

**Cheadle Royal Healthcare Limited**  
**Annual Report and Unaudited Financial Statements**  
**for the Year Ended 31 December 2022**  
**Registration number: 03254624**



# **Cheadle Royal Healthcare Limited**

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# **Cheadle Royal Healthcare Limited**

## **Company Information**

<b>Directors</b>	David Hall
	Jim Lee
	Rebekah Cresswell
<b>Company secretary</b>	David Hall
	David Hall
<b>Registered office</b>	Fifth Floor 80 Hammersmith Road London W14 8UD

# Cheadle Royal Healthcare Limited

## Strategic Report for the Year Ended 31 December 2022

The directors present their report for the year ended 31 December 2022.

### Fair review of the business

The results for the year are set out in the profit and loss account on page 6 and the position of the company as at the year end is set out in the balance sheet on page 8.

The company is focussed on the healthcare sector and the performance of the company can be impacted by external factors. The principal factors are changes in the UK government's policy towards outsourcing of healthcare, changes in the regulatory regime and competitive threats from other independent providers. Management uses a range of financial and non-financial indicators to manage the business. These are derived from all areas of the business and include sales growth by unit, occupancy and profit margins achieved. Gross profit margins have decreased from 25.4% in 2020 to 24.8% in 2021.

The company's management is satisfied with the performance for the year, and is committed to a continued growth strategy.

Given the straightforward nature of the business, the company's directors are of the opinion that analysis using key performance indicators is not necessary for an understanding of the development, performance or position of the business. The development, performance and position of Priory Group UK 1 Limited, an intermediate parent of the company, is discussed in the group's financial statements which includes the company and does not form part of this report.

### Principal risks and uncertainties

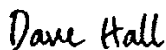
From the perspective of the company, the principal risks and uncertainties are integrated with the principal risks of the group and are not managed separately. Accordingly, the principle risks and uncertainties of Priory Group UK 1 Limited, which include those of the company, are discussed in the group's financial statements which do not form part of this report.

### Statement on Section 172(1)

The following Section 172 statement, which is required by the Companies Act 2006, describes how the directors have had regard to the matters set out in Section 172(1a to 1f) including key decisions and matters that are of strategic importance to the company. The directors, in line with their duties under Section 172 of the Companies Act 2006, act in a way they consider, in good faith would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term.

From the perspective of the company, decisions and policies relating to Section 172(1) are determined at group level and applied to the company, where relevant, by the directors. Accordingly, further details in relation to how the directors have engaged with suppliers, customers, employees and other stakeholders are included in the financial statements of Priory Group UK 1 Limited, an intermediate parent of the company, which includes the company and does not form part of this report.

Approved by the board on 31 July 2023 and signed on its behalf by:



.....  
David Hall  
Company secretary and director

# **Cheadle Royal Healthcare Limited**

## **Directors' Report for the Year Ended 31 December 2022**

The directors present their report and the unaudited financial statements for the year ended 31 December 2022.

This report should be read in conjunction with the strategic report on page 2. The company has chosen in accordance with Section 414C(ii) of the Companies Act 2006 to set out in the strategic report the following which the directors believe to be of strategic importance:

- Business review;
- Principal risks and uncertainties; and
- Statements in relation to how directors have engaged with employees, suppliers, customers and others in a business relationship with the company.

### **Principal activity**

The principal activity of the company is the operation of hospitals providing in-patient and out-patient treatment in the areas of general psychiatry, eating disorders and adolescent psychiatry.

### **Directors' of the company**

The directors, who held office during the year and up to the date of signing the financial statements were as follows:

David Hall - Company secretary and director

Jim Lee

Rebekah Cresswell

### **Dividends**

The directors do not recommend the payment of a final dividend (2021: £nil). Dividends totalling £79,771,000 were paid during the year (2021: £nil).

### **Financial instruments**

The company's operations mean that it is exposed to a variety of financial risks that include the effects of changes in credit risk, liquidity risk and interest rate risk. The directors monitor the risks in order to limit the adverse effects on the financial performance by reviewing levels of debt finance and the related finance costs, however these are integrated with the risks of the group and not managed separately. Accordingly, the financial risk management policies of Priory Group UK 1 Limited, which include those of the company, are discussed in the group's financial statements which do not form part of this report.

