

Registration number: 03942148

Lawton Group Limited

Annual Report and Unaudited Financial Statements

for the Year Ended 31 December 2019

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Lawton Group Limited

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Lawton Group 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

Lawton Group Limited

Strategic Report for the Year Ended 31 December 2019

The Directors present their strategic report for the year ended 31 December 2019.

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 (CB) Limited. These financial statements contain a detailed business review relating to the Group and copies can be obtained from Companies House.

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

	Unit	2019	2018
Turnover	£'000	5,744	6,106
Operating profit	£'000	1,562	1,799
Occupancy	%	81	87

Principal risks and uncertainties

The Board analyses key risks to the business and monitor exposure to these risks through a series of Key Performance Indicators (KPIs). These KPIs are reviewed to ensure that the Company 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.

Lawton Group Limited

Strategic Report for the Year Ended 31 December 2019 (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.

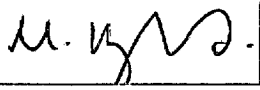
Lawton Group Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

Future Prospects

Barchester (CB) Limited and all of its subsidiaries was sold to Barchester Finco 2019 Limited, a subsidiary of Grove Limited, on 8 January 2020.

Approved by the Board on 18 June 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M. Hazlewood', is written over a horizontal line. The signature is enclosed within a rectangular box that has a vertical line on the right side.

Mark Hazlewood
Director

Lawton Group Limited

Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

Directors of the Company

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

J R Richardson (resigned 8 January 2020)

M C Royston (resigned 8 January 2020)

P G Thomas (resigned 8 January 2020)

R S Macaskill (resigned 8 January 2020)

G L Newman (resigned 8 January 2020)

The following directors were appointed after the year end:

Pete Calveley (appointed 8 January 2020)

Mark Hazlewood (appointed 8 January 2020)

Michael O'Reilly - Company secretary and director (appointed 8 January 2020)

Dividends

The Directors recommend no final dividend payment be made in respect of the financial year ended 31 December 2019 (2018: nil).

Going concern

The Directors have reasonable expectation that the Group and Company have adequate resources to continue in operation for the foreseeable future. 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.

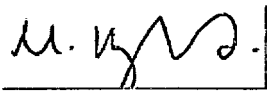
Employment of disabled persons

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 18 June 2021 and signed on its behalf by:



Mark Hazlewood
Director

Lawton Group 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.

Lawton Group Limited

Profit and Loss Account for the Year Ended 31 December 2019

	Note	2019 £ 000	2018 £ 000
Turnover	3	5,744	6,106
Cost of sales		<u>(4,182)</u>	<u>(4,307)</u>
Operating profit	4	<u>1,562</u>	<u>1,799</u>
Profit before tax		1,562	1,799
Taxation	7	<u>8</u>	<u>(382)</u>
Profit for the financial year		<u><u>1,570</u></u>	<u><u>1,417</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.

Lawton Group Limited

Statement of Comprehensive Income for the Year Ended 31 December 2019

	2019 £ 000	2018 £ 000
Profit for the year	<u>1,570</u>	<u>1,417</u>
Total comprehensive income for the year	<u><u>1,570</u></u>	<u><u>1,417</u></u>

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

Lawton Group Limited
(Registration number: 03942148)
Balance Sheet as at 31 December 2019

	Note	2019 £ 000	2018 £ 000
Fixed assets			
Tangible assets	8	13,996	14,128
Current assets			
Debtors	9	10,469	8,869
Cash at bank and in hand		<u>1</u>	<u>1</u>
		10,470	8,870
Creditors: Amounts falling due within one year	10	<u>(14,959)</u>	<u>(15,053)</u>
Net current liabilities		<u>(4,489)</u>	<u>(6,183)</u>
Total assets less current liabilities		9,507	7,945
Provisions for liabilities		<u>(51)</u>	<u>(59)</u>
Net assets		<u>9,456</u>	<u>7,886</u>
Capital and reserves			
Called up share capital	12	1	1
Profit and loss account		<u>9,455</u>	<u>7,885</u>
Total equity		<u>9,456</u>	<u>7,886</u>

For the financial year ending 31 December 2019 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 18 June 2021 and signed on its behalf by:



Mark Hazlewood
Director

Lawton Group Limited

Statement of Changes in Equity for the Year Ended 31 December 2019

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2019	1	7,885	7,886
Profit for the year	-	1,570	1,570
Total comprehensive income	-	1,570	1,570
At 31 December 2019	1	9,455	9,456

	Share capital £ 000	Profit and loss account £ 000	Total £ 000
At 1 January 2018	1	6,468	6,469
Profit for the year	-	1,417	1,417
Total comprehensive income	-	1,417	1,417
At 31 December 2018	1	7,885	7,886

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019

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 Barchester (CB) 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 Barchester (CB) Limited.

The financial statements of Barchester (CB) Limited may be obtained from Companies House.

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

Going concern

Notwithstanding net current liabilities of £4,489,000 the financial statements have been prepared on a going concern basis which the Directors consider to be appropriate for the following reasons.

This basis is dependent on the Company's parent and fellow subsidiary companies, not seeking repayment of the amounts currently due to the Group, which at 31 December 2019 amounted to £14,494,000.

