and to encourage strong staff retention. To ensure staff have appropriate skills, the business provides on-going statutory and mandatory training to all resident facing staff. Development opportunities are identified and promoted throughout the business to continue to develop staff and encourage staff retention.

In addition, the business has procedures in place to ensure continued compliance with UKBA regulations.

KPIs used:

staff turnover;
staff training statistics; and
number of hours for staffing (employed and agency).

Cost base inflation

The principal costs for the successful operation of the business include staff costs, energy and food. All of these areas are subject to on-going cost pressures in advance of inflation. In order to mitigate these areas, we have a well organised procurement process to source energy and food at the best possible rates. We have a well organised operational structure to ensure that labour is employed as effectively as possible.

KPIs used:

EBITDA and EBITDAR per bed;
labour hours per resident per day; and
costs per resident per day.

Occupancy

An inability to maintain and grow occupancy levels of both private and local authority funded residents is a potential risk to the business. In order to mitigate this risk, we have a proactive Sales and Marketing team who work alongside the operational team to monitor and review occupancy levels.

KPIs used:

occupancy rates and mix; and
enquiry conversion rates.

Cepen Lodge Limited

Strategic Report for the Year Ended 31 December 2021 (continued)

Approved by the Board on 31 August 2022 and signed on its behalf by:



.....
Mark Hazlewood
Director

Cepen Lodge Limited

Directors' Report for the Year Ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

Directors of the Company

The Directors who held office during the year were as follows:

Pete Calveley

Mark Hazlewood

Michael O'Reilly - Company secretary and Director

Dividends

The Directors recommend no final dividend payment be made in respect of the financial year ended 31 December 2021 (2020: nil).

Going concern

The Directors have reasonable expectation that the Group and Company have adequate resources to continue in operation for at least 12 months from the date of approval of these financial statements. The Directors therefore believe that it is appropriate to prepare the financial statements on a going concern basis. Further details are in note 2 to the financial statements.

Employment of disabled persons

It is Company policy to fair consideration to the employment needs of disabled people and to comply with current legislation with regard to their employment. Wherever practicable, the Company continues to employ and promote the careers of existing employees who become disabled and to consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Employee involvement

The Directors recognise the importance of human resources. Practices to provide good communications and relations with employees including providing them with information on matters of concern to them as employees. Employees or their representatives are consulted on a regular basis so that their views can be taken into account in making decisions which are likely to affect their interests.

Approved by the Board on 31 August 2022 and signed on its behalf by:



.....
Mark Hazlewood
Director

Cepen Lodge Limited

Statement of Directors' Responsibilities in respect of the Directors' Report and the Financial Statements

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 the Directors 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 the 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 apply them consistently;
- make judgements and accounting 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;
- 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.

Cepen Lodge Limited

Profit and Loss Account for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	3	2,656	2,479
Cost of sales		<u>(1,753)</u>	<u>(1,813)</u>
Gross profit		903	666
Administrative expenses		<u>(11)</u>	<u>-</u>
Operating profit	4	<u>892</u>	<u>666</u>
Profit before tax		892	666
Taxation	7	<u>(46)</u>	<u>(10)</u>
Profit for the financial year		<u><u>846</u></u>	<u><u>656</u></u>

The above results were derived from continuing operations.

The Company has no recognised gains or losses for the year other than the results above.

The notes on pages 11 to 19 form an integral part of these financial statements.

Cepen Lodge Limited

Statement of Comprehensive Income for the Year Ended 31 December 2021

	2021	2020
	£ 000	£ 000
Profit for the year	<u>846</u>	<u>656</u>
Total comprehensive income for the year	<u><u>846</u></u>	<u><u>656</u></u>

The notes on pages 11 to 19 form an integral part of these financial statements.