### **Employee involvement**

The directors recognise that the continued position of the company in this sector depends on the quality and motivation of its employees and as such the company is committed to pursue employment policies which will continue to attract, retain and motivate its employees.

Good and effective employee communications are particularly important and throughout the business it is the directors' policy to promote the understanding by employees of the company's business aims, performance and individual opportunities for personal and career development. This is achieved through internal publications, presentations on performance and a variety of other approaches appropriate for a particular location. Employees are consulted on issues through the "Your Say" forum. Employees have a personal development plan that is monitored, assessed and modified during the annual appraisal process.

The directors monitor the results of staff surveys, both regular and ad hoc, together with employee forums, to enable them to discuss human resourcing matters with the interests of the workforce at heart. Annual salary reviews are undertaken with reference to the importance of employee retention, changes in the National Living Wage, and commercial factors. The directors are committed to communicating the results of any wage reviews in a transparent manner.

## **Cheadle Royal Healthcare Limited**

### **Directors' Report for the Year Ended 31 December 2022 (continued)**

#### **Employment of disabled persons**

The directors believe that it is important to recruit and retain capable and caring staff regardless of their sex, marital status, race or religion. It is the company's policy to give full and fair consideration to applications for employment from people who are disabled, to continue wherever possible the employment of and to arranged appropriate training for, employees who become disabled and to provide equal opportunities for the career development, training and promotion of disabled employees.

#### **Future developments**

The future developments of the company are aligned to the strategy of the UK group, headed by Priory Group UK 1 Limited. The group's strategy for the future development of the business is included in the group's financial statements, which do not form part of this report.

#### **Going concern**

The intermediate parent company, Priory Group UK 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least twelve months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

Approved by the Board on 31 July 2023 and signed on its behalf by:

*David Hall*

.....  
David Hall  
Company secretary and director

# **Cheadle Royal Healthcare Limited**

## **Statement of Directors' Responsibilities**

The directors acknowledge their responsibilities 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). 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 FRS 101 has 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 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.

## **Cheadle Royal Healthcare Limited**

### **Profit and Loss Account for the Year Ended 31 December 2022**

	<b>Note</b>	<b>2022 £ 000</b>	<b>2021 £ 000</b>
Turnover	4	36,688	35,392
Cost of sales		<u>(28,920)</u>	<u>(26,609)</u>
Gross profit		7,768	8,783
Administrative expenses		<u>(3,625)</u>	<u>6,868</u>
Operating profit	5	4,143	15,651
Other interest receivable and similar income	6	885	470
Interest payable and similar charges	7	<u>(4,872)</u>	<u>(2,532)</u>
Profit before tax		156	13,589
Tax on profit on ordinary activities	10	<u>480</u>	<u>(29,284)</u>
Profit/(loss) for the year		<u><u>636</u></u>	<u><u>(15,695)</u></u>

The above results were derived from continuing operations.

The notes on pages 11 to 24 form an integral part of these financial statements.



## **Cheadle Royal Healthcare Limited**

### **Statement of Comprehensive Income for the Year Ended 31 December 2022**

	<b>2022</b> <b>£ 000</b>	<b>2021</b> <b>£ 000</b>
Profit/(loss) for the year	<u>636</u>	<u>(15,695)</u>
Total comprehensive income for the year	<u><u>636</u></u>	<u><u>(15,695)</u></u>

The notes on pages 11 to 24 form an integral part of these financial statements.

# Cheadle Royal Healthcare Limited

(Registration number: 03254624)