Grove Limited (the Company's ultimate parent undertaking) has indicated that it does not intend to seek repayment of these amounts during the next 12 months. As with any company placing reliance on other group entities for financial support, the Directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

The Directors of Grove Limited have prepared cash flow forecasts for the Grove Group for the remainder of 2021 and the year ending 31 December 2022 which take into account the impact of COVID-19 to date and revised expectations in relation to occupancy, labour hours and infection control costs for the remainder of the forecast period. These forecasts demonstrate that the Grove Group will continue to have sufficient available cash resources for the forecast period, including when plausible downside sensitivity analysis is taken into account. In addition to the forecast cash resources available, the Grove Group also has access to a £20m banking facility which is not expected to be drawn down during the period to 31 December 2022 under either the base case or sensitised forecasts, and has a number of options available to management, such as a reduction in discretionary capital expenditure, should they be needed.

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.

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.

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

2 Accounting policies (continued)

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

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.

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:

	2019	2018
	£ 000	£ 000
Rendering of services	<u>5,744</u>	<u>6,106</u>

4 Operating profit

Arrived at after charging

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

4 Operating profit (continued)

	2019	2018
	£ 000	£ 000
Depreciation expense	<u>393</u>	<u>435</u>

5 Staff costs

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

	2019	2018
	£ 000	£ 000
Wages and salaries	2,602	2,434
Social security costs	186	177
Pension costs, defined contribution scheme	<u>40</u>	<u>24</u>
	<u>2,828</u>	<u>2,635</u>

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (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:

	2019 No.	2018 No.
Administration and support	12	12
Healthcare facilities	155	154
	<u>167</u>	<u>166</u>

6 Directors' remuneration

The Directors received remuneration for services to Barchester (CB) Limited of which Lawton Group Limited is a subsidiary undertaking, however the proportion attributable to their services to Lawton Group Limited is not separately identifiable.

7 Taxation

Tax charged/(credited) in the income statement

	2019 £ 000	2018 £ 000
Current taxation		
UK corporation tax	-	394
UK corporation tax adjustment to prior periods	-	(5)
	<u>-</u>	<u>389</u>
Deferred taxation		
Arising from origination and reversal of timing differences	21	1
Arising from changes in tax rates and laws	(2)	-
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(27)	(8)
Total deferred taxation	<u>(8)</u>	<u>(7)</u>
Tax (receipt)/expense in the income statement	<u>(8)</u>	<u>382</u>

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

7 Taxation (continued)

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2018 - the same as the standard rate of corporation tax in the UK) of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £ 000	2018 £ 000
Profit before tax	<u>1,562</u>	<u>1,799</u>
Corporation tax at standard rate	297	342
Effect of expense not deductible in determining taxable profit (tax loss)	54	53
UK deferred tax credit relating to changes in tax rates or laws	(2)	-
Decrease in UK and foreign current tax from unrecognised temporary difference from a prior period	(27)	(8)
Decrease in UK and foreign current tax from adjustment for prior periods	-	(5)
Tax decrease arising from group relief	<u>(330)</u>	<u>-</u>
Total tax (credit)/charge	<u>(8)</u>	<u>382</u>

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. Deferred tax balances have been calculated at a rate of 17% 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
2019	
Fixed asset timing differences	<u>51</u>
2018	
Fixed asset timing differences	<u>59</u>

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

8 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
Cost or valuation			
At 1 January 2019	14,751	1,558	16,309
Additions	-	251	251
At 31 December 2019	<u>14,751</u>	<u>1,809</u>	<u>16,560</u>
Depreciation			
At 1 January 2019	1,135	1,046	2,181
Charge for the year	180	203	383
At 31 December 2019	<u>1,315</u>	<u>1,249</u>	<u>2,564</u>
Carrying amount			
At 31 December 2019	<u>13,436</u>	<u>560</u>	<u>13,996</u>
At 31 December 2018	<u>13,616</u>	<u>512</u>	<u>14,128</u>

9 Debtors

	2019 £ 000	2018 £ 000
Note		
Trade debtors	38	203
Amounts owed by related parties	10,402	8,647
Prepayments	29	19
	<u>10,469</u>	<u>8,869</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.

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

10 Creditors

	Note	2019 £ 000	2018 £ 000
Due within one year			
Trade creditors		73	54
Amounts due to related parties		14,494	14,478
Social security and other taxes		32	26
Outstanding defined contribution pension costs		7	-
Other creditors		239	415
Accruals		114	80
		<u>14,959</u>	<u>15,053</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.

11 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 £40,000 (2018 - £24,000).

Contributions totalling £7,000 (2018 - £Nil) were payable to the scheme at the end of the year and are included in creditors.

12 Share capital

Allotted, called up and fully paid shares

	2019		2018	
	No.	£	No.	£
Ordinary shares of £1 each	<u>703</u>	<u>703</u>	<u>703</u>	<u>703</u>

13 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £Nil (2018 - £37,000).

Lawton Group Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

14 Contingent liabilities

The Company, together with its intermediate parent company, Barchester (CB) Limited, and fellow subsidiary undertakings, is party to a number of financing arrangements under which the Company has provided guarantees.

15 Parent and ultimate parent undertaking

The Company's immediate parent is Lawton Group Holdings Limited, incorporated in England and Wales.

Until 8 January 2020 the Company's ultimate parent and controlling party was Terra Firma Holdings Limited, a company incorporated in Guernsey.

From 8 January 2020 the Company's ultimate parent and controlling party is Grove Limited, a company incorporated in Jersey.

Relationship between entity and parents

The parent of both the smallest and the largest group in which these financial statements are consolidated is Barchester (CB) Limited, incorporated in the United Kingdom.

The address of Barchester (CB) Limited is:

3rd Floor
The Aspect
12 Finsbury Square
London
EC2A 1AS