Cepen Lodge Limited
(Registration number: 06596889)
Balance Sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Tangible assets	8	4,958	5,048
Current assets			
Stocks	9	4	4
Debtors	10	2,784	1,350
Cash at bank and in hand		3	
		2,791	1,354
Creditors: Amounts falling due within one year	11	(2,589)	(2,134)
Net current assets/(liabilities)		202	(780)
Total assets less current liabilities		5,160	4,268
Provisions for liabilities		(147)	(101)
Net assets		5,013	4,167
Capital and reserves			
Profit and loss account		5,013	4,167
Total equity		5,013	4,167

For the financial year ending 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- The members have not required the company to obtain an audit of its accounts for the year in question in accordance with section 476; and
- The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

Approved and authorised by the Board on 31 August 2022 and signed on its behalf by:



.....
Mark Hazlewood
Director

Cepen Lodge Limited

Statement of Changes in Equity for the Year Ended 31 Decmber 2021

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2021	-	4,167	4,167
Profit for the year	-	846	846
Total comprehensive income	-	846	846
At 31 December 2021	-	5,013	5,013

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2020	-	3,511	3,511
Profit for the year	-	656	656
Total comprehensive income	-	656	656
At 31 December 2020	-	4,167	4,167

The notes on pages 11 to 19 form an integral part of these financial statements.

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021

1 General information

The company is a private company limited by share capital, incorporated in England and Wales.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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'. The functional and presentation currency of these financial statements is sterling. All amounts in the financial statements have been rounded to the nearest £'000.

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

Summary of disclosure exemptions

As the Company is a wholly owned subsidiary of Grove Limited the Company has taken advantage of the disclosure exemptions contained in FRS 102 Section 1.12. By virtue of FRS 102 Section 33.1A the Company has not disclosed transactions or balances with wholly owned entities which form part of the Group.

Name of parent of group

These financial statements are consolidated in the financial statements of Grove Limited.

The financial statements of Grove Limited may be obtained from www.jersey.fsc.org.

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 Decmber 2021 (continued)

2 Accounting policies (continued)

Going concern

The financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

The Directors of Grove Limited (the "Grove Board"), the Company's ultimate parent undertaking, have prepared cash flow forecasts for Grove Limited and its subsidiaries (the "Grove Group"), of which this company is a member, for a period of 28 months from the date of approval of these financial statements.

The Grove Group meets its day to day working capital requirements through its cash reserves, bank loans and shareholder loans. The Grove Board have prepared cash forecasts for the remainder of 2022, the twelve months ended 31 December 2023 and the twelve months ended 31 December 2024. However, the Directors have determined the going concern period of assessment to be at least 12 months from the date of approval of these financial statements. These forecasts take into account the impact of Covid-19 to date, expectations in relation to occupancy, fee rates, resident mix, labour hours and costs (including agency), other costs and a full programme of capital expenditure and new developments. The Grove Board has also modelled several forecasts inclusive of downside sensitivities, one of which mirrors a possible further wave of Covid-19.

All forecasts, including the downside sensitivities indicate that the Grove Group will have sufficient cash resources for the forecast period through to December 2024. In addition to the forecast cash surplus, the Group has a £20 million revolving credit facility available from NatWest. This is forecast not to be required at any time throughout the forecast period, even in the downside sensitised cases. In addition, there are a number of areas of discretionary expenditure which could be reduced if necessary and sufficient assets on the balance sheet that could be used to raise additional debt if required.

Consequently, the Directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Key sources of estimation uncertainty

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. The estimated recoverable amount of each asset is assumed to be its fair value less costs to sell, and is based on a third party valuation.

The Company makes an estimate of the recoverable value of amounts owed by debtors. When assessing impairment of debtors, management considers factors including the ageing profile of debtors and historical experience.

Revenue recognition

Turnover comprises the fair value of the consideration received or receivable for the sale of goods and provision of services in the ordinary course of the Company's activities. Turnover is shown net of sales/value added tax, returns, rebates and discounts.

The Company recognises revenue when:

- the amount of revenue can be reliably measured;
- it is probable that future economic benefits will flow to the entity; and
- specific criteria have been met for each of the Company's activities.

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the country where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when 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 and that are expected to apply to the reversal of the timing difference.

Tangible assets

Tangible assets are stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Land & Buildings	straight line over 45 years
Plant & Equipment	straight line over 3-5 years
Motor vehicles	straight line over 4 years

Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out (FIFO) method.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the Company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

3 Revenue

The analysis of the Company's revenue for the year from continuing operations is as follows:

	2021	2020
	£ 000	£ 000
Rendering of services	<u>2,656</u>	<u>2,479</u>

4 Operating profit

Arrived at after charging

	2021	2020
	£ 000	£ 000
Depreciation expense	<u>178</u>	<u>185</u>

5 Staff costs

The aggregate payroll costs (including Directors' remuneration) were as follows:

	2021	2020
	£ 000	£ 000
Wages and salaries	1,118	1,239
Social security costs	76	87
Pension costs, defined contribution scheme	<u>20</u>	<u>24</u>
	<u>1,214</u>	<u>1,350</u>

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

5 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Administration and support	1	4
Healthcare facilities	60	80
	<u>61</u>	<u>84</u>

6 Directors' remuneration

The Directors' remuneration for the year was as follows:

	2021 £ 000	2020 £ 000
Remuneration	<u>8</u>	<u>-</u>

The Directors were employed by another Company within the Grove Limited Group in both the current year and the prior year. The proportion of their remuneration attributable to their services to Cepen Lodge Limited was not separately identifiable in the prior year.