## Balance Sheet as at 31 December 2022

	Note	2022 £ 000	2021 £ 000
<b>Fixed assets</b>			
Tangible assets	11	3,789	3,475
Investments	12	-	-
Right of use assets	13	13,746	10,852
		<u>17,535</u>	<u>14,327</u>
<b>Current assets</b>			
Stocks	14	29	28
Debtors	15	53,188	81,700
Cash at bank and in hand	16	18	13
		<u>53,235</u>	<u>81,741</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(7,142)</u>	<u>(35,708)</u>
<b>Net current assets</b>		<u>46,093</u>	<u>46,033</u>
<b>Total assets less current liabilities</b>		63,628	60,360
<b>Creditors: Amounts falling due after more than one year</b>		(81,180)	(78,188)
<b>Provisions for liabilities</b>	10	<u>(308)</u>	<u>(668)</u>
<b>Net liabilities</b>		<u>(17,860)</u>	<u>(18,496)</u>
<b>Capital and reserves</b>			
Called up share capital	20	-	-
Share premium reserve		213	213
Capital redemption reserve		907	907
Profit and loss account		<u>(18,980)</u>	<u>(19,616)</u>
Shareholders' deficit		<u>(17,860)</u>	<u>(18,496)</u>

The notes on pages 11 to 24 form an integral part of these financial statements.

## **Cheadle Royal Healthcare Limited**

**(Registration number: 03254624)**

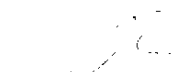
### **Balance Sheet as at 31 December 2022 (continued)**

For the financial year ending 31 December 2022 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 by the board on 31 July 2023 and signed on its behalf by:

  
.....  
Jim Lee  
Director

The notes on pages 11 to 24 form an integral part of these financial statements.

## Cheadle Royal Healthcare Limited

### Statement of Changes in Equity for the Year Ended 31 December 2022

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2022	-	213	907	(19,616)	(18,496)
Profit for the year	-	-	-	636	636
Total comprehensive income	-	-	-	636	636
At 31 December 2022	-	213	907	(18,980)	(17,860)

	Share capital £ 000	Share premium £ 000	Capital redemption reserve £ 000	Retained earnings £ 000	Total £ 000
At 1 January 2021	-	213	907	75,850	76,970
Loss for the year	-	-	-	(15,695)	(15,695)
Total comprehensive income	-	-	-	(15,695)	(15,695)
Dividends	-	-	-	(79,771)	(79,771)
At 31 December 2021	-	213	907	(19,616)	(18,496)

The notes on pages 11 to 24 form an integral part of these financial statements.

# **Cheadle Royal Healthcare Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022**

### **1 General information**

The company is a private company limited by share capital, incorporated and domiciled in United Kingdom.

The address of its registered office is:

Fifth Floor  
80 Hammersmith Road  
London  
W14 8UD  
United Kingdom

These financial statements were authorised for issue by the board on 31 July 2023.

### **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.

#### **Basis of preparation**

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework.

The financial statements are presented in sterling, rounded to the nearest thousand.

#### **Summary of disclosure exemptions**

FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 21 gives details of the Company's ultimate parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

The principle disclosure exemptions adopted by the Company in accordance with FRS 101 are as follows:

- Statement of cash flows;
- IFRS 7 financial instrument disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation;
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies (the company had no other related party transactions); and
- Roll-forward reconciliations in respect of share capital (IAS 1) and property, plant and equipment (IAS 16).

# **Cheadle Royal Healthcare Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

### **2 Accounting policies (continued)**

#### **Going concern**

The intermediate parent company, Priory Group UK 1 Limited, has confirmed that it will continue to provide financial support to the company for the foreseeable future and for at least twelve months from the date of approval of these financial statements. Accordingly the financial statements have been prepared on the going concern basis.

#### **Exemption from preparing group accounts**

The financial statements contain information about Cheadle Royal Healthcare Limited as an individual company and do not contain consolidated financial information as the parent of a group.

The company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its parent, Priory Group UK 1 Limited, a company incorporated in United Kingdom.

#### **Changes in accounting policy**

None of the standards, interpretations and amendments effective for the first time from 1 January 2022 have had a material effect on the financial statements.

#### **Revenue recognition**

Revenue 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. Revenue is shown net of sales/value added tax, returns, rebates and discounts and after eliminating sales within the company.

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 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 countries where the company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Payment is generally made for group relief at the current tax rate at the time of first estimating the tax provision. To the extent that amendments are subsequently made to the group relief plan, there is generally no payment or receipt in respect of the change.

