

CYGNET HEALTH UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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CYGNET HEALTH UK LIMITED

COMPANY INFORMATION

Directors	Dr Antonio Romero Mr Mark Ground Mr Thomas Day Mrs Jenny Gibson
Secretary	Mr Mark Ground
Company number	06464637
Registered office	Nepicar House London Road Wrotham Heath Sevenoaks Kent England TN15 7RS
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

CYGNET HEALTH UK LIMITED

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CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The strategic report set out below is the Cygnet Health UK Limited and subsidiaries (the “Group”) strategic report relating to the Cygnet Group of Companies (“Cygnet”) for the year ended 31 December 2022.

Message from our CEO, Dr Tony Romero:

“This year marks Cygnet’s 35th anniversary and I am incredibly proud of how we have grown to help many thousands of people across the United Kingdom.

With almost 200 services we are the leading provider of behavioural health facilities in the country.

Last year we navigated the path out of Covid with a focus on sustaining our quality, we adapted services to help meet national need. The opportunities for growth in the UK are positive and demand for our services is growing. In fact, due to the size of our UK-wide operations, we have now split Cygnet into two divisions: Health Care and Social Care.

Our reputation for quality care means the National Health Service and local government are seeking our provision more than ever before. We are looking forward to continue to strengthen those partnerships and extending our services further.

Our regulators also continue to recognise our quality and we are proud that in 2022 we outperformed the national average for services rated Good or Outstanding. We will keep focussing on this quality and continue to extend our work into the communities we serve - through education outreach, raising awareness and extending our social media networks, where we grew our online following by 24% last year.

We also take our environmental responsibilities very seriously and have invested significantly in projects to help tackle climate change. Our Sustainability Strategy is ambitious and we aim to achieve net zero emissions by 2040 across both our direct emissions and that of our supply chain.

None of these achievements and ambitions would be possible without our dedicated colleagues. Caring is in our DNA and integral to our culture and values.

In our Health Care services we always strive for our clinical outcomes to exceed the expected standards so people can return home safely. Our social care services provide sanctuary for each individual entrusted to us and I like the saying that: “Our residents don’t live in our workplace, we work in their homes.”

Indeed, it is our 10,600-strong workforce that are key to our success. They are our magic ingredient. They are the ones who turned up despite the challenges of Covid to deliver the best quality care. We cherish them and are grateful for all they do.

Never has care been more important and despite many challenges last year, we continued to push forward with optimism and success. We will keep supporting our staff to be the best and resolve to overcome the challenges we face globally, nationally and economically with determination.

2023 will be one for growth as we develop and open purpose-built hospitals and invest further in our current portfolio. It is an exciting time in the UK and I look forward to leading us in the next chapter of Cygnet’s work.”

Principal Activities

Cygnet is a leading provider of mental health, autism and learning disability services in the UK. Established in 1988, our 35-year history has seen us build a reputation for delivering pioneering services and outstanding outcomes for young people and adults.

We provide services in England, Scotland and Wales and our expert and highly dedicated team of more than 10,600 employees enable 150 sites to consistently make a positive difference to their lives.

Our regulators have rated 80% of our services as either “Good” or “Outstanding” and 100% of Cygnet schools within our CAMHS services are rated “Good” by OFSTED.

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Cygnnet operates across health and social care. Cygnnet provides a broad coverage of the behavioural health spectrum from Secure, PICU / Acute, Mental Health Rehabilitation and Recovery, Personality Disorder, Children and Adolescents, Eating Disorder, Learning Disabilities, Autism Spectrum Disorder, Neuropsychiatric, Older Adults, Deafness and Mental Health.

Cygnnet is supported by its long term strategic partner and ultimate parent company, Universal Health Services Inc. ("UHS"). UHS is one of the largest and most respected providers of hospital and healthcare services in the USA. Through its subsidiaries, the company operates around 400 facilities across the US, UK & Puerto Rico:

- 28 Acute Care hospitals;
- 331 Behavioural Health inpatient facilities; and
- Nearly 40 outpatient facilities and ambulatory care centres.

UHS helps Cygnnet to focus on investing in the delivery of high quality, value-for-money services. Cygnnet remains focussed on quality and delivering clinically effective shorter lengths of stay with lower episode costs so that our customers receive better value, and service users are rehabilitated faster.

Cygnnet recognises that its most valuable asset is its staff – their health, well-being and career development is crucially important. We fundamentally want to deliver on our vision and mission of working together in a positive culture of openness, honesty and inclusivity, which includes those who use our services. This means ensuring that everyone's voice is heard and acted upon.

Therefore, we look critically at all aspects of our work and develop long term outcome driven action plans for inclusion, equity and diversity. Not only will this ensure that we deliver services that has zero tolerance to racism, prejudice and discrimination, and that everyone can access the right help they need at the right time, but also, ensure we recruit, support and retain talented people who exemplify our values and feel proud to be part of Cygnnet in the delivery of person-centred care.

Overview of our Services

1. Learning Disabilities

Our services have considerable experience and expertise in supporting individuals with a learning disability to develop independent skills and to live an active and happy life. We work with them to ensure they have more choice and control in their lives.

We find out their strengths, abilities and preferences so that the care provided can be as person-centred and meaningful to each individual as possible. Most importantly with the right support and help we empower each individual to progress along their care pathway to an environment that suits their needs.

We support emergency, planned and pre-assessed admissions and provide a multi-disciplinary approach.

2. Autism Spectrum Disorder

Cygnnet has over 30 years' experience of delivering the best outcomes for individuals with autism and learning disabilities, who may present with behaviours that challenge.

Our residential services, with and without nursing, offer residents an organised and efficient care pathway delivered in environments that promote structure, security, consistency and understanding – essential for individuals who live with autism and its day-to-day challenges.

3. Eating Disorder Services

Cygnnet provides highly specialised eating disorder services for adults aged over 18, including those with extremely low BMIs.

Care and support is provided by comprehensive multi-disciplinary teams in environments that are highly structured, while also cheerful and non-institutional. We aim to support service users in their recovery and personal transformation towards a successful discharge to a community setting or supported living environment.

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4. Mental Health Services

PICU & Acute: We offer a national network of urgent admission beds, to meet the acute needs of adults requiring rapid access to mental health services, including those who may need an intensive care environment.

Our range of emergency admission services for adults include hospitals that can provide psychiatric intensive care, acute wards and older adult specific services.

Secure: Our nationwide network of low and secure mental health services includes a range of highly specialist services for Deaf service users and individuals with a personality disorder or autism spectrum disorder.

Personality Disorder ("PD"): Specialist personality disorder services provide medium secure and low secure, emergency, Tier 4 inpatient, highly specialised personality disorder and dual diagnosis PD and eating disorder services.

The main aim within our mental health rehabilitation and recovery services is to make a positive difference to the lives of our service users by building essential community links and strategies that support re-integration into the wider community through working in partnership with each individual.

We take huge pride in our accreditations, including:

- 4 of our Neuropsychiatric services are Headway accredited;
- More than 60 of our Social Care services have achieved their Dignity in Care Award;
- All of our Neuropsychiatric services are accredited by the Independent Neurorehabilitation Providers Alliance ("INPA");
- 5 of our PICU services have been accredited and/or are members with the Quality Network for Psychiatric Intensive Care Units ("QNPICU");
- Staff membership of the Royal College of Psychiatrists including our Group Clinical Director who is Chair of the Adult Faculty – the largest in the College;
- All of our CAMHS services are members and/or are accredited with the Quality Network for inpatient CAMHS ("QNIC");
- 16 of our secure services are members of the Quality Network for Forensic Mental Health Services ("QNFMHS");
- 6 of our inpatient mental health services are accredited with AIMS-Rehab and AIMS – Working Age; and
- 6 of our PICU, acute and secure services have been accredited with Star Wards.

Business Review

The results for the year ended 31 December 2022 are set out in the Group income statement on page 25.

Overview

We are encouraged by our financial performance for 2022. We have generated an increase of £54.5m in group revenue. Notwithstanding our positive revenue growth, our operating profit for 2022 grew marginally to £48.4m (2021: £46.7m). This was impacted by the inflationary environment particularly around staffing, catering and transport costs.

Cash outturn was £2.4m lower than last year but this was after a significant increase in investment in capital expenditure. The property valuation increased by £7.7m (2021: £21.1m). As a result of the changing cost of capital in the market and resulting impact on the goodwill valuation modelling Cygnet has impaired the goodwill balance by £76.7m (2021: £10.1m) which resulted in an overall statutory loss before tax of £33.3m (2021: profit before tax of £41.8m). After adjusting for the separately reported items, the Group generated a profit before tax of £48.4m (2021: £46.5m).

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Group Statutory Results

	2022 £m	2021 £m
Revenue	555.1	500.6
Operating profit before separately reported items	48.4	46.7
Insurance settlement proceeds	5.9	-
Net impairment/ (reversal) to freehold land and buildings	(10.7)	5.4
Goodwill adjustment	(76.7)	(10.1)
Operating (loss) / profit	(33.1)	42.0
Financing income and expense	(0.1)	(0.2)
(Loss) / Profit for the year before tax	(33.2)	41.8
(Loss) / Profit for the year after tax	(40.3)	26.2
Total assets	1,198	1,239
Total liabilities	(199)	(183)
Net assets	999	1,056

Revenue for the year was £555.1m (2021: £500.6m). Operating loss for the year was £33.1m (2021: Profit £42.0m) and the loss before tax was £33.2m (2021: Profit £41.8m). Operating profit margin (before separately reported items) decreased slightly compared to the prior year at 8.7% (2021: 9.3%). The operating loss for the year is driven by the impairment of Goodwill.

Net Assets have decreased by £57m to £999m (2021: £1,056m). This largely is due to loss for the year of £40.3m (2021: Profit £26.2m), the dividends paid to the parent company in the year £40m (2021: £30m). This was offset by the upwards valuation of properties £13.5m (2021: £18.1m).

Underlying Results

	2022 £m	2021 £m
(Loss) / Profit before tax	(33.2)	41.8
Impairment of freehold land and buildings	18.5	5.0
Reversal of previous impairment of freehold land and buildings	(7.8)	(10.4)
Freehold land and buildings valuation charge	(10.7)	(5.4)
Impairment of Goodwill	76.7	10.1
Insurance settlement	(5.8)	-
Profit before tax (excluding separately reported items)	48.4	46.5

Cygnnet operated 2,990 beds in 2022 (2021: 2,992) spread through a portfolio of 150 sites and employed an average of 8,442 (2021: 7,945) clinical and 2,161 (2021: 2,067) non-clinical staff.

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Cygnnet operates in a highly competitive market. Most competition is based on regional catchment areas and the funding body's procurement initiatives, with the NHS including Integrated Care Boards ("ICBs") and Local Authorities usually being the dominant providers. Our business continues to be supported by strong relationships with customers.

The below table summarises the number of NHS and Local Authority purchasing bodies that Cygnnet did business with.

	2022	2021
NHS (including ICBs)	245	199
Local authorities	187	155
Total	432	354

We are pleased to be partnering with our commissioners on working together in new innovative and strategic ways that are mutually beneficial to us both clinically and from an efficiency point of view, but also in a way that puts those in our care first. In 2022, Cygnnet was a partner in multiple Local Provider Collaboratives across England, which focused on the local provision of Adult Secure, Children and Adolescent Mental Health Services ("CAMHS") and eating disorder services.

Cash flow

	2022 £m	2021 £m
(Loss) / Profit for the year after tax	(40.3)	26.3
Tax and interest paid	(5.7)	(1.3)
Adjustments for non-cash items	127.9	50.4
Working capital adjustment	(4.5)	5.2
Net cash flows from investing activities	(38.1)	(19.4)
Net cash flows from financing activities	(41.7)	(32.1)
Net (decrease)/increase in cash	(2.4)	29.1

Cygnnet continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity. During the last year there was a £19.3m increase in capital expenditure spend to £36.4m.

Spend on financing activities primarily relates to dividends paid to the UK parent company.

Key Performance Indicators ("KPIs")

Cygnnet uses a range of financial and non-financial indicators to measure and monitor its progress.

Financial

These include revenue and statutory profit before tax and profit before tax (excluding separately reported items). Adjusted margins are also considered and reflect the causes for changes in profit, such as changes in occupancy rates.

Non-financial

We use a variety of Quality KPI's to ascertain our performance and compliance with standards.

A monthly Quality Dashboard by region is produced which summarises performance by unit, this includes occupancy rates, published Regulatory Ratings as well as the Internal Quality Assurance Manager Rating of the service. The Dashboard includes Audit Submissions as well as identifying underperforming audit compliance ratings, Resuscitation Simulations, surveys and results of Medication Audits.

