

Parent company accounts for: Partnerships in Care Management Limited

Registered number: 05401308

(note on page 49)

## **Priory Group UK 1 Limited**

### **Annual report and consolidated financial statements for the year ended 31 December 2022**

Registered number 09057543

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# Priory Group UK 1 Limited

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# Priory Group UK 1 Limited

## Company information

**Registered number:**

09057543

**Registered address:**

Fifth Floor  
80 Hammersmith Road  
London  
England  
W14 8UD

**Directors:**

Rebekah Cresswell  
David Hall  
Jim Lee  
André Schmidt

**Company secretary:**

David Hall

**Independent auditors:**

PricewaterhouseCoopers LLP  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

**Principal bankers:**

Barclays plc  
Level 12  
1 Churchill Place  
London  
E14 5HP

**Principal solicitors:**

DLA Piper UK LLP  
160 Aldersgate Street  
Barbican  
London  
EC1A 4HT

# Priory Group UK 1 Limited

## Strategic report

The directors present their strategic report on Priory Group UK 1 Limited for the year ended 31 December 2022.

Throughout the document, references to the "Company" refer to Priory Group UK 1 Limited. References to the "Group" refer to Priory Group UK 1 Limited and its subsidiaries. All amounts are presented in GBP £'000, unless otherwise stated.

### Principal activities

The principal activity of the parent company is to act as an investment holding company.

The Group is a leading provider of rehabilitation care in the United Kingdom, focusing on the provision of acute psychiatry, forensic and rehabilitation and recovery services, specialist support for adults who have learning disabilities and autism and older people care. The Group operates in two divisions:

- The **Healthcare** division focuses on the treatment of patients with a variety of psychiatric conditions that are treated in both open and secure environments. This division also provides neuro-rehabilitation services.
- The **Adult Care** division provides specialist residential and supported living services for adults with a variety of learning disabilities, autism and mental health illnesses and supports older people who require residential, nursing and dementia care.

### Business review

The results for the year are set out in the consolidated income statement on page 15 and the financial position of the Group as at 31 December 2022 is set out in the consolidated balance sheet on page 17. Group revenue for the year from continuing operations was £712.2m (2021: £721.0m) and Adjusted EBITDA<sup>1</sup> from continuing operations was £102.4m (2021: £127.5m), which represents a margin of 14.4% (2021: 17.7%) of revenue. Loss before tax from continuing operations was £27.9m (2021: loss of £37.4m as restated).

The 2021 period was impacted by the COVID-19 pandemic restricting occupancy on a temporary basis and this situation has continued to a lesser extent into 2022, however revenue growth continued to be constrained by the availability of nursing and care staff, continuing to impact on the Group's ability to staff existing and new wards. The Group has appointed a Chief People Officer during 2022, to focus on staffing challenges across the business and a Talent Acquisition Director to focus specifically on recruitment and retention.

Net costs of £0.2m were recognised as exceptional in the consolidated income statement. This compared to net exceptional costs of £12.6m (as restated) in 2021. This relates to redundancy costs, professional costs and other fees, insurance proceeds, impairment of property, plant and equipment and right of use assets and the disposal of property, plant and equipment, right of use assets and lease liabilities. Further details of these exceptional items are given in note 7 to the financial statements.

The Group ended the year with net liabilities of £170.1m (2021: £151.6m as restated). The impact of being in a net liabilities position has been assessed and considered as part of the going concern review, see note 2 to the financial statements. There have been no changes in the Group's financing or leasing structure in the year.

The Group competes in several highly competitive markets with a variety of for-profit and not-for-profit providers (including the NHS). Most competition is local, based on relevant catchment areas and local procurement initiatives. The NHS and other not-for-profit providers deliver equivalent services, with the NHS often being the dominant provider.

Regulatory requirements differ across the divisions, with the Group's activities in England in relation to mental healthcare, older people care and specialist services being regulated by the same body, the Care Quality Commission ('CQC'), and, in Scotland, Wales, and Northern Ireland, the local equivalent.