# **Cheadle Royal Healthcare Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

### **2 Accounting policies (continued)**

#### **Tangible assets**

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of property, plant and equipment 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:

<b>Asset class</b>	<b>Depreciation method and rate</b>
Freehold buildings	over 50 years
Short leasehold land and buildings	over the lease term
Fixture and fittings	over 3 to 16 years
Motor vehicles	over shorter of the lease term and 4 years

#### **Leases**

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For each lease, the company recognises a "right of use" asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

## **Cheadle Royal Healthcare Limited**

### **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

#### **2 Accounting policies (continued)**

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be easily determined, the company's incremental borrowing rate for financial instruments of a duration commensurate with the lease term. Generally, the company uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability include fixed payments, variable lease payments that depend on an index or a rate; amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the company is reasonably certain to exercise, lease payments in an optional renewal period if the company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the company is reasonably certain not to terminate early.

The lease liability is remeasured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the company's estimate of the amount to be payable under a residual value guarantee, or if the company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

For motor vehicle leases that were classified as finance leases applying IAS 17, the carrying amount of the right of use asset and the lease liability at initial application are the carrying amount of the finance lease asset and liability immediately prior to the redesignation as right of use assets and liabilities.

IFRS 16 sets out a number of practical expediciencies that an entity can utilise upon adoption of the standard. The company has made use of the following practical expediciencies:

- Short-term leases - the company has elected not to recognise right of use assets and lease liabilities for short-term leases of property and equipment that have a lease term of 12 months or less. The company recognises the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.
- Leases of low-value assets - the company has elected not to recognise right of use assets and lease liabilities for leases of low-value assets, including sundry IT and office equipment. The company recognises the lease payments associated with low-value leases as an expense on a straight-line basis over the lease term.
- Portfolio approach to discount rates - the company has elected to apply a single discount rate to portfolios of leases with reasonably similar characteristics, namely leases with a similar remaining lease term.
- Impairment review on initial application - the company has elected to rely on its assessment of whether leases are onerous (through the application of IAS 37) as an alternative to performing an impairment review on initial application.

#### **Stock**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

The cost of finished goods and work in progress comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. At each reporting date, inventories are assessed for impairment. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell; the impairment loss is recognised immediately in profit or loss.



# **Cheadle Royal Healthcare Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)**

### **2 Accounting policies (continued)**

#### **Trade creditors**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

#### **Impairment of non-financial assets**

Property, plant and equipment is tested for impairment by management when a trigger event that might affect asset values has occurred. An impairment loss is recognised in the profit and loss account to the extent that the carrying amount cannot be recovered either by selling the asset or by the discounted future earnings from an income-generating unit, which is an individual business operational unit.

#### **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.

#### **Dividends**

*Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.*

#### **Cash and cash equivalents**

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

#### **Investments**

Investments in securities are classified on initial recognition as available-for-sale and are carried at fair value, except where their fair value cannot be measured reliably, in which case they are carried at cost, less any impairment.

Unrealised holding gains and losses other than impairments are recognised in other comprehensive income. On maturity or disposal, net gains and losses previously deferred in accumulated other comprehensive income are recognised in income.

Interest income on debt securities, where applicable, is recognised in income using the effective interest method. Dividends on equity securities are recognised in income when receivable.

#### **Trade debtors**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

# **Cheadle Royal Healthcare Limited**

## **Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (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 separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

### **3 Critical accounting judgements and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period then ended. Management bases its estimates on historical experience and various other assumptions that are considered to be reasonable in the particular circumstances. Actual results may differ from these estimates.

Estimates are used in accounting for allowances for uncollected receivables, depreciation, taxes and contingencies. Estimates and assumptions are reviewed periodically and the effects of the revision are reflected in the financial statements in the period that an adjustment is determined to be required.

Significant accounting judgements have been applied with respect to the valuation of deferred tax assets. Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

### **4 Turnover**

The analysis of the company's turnover for the year from continuing operations is as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ 000</b>	<b>£ 000</b>
Rendering of services	<u>36,688</u>	<u>35,392</u>

All turnover and profit on ordinary activities before taxation arose within the United Kingdom and from one class of business.