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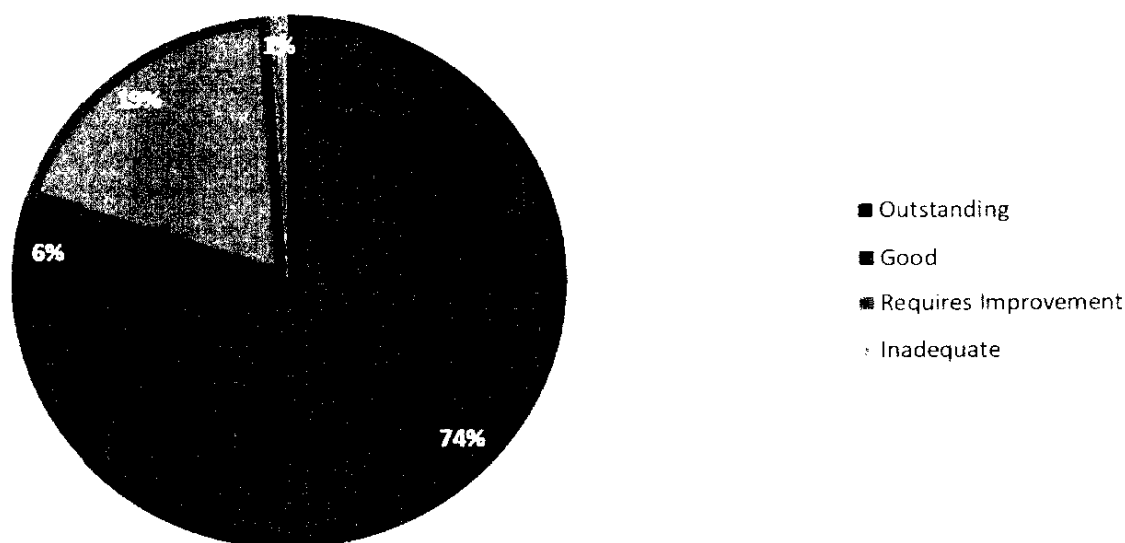
We promote a culture which encourages an open and transparent approach to incident reporting and investigation and one which seeks to learn lessons and implement risk reduction measures. In order to support continuous improvement in how we manage our incidents and risks we undertook a procurement exercise aimed at ensuring that our electronic systems best support continuous improvement. Following recommendations made as a result of this exercise we have opted to purchase a dedicated incident and risk software which has the benefit of both being an upgrade to our present system and of aligning us more closely with broader public sector (NHS) incident and risk management practice.

We continue to work with people who use our services and experts by experience to further enhance our approach to managing complaints and compliments. We have done this through participation in local People's Councils as well as the Co-production Steering Group. We are committed to using complaints as a valuable opportunity to improve our services for the benefit of service users. This year we have further enhanced our Complaints Dashboard and have made it easier for local units to monitor and respond to complaints and compliments.

Staffing KPI's include recruitment of staff, retention of staff, training compliance, employed / agency hourly rate, sick hour's usage and levels of agency.

Regulatory Ratings per Service (as at 31st December 2022)

CYGNET REGULATORY RATINGS (HEALTH AND SOCIAL CARE SERVICES) AS AT 31 DECEMBER 2022



Our regulatory ratings have continued to improve with the inadequate rating reducing from 4% to 1% compared with 2021. In 2022 we have had new services inspected. 118 services inspected in 2021 and 124 services inspected in 2022. We have services that are currently rated outstanding for patient safety and in our overall regulatory ratings throughout 2022, we are encouraged that we are outperforming the national average.

We have an electronic dashboard Regulatory Inspection Service Improvement Plan ("RISIP") which includes any actions identified by our regulators, we use this to monitor timely compliance with any required improvements and enables us to remediate identified actions. Lessons learnt from our inspections and themes identified are shared through our governance arrangements. Local services and Operations Directors are accountable for implementing and embedding improvements.

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We have an electronic dashboard Quality Inspection Service Improvement Plan ("QISIP") to collate any actions identified by our Quality Assurance Managers as part of their assessment programme, this provides Cygnet with its own electronic internal early warning system to help identify where services may require further support. The dashboard enables Cygnet to closely monitor compliance with outstanding actions and intervene proactively. Results from the RISIP and QISIP are reviewed as part of Cygnet's governance arrangements.

All our Education services are rated good or outstanding.

Future prospects

In line with our five year corporate strategy (2022 – 2027) it is our commitment that we will:

- Continue to maintain and enhance high quality, safe services for children, young people, adults and older people. We want all our services to deliver to the level of our absolute best and provide person-centred care;
- Further expand our provision of mental health and social care services, ensuring we continue to grow and evolve, meeting the demands and needs of service users, their families and those who commission our services. Any extension of our services will be financially sustainable, in line with national policy and supported by a clear operational framework;
- Use data intelligently to drive improvement and foster a culture of continual learning;
- Recognise our staff are our most important asset in the delivery of safe, quality care and create a culture which promotes excellence and provides a fulfilling place for staff to pursue their careers; and
- Demonstrate how we value our workforce through training, development, compassionate leadership, recognition, and responding to their own wellbeing needs.

Section 172(1) of the Companies Act 2006

Throughout the Annual Report, we provide examples of how we:

- Take into account the likely consequences of long-term decisions; (see future prospects section);
- Take into account the interests of the Company's employees; (see our commitment to our people section);
- Foster relationships with our suppliers, customers and others; (see stakeholder relationship and engagement section);
- Have a positive impact on the community and environment; (see environmental and our commitment to community section);
- Attribute importance to behaving as a responsible business (see environmental section); and
- Act fairly between members of the Company (see our commitment to our people section).

The Board of Directors of Cygnet consider, both individually and together, that they have acted in the 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 (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2022.

Environmental, Social and Governance ("ESG") commitments

Cygnet is committed to making our business more environmentally and socially sustainable.

Environmental

Cygnet is committed to having a positive impact on the environment. We take our responsibility to contribute to a greener society very seriously. Our Sustainability Strategy is a key priority in Cygnet's Strategic Plan 2022-2027. It sets out our aims to achieve:

- Net zero carbon emissions from our direct (own sources) and indirect emissions (other sources) by 2035; and
- Net zero carbon emissions in our supply chain by 2040.

Across the organisation we are pushing forward with a number of initiatives to help achieve our aim of net zero carbon by 2040. From the installation of solar panels, to the reduction of CO₂ emissions across our vehicle fleet and waste management solutions at our services, we are making great strides in our environmental commitments.

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In 2020 Cygnet introduced vehicle tracking and driver training devices, called 'Lightfoot', in all company-owned vehicles. The devices have had a proven outcome of lowering emissions, saving fuel, reducing accidents and ensuring the safe, comfortable transfer of service users.

In its first two years, the 'Lightfoot' system reduced CO₂ emissions by 122 tonnes across our vehicle fleet, which is the equivalent of:

- 434,000 washing machine cycles;
- boiling the kettle more than 2 million times; and
- the weight of 189 polar bears.

With 1000+ drivers across Cygnet, the project has also incentivised drivers to adopt safer, more environmentally-friendly driving styles

From a pilot across 20 sites, 'Lightfoot' has now been implemented across all 150 Cygnet sites and was shortlisted as a finalist for the Environmental Sustainability Project of the Year at the HSJ Partnership Awards.

From the rich data that Lightfoot provides, Cygnet has been able to confidently replace petrol and diesel vehicles with suitable electric vehicles. Our aim is to replace our entire fleet with electric vehicles by 2032, and this programme is now well underway, with 15 electric vehicles already on order.

In 2022, Cygnet completed the installation of solar panels at five of our top 22 electricity usage sites. The solar energy now accounts for approximately one-quarter of the electricity at each of those sites. In just one site, the CO₂ emissions that are avoided equate to 21,631kg per year or 21.63 tonnes. This is equivalent to 865 trees being planted. Installation of solar panels at the remaining 17 sites is expected to be completed in 2023.

In addition to our own solar installation programme, 100% of electricity procured by Cygnet is renewable. All new builds or fit-outs are completed to high environmental standards including solar energy generation, LED lighting, high-efficiency boilers, full insulation and double glazing. All light fittings in existing sites are replaced with suitable LED units when they reach end of life and high efficiency condensing boilers are installed when heating boilers need to be replaced.

Waste recycling across the organisation increased from 16% in 2019 to 31% in 2022. This is due to initiatives such as our 'Right size, right shape' project, in partnership with our waste management provider, which monitors the recycling habits across sites and supports greater awareness and action. In 2022, Cygnet facilities also successfully recycled more than 5.84 tonnes of cooking oil into biodiesel and we have removed all black plastic from our food supplies.

The Co-Sustain initiative empowers service users and staff to take sustainability into their own hands. Through Co-Sustain, we will be working closely with service users, residents and staff to raise awareness of environmental issues, take action and explore creative ways of reducing our carbon footprint across our services.

Cygnet have formed the ESG Steering Group, attended by a cross functional team of senior leaders, convened bi-monthly, this meeting feeds into the: Executive Management Board, Finance and Audit and Risk Committees. The ESG Steering Group encourages key stakeholders to: propose and seek approval of strategic change; update progress of ESG initiatives; and flag any emergent ESG risks and opportunities.

Cygnet's Streamlined Energy and Carbon Reporting information can be found in the Directors' report.

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Social

Our commitment to community

Cygnnet genuinely values good relationships with people in the local communities where we have services. We have more than 35-years of experience in helping and caring for people in communities across the UK and we have built strong relationships with our neighbours.

Our facilities have an established history as care providers and as supporters of initiatives important to the local community. As an employer of choice, provider of high-quality health and social care services, and value-generating business partner, we are proud to contribute meaningfully to the communities we are privileged to serve.

Cygnnet employs more than 10,500 people UK-wide and we bring additional economic and social benefits to the local economies in which our services are based. Where possible we use local produce, resources and suppliers at our facilities to support the local economy and community infrastructure. We support our staff in their local community endeavours including building relationships with local MPs, councillors, businesses, schools, charities, community groups and other residential care services. We actively encourage our staff to play a proactive role in the communities where they work and are proud supporters and sponsors of numerous community initiatives, clubs and groups.

Our commitment to our people

Cygnnet has an experienced Human Resources ("HR") department to support our people, including operational HR Business Partners, Employee benefits specialists, a Learning and Development team covering our mandatory and developmental training programmes, and a central On-boarding and Resourcing team who specialise in award winning branding and campaigns, international recruitment, and innovative recruitment strategies.

In 2023 the People and Culture Committee was created to advise and assure the Executive Management Board on all matters relating to staff and workforce planning; and plans to enhance the environment that supports and values staff in order to engage the talent and nurture the leadership capability of individuals and teams working together to drive the desired culture throughout Cygnnet to deliver safer better health and social care.

Our HR strategy includes:

- Ensuring we have the right people in the right roles;
- Having a clear and sustainable recruitment strategy;
- Providing focus on retention of our staff;
- Ensuring our staff are appropriately skilled to undertake their roles safely;
- Having up to date and effective HR processes;
- Having a clear international recruitment strategy; and
- Implementing a central on-boarding team.

In addition to the national recruitment strategy, Cygnnet has a clear international staffing strategy to recruit for skill shortages. Working alongside an external company of expert recruiters we have sourced many more sponsorship visas than ever before so that we can attract doctors and nurses from overseas.

We have created a central on-boarding team to ensure a positive candidate experience and speed up the process from the candidate applying to their start date. Our HR Business Partners carry out HR site reviews with service managers regularly. This is a full review of the employee life cycle and includes staffing, turnover, retention, employee relations including disciplinary, grievance, staff welfare, etc.

HR Clinics are conducted every 6 months or more frequently for sites if required. The clinics are an open forum for all staff to speak to HR in confidence about anything they may be experiencing or with queries and for HR to gauge staff morale and take positive action and work with local management on action plans if required.

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Cygnets are committed to hearing our staff voice and ensuring everyone is treated equally, fairly and with respect. The following actions have been taken to ensure Cygnets have acted fairly between members of the company:

- Provide targeted and relevant staff communications through accessible and interactive platforms;
- Continue to promote the Freedom to offer the Guardian Service as a confidential support service for staff;
- Reconvene our Staff Representative Groups (SRGs) to gather and respond to feedback;
- Cygnets Awards including our first Cygnets Staff Achievement Awards held in November 2022;
- Reflecting the diversity of our workforce and those we look after in our leadership and opportunities for progression;
- Implement the Framework for Open Cultures;
- Implement our Equality, Diversity and Inclusion (EDI) strategy with clear objectives to ensure everyone enjoys equal opportunities according to their needs and individual aims; and
- Working with the EDI, Multicultural Network, LGBTQIA Network and Women's Network to promote awareness and inclusion so that staff feel more confident in sharing their information.