Land and buildings of the Group (including fixtures and fittings) were recorded at fair values on the Group's acquisition by Acadia Healthcare Company Inc, as determined by independent third party valuers, and subsequently depreciated and/or impaired as appropriate. The net book value at 31 December 2022 of £494.0m (2021: £517.2m as restated) is therefore regarded as the deemed cost less subsequent depreciation and impairment of the assets. The Group undertook a detailed review of its accounting records relating to property, plant and equipment and intangible assets during the year which resulted in prior year adjustments, see note 2(v) for further details.

The Group has continued its programme of capital expenditure throughout 2022 investing in sites and services.

### Financial risk management

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risk faced by the Group, which primarily relates to credit, interest and liquidity risks, which arise in the normal course of the Group's business.

#### Credit risk

Financial instruments that potentially expose the Group to credit risk consist primarily of cash and trade receivables. Cash is only deposited with major financial institutions that satisfy certain credit criteria.

Credit risk is not considered significant given that over 90% of revenue is derived from publicly funded entities and payment is taken in advance from individuals for privately funded healthcare services. Direct debit arrangements are set up for privately funded residents in the Adult Care business. All Private Medical Insurance ('PMI') funded treatment is approved in advance by the relevant insurer.

<sup>1</sup>Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional items, see note 2 for further detail.

# Priory Group UK 1 Limited

## Strategic report

### Financial risk management (continued)

#### Interest rate risk

The Group finances its operations through an intra-group loan with RemedcoUK Limited, its immediate parent undertaking. The loan is denominated in pounds at a fixed interest rate of 7.4% per annum. The loan is repayable on 16 February 2029.

The Group also has access to a cash pooling arrangement and a shared Revolving Credit Facility with Median Germany. Under this facility, a maximum of EUR120m can be borrowed by the combined group. During 2022 RemedcoUK Limited borrowed £20m under this facility and loaned £19.1m to the Group at a fixed interest rate of 5.4% to fund short-term working capital. The same amount remains outstanding at the balance sheet date.

Further information regarding these balances is set out in note 19.

#### Liquidity risk

The Group prepares annual and monthly cash flow forecasts reflecting known commitments and anticipated projects. The Group has sufficient available facilities and cash flows from profits to fund current commitments and has access to the Revolving Credit Facility discussed above.

Further information on the Group's financial risk management objectives, policies and on the exposure of the Group to relevant risks in respect of financial instruments is set out in note 24 to the consolidated financial statements.

### Future developments and strategy

Management consider the Group to be in a good position to focus on recovery in capacity and increase occupancy at existing sites. This is through the reopening of several wards in the healthcare division and from the stabilisation of staffing at sites driven by a pay strategy to maintain competitive hourly rates for nurses, healthcare assistants and care support workers and reduce reliance on external agencies to provide staff.

The Group is expected to have an advantage when competing for talent due to its competitive remuneration packages and career opportunities, which will be reflected in its recruiting, training and development measures. The Group has appointed a Chief People Officer during 2022, to focus on staffing challenges across the business and a Talent Acquisition Director to focus specifically on recruitment and retention. Due to the Group's strong reputation in the market, management are confident that current vacancies are capable of being filled with suitably qualified employees. Evidence of early success from the renewed focus on people strategy is provided in the form of overall positive net headcount movement in 2022 of 228, compared to negative net headcount movement of 732 in 2021 (excluding the movements from the disposal of the Education division).

The Group aims to continue to maintain and improve relationships with commissioners and to grow its services to the privately funded markets through a combination of focus on quality of patient care as well as the development of new products and an increased focus on private business development, particularly within the digital healthcare market.

The Group aspires to deliver the highest quality care in behavioural care services including mental health, eating disorders, addictions, adult learning disabilities and autism, nursing and residential care. The priorities for driving quality are to meet or exceed national benchmarks for standards of care, striving for excellence in the services provided. The Group aims to deliver the best possible outcomes for the people who use its services and to be a market leader in innovation and best practice.

### Key performance indicators

The Group's management uses a range of financial and non-financial indicators to measure the operational and strategic performance of the business. These include Adjusted EBITDA, Adjusted EBITDA margin, available beds, average daily census ("ADC") and occupancy percentages.