## Cheadle Royal Healthcare Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 5 Operating profit

Arrived at after charging

	2022 £ 000	2021 £ 000
Depreciation of tangible assets	631	765
Depreciation on right of use assets	484	259
Profit on disposal of property, plant and equipment	-	(10,806)

#### 6 Interest receivable and similar income

	2022 £ 000	2021 £ 000
Other finance income	885	470

#### 7 Interest payable and similar expenses

	2022 £ 000	2021 £ 000
Interest expense on leases	4,872	2,532

#### 8 Staff costs

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

	2022 £ 000	2021 £ 000
Wages and salaries	18,230	18,324
Social security costs	1,819	1,720
Pension costs, defined contribution scheme	448	458
	20,497	20,502

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

	2022 No.	2021 No.
Administration and support	82	89
Other departments	704	750
	786	839

## Cheadle Royal Healthcare Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 9 Directors' remuneration

The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies.

#### 10 Income tax

Tax charged/(credited) in the profit and loss account

	2022 £ 000	2021 £ 000
<b>Current taxation</b>		
UK corporation tax	(120)	28,986
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(360)	298
Tax (receipt)/expense in the profit and loss account	(480)	29,284

The tax on profit before tax for the year is lower than the standard rate of corporation tax in the UK (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are reconciled below:

	2022 £ 000	2021 £ 000
Profit before tax	156	13,589
Corporation tax at standard rate	30	2,582
Decrease in current tax from adjustment for prior periods	(105)	(75)
(Decrease)/increase from effect of expenses not deductible in determining taxable profit (tax loss)	(566)	11,868
Increase from transfer pricing adjustments	591	709
Deferred tax credit from unrecognised temporary difference from a prior period	(452)	-
Deferred tax expense relating to changes in tax rates or laws	22	160
Increase from effect of rollover relief on profit on disposal of fixed assets	-	14,040
Total tax (credit)/charge	(480)	29,284

The company's profits for this accounting year are taxed at an effective rate of 19% (2021: 19%).

# Cheadle Royal Healthcare Limited

## Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

### 10 Income tax (continued)

Finance Bill 2021 was substantively enacted on 24 May 2021; this legislation increases the main rate of corporation tax to 25% with effect from 1 April 2023. The deferred tax liability has been calculated at 25% (2021: 25%), reflecting the period in which the temporary differences that give rise to deferred tax will reverse.

#### Deferred tax

Deferred tax assets and liabilities

	Asset £ 000	Liability £ 000	Net deferred tax £ 000
<b>2022</b>			
Accelerated tax depreciation	-	(370)	(370)
Other items	62	-	62
	<u>62</u>	<u>(370)</u>	<u>(308)</u>
<b>2021</b>			
Accelerated tax depreciation	-	(688)	(688)
Other items	20	-	20
	<u>20</u>	<u>(688)</u>	<u>(668)</u>

## Cheadle Royal Healthcare Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 10 Income tax (continued)

Deferred tax movement during the year:

	At 1 January 2022 £ 000	Recognised in income £ 000	At 31 December 2022 £ 000
Accelerated tax depreciation	(688)	318	(370)
Other items	20	42	62
	<u>(668)</u>	<u>360</u>	<u>(308)</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £ 000	Recognised in income £ 000	At 31 December 2021 £ 000
Accelerated tax depreciation	(386)	(302)	(688)
Other items	16	4	20
	<u>(370)</u>	<u>(298)</u>	<u>(668)</u>

Deferred tax assets relating to deductible temporary differences are recognised if it is probable that they can be offset against future taxable profits or existing temporary differences. On the basis of the approved business plans, it is considered probable that the temporary differences can be offset against future taxable profits.

## Cheadle Royal Healthcare Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 11 Tangible assets

	Land and buildings £ 000	Furniture, fittings and equipment £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2022	1,898	5,805	7,703
Additions	-	945	945
Disposals	-	(443)	(443)
At 31 December 2022	<u>1,898</u>	<u>6,307</u>	<u>8,205</u>
<b>Depreciation</b>			
At 1 January 2022	1,898	2,330	4,228
Charge for the year	-	631	631
Eliminated on disposal	-	(443)	(443)
At 31 December 2022	<u>1,898</u>	<u>2,518</u>	<u>4,416</u>
<b>Carrying amount</b>			
At 31 December 2022	<u>-</u>	<u>3,789</u>	<u>3,789</u>
At 31 December 2021	<u>-</u>	<u>3,475</u>	<u>3,475</u>