Cygnets continues to review our benefits packages and have introduced a number of new features recently and bolstered others. Cygnets benchmarks its approach to pay and reward annually, both across the sector and geographically. We also continue to report on gender pay gap, comparing men and women's average pay across the organisation, provide Work Race Equality statistics and Work Disability Equality Statistics.

In order to obtain staff feedback an annual staff survey is carried out. 2023 has seen a response rate of 71% and a process of reviewing feedback and creating individual as well as corporate action plans will commence.

Cygnets is very proud to have a first class team of management and staff in our organisation who combine a unique set of skills to drive our business forward. It is the expertise of our people and the culture of passion and commitment that enables us to do such a fantastic job of caring for our service users and improving their lives day by day. We believe in our core values of Care, Respect, Empower, Trust and Integrity.

We would like to take this opportunity to thank all of our staff for their skill and dedication to the business and all the people in our care.

People with disabilities

It is the Group's policy to give fair consideration to the employment needs of people with disabilities and to comply with current legislation with regard to their employment. Wherever practical, we continue to employ and promote the careers of existing employees who become disabled and to consider employment for people with disabilities, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

Governance

Cygnets's Governance Structure

Cygnets is committed to providing high quality care through a robust governance, following Wates governance framework, which is transparent, accountable and inclusive. Clinical excellence and governance are the foundation of our business meaning we can provide high quality, safe, sustainable services and ensure learning opportunities to constantly improve and excel.

Purpose, Leadership and Board Composition

Our central service functions provide support to our corporate, operational and clinical colleagues and organisation to external mechanisms to gain assurance and identify where further support is required. This includes monthly Executive Management Board (thematic) meetings, bi-monthly Executive Management Board (performance) meetings, and quarterly Executive Management Board (governance) meetings. During the period 2021/22 the management structure changed with the establishment a CEO for the Health Care division and CEO for the Social Care division. This has brought additional strategic management and operational delivery expertise to the Executive Board. During the same period Cygnets appointed General Counsel, which has brought expertise in legal matters alongside the strengthened governance arrangements through the appointment of a Board Secretary in 2021.

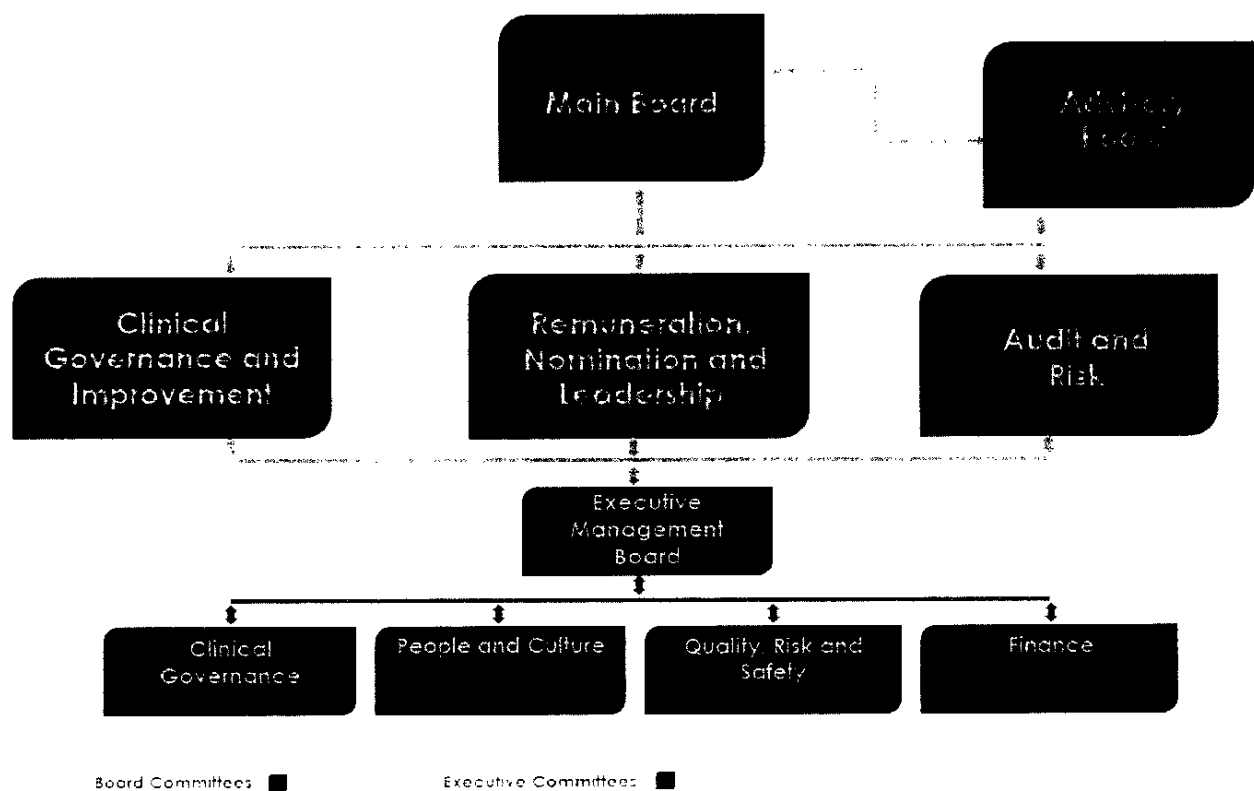
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Cygnnet has an Advisory Board, with members having senior experience and expertise to support the Board's Committees. Advisory Board Members are independent and hold non-executive positions, and this is chaired by Cygnnet's Senior Independent non-statutory Director, Professor Lord Patel OBE. It is attended by Mark Stephens CBE (Chair of Audit and Risk Committee), Dame Clare Gerada MBE (Chair of Clinical Governance and Improvement Committee) and Sian Jarvis CB. The Non-Executive Director role provides the organisation with unbiased perspective and judgment to the Board of Directors. Feedback from each of those committees is fed up through to the Main Board by the Senior Independent non-statutory Director. The Main Board is chaired by Mr Alan B Miller, Executive Chairman of UHS and attended by UHS colleagues, Cygnnet's CEO, CFO and other Cygnnet Statutory Directors. Mr Miller also chairs the Remuneration, Nomination and Leadership Committee.

This structure can be seen in the chart below.



Directors Responsibilities'

The board makes use of committees, as detailed above, to help with the consideration of matters such as financial reporting, risk, remuneration and quality. Each committee is conducted through its own terms of reference which are reviewed annually. The board retains responsibility for any final decisions.

Opportunity and Risk

Quality and safety are at the forefront of everything we do and we continually monitor and review our services through our internal Quality Assurance, Safeguarding, Compliance and specialist teams. Our processes and systems give us visibility to manage performance, hear feedback, learn lessons and regulate the quality of care provided.

Each service has its own local risk register and governance arrangements that feed up into regional and corporate framework to ensure transparency and provide a clear line of sight from Board to ward/service and vice versa. In 2022 we took the decision to migrate our incident reporting function over to a specially designed, purpose built software system called Datix. This will allow us to store and manage our risk registers at all levels including Local Risk Registers, Divisional/ Directorate and Corporate level. This will increase the visibility of risks as well as improve the fluidity of escalation and transfer of risks.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Remuneration

Cygnets Remuneration, Nomination and Leadership Committee helps to ensure appropriate and fair levels of total remuneration to secure and retain high-quality directors, managers and clinical and non-clinical staff.

It reviews and assists with the development of executive and other director succession plans, evaluates and makes recommendations to the Board regarding potential Executive candidates and approves candidates to fill senior executive positions. It will regularly review the structure, senior employee turnover, size and composition (including the skills, knowledge, experience and diversity) of the board and make recommendations to the board with regard to any changes.

The committee oversees the management of the risk that the Company is unable to attract and retain the necessary talent with the right degree of diversity, experience and skills to achieve its ongoing business transformation.

Stakeholder Relationship and Engagement

As part of our commitment to improving our engagement with our stakeholders, during 2022 we established a new role, Director of Partnership and Engagement who is responsible for maintaining, building and improving relationships with internal and external stakeholders, by being the first point of contact for key stakeholders. We meet regularly with our external regulators and stakeholders to improve, progress and innovate. We believe this drive for service excellence sets us apart as sector-leaders, attaining high standards that are reflected in our regulatory ratings, accreditations and outcomes for those who use our services.

We believe good governance is everyone's responsibility and strive to foster a culture of openness. At Cygnets, speaking up is viewed as a positive action, and one that is encouraged and supported. Enabling our staff to speak up and share information in a prompt way allows us to identify risks, agree next steps, share lessons learnt and assess our performance.

From an engagement perspective, Cygnets invites patients, service user's, relatives and/or carers to attend in person quarterly Executive Management Board (Governance) meetings to present their feedback to members. This is an opportunity for individuals to share their experiences first hand and to discuss positives and negatives directly with Directors. This is reported to the Advisory Board for assurance.

Our Freedom to Speak Up Guardian operates independently, impartially and objectively. They:

- Seek guidance and where appropriate escalate matters to bodies outside of the organisation;
- Have open, honest conversations with leaders in Cygnets to promote change;
- Support staff who speak up and agree next steps with them collaboratively;
- Support the right to confidentiality wherever possible whilst also taking concerns forward; and
- Work closely with Freedom to Speak Up Ambassadors at sites, supporting them to influence change.

Cygnets promotes strong relationships with its network of suppliers which are actively consistently managed by our procurement team. This ensures group-wide policies and consistent quality is provided and the robust supplier on boarding process helps manage any third party risk.

Cygnets approach to Clinical Governance

The Clinical and Nursing Directorate are jointly responsible for the oversight and implementation of Clinical Governance across Cygnets. Our Clinical Governance structure provides a framework of responsibility and accountability that continuously measures, monitors and improves the safety and quality of all our clinical services, and promotes optimal service user health outcomes and clinical excellence.

Our aim is to provide the highest quality care to our patients and residents at all times, wherever they are on their care pathway.

Our Clinical Governance structure is supported by:

- Ensuring that risk management systems and processes are incorporated into everyday practice;
- Building and promoting an open and fair safety culture;
- Encouraging staff, individuals and stakeholders to actively participate in improving the quality of service delivery;
- Learning from mistakes, sharing knowledge, implementing solutions and monitoring success;
- Promoting methods of assessing clinical effectiveness and quality of service delivery; and
- Continuously looking at innovative and effective ways of delivering the national clinical governance agenda.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Our Clinical Governance structure ensures the implementation and monitoring of clinical performance indicators to measure clinical effectiveness within Cygnet, oversees trend analysis and compliance with clinical interventions and identifies emerging risks. Further information on our clinical governance arrangements is included in our Annual Quality Account which is available through our website www.cygnetgroup.com

Our Corporate strategic priorities

Our **purpose** is to make a positive difference to the lives of the individuals we care for, their loved ones and all those who work with us.

Our **vision** is to provide high quality, sustainable specialist services that: Ensure service users and residents feel safe and supported, staff are proud of, commissioners and service users and residents select, and stakeholders trust.

Our **mission** is to work together in a positive culture of openness, honesty and inclusivity, where we deliver safe, compassionate care for our service users and staff enjoy a fulfilling, rewarding environment in which to work.

Our **values** are to care for our service users, staff and visitors, to respect them, to ensure a bond of trust is built among us, to at all times empower those we look after as well as our staff, to deliver quality services with integrity.

Our Strategic priorities are:

- **Service users first:** Putting individuals at the heart of all we do in the delivery of safe, high quality care.
- **Support and help more people:** Providing the right care, at the right time in settings that best meet individual needs.
- **Deliver service excellence:** To be seen as a provider of choice for the delivery of high quality, evidence-based, specialist care.
- **Value and develop our staff:** To recruit and retain talented people who exemplify our values and feel proud to work in a culture that promotes excellence, delivers person-centred care and provides opportunities for everyone to be their best.
- **Innovation for the future:** Showcase innovation and vision, harness technology, deliver our sustainability targets, be a force for good in the communities we serve.

Our Commitment to Service Users

The views of the people who use our services, as well as their families and carers, are all extremely important to Cygnet. We work together with service users and their families to make sure that we are meeting individual needs and providing the treatment, care and support that people rightly expect and deserve.

Cygnet remains committed to ensuring that our Service Users receive the highest standards of care across each of our sites. Service User experience is at the heart of this, and everything we do at Cygnet, and we continue to do our utmost to involve our Service Users in shaping their care to ensure we are responsive to their needs.

Our People's Council meetings are held locally at site level and provide our Service Users with a forum where they can discuss their experiences with other Service Users and local managers. The views and discussions from these meetings are anonymised and reported on through local governance structures to identify any areas that may require further focus and identify if any themes or hotspots are emerging across the business.