#### Financial

Adjusted EBITDA reflects earnings before interest, tax, depreciation, amortisation and operating exceptional items. This measure is presented as part of the consolidated income statement and in note 3 to the consolidated financial statements. Adjusted EBITDA margin reflects Adjusted EBITDA divided by revenue and for continuing operations it was 14.4% (2021: 17.7%) in the year. The Group aims to achieve Adjusted EBITDA in line with the board approved budget set for the year.

#### Non-financial

During the year, the average number of available beds across the Group was 5,538 (2021: 7,478); excluding supported living rental beds the number of available beds was 5,503 (2021: 7,443). Average Daily Census ("ADC"), being the daily average of inpatients (excluding supported living rental beds) was 4,581 (2021: 6,176) and occupancy was 83.2% (2021: 83.0%). The Group aims to maximise available beds occupancy by increasing ADC across the divisions, with the majority being in Healthcare. ADC has fallen in the current year mainly due to the sale of the Education division in 2021 to Aspris.

### Principal risks and uncertainties

The Group can be impacted by external factors. The principal factors are changes in the UK government's policy towards the funding of health and specialist social care, inflationary pressures, changes in the regulatory regime, competitive threats from other providers and the loss of key individuals. The following are the most significant risks and uncertainties facing the Group:

#### Loss of revenue from publicly funded contracts

A substantial proportion of the Group's revenue derives from publicly funded bodies such as Local Authorities, Integrated Care Boards (ICBs) and NHS Provider Collaboratives. The Group expects to continue to rely on the ability and willingness of these bodies to pay for the Group's services. There are risks that either budget constraints or other financial pressures could cause such publicly funded bodies to allocate less money to the types of service that the Group provides or that political change or policy changes mean that fewer services are contracted from independent sector providers. To mitigate these risks the Group regularly assesses services provided to ensure they are sustainable and where necessary repositions services to align with demand.

# Priory Group UK 1 Limited

## Strategic report

### Principal risks and uncertainties (continued)

#### *Inflationary pressures*

Group performance also depends on our ability to accurately budget for and control costs. Given the well-documented ongoing levels of high inflation in the UK, the Group is anticipating additional inflationary costs arising on rent (linked to RPI), energy supply, food supply and other costs.

The Group is proactively managing the procurement process by working with strategic partners and it hedges exposure to fluctuations in energy prices through engagement with energy advisers. Nevertheless, inflationary pressures are expected to continue through 2023 and therefore the Group will work proactively with commissioners to ensure that these pressures are understood and that increased fees may be necessary to allow continuity of service provision. Rent increases during the year have been below inflation largely due to the rent agreements that are in place.

#### *Failure to comply with regulation and increased regulatory costs*

All of the Group's services are subject to an increasingly high level of regulation by various regulatory bodies. New laws and regulations are being introduced (and may be introduced in the future) that could impose increased costs on the Group's operations. The Group is unable to predict the content of new legislation and/or regulations and their effect on its business. Whilst the Group would seek to recover such costs from its customers in appropriate cases, there can be no assurance that the Group's operations will not be adversely affected by legal and regulatory developments. In particular, where the Group fails to comply with relevant legislation or regulation, this may result in substantial compensation payments and/or fines that may have an adverse effect on results and/or cash flow.

Inspections by regulators are carried out on both an announced and unannounced basis dependent on the specific regulatory provisions relating to different care services. The failure to comply with government regulations, the receipt of a negative report that leads to the determination of regulatory non-compliance or the failure of the Group to cure any defect noted in an inspection report could result in the revocation of/imposition of conditions on, the registration of any service, embargoes or a decrease in/cessation of, services provided by the Group.

To mitigate these risks, the Group is investing in robust and comprehensive quality teams in the divisions, who work on a model of continuous quality improvement. Homes are regularly audited to ensure compliance with care standards and action plans are drawn up in appropriate cases. Risks are mitigated by investing in the legal and compliance team, and in recruitment and training. Where changes in legislation can be predicted, the Group models the impact the changes will have in advance of the legislation being implemented.

#### *Employees, staffing and recruitment*

The Group's performance depends largely on its local staff and senior managers. The loss of key individuals and the inability to recruit people with the right experience and skills from the local community could adversely impact the Group's results. To mitigate these issues the Group has introduced a learning and development programme for all employees and have implemented a number of incentive schemes linked to the Group's results that are designed to retain key individuals.

In order to maintain appropriate staffing ratios at its hospitals and homes, the Group needs to recruit, train and retain adequate numbers of nurses, clinical staff, healthcare assistants and support workers (who are either permanently employed or "bank" staff) or contract with third party suppliers to provide appropriately qualified and trained agency staff. In 2022, there have been constraints on the availability of nursing and care staff due to the ongoing shortages in the UK labour market.

The board takes proactive steps to mitigate these risks including regularly reviewing pay scales, implementing wage increases and meeting with agency providers to secure longer-term provision. These aim to improve recruitment and retention and reduce the Group's reliance on agency staff. The Group proactively manages agency costs by using a Preferred Supplier List (PSL) model, which incorporates rates agreed in line with budget.

#### *Supply chain disruption*

There continues to be uncertainty due to the ongoing conflict between Russia and Ukraine. The Group's main exposure is to price increases in relation to energy and other consumables. As with other inflationary pressures, the Group will work proactively with commissioners to ensure that they are understood and that increased fees may be necessary to allow continuity of service provision.

### **The Board's statement on Section 172(1)**

The following Section 172 statement, which is required by the Companies Act 2006, describes how the directors have had regard to the matters set out in s172(1a to 1f) including key decisions and matters that are of strategic importance to the Group. The Board of Directors, in line with their duties under s172 of the Companies Act 2006, act in a way they consider, in good faith would be most likely to promote the success of the Group for the benefit of its members as a whole, and in doing so have regard to a range of matters when making decisions for the long term.

We aim to pursue an open and transparent dialogue with our key stakeholders in order to develop a clear understanding of their needs, assess their perspectives and monitor their impact on our strategic objectives. As part of the Board's decision-making process, the directors consider the potential impact of decisions on relevant stakeholders whilst also having regard to a number of broader factors, including the impact of the Group's operations on the community and environment, responsible business practices and the likely consequences of decisions in the long term.

#### *Key stakeholders*

Our key stakeholders are our service users (and their families), our workforce and our investors. Our regulators, commissioners, suppliers, and the communities we operate within are also important stakeholder groups. All key Board decisions take into account the impact on the relevant stakeholder groups, as follows:

# Priory Group UK 1 Limited

## Strategic report

### The Board's statement on Section 172(1) (continued)

#### *Service users and their families*

Our service users and their families are central to everything we do – the Group aims to help people to live their lives. This means supporting people to live as independently as they can and supporting them to participate fully in their lives. The board receives regular updates around quality and compliance metrics so that the quality of the services provided can be closely monitored. Where necessary, the board may take the decision to temporarily close a service or suspend new admissions where this is deemed to be in the best interests of existing service users. Dialogue is maintained with clinical experts and service commissioners so that the services provided in a particular location are able to respond appropriately to local needs. The Group recognises that the families of our service users are also important stakeholders (particularly where service users are unable to give informed consent) and transparent and honest communication is vital. Transparent and honest communication includes being open about expectations, methodologies and preferred outcomes.

#### *Workforce*

Our workforce is key to providing safe and effective care to the people we support. The Group employs a wide array of healthcare and social care professionals and engagement with those employees is paramount. The directors monitor the results of staff surveys, both regular and ad hoc; together with the Group's system of employee forums, which occur at local, regional and national level the Board is able to discuss human resourcing matters with the interests of its workforce at heart. An example of actions taken in response to the feedback generated through these channels is the articulation of tailored career pathways available to all Group employees. Annual salary reviews are undertaken with reference to the importance of colleague retention, changes in the National Living Wage, and commercial factors. The directors are committed to communicating the results of any wage reviews in a transparent manner.

Further information in respect of employees is set out in the Directors' report.

#### *Investors*

Our owners, Waterland Private Equity Investments B.V., are a European independent private equity investment group, with the UK Group being one of a number of current portfolio companies. Members of the UK Board engage regularly via meetings and phone calls with both the wider MEDIAN European Board and senior Waterland management in order to, inter alia, develop long-term and short-term business strategy and decide upon resource allocation.

#### *Regulators*

We are subject to a high degree of regulation, particularly in relation to the registration and ongoing inspection of our services. The "business review" section above outlines the key regulatory bodies. Results of inspections and more general