7 Taxation

Tax charged/(credited) in the income statement

	2021 £ 000	2020 £ 000
Deferred taxation		
Arising from origination and reversal of timing differences	11	-
Arising from changes in tax rates and laws	35	10
Total deferred taxation	<u>46</u>	<u>10</u>

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2020 - lower than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are reconciled below:

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

7 Taxation (continued)

	2021	2020
	£ 000	£ 000
Profit before tax	<u>892</u>	<u>666</u>
Corporation tax at standard rate	169	127
Effect of expense not deductible in determining taxable profit (tax loss)	15	16
Deferred tax expense relating to changes in tax rates or laws	35	10
Tax decrease arising from group relief	(164)	(122)
Tax decrease from transfer pricing adjustments	(6)	(21)
Other tax effects for reconciliation between accounting profit and tax expense (income)	<u>(3)</u>	<u>-</u>
Total tax charge	<u>46</u>	<u>10</u>

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax balances have been calculated at a rate of 25% as this is the rate at which the majority of the timing differences are expected to reverse.

Deferred tax

Deferred tax assets and liabilities

	Liability
	£ 000
2021	
Fixed asset timing differences	<u>147</u>
2020	
Fixed asset timing differences	<u>101</u>

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

8 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2021	5,593	1,347	6,940
Additions	-	87	87
At 31 December 2021	5,593	1,434	7,027
Depreciation			
At 1 January 2021	844	1,048	1,892
Charge for the year	74	103	177
At 31 December 2021	918	1,151	2,069
Carrying amount			
At 31 December 2021	4,675	283	4,958
At 31 December 2020	4,749	299	5,048

9 Stocks

	2021 £ 000	2020 £ 000
Consumables	4	4

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

10 Debtors

	Note	2021 £ 000	2020 £ 000
Trade debtors		246	314
Amounts owed by related parties		2,530	1,004
Other debtors		-	24
Prepayments		8	8
		<u>2,784</u>	<u>1,350</u>

Amounts due from related parties stated above are legally due on demand and are thus recoverable within one year. It is not expected that a demand for these amounts will be made within the next year.

11 Creditors

	Note	2021 £ 000	2020 £ 000
Due within one year			
Trade creditors		5	26
Amounts due to related parties		2,333	1,871
Social security and other taxes		12	18
Outstanding defined contribution pension costs		2	4
Other creditors		85	104
Accruals		152	111
		<u>2,589</u>	<u>2,134</u>

Amounts due to related parties stated above are legally due on demand and are thus due within one year. It is not expected that a demand for these amounts will be made within the next year.

12 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £20,000 (2020 - £24,000).

Contributions totalling £2,000 (2020 - £4,000) were payable to the scheme at the end of the year and are included in creditors.

Cepen Lodge Limited

Notes to the Unaudited Financial Statements for the Year Ended 31 December 2021 (continued)

13 Share capital

Allotted, called up and fully paid shares

	2021		2020	
	No.	£	No.	£
Ordinary shares of £1 each	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

14 Parent and ultimate parent undertaking

The Company's immediate parent is Optimum FS Care Developments Limited, incorporated in United Kingdom.

The ultimate parent is Grove Limited, incorporated in Jersey.

The most senior parent entity producing publicly available financial statements is Grove Limited. These financial statements are available upon request from www.jerseyfsc.org.

The parent of the largest group in which these financial statements are consolidated is Grove Limited, incorporated in Jersey.

The address of Grove Limited is:

13 Castle Street

St Helier

Jersey

JE1 1ES

The parent of the smallest group in which these financial statements are consolidated is Barchester Finco 2019 Limited, incorporated in the United Kingdom.

The address of Barchester Finco 2019 Limited is:

3rd Floor

The Aspect

12 Finsbury Square

London

EC2A 1AS