We also assure ourselves of our progress in this key area regularly by utilising a number of different methods to capture our Service Users' views and experiences to track our progress. We conduct a number of surveys throughout the year, which are made available in the most appropriate format for each individual's own needs. We also gather views of families and carers and use all this valuable data to shape our improvement programmes across the business. Using our existing governance structures, we put this data in the hands of leaders and key members of staff across the business who are able to translate these comments into real improvements for our Service Users.

Expert by Experience

Cygnet has a full programme of Expert by Experience visits within the organisation. These are primarily to ensure our service users' views are heard in the provision and development of our services. Our clinical services ensure our service users' voice is at the heart of our provision of high quality services. Cygnet has entered into a service level agreement with Choice Support who manage the contracts with Expert by Experience. This ensures there is a robust governance around Experts by Experience

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

and that they are looked after and all references and DBS checks are performed on all those who we use as experts by experience.

Our Commitment to Quality

Providing the highest standards of safe, quality care to our Service Users is our priority. Our Quality Strategy sets out our quality priorities along with our quality targets. Our Quality Strategy is the plan through which we focus on the quality of care we provide to our service users, and ensure we are continually challenging our services to improve. It ensures that quality, outcomes and service user experience drive the overall direction of our work and that our service users are at the centre of what we do as a business.

Our Commitment to Operational Excellence

Cygnets' services provide individuals and their families with compassionate, quality care based on proven therapies and treatments that result in successful, long-term recovery and qualities of life that are recognised among the country's best.

We remain committed to our top priority — delivering safe, high quality care. This includes a persistent focus on treating individuals with respect, operating with integrity, building trust, empowering our teams and in providing a superior quality care.

Our Operations team work closely with HR, Clinical and Estates teams to ensure fluid communication and collaboration occurs between departments to deliver the best quality care to our service users.

Using our existing governance structures, we put data in the hands of leaders and key members of staff across the business who are able to communicate real improvements for our service users.

At Cygnets, employees from all levels of the organisation constantly strive to improve our services. In support of these efforts, progress is continually measured against our goals. Our teams focus on patient satisfaction and we quantify our clinical care. These measures allow Cygnets to benchmark, improve and report on the high-quality care provided.

Our resolute clinical and quality outcomes enable our ability to measure a broad set of evidence-based clinical and therapeutic practices that are linked to positive service user outcomes.

The Group's overall regulatory scores for Healthcare and Social Care divisions are shown above as at 31 December 2022, and show 80% of sites are rated Good or Outstanding, or equivalent.

Key risks and uncertainties

The Group will face many risks and uncertainties from external factors. The following are the most significant risks and uncertainties facing the Group:

Loss of funding

Cygnets relies on publicly funded entities in the UK for substantially all of its revenues and the loss or reduction of such funding, or changes in procurement methods, could negatively impact the Company's occupancy rates which could have corresponding material adverse effects.

As a provider with a national footprint across England, Wales and Scotland, and subsequently contract with most of the ICBs, NHS Provider Collaboratives and NHS England, NHS Trusts, Health Boards, and Local Authorities. Each commissioning entity is responsible for its own budget and commissioning strategy, this affords Cygnets protection if revenues from a particular commissioning entity reduces.

Competition

Cygnets monitors competition closely to ensure that it remains competitive in the market place. Cygnets manages the risk associated with demand fluctuations by offering diversified services and monitoring demand, converting unused capacity to alternative services when appropriate and in collaboration with our commissioner's requirements. Cygnets monitors prices charged both internally and externally to ensure that its services are appropriately priced to compete and importantly provide value.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

Reputational risk

Reputational risk is the risk arising from adverse publicity. Cygnet believes this is only likely to occur in relation to poor customer and/or service user care and has multi-layered systems to help prevent the risk occurring and manage any challenges arising.

Regulatory risk

Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnet's policies and procedures. All themes and trends arising from regulator inspection reports are disseminated and action planning for improvements is shared across the group for learning purposes and to confirm Board Assurance. Health and Safety regulations are reviewed and internal policies, procedures and training updated in line with those regulations.

The Group engages in clinical audit, internal audit of systems, controls and continuous monitoring of performance of employees and customer and service user satisfaction.

Cygnet has an external whistleblowing phone line to ensure that any concerns felt by staff, can be assured of a full hearing and action as a consequence this is in addition to having a Freedom to Speak Up Guardian ("FTSU") and Staff Representative Groups across our services.

Inflationary risk

Cygnet is monitoring cost increases closely and is currently seeing high cost inflation in the majority of products and services purchased. In order to manage this risk Cygnet is working with suppliers to fix prices where possible in order to give certainty over future costs.

Data risk

The security and availability of operational data is essential and system security hardware and software are used to achieve this.

Cygnet takes its data protection responsibilities very seriously and is committed to operating within the necessary regulatory boundaries of the data protection legislation. Cygnet is aware of the requirements and is keeping its data protection and governance practices up to date accordingly.

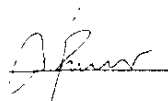
Cygnet continued to invest its cash flow in operational infrastructure, IT and systems infrastructure.

Climate risk

Climate-related risks have been identified as an emerging risk. This includes physical risks which are either event-driven such as heatwaves and droughts or chronic longer term shifts in climate patterns such as rising sea levels. As well as with transactional risks while we transition towards less polluting, greener solutions, including the effect of legal and regulatory requirements and policy changes.

Cygnet is continually working to identify the risks and looking at ways we can mitigate these.

On behalf of the board.



Dr Antonio Romero
Director

5th July 2023

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent
England
TN15 7RS



Mr Thomas Day
Director

5th July 2023

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activity of Cygnet Health UK Limited ("the Company") is that of a holding company to subsidiaries that own and operate psychiatric and elderly healthcare facilities.

Results and dividends

The results for the year are set out on page 25.

Ordinary dividends were paid amounting to £40,000k (2021: £30,000k). The directors do not recommend payment of a further dividend.

Directors

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

Dr Antonio Romero

Mr Mark Ground

Mr Michael McQuaid

Resigned on 13 December 2022

Mr Thomas Day

Mrs Jenny Gibson

Appointed on 13 December 2022

Independent Auditors

In accordance with section 487 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as independent auditor of the company will be put at the next Annual General Meeting.

Financial and business risk management

Market and external risks

The business operates in a highly competitive market. Most competition is based on local catchment areas and the funding body's procurement initiatives with the NHS and Local Authorities. Our business continues to be supported by strong relationships with customers, and we continue to work with our regulators aiming to be the market leader in our sector in delivery of clinical quality.

Cygnet monitors competition closely to ensure that it remains competitive in the market place. We are pleased to be partnering with our commissioners on working together in new innovative ways, and we continue to invest in capital expenditure to maintain existing sites, and to develop further capacity.

Cygnet manages the risk associated with demand fluctuations by offering diversified services and monitoring demand, converting unused capacity to alternative services when appropriate. Cygnet monitors prices charged both internally and externally to ensure that its services are appropriately priced to compete and provide value for customers.

Liquidity risk

Cygnet relies on publicly funded entities in the UK such as the NHS, Integrated Care Boards (ICB's) and Local Authorities for substantially all of its revenues and the loss or reduction of such funding, or changes in procurement methods, could negatively impact the Company's occupancy rates which could have corresponding material adverse effects on liquidity.

The Group monitors cash flow to ensure it has sufficient available funds for operations and planned expansions, and adapts its service provision depending on what is required. Cygnet is supported by its long term strategic partner Universal Health Services Inc. ("UHS"), the leading provider of behavioural health care in the USA.

Interest rate risk

Cygnet has limited interest rate risk.

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Credit risk

Cygnnet has limited credit risk, as the majority of income is due from the NHS, Local Authorities and ICBs.

Employee involvement

The Directors recognise the importance of Human Resources. Cygnnet's policy is to encourage active involvement of employees in the management of its facilities and in matters affecting employees' interests. Facilities have a Staff Relations Group ("SRG").

The elected chairperson of the SRG attends meetings at their facility and serves as a conduit for interaction between the Board and employees. The SRG also takes an active role in quality assurance and the accreditation process which all the Group's facilities embrace. In addition, Cygnnet encourages personal career development for all employees through providing access to training and promotional opportunities.

In order to obtain staff feedback, an annual staff engagement survey is carried out and reported on and exit interviews are collated independently.

A new Employee Assistance Programme has been introduced enabling staff to seek support on work or home/life issues, with the aim of the Company offering improved support to staff working in challenging environments.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Political and charitable contributions

The Group made charitable contributions during the year of £5,000 (2021: £5,000).

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Energy and carbon report

This report presents the results of Streamlined Energy and Carbon Reporting ("SECR") for Cygnet. Data has been assessed and the report provided by Sustainable Advantage.

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's latest policy on SECR. SECR replaced the Carbon Reduction Commitment Energy Efficiency Scheme ("CRC") in April 2019. This new framework aims to simplify carbon and energy reporting requirements while still ensuring that companies have the information required to understand and reduce their emissions and energy costs.

The reporting period is 1st January 2022 to 31st December 2022, aligning with the Company's financial year.

Energy Consumption

	2022 kWh	2021 kWh
Aggregate of energy consumption in the year		
Gas combustion	33,507,405	34,382,335
Electricity purchased	17,287,247	17,117,205
Fuel consumed for transport	6,892,226	6,506,643
	<u>57,686,878</u>	<u>58,006,183</u>

Emissions of CO₂ equivalent

	2022 metric tonnes	2021 metric tonnes
Scope 1 – direct emissions		
Gas combustion	7,219.84	6,297.50
Fuel consumed for owned transport	1,033.63	1,330.80
	<u>8,253.47</u>	<u>7,628.30</u>
Scope 2 – indirect emissions		
Electricity purchased	3,343.01	3,624.50
Scope 3 – Other indirect emissions		
Fuel consumed for transport not owned by the company	634.08	622.90
Renewable Electricity	(3,343.01)	(3,624.50)
	<u>8,887.55</u>	<u>8,251.20</u>

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Quantification and reporting methodology

The UK Government's environmental reporting guidance on how to measure and report greenhouse gas emissions has been used, along with the provided greenhouse gas reporting figures for the relevant year. The financial control approach has been used to define the scope boundary.

A base year of 1st January 2021 to 31st December 2021 has been used, as this is the earliest year for which reliable data was recorded and measured. The base year is used as the benchmark for emission data and consumption changes, and the changes between this reporting period and the base year have been recorded and detailed. The recalculation policy is to recalculate the base year emissions only for relevant significant changes which meet the threshold of affecting 5% of base year emissions.

Scope 1, 2 and 3 emissions have been included within this report. Cygnet owned various properties where electricity and gas are the primary and only utilities. Cygnet owned company vehicles and had staff mileage claims. All activities are based within the UK.

- Scope 1 emissions consist of natural gas usage within the building.
- Scope 2 consist of electricity usage within the building.
- Scope 3 emissions on fuel consumed from transport not owned by Cygnet.

Intensity measurement

An overall intensity ratio of gross Scope 1, 2 and 3 emissions per £M turnover has been calculated. This will allow comparison and benchmarking with similar sites and organisations and still drives energy reduction goals. Although building electricity is sourced through renewable energy contracts the location-based grid average emissions have been used to calculate intensity ratios.

The previous reduction target was to reduce gross Scope 1, 2 and 3 emissions by 5% from FY 2021 to FY 2022. The chosen emissions reduction target for this financial year is to reduce the overall business intensity ratio by 5% from FY 2022 to FY 2023. The target is based upon the intensity ratio to improve performance, rather than allow for spurious improvements due to changes in operations. If the turnover theoretically remains the same across the current and upcoming reporting periods, predicted gross emissions are 8,443.19 t CO₂e. The table shows the intensity ratio of 15.93 and target for the business of 15.13, with comparison to the base year.

Overall intensity ratio, target, and predicted t CO₂e, with comparison to the base year. Intensity ratios are presented as net Scope 1, 2 and 3 t CO₂e/£M turnover.

	t CO ₂ e	Revenue	Intensity ratio
Base Year FY 2021	8,416.76	£500m	16.83
FY 2022	8,887.56	£555m	16.01
Predicted FY 2023	8,443.19	£555m	15.22

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Measures taken to improve energy efficiency

Cygnnet did not meet the criteria to comply with ESOS Phase 2. Cygnnet are, however, committed to sustainability and becoming as energy efficient as possible, the following energy-efficient actions have been taken to work towards the goal of becoming as sustainable as possible:

- Electricity is sourced from third-party renewable electricity contracts, meaning there are no actual carbon emissions from site.

Carbon offsets and Electricity

Electricity purchased for Cygnnet's own use or consumption in the current year was 17,287,247 kWh of which 17,287,247 kWh was from renewable sources.

Cygnnet recognise that the Company's primary responsibility is to reduce emissions as far as possible. However, as Cygnnet work towards responsible consumption practices, to mitigate any impact, a green tariff for 100% renewable electricity has been purchased. Every unit of renewable energy purchased comes with its own Renewable Energy Guarantee of Origin (REGO) certificate. This means there are no associated carbon emissions from electricity, reducing the carbon footprint by 3,343.01 t CO₂e, however location-based grid average emissions have been used to report the emissions figure.

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the group financial statements in accordance with UK-adopted international accounting standards and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, 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 group and company and of the profit or loss of the group for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

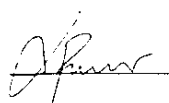
- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Going Concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out below.

The Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has net assets of £999,054k (2021: £1,056,399k). The Company has net assets of £897,723k (2021: £876,775k).

The directors' report was approved by the Board of Directors on 5th July 2023 and signed on its behalf by



Dr Antonio Romero
Director



Mr Thomas Day
Director

Independent auditors' report to the members of Cygnet Health UK Limited

Report on the audit of the financial statements

Opinion

In our opinion:

- Cygnet Health UK Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the group and company statement of financial position as at 31 December 2022; the group income statement, the group statement of comprehensive income, the group and company statement of changes in equity and group statement of cash flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also 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.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to General Data Protection Regulation (GDPR) and Care Quality Commission standards, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act

2006 and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial reporting through the use of journals impacting revenue and expenditure and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Understanding and evaluating the Group and company's control environment specifically as it relates to preventing and detecting irregularities and fraud;
- Identifying and testing unusual journal entries, in particular journal entries posted with unusual account combinations impacting revenue or expenditure;
- Reviewing minutes of meetings of the Board of directors;
- Enquiries with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations or fraud;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, in particular in relation to the valuation of property, plant and equipment and the recoverability of goodwill; and
- Assessment of the company's whistleblowing facility and matters reported through the facility.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Frances Cucinotta (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 July 2023

CYGNET HEALTH UK LIMITED

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

		Year ended 31 December 2022			Year ended 31 December 2021		
		Before separately reported items	Separately reported items*	Total	Before separately reported items	Separately reported items* (as restated)	Total (as restated)
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue		555,126	-	555,126	500,565	-	500,565
Operating expenses		(505,362)	-	(505,362)	(453,834)	-	(453,834)
Other income		-	5,855	5,855	-	-	-
Net impairment losses on financial assets		(1,333)	-	(1,333)	(8)	-	(8)
Other gains and (losses)	8	-	(87,456)	(87,456)	-	(4,658)	(4,658)
Operating profit/	2	48,431	(81,601)	(33,170)	46,723	(4,658)	42,065
Finance income	6	82	-	82	1	-	1
Finance costs	7	(161)	-	(161)	(229)	-	(229)
(loss) / profit before taxation		48,352	(81,601)	(33,249)	46,495	(4,658)	41,837
Income tax expense	9	(22,554)	15,504	(7,050)	(16,448)	885	(15,563)
(Loss) / profit for the year		25,798	(66,097)	(40,299)	30,047	(3,773)	26,274

* Separately reported items have been deemed as non-recurring expenses which are not part of the core operating activities of the Group and relate to:

- Impairment of freehold land and buildings of £18,533k (2021: £4,969k)
- Reversal of previous impairment of freehold land and buildings of £7,835k (2021: £10,412k)
- Impairment of goodwill £76,705k (2021: £10,154k)
- Sale of an asset resulting in (loss) / profit on disposal of (£53k) (2021: £53k)
- Insurance settlement proceeds of £5,855k (2021: £nil)

The 2021 figures have been restated to show other gains and losing within operating profit. Profit / (loss) for the financial year is all attributable to the owners of the parent company.
The accompanying notes on pages 32 - 63 form part of the financial statements.

CYGNET HEALTH UK LIMITED**GROUP STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	£'000	£'000
(Loss) / Profit for the year	(40,299)	26,274
	<hr/>	<hr/>
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	15,651	20,052
Deferred tax movement on revaluation	1,293	(25,683)
	<hr/>	<hr/>
Total other comprehensive income / (expense)	16,944	(5,631)
	<hr/>	<hr/>
Total comprehensive (expense) / income for the year	(23,355)	20,643
	<hr/>	<hr/>

Total comprehensive income for the year is all attributable to the owners of the parent company.

The accompanying notes on pages 32 - 63 form part of the financial statements.

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	12	1,952	76,705
Property, plant and equipment	13	1,035,682	1,022,220
Deferred tax asset	18	1,996	996
		<u>1,039,630</u>	<u>1,099,921</u>
Current assets			
Inventories		858	741
Trade and other receivables	15	89,550	71,736
Current tax recoverable		3,566	1,204
Cash and cash equivalents		62,893	65,294
Assets held for sale	13	1,250	726
		<u>158,117</u>	<u>139,701</u>
Current liabilities			
Trade and other payables	16	70,242	60,244
Lease liabilities	17	1,546	1,575
Deferred revenue	19	841	428
		<u>70,242</u>	<u>62,247</u>
Net current assets		<u>85,488</u>	<u>77,454</u>
Lease liabilities	17	5,698	4,203
Deferred tax liabilities	18	120,366	116,773
		<u>126,064</u>	<u>120,976</u>
Net assets		<u>999,054</u>	<u>1,056,399</u>
Equity			
Called up share capital	22	6,989	6,989
Share premium account		691,475	691,475
Revaluation reserve		284,472	278,051
Merger reserve		3,166	3,166
Capital redemption reserve		(210,042)	(210,042)
Retained earnings		222,994	286,760
Total equity		<u>999,054</u>	<u>1,056,399</u>

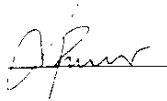
CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

The accompanying notes on pages 32 - 63 form part of the financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 5th July 2023 and are signed on its behalf by:



Dr Antonio Romero
Director



Mr Thomas Day
Director

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	6,989	691,475	278,051	(210,042)	3,166	286,760	1,056,399
Year ended 31 December 2022:							
Loss for the year	-	-	-	-	-	(40,299)	(40,299)
Other comprehensive income:							
Revaluation of property, plant and equipment	-	-	15,651	-	-	-	15,651
Tax credit relating to other comprehensive income	-	-	1,293	-	-	-	1,293
Total comprehensive expense for the year	-	-	16,941	-	-	(40,299)	(23,355)
Dividends	-	-	-	-	-	(40,000)	(40,000)
Charge to equity in respect of share-based payments	-	-	-	-	-	6,010	6,010
Other movements *	-	-	(10,523)	-	-	10,523	-
Balance at 31 December 2022	6,989	691,475	284,472	(210,042)	3,166	222,994	999,054

The accompanying notes on pages 32 - 63 form part of the financial statements.

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021		6,989	691,475	294,748	(210,042)	3,166	276,939	1,063,275
Year ended 31 December 2021:								
Profit for the year		-	-	-	-	-	26,274	26,274
Other comprehensive income:								
Revaluation of property, plant and equipment		-	-	20,052	-	-	-	20,052
Tax relating to other comprehensive income		-	-	(25,683)	-	-	-	(25,683)
Total comprehensive income for the year		-	-	(5,631)	-	-	26,274	20,643
Dividends	10	-	-	-	-	-	(30,000)	(30,000)
Charge to equity for equity settled share-based payments	21	-	-	-	-	-	2,481	2,481
Other movements *		-	-	(11,066)	-	-	11,066	-
Balance at 31 December 2021		6,989	691,475	278,051	(210,042)	3,166	286,760	1,056,399

The accompanying notes on pages 32 - 63 form part of the financial statements.

* Other movements relates to the transfer of the increase in depreciation incurred as a result of the upward revaluation of fixed assets.

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		2021	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	26		83,113		81,900
Interest on lease liabilities	7		(161)		(229)
Tax paid			(5,520)		(1,080)
Net cash inflow from operating activities			77,432		80,591
Investing activities					
Purchase of property, plant and equipment	13	(36,398)		(19,510)	
Purchase of intangible assets	12	(2,441)			
Proceeds on disposal of property, plant and equipment		691		129	
Interest received	6	82		1	
Net cash used in investing activities			(38,066)		(19,380)
Financing activities					
Capital element of lease liabilities		(1,767)		(2,133)	
Dividends paid to equity shareholders		(40,000)		(30,000)	
Net cash used in financing activities			(41,767)		(32,133)
Net (decrease) / increase in cash and cash equivalents			(2,401)		29,078
Cash and cash equivalents at the beginning of year			65,294		36,216
Cash and cash equivalents at the end of year			62,893		65,294

The accompanying notes on pages 32 - 63 form part of the financial statements.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Cygnnet Health UK Limited (the "Company") is a company incorporated and domiciled in the UK. The Company's registered number is 06464637 and is a private company limited by shares.

The address of the Company's registered office is:

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent
England
TN15 7RS

The Group financial statements consolidate those of the Company, and its subsidiaries as at 31 December 2022. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group's primary activity is the ownership and operation of psychiatric hospitals and residential facilities.

1.1 Accounting convention

The Group financial statements have been prepared in accordance with UK adopted International Accounting Standards (IAS) and interpretations issued by the IFRS Interpretations Committee ("IFRS IC") applicable to companies reporting under UK adopted IAS.

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

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and in accordance with the applicable accounting standards and Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost basis, except the revaluation of property. The principal accounting policies adopted are set out below, and remain consistent with the prior year, unless stated otherwise.

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash flow statement and related notes;
- disclosures in respect of transactions with wholly owned subsidiaries ;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs; and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment;
- the requirements of IFRS7 Financial Instruments: Disclosures; and
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

1.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

1.4 Going concern

The financial statements have been prepared on a going concern basis which the Directors believe to be appropriate for the reasons set out below.

The Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has net current assets of £85,488k (2021: £77,454k) and net assets of £999,054k (2021: £1,056,399k). The Company has net current assets of £897,142k (2021: £876,194k) and net assets of £897,723k (2021: £876,775k). In making this assessment, the Directors forecast cash flows and available liquidity until December 2024 and modelled a downside scenario with 2% lower occupancy and 0.2% lower price increases. Under either of these scenarios, the Group has sufficient liquidity to meet its obligations as they fall due.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has a strong asset based and cash generation forecasts. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

1.5 Revenue

Revenue relates to income received from operating psychiatric facilities, rehabilitation facilities, residential homes, nursing homes, supported living services and specialist day services.

Revenue arises entirely in the United Kingdom and is recognised, as earned, through the provision of contracted services and excludes amounts collected on behalf of third parties.

The majority of contracted services are with the NHS, and the Group provides an integrated package of services to service users on their behalf. Revenue is recognised through the provision of contracted services, and is recognised in the accounting period in which the service is provided. This is usually when the service user has received services from the Company which is typically provided on a daily basis.

The Group works closely with the NHS with quarterly monitoring in place to ensure that targets are met. Given the nature of the Company's customers as the NHS and UK local government, non-payment is unlikely and the amounts received are rarely different to the contract price. The Group never receives income more than a year in advance.

1.6 Classification of financial instruments

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following conditions:

- They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or liabilities with another party under conditions that are potentially unfavourable to the Group;
- Where the instruments will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or it's a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments; and
- To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as dividends and recorded directly in equity.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

1.7 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Goodwill	Indefinite life
Software	5 years

1.8 Property, plant and equipment

Property, plant and equipment are initially recorded at cost and are subsequently revalued at their fair value less accumulated depreciation and impairment losses. The revaluation takes place annually and where there are gains on revaluation these are taken other comprehensive income except where this offsets any prior years' losses or any current year depreciation taken to the income statement. Where there are losses on revaluation these are first recorded in other comprehensive income then any proportion which would reduce the value to less than the asset's historical cost is taken to the income statement.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognised net within 'other operating income' in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Depreciation is charged to the income statement to write off the cost less the estimated residual value on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. The residual value for freehold buildings is the indexed base cost of the property. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. Where assets have been revalued the useful life of the asset is reset to the original term.

The estimated useful lives are as follows:

Freehold buildings	40 years
Short leasehold buildings	Over the life of the lease
Long leasehold buildings	Over the life of the lease
Fixtures, fittings and equipment	3 to 10 years
Motor vehicles	4 to 5 years
Assets in course of construction	Not depreciated
Freehold Land	Not depreciated

Assets in the course of construction are valued at the costs incurred to date and are not depreciated until the building is operational and is transferred to the appropriate property category.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

1.9 Investment in subsidiaries

Investment in subsidiaries are carried at cost less impairment.

1.10 Impairment

The carrying amounts of the Group's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exist, the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated at each statement of financial position date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed when there is an indication that the impairment loss may no longer exist or there has been a change in the estimates used to determine the recoverable amount.

1.11 Net financing costs

Net financing costs comprise interest payable, interest receivable in funds invested and dividend income.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement in the date the entity's right to receive payment is established.

1.12 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.13 Financial liabilities

The group does not have any financial liabilities.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

1.14 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the group has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.15 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of inventories or non-current assets.

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the group is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

Defined contribution plans

A defined contribution plan is a post-employment benefit under which the entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in the income statement as incurred.

1.16 Financial assets

Financial assets comprise trade and other receivables, cash and cash equivalents and are recognised initially at fair value then subsequently recognised at amortised cost using the effective interest rate method.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

I Accounting policies

1.17 Share-based payments

The fair value of the amount payable to employees in respect of share options in the ultimate parent, Universal Health Services Inc., which will be equity settled, are recognised as an expense with a corresponding increase in equity. The fair value of options is measured at grant date, with any charge being spread over the vesting period. Further details are set out in note 21.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

The fair value of amounts payable to employees in respect of the long term incentive plan is taken to the income statement spread over the vesting period. Further details are set out in Note 21.

1.18 Leases

At inception, the group assesses whether a contract is, or contains, a lease within the scope of IFRS 16. 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. Where a tangible asset is acquired through a lease, the group recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment.

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 and an estimate of the cost of obligations to dismantle, remove, refurbish or restore the underlying asset and 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 estimated useful lives of right-of-use assets are determined on the same basis as those of other property, plant and equipment. The right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurement of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are unpaid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the group's incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise 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 cost of any options that the group is reasonably certain to exercise, such as the exercise price under a purchase option, lease payments in an optional renewal period, or penalties for early termination of a lease.

The lease liability is measured 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; the group's estimate of the amount expected to be payable under a residual value guarantee; or the group's 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.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

The group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery that have a lease term of 12 months or less, or for leases of low-value assets (less than £10,000) including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.19 Controlling party

The largest group in which the results of the Company are consolidated is that headed by Universal Health Services Inc., a company incorporated in the US. The smallest in which they are consolidated is headed by Cygnet Health UK Limited. The consolidated financial statements of these groups are available to the public. Universal Health Services Inc. financial statements may be obtained from <http://www.uhsinc.com/> and Cygnet Health UK Limited financial statements may be obtained from:

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent, TN15 7RS

1.20 Related Party Transactions

The ultimate controlling party of the Company is Universal Health Services Inc., and the UK ultimate parent is UK Acquisitions No.6 Limited. The registered office of the ultimate controlling party is 367 South Gulph Road, King of Prussia, PA 19406.

Identity of related parties

The Company has a related party relationship with its parent undertaking, the parent's subsidiaries, its own subsidiaries and with its directors.

The Company has applied the exemption available under FRS 101 in respect of transactions with wholly owned subsidiaries.

Transactions with key management personnel

The Company has applied the exemption available under FRS 101 in respect of disclosure of the compensation of key management personnel.

Other related party transactions

Other than the payment of a dividend to the UK ultimate parent there were no other related party transactions during the current or preceding year.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

1.21 Critical accounting estimates and judgements

The preparation of financial statements in conformity with adopted IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

Freehold and leasehold buildings are revalued annually. This year the valuation was conducted by Knight Frank LLP. In 2021 the valuations were determined by a directors' valuation. Both valuations were determined by estimating a fair maintainable operating profit ("FMOP") for each site and applying an appropriate rate of return (Years Purchase "YP") that reflects the risk and rewards of the property and its trading potential. Clearly both of these elements are a source of estimation uncertainty. The YP is determined on a site-by-site basis and in 2022 has a range of 0 to 10 (2021: 0 to 10) depending on the future earnings expectations of the property. In determining the FMOP, the Directors consider the long-term operating profit potential for the site by reference to the latest budgets and forecasts and investment cases. The average FMOP per site is £1,045k (2021: £903k). As these factors are unobservable inputs the estimate is level 3 in the IFRS 13: Fair value hierarchy. Changes to FMOP or YP can result in material movements to the fair value of properties each reporting period. Where there are revaluations upwards, they are accounted for in other comprehensive income. Where revaluations are downwards to the base cost they are taken as a charge in the income statement. An increase/decrease in the YP by a factor of 1.0 would increase/decrease the property valuation by £126m. A 5% increase/decrease in the FMOP would increase/decrease the property valuation by £41m.

Critical accounting judgements in applying the Group's accounting policies

There have been no critical accounting judgements in applying the Group's accounting policies.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Operating profit

	2022	2021
	£'000	£'000
Operating profit/ (loss) for the year is stated after charging:		
Depreciation of property, plant and equipment	26,845	26,906
Amortisation of intangible assets (included within administrative expenses)	489	564
Short term and low value leases	19	17
Share-based payments	6,010	2,481

3 Auditors' remuneration

	2022	2021
	£'000	£'000
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the group and company	91	91
Audit of the financial statements of the company's subsidiaries	509	488
	<u>600</u>	<u>579</u>

The audit of the Company was paid for by Cygnet Health Care Limited of which the Company shares the same ultimate parent undertaking.

4 Employees

The average monthly number of persons (including directors) employed by the group during the year was:

	2022	2021
	Number	Number
Clinical staff	8,442	7,945
Non-clinical staff	2,161	2,067
Total	<u>10,603</u>	<u>10,012</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Employees

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	302,017	267,604
Share based payments	6,010	2,481
Social security costs	30,051	24,945
Other pension costs	6,583	5,848
	<u>344,661</u>	<u>300,878</u>

5 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration (salary, bonus and other benefits)	2,226	2,568
Company pension contributions to defined contribution schemes	20	20
	<u>2,246</u>	<u>2,588</u>

Post-retirement benefits are accruing for 3 directors (2021: 2) under a money purchase scheme.

3 Directors, including the highest paid director, (2021: 3) exercised share options in the year.

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2022 £'000	2021 £'000
Remuneration (salary, bonus and other benefits)	1,088	1,229
Company pension contributions to defined contribution schemes	10	10
	<u>1,098</u>	<u>1,239</u>

6 Finance income

	2022 £'000	2021 £'000
Interest income		
Interest on bank deposits	82	1
	<u>82</u>	<u>1</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

7 Finance costs

	2022 £'000	2021 £'000
Interest on lease liabilities	161	229
Total interest expense	161	229

8 Other gains and losses

	2022 £'000	2021 £'000
Reversal of previous impairment of freehold land and buildings	7,835	10,412
Impairment of freehold land and buildings	(18,533)	(4,969)
Impairment of goodwill	(76,705)	(10,154)
Other gains and (losses)	(53)	53
	(87,456)	(4,658)

9 Income tax expense

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	3,097	4,688
Adjustment in respect of prior periods	68	64
Total UK current tax	3,165	4,752
Deferred tax		
Origination and reversal of temporary differences	2,319	5,074
Adjustment in respect of prior periods	834	465
Effect of rate change on opening liability	732	5,272
	3,885	10,811
Total tax charge	7,050	15,563

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Income tax expense

Tax expense for the year is higher (2021: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The charge for the year can be reconciled to the (loss) / profit per the income statement as follows:

	2022 £'000	2021 £'000
(Loss) / Profit before taxation	(33,249)	41,837
Expected tax charge based on a corporation tax rate of 19% (2021: 19%)	(6,317)	7,949
Effect of expenses not deductible in determining taxable profit	5,370	4,114
Adjustment in respect of prior years	902	529
Effect of change in UK corporation tax rate on prior year	732	5,272
Effect of change in UK corporation tax rate on current year	-	649
Group relief	(5,488)	(4,061)
Income not taxable	11,912	(19)
Deferred tax not recognised	(74)	1,130
Losses eliminated	13	-
Taxation charge for the year	7,050	15,563

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 25% as this rate had been substantively enacted as of 24 May 2021. In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive income:

	2022 £'000	2021 £'000
Deferred tax arising on:		
Revaluation of property	(1,027)	25,683
Share based payments	(266)	30
	(1,293)	25,713

10 Dividends

	2022 per share p	2021 per share p	2022 Total £'000	2021 Total £'000
Amounts recognised as distributions	0.0572	0.0429	(40,000)	(30,000)

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2022 £'000	2021 £'000
In respect of:		
Property, plant and equipment	18,533	4,969
Property, plant and equipment (reversal of previous impairments)	(7,835)	(10,412)
Goodwill	76,705	10,154
	<u>87,403</u>	<u>4,711</u>
Recognised in:		
Other gains and losses	<u>87,403</u>	<u>4,711</u>

The group undertakes an annual revaluation of freehold and leasehold buildings. Where there are losses on revaluation these are first recorded in other comprehensive income then any proportion which would reduce the value to less than the asset's historical cost is taken to the income statement. All property revaluations are Level 3 fair value measurements in line with IFRS 13. The valuations are determined by estimating a FMOP for each site and applying an appropriate rate of return that reflects the risk and rewards of the property and its trading potential.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Intangible assets

	Goodwill	Software	Customer contracts and trademarks	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2021	93,460	2,770	1,030	97,260
At 31 December 2021	93,460	2,770	1,030	97,260
Additions	-	2,441	-	2,441
At 31 December 2022	93,460	5,211	1,030	99,701
Accumulated amortisation and impairment				
At 1 January 2021	6,601	2,206	1,030	9,837
Charge for the year	-	564	-	564
Impairment	10,154	-	-	10,154
At 31 December 2021	16,755	2,770	1,030	20,555
Charge for the year	-	489	-	489
Impairment	76,705	-	-	76,705
At 31 December 2022	93,460	3,259	1,030	97,749
Carrying amount				
At 31 December 2022	-	1,952	-	1,952
At 31 December 2021	76,705	-	-	76,705

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Intangible assets

Goodwill is considered to have an indefinite life. It is tested at least annually for impairment in accordance with IAS 36 'Impairment of assets' and IAS 38 'Intangible assets'. Software is amortised over 5 years.

Impairment testing for cash-generating units containing goodwill

The Group tests goodwill for impairment on an annual basis by considering the recoverable amount of individual cash-generating units ("CGU") against carrying value. There are no intangible assets other than goodwill with an indefinite life.

The Group splits goodwill between three CGUs for the annual impairment testing, Secure, Non-Secure and Recent Acquisitions.

The recoverable value of the three CGUs was determined based on their fair value less cost of disposal ("FVLCD") which was assessed to be higher than the value in use. The FVLCD was determined using discounted cash flows using post-tax nominal cash flows and discount rates with the following key assumptions:

- 2023 EBITDA and capital expenditure based on the latest budgets, which are aligned to what a market participant would expect including from recent historical experience;
- 2024 and 2025 EBITDA and capital expenditure based on industry growth rates, adjusted for specific site factors;
- A long-term growth rate of 2.1% (2021: 2.1%) used to project cash flows after 2025 into perpetuity;
- Tax rate increasing to 25% by 2024; and
- A post-tax discount rate of 8.5% (2021: 7.0%).

As many of these inputs are unobservable, the valuation is level 3 on the fair value hierarchy.

The impairment assessment resulted in the goodwill in each of the Group's CGUs to be fully impaired with an associated impairment charge as follows:

	2022 £'000	2021 £'000
Secure	13,264	10,154
Non-Secure	60,606	-
Recent Acquisitions	2,835	-
	<u>76,705</u>	<u>10,154</u>

This was principally driven by the post-tax discount rate which has increased from 7.0% to 8.5% in the year and reflect a market participant cost of capital, rather than the Group's experienced cost of capital.

Since all the goodwill has now been impaired and the remaining material assets are site specific and separately recoverable by the site level assessments, there are no reasonable changes in assumptions that would result in further impairments.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13	Property, plant and equipment	Freehold land and buildings £'000	Leasehold improvements £'000	Assets under construction £'000	Fixtures and fittings £'000	Motor vehicles £'000	Right of use assets £'000	Total £'000
	Cost							
	At 1 January 2021	1,185,642	36,844	10,485	64,807	6,619	9,728	1,314,125
	Additions	1,451	3	6,855	10,470	657	73	19,509
	Disposals	-	-	(15)	(2)	(157)	-	(174)
	Reclassification to assets held for sale	(881)	-	-	(183)	-	-	(1,064)
	Remeasurement of IFRS16 asset	-	-	-	-	-	768	768
	Revaluation	14,194	(1,327)	-	-	-	-	12,867
	Transfers	5,352	159	(6,134)	623	-	-	-
	At 31 December 2021	1,205,758	35,679	11,191	75,715	7,119	10,569	1,346,031
	Additions	983	-	12,628	19,816	105	2,866	36,398
	Disposals	-	-	(4)	(10)	(114)	-	(128)
	Reclassification to assets held for sale	(1,241)	-	-	(40)	-	-	(1,281)
	Remeasurement of IFRS16 asset	-	-	-	-	-	233	233
	Revaluation	10,441	(522)	-	-	-	-	9,919
	Transfers	6,454	-	(7,029)	575	-	-	-
	At 31 December 2022	1,222,395	35,157	16,786	96,056	7,110	13,668	1,391,172

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Property, plant and equipment	Freehold land and buildings £'000	Leasehold improvements £'000	Assets under construction £'000	Fixtures and fittings £'000	Motor vehicles £'000	Right of use assets £'000	Total £'000
Accumulated depreciation and impairment							
At 1 January 2021	250,670	22,981	1,890	28,225	2,984	3,219	309,969
Charge for the year	12,305	26	-	11,245	1,448	1,882	26,906
Eliminated on revaluation	(7,185)	-	-	-	-	-	(7,185)
Eliminated on disposal	-	-	-	(2)	(96)	-	(98)
Reclassification to assets held for sale	(165)	-	-	(173)	-	-	(338)
Impairment	4,969	-	-	-	-	-	4,969
Reversal of previous impairment	(10,384)	(28)	-	-	-	-	(10,412)
At 31 December 2021	250,210	22,979	1,890	39,295	4,336	5,101	323,811
Charge for the year	11,510	-	-	12,381	1,336	1,618	26,845
Eliminated on revaluation	(5,732)	-	-	-	-	-	(5,732)
Eliminated on disposal	-	-	-	(2)	(100)	-	(102)
Reclassification to assets held for sale	(19)	-	-	(12)	-	-	(31)
Impairment	17,479	1,055	-	-	-	-	18,534
Reversal of previous impairment	(7,078)	(757)	-	-	-	-	(7,835)
At 31 December 2022	266,370	23,277	1,890	51,662	5,572	6,719	355,490
At 31 December 2021	955,548	12,700	9,301	36,420	2,783	5,468	1,022,220
At 31 December 2022	956,025	11,880	14,896	44,394	1,538	6,949	1,035,682

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

13 Property, plant and equipment

Revaluation

Freehold and leasehold land and buildings are measured using the revaluation model.

A formal valuation is carried out on a periodic basis, with the last valuation being carried out in February 2023, with a valuation date of 31 December 2022. This independent valuation was carried out by Knight Frank LLP, in accordance with the practice statements in the valuation statements (The Red Book) published by the Royal Institution of Chartered Surveyors. The valuation is performed on a property by property basis and estimates the value that could be realised on a sale. This is based on a transaction multiple applied against the fair maintainable operating profit of the sites. The fair maintainable operating profit is the level of sustainable profits a site could earn in its current condition at maturity and is based on historic site performance.

All property revaluations are Level 3 fair value measurements in line with IFRS 13, there are no Level 1 or 2 fair values. The total Level 3 fair value measurement for 2022 was £1,005,220k (2021: £996,895k). A further £9,134k (2021: £8,501k) is valued at historical cost which relates to fixtures and fittings in leased properties.

The properties consist entirely of independent private hospital and nursing care home facilities which, having due regard to the Red Book, are to be treated as i) Land and buildings fully equipped as an operational entity and valued having regard to trading potential and, ii) Land and buildings owner-occupied for the purposes of the undertaking.

The table below sets out the movement in the valuation of property, plant and equipment in the year. A net charge has been recognised in the income statement of £10,698k (2021: net credit of £5,443k) relating to (i) £18,534k of impairments to freeholding land and buildings where the revised fair value of the properties was less than the historical cost amount less depreciation; and (ii) impairment reversals of £7,835k (2021: £10,412k) in the year where the revised valuation is now above the previously impaired amount and to bring the asset value back to cost less depreciation. A gain of £15,651k (2021: £20,052k) has been recognised in other comprehensive income in the year from other revaluation movements related to property plant and equipment.

	2022 £'000	2021 £'000
Impairment of freehold land and buildings	18,534	4,969
Reversal of freehold land and buildings impairments	(7,835)	(10,412)
	10,699	(5,443)
Net revaluation of freehold land and buildings recorded in other comprehensive income	9,919	20,052

At 31 December 2022, had the freehold land and building been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £593,419k (2021: £591,270k). As 31 December 2022, had the leasehold land and building been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £8,358k (2021: £8,335k).

Leased land and buildings

The net book value of leasehold land and buildings comprises long leasehold of £2,168k (2021: £2,436k) and leasehold improvements of £9,713k (2021: £10,264k).

Land and freehold buildings

The net book value of Freehold land and buildings comprises freehold buildings of £872,768k (2021: £872,291k) and land of £83,257k (2021: £83,257k) which is not depreciated.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

14 Subsidiaries

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

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Cygnnet Inter-Holdings Limited*^	United Kingdom	100	100	Holding company
Cygnnet 2002 Limited^Δ	United Kingdom	100	100	Holding company
Cygnnet Health Properties Limited*^	United Kingdom	100	100	Property holding
Cygnnet Health Developments Limited*^	United Kingdom	100	100	Development company
Cygnnet 2000 Limited^	United Kingdom	100	100	Holding company
Cygnnet Trustees Limited^	United Kingdom	100	100	Employee benefit trust
Cygnnet Supported Living Limited^Δ	United Kingdom	100	100	Holding company
Cygnnet PropCo HoldCo II Limited^	United Kingdom	100	100	Holding company
Stac Healthcare Limited^	United Kingdom	100	100	Property holding
Cygnnet PropCo II Limited^	United Kingdom	100	100	Property holding
Cygnnet PropCo HoldCo Ltd^	United Kingdom	100	100	Holding company
Cygnnet PropCo Limited^	United Kingdom	100	100	Property holding
Orchard Portman House Limited^	United Kingdom	100	100	Holding company
Orchard Portman Hospital Limited^	United Kingdom	100	100	Property holding
Taunton Hospital Limited^	United Kingdom	100	100	Property holding
Cygnnet Hospital Holdings Limited^	United Kingdom	100	100	Holding company
Cygnnet Surrey Limited	United Kingdom	100	100	Psychiatric healthcare
Cygnnet NW Limited	United Kingdom	100	100	Psychiatric healthcare
Cygnnet Aspirations Developments Limited^	United Kingdom	100	100	Holding company
Safe Spaces Limited Δ	United Kingdom	100	100	Non trading
Cygnnet Care Services Limited	United Kingdom	100	100	Residential care facilities
Cygnnet Behavioural Health Limited	United Kingdom	100	100	Psychiatric healthcare
Cygnnet Learning Disabilities Midlands Limited	United Kingdom	100	100	Residential care facilities
CAS Learning Disabilities Services Limited^Δ	United Kingdom	100	100	Non trading
Isand Limited^	United Kingdom	100	100	Residential care facilities
Isand (Domiciliary Care) Limited^	United Kingdom	100	100	Residential care facilities
Cygnnet Learning Disabilities Limited^	United Kingdom	100	100	Residential care facilities
CAS Aspirations Properties Limited^	United Kingdom	100	100	Investment company
CAS St Paul's Limited^	United Kingdom	100	100	Investment property
CAS Aspirations Properties V Limited	Jersey	100	100	Non trading
Short Ground Limited^	United Kingdom	100	100	Residential care facilities
Relativeto Limited^	United Kingdom	100	100	Residential care facilities
Caireach Limited^	United Kingdom	100	100	Residential care facilities
Cygnnet Clifton Limited	United Kingdom	100	100	Residential care facilities
CAS Clifton Healthcare Limited Δ	United Kingdom	100	100	Non trading
CAS Healthcare Properties Limited^	United Kingdom	100	100	Investment property
CAS Aspirations Properties Limited	Jersey	100	100	Non trading
CAS Aspirations Properties III Limited	Jersey	100	100	Non trading
Cygnnet D Holdings Limited	Guernsey	100	100	Holding company
Cygnnet DHG Limited	Guernsey	100	100	Holding company
Cygnnet (DM) LLP^	United Kingdom	100	100	Support services
Cygnnet (OE) Limited^	United Kingdom	100	100	Residential care facilities
Cygnnet (DH) Limited^	United Kingdom	100	100	Residential care facilities
Everycorner Limited^	United Kingdom	100	100	Residential care facilities

*indicates direct holdings. Remaining subsidiaries acquired through direct acquisitions

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

14 Subsidiaries

^ Taking an exemption from audit under 479A of the Companies Act 2006.

Λ Subsidiaries dissolved post year end on 14 March 2023

All subsidiaries are included in the Group consolidated financial statements.

Unless otherwise stated all of the companies listed above, are registered and incorporated in England and Wales. All entities have the same registered office as Cygnet Health Care Limited, Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS with the exception of the Jersey and Guernsey entities. The Jersey entities have a registered office of 9 Burrard Street, St Helier, Jersey, JE4 5UE and the Guernsey entities have a registered office of Redwood House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

15 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	92,328	72,916
Expected credit loss	(9,844)	(8,511)
	<u>82,484</u>	<u>64,405</u>
Other receivables	3,814	5,177
Prepayments	3,252	2,154
	<u>89,550</u>	<u>71,736</u>

The Group regularly reviews the ageing profile of the trade receivables and actively seeks to collect any amounts that have fallen outside of the defined credit terms.

As at 31 December 2022

	Trade receivables £'000	Loss allowance £'000	% Expected loss rate
Current	42,737	(89)	0.2%
Past due more than 1 month but less than two months	11,861	(67)	0.6%
Past due more than 2 months	<u>37,730</u>	<u>(9,688)</u>	<u>25.7%</u>
Total	<u>92,328</u>	<u>(9,844)</u>	<u>10.7%</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

15 Trade and other receivables

As at 31 December 2021

	Trade receivables £'000	Loss allowance £'000	% Expected loss rate
Current	39,334	(34)	0.1%
Past due more than 1 month but less than two months	8,153	(52)	0.6%
Past due more than 2 months	25,429	(8,425)	33.1%
Total	72,916	(8,511)	11.7%

16 Trade and other payables

	2022 £'000	2021 £'000
Trade payables	17,871	12,615
Amounts owed to fellow group undertakings	251	251
Accruals	22,120	20,392
Social security and other taxation	7,725	6,542
Payroll	18,888	18,876
Other payables	3,387	1,568
	70,242	60,244

The amounts owed by group undertakings are legally repayable on demand (and hence are disclosed as current liabilities). However it is not expected that a demand for these payments will be made within the next year.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

17 Lease liabilities

	2022	2021
	£'000	£'000
Maturity analysis		
Within one year	1,751	1,722
In two to five years	4,362	4,171
In over five years	2,388	780
Total undiscounted liabilities	8,501	6,673
Effect of discounting	(1,257)	(895)
Total discounted liabilities	7,244	5,778

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2022	2021
	£'000	£'000
Current liabilities	1,546	1,575
Non-current liabilities	5,698	4,203
	7,244	5,778

	2022	2021
	£'000	£'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	161	229

Other leasing information is included in note 23.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

18 Deferred taxation

	2022 £'000	2021 £'000
Deferred tax liabilities	120,366	116,773
Deferred tax assets	(1,996)	(996)
	<u>118,370</u>	<u>115,777</u>

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period.

	ACAs £'000	Tax losses £'000	Revaluations £'000	Capital £'000	Total £'000
Deferred tax liability at 1 January 2021	5,615	279	46,088	28,286	80,268
Deferred tax asset at 1 January 2021	-	(984)	-	-	(984)
Deferred tax movements in prior year					
Charge / (credit) to profit or loss	2,613	(291)	(2,131)	10,620	10,811
Charge to other comprehensive income	30	-	25,653	-	25,683
Deferred tax liability at 31 December 2021	8,258	-	69,610	38,906	116,773
Deferred tax asset at 31 December 2021	-	(996)	-	-	(996)
Deferred tax movements in current year					
Charge / (credit) to profit or loss	(8,889)	(103)	(49,813)	62,786	3,885
(Credit)/ charge to other comprehensive income	(266)	-	(1,955)	928	(1,293)
Deferred tax liability at 31 December 2022	-	-	17,747	102,620	120,367
Deferred tax asset at 31 December 2022	(897)	(1,099)	-	-	(1,996)

19 Deferred revenue

	2022 £'000	2021 £'000
Deferred revenue	<u>841</u>	<u>428</u>

All deferred revenues are expected to be settled within 12 months from the reporting date.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

20 Retirement benefit schemes

Defined contribution schemes

The group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the group in an independently administered fund.

The total costs charged to income in respect of defined contribution plans is £6,583k (2021: £5,848k).

21 Share-based payment transactions

Universal Health Services Inc. scheme

Certain employees of the Group participate in a stock options scheme operated by Universal Health Services Inc., the ultimate parent undertaking. The options vest equally over four years and the options expire on the fifth anniversary of the grant date.

The fair value of the option at the date of the grant has been calculated using a Black-Scholes option pricing model.

The table below sets out details of the options granted under the Universal Health Services Inc. scheme:

Grant Date	Expiry date	Exercise Price	Fair value of option	Granted	Cancelled/forfeit	Exercised	Outstanding
18 March 2015	18 March 2020	\$117.29	\$21.277	55,000	(17,500)	(37,500)	-
23 March 2016	23 March 2021	\$118.62	\$23.770	71,000	(33,750)	(37,500)	-
29 March 2017	28 March 2022	\$124.56	\$27.029	146,500	(46,750)	(98,750)	-
20 March 2018	20 March 2023	\$119.64	\$28.169	102,000	(26,630)	(62,429)	12,941
20 March 2019	20 March 2024	\$132.02	\$30.435	84,000	(22,875)	(31,702)	29,424
20 March 2020	20 March 2025	\$67.69	\$69.810	99,000	(19,875)	(30,944)	48,181
17 March 2021	17 March 2026	\$138.80	\$40.420	112,500	(20,061)	(12,482)	79,957
23 March 2021	23 March 2027	\$143.81	\$45.710	117,750	(11,250)	-	106,500

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

21 Share-based payment transactions

Long term incentive plan

Certain employees of the Group participate in a long term incentive plan operated by Universal Health Services Inc., the ultimate parent undertaking.

In the event certain financial targets are met and the participants remain employees of the Group, the shares will be purchased for cash by UK Acquisitions No. 6 Limited in four equal instalments between 2023 and 2025.

For the year ended 31 December 2022 a charge of £4,482k (2021: £1,832k) has been recognised by the Group along with an associated capital contribution of £4,482k (2021: £1,832k) in relation to these D shares. This reflects the estimated contribution that UK Acquisitions No.6 Limited has given its subsidiaries through granting the option to the Group's employees.

The valuation has been derived based on the expected settlement of the options which is determined by 2022 financial targets.

Total cost of £6,010k related to equity settled share based payment transactions were recognised in the year. (2021: £2,481k). £4,484k was recognised through the capital contribution reserve for the LTIP, and £1,526k was recognised through the Profit and Loss for the year end share valuation.

Expenses

	2022 £'000	2021 £'000
Related to equity settled share based payments	6,010	2,481

22 Called up share capital

	2022 Number	2021 Number	2022 £'000	2021 £'000
Ordinary share capital				
<i>Authorised, Issued and fully paid</i>				
A Ordinary shares of £0.0001 each	16,622,710,320	16,622,710,320	1,662	1,662
B Ordinary shares of £0.0001 each	53,265,848,000	53,265,848,000	5,327	5,327
C Ordinary shares of £0.0001 each	200	200	-	-
D Ordinary shares of £0.0001 each	200	200	-	-
			6,989	6,989

Holders of Class A and B Ordinary shares have equal entitlement to participate in dividends, and to share in the proceeds of winding up the company in proportion to the numbers of and amounts paid on the shares held. Every holder of Class A and B Ordinary shares are entitled to vote at a meeting of shareholders with each share entitled to one vote. Holders of Class C and Class D Ordinary shares do not have the right to participate in dividends or vote at meetings.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

23 Other leasing information

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2022 £'000	2021 £'000
Expense relating to short-term leases	19	17

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	2022 £'000	2021 £'000
Operating leases apart from land and buildings		
Within one year	-	19

Information relating to lease liabilities is included in note 17.

24 Capital commitments

	2022 £'000	2021 £'000
At 31 December 2022 the group had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	9,249	889

25 Capital risk management

The group is not subject to any externally imposed capital requirements.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

26 Cash generated from operations

	2022 £'000	2021 £'000
(Loss) / profit for the year after tax	(40,299)	26,274
Adjustments for:		
Finance costs	161	229
Finance income	(82)	(1)
Loss / (gain) on disposal of property, plant and equipment	53	(53)
Amortisation and impairment of intangible assets	489	564
Depreciation and impairment of property, plant and equipment	26,845	26,906
Impairment of goodwill	76,705	10,154
Impairment of revalued properties	18,533	4,969
Reversal of previous impairments of revalued properties	(7,835)	(10,412)
Equity settled share based payment expense	6,010	2,481
Taxation	7,050	15,563
Movements in working capital:		
(Increase)/decrease in inventories	(117)	609
Increase in trade and other receivables	(17,814)	(5,988)
Increase in trade and other payables	13,001	10,640
Increase/(decrease) in deferred revenue	413	(35)
Cash generated from operations	83,113	81,900

27 Parent and ultimate parent company

The Company is a subsidiary undertaking of Universal Health Services Inc. The registered office is 367 South Gulph Road, King of Prussia, PA 19406.

The largest group in which the results of the Company are consolidated is that headed by Universal Health Services Inc., a company incorporated in the US. The consolidated financial statements of the group are available to the public and may be obtained from the below website.

<http://www.uhsinc.com/>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

28 Related parties - Group

Identity of related parties with which the Group has transacted

The immediate parent of the Group is UK Acquisitions No. 6 Limited. At the yearend £251k (2021: £251k) was owed to UK Acquisitions No. 6 Limited.

The ultimate controlling party of the Group is Universal Health Services Inc. Transactions between Cygnet Health UK Limited and its subsidiaries, which are related parties of the Company, have been eliminated on consolidated and are not disclosed in this note.

Transactions with key management personnel

The compensation of key management personnel is as follows:

	2022	2021
	£'000	£'000
Key management emoluments including social security costs	2,226	2,568
Share based payments	4,060	1,678
Company contributions to money purchased pension plans	20	20
	<hr/> 6,306	<hr/> 4,266

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

29 Financial instruments

The Group has exposure (or had exposure for at least part of the year) to the following financial risks from its normal course of business:

- Capital risk management;
- Credit risk; and
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees the adequacy of the financial risk management framework in relation to the risks faced by the Group.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country in which the customers domicile has less of an influence on credit risk. Cygnet did business with 357 NHS and Local Authority purchasing bodies. Cygnet maintains an active dialogue with all of its customers in order to meet their needs and reduce individual reliance on them.

Geographically there is no concentration of credit risk. Any potential credit risk arises on UK customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain predetermined amount. The Group's privately funded customers are required to pay for services in advance unless covered by insurance in which case pre-authorisation is required from the insurer. The NHS purchasing bodies are invoiced monthly in arrears but charges are pre-authorised at the point of admission except for emergencies where these are completed within 48 hours of admission.

At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group uses financial instruments, comprising various items including trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest case assets safely and profitably. Short-term flexibility can be achieved using overdraft facilities.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

29 Financial instruments

The following tables detail the Group's remaining contractual maturity in respect of income earning financial assets and interest bearing financial liabilities:

As at 31 December 2022:

	Total	Less than 1 year	1-2 years	2-5 years	5 years +
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	62,893	62,893	-	-	-
Trade and other receivables (excluding prepayments)	86,298	86,298	-	-	-
Trade and other payables	(62,268)	(62,268)	-	-	-
Lease liabilities	(7,244)	(1,546)	(1,831)	(2,392)	(1,475)
Amounts owed to group undertakings	(251)	(251)	-	-	-

As at 31 December 2021:

	Total	Less than 1 year	1-2 years	2-5 years	5 years +
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	65,294	65,294	-	-	-
Trade and other receivables (excluding prepayments)	69,582	69,582	-	-	-
Trade and other payables	(53,451)	(53,451)	-	-	-
Lease liabilities	(5,778)	(1,575)	(1,253)	(2,672)	(278)
Amounts owed to group undertakings	(251)	(251)	-	-	-

Fair value

The estimated fair value of the Group's financial instruments is set out below:

Financial assets

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade and other receivables	86,298	86,298	69,582	69,582
Cash at bank	62,893	62,893	65,294	65,294
	149,191	149,191	134,876	134,876

Financial liabilities

	31 December 2022		31 December 2021	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade and other payables	(62,266)	(62,266)	(53,451)	(53,451)
Lease liabilities	(7,244)	(7,244)	(5,778)	(5,778)
Amounts owed to group undertakings	(251)	(251)	(251)	(251)
	(69,761)	(69,761)	(59,480)	(59,480)

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2022

30 Cash flow from financing liabilities

	31 December 2022 £'000	31 December 2021 £'000
Cash and cash equivalents	62,893	65,294
Lease liabilities	(7,244)	(5,778)
Net debt	55,649	59,516

	Leases £'000	Cash £'000	Total £'000
Net debt as at 1 January 2021	(6,841)	36,216	29,375
Interest	(229)	-	(229)
Additions	(72)	-	(72)
Remeasurement of leases	(768)	-	(768)
Cash flow	2,132	29,078	31,210
Net debt as at 31 December 2021	(5,778)	65,294	59,516
Interest	(161)	-	(161)
Additions	(2,839)	-	(2,839)
Remeasurement of leases	(233)	-	(233)
Cash flow	1,767	(2,401)	(634)
Net debt as at 31 December 2022	(7,244)	62,893	55,649

CYGNET HEALTH UK LIMITED

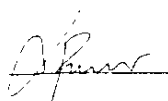
COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

		2022	2021
	Notes	£'000	£'000
Non-current assets			
Investments	33	581	581
Current assets			
Trade and other receivables	34	192	192
Cash and cash equivalents		11	11
Amounts owed by group undertakings		909,848	890,095
		<u>910,051</u>	<u>890,298</u>
Current liabilities	35	(12,909)	(14,104)
Net current assets		<u>897,142</u>	<u>876,194</u>
Total assets less current liabilities		<u>897,723</u>	<u>876,775</u>
Equity			
Called up share capital	37	6,989	6,989
Share premium account		691,475	691,475
Own shares		3,166	3,166
Retained earnings		<u>196,093</u>	<u>175,145</u>
Total equity		<u>897,723</u>	<u>876,775</u>

As permitted by s408 Companies Act 2006, the Company has not presented its own income statement and related notes. The Company's profit for the year was £60,948k (2021 £39,993k).

The financial statements were approved by the Board of Directors and authorised for issue on 5th July 2023 and are signed on its behalf by:



Dr Antonio Romero
Director



Mr Thomas Day
Director

Company Registration No. 06464637

CYGNET HEALTH UK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium account	Own shares	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	6,989	691,475	3,166	165,152	866,782
Year ended 31 December 2021:					
Profit and total comprehensive income for the year	-	-	-	39,993	39,993
Dividends	-	-	-	(30,000)	(30,000)
Balance at 31 December 2021	<u>6,989</u>	<u>691,475</u>	<u>3,166</u>	<u>175,145</u>	<u>876,775</u>
Year ended 31 December 2022:					
Profit and total comprehensive income for the year	-	-	-	60,948	60,948
Dividends	-	-	-	(40,000)	(40,000)
Balance at 31 December 2022	<u>6,989</u>	<u>691,475</u>	<u>3,166</u>	<u>196,093</u>	<u>897,723</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

31 Accounting policies

Company information

Cygnnet Health UK Limited is a private company limited by shares incorporated in England and Wales. The registered office is Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, England, TN15 7RS. The Company's principal activities and nature of its operations are disclosed in the directors' report.

31.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared on the historical cost basis, except for the revaluation of property. The principle accounting policies adopted are set out below, and remain consistent with the prior year, unless stated otherwise.

Where relevant, the company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures ; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered
- the requirements of IFRS 7 Financial Instruments: Disclosures.

The Company applies accounting policies consistent with those applied by the group except as set out below.

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

31 Accounting policies

31.2 Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowing and trade and other payables. Non-derivative financial instruments are recognised initially at fair value.

31.3 Investment in subsidiaries

Investment in subsidiaries are carried at cost less impairment.

The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e., forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they included no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as dividends and are recorded directly in equity.

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

31 Accounting policies

31.4 Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The directors do not believe there are any critical estimates or judgements.

32 Employees

There were no persons employed by the company during the year (2021: Nil).

33 Investments

	2022 £'000	2021 £'000
Investments in subsidiaries	581	581

Investment in subsidiary undertakings

Details of the company's principal operating subsidiaries are included in Note 14.

Movements in non-current investments

	Shares in subsidiaries £'000
Cost or valuation	
At 1 January 2022 & 31 December 2022	581
Carrying amount	
At 31 December 2022	581
At 31 December 2021	581

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

34 Trade and other receivables

	2022 £'000	2021 £'000
Other receivables	192	192
	<u>192</u>	<u>192</u>

35 Current liabilities

	2022 £'000	2021 £'000
Trade and other payables	405	405
Amounts owed to group undertakings	4,695	4,695
Current tax liabilities	7,809	9,004
	<u>12,909</u>	<u>14,104</u>

36 Trade and other payables

	2022 £'000	2021 £'000
Accruals	400	400
Other payables	5	5
	<u>405</u>	<u>405</u>

37 Called up share capital

Refer to note 22 of the group financial statements.