#### 12 Investments

	£ 000
<b>Subsidiaries</b>	
<b>Cost or valuation</b>	
At 31 December 2021	-
At 31 December 2022	<u>-</u>
<b>Carrying amount</b>	
At 31 December 2022	<u>-</u>
At 31 December 2021	<u>-</u>

Details of the subsidiaries as at 31 December 2022 are as follows:

## Cheadle Royal Healthcare Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 12 Investments (continued)

Name of subsidiary	Principal activity	Country of incorporation and principal place of business	Proportion of ownership interest and voting rights held	
			2022	2021
Cheadle Royal Residential Services Limited*	Non trading	United Kingdom	100%	100%

\* indicates directly held subsidiary.

#### 13 Leases and IFRS 16 right of use assets and liabilities

The company leases a number of assets, information about leases for which the company is a lessee is presented below.

	Land & Buildings £ 000	Motor vehicles £ 000	Total £ 000
<b>Right of use assets</b>			
At 1 January 2022	10,774	78	10,852
At 31 December 2022	<u>13,652</u>	<u>94</u>	<u>13,746</u>
<b>Additions and depreciation</b>			
Additions during the year	-	51	51
Depreciation charge for the year	<u>(449)</u>	<u>(35)</u>	<u>(484)</u>

See notes 17 and 18 for right of use liabilities recognised in relation to leases. Interest on lease liabilities of £4,872,000 (2021: £2,532,000) was recognised in the profit and loss account.

The company leases one property with a remaining lease term of 23.5 years.

The company leases motor vehicles with lease terms generally of 4 years.

#### 14 Stock

	2022 £ 000	2021 £ 000
Raw materials and consumables	<u>29</u>	<u>28</u>



## Cheadle Royal Healthcare Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 15 Trade and other debtors

	2022 £ 000	2021 £ 000
Trade debtors	2,262	1,835
Provision for impairment of trade debtors	(3)	(9)
Net trade debtors	2,259	1,826
Income tax asset	120	-
Debtors from related parties	49,005	79,411
Prepayments	508	13
Other debtors	1,296	450
Total current trade and other debtors	53,188	81,700

Debtors from related parties includes £1,240,000 (2021: £1,240,000) that is unsecured, bears interest at LIBOR plus 2.25% per annum and is repayable on demand.

Other amounts included in debtors from related parties are unsecured, non interest bearing and repayable on demand.

#### 16 Cash at bank and in hand

	2022 £ 000	2021 £ 000
Cash at bank	18	13

#### 17 Creditors: amounts falling due within one year

	2022 £ 000	2021 £ 000
Accrued expenses	1,312	975
Deferred income	39	-
Social security and other taxes	343	431
Outstanding defined contribution pension costs	75	82
Other creditors	133	-
Income tax liability	-	28,986
Current portion of long term lease liabilities	5,240	5,234
	7,142	35,708

## Cheadle Royal Healthcare Limited

### Notes to the Unaudited Financial Statements for the Year Ended 31 December 2022 (continued)

#### 18 Creditors: amounts falling due after more than one year

	2022 £ 000	2021 £ 000
Long term lease liabilities	81,180	78,188

#### 19 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was £57,000 (2021 - £Nil).

#### 20 Share capital

##### Allotted, called up and fully paid shares

	No.	2022 £	No.	2021 £
Ordinary shares of £1 each	97	97	97	97

#### 21 Parent and ultimate parent undertaking

The company's immediate parent is Affinity Hospitals Limited.

The ultimate parent is Rehab and Mental Healthcare Group B.V..

The parent of the largest group in which these financial statements are consolidated is Median B.V., incorporated in the Netherlands. The address of Median B.V. is Basisweg 10, 1043 AP, Amsterdam, the Netherlands.

The parent of the smallest group in which these financial statements are consolidated is Priory Group UK 1 Limited incorporated in the United Kingdom. The address of Priory Group UK 1 Limited is Fifth Floor, 80 Hammersmith Road, London, W14 8UD, United Kingdom.

The ultimate controlling party is considered to be Waterland Private Equity by virtue of the company's ultimate parent company being majority owned by funds under the ownership and control of Waterland Private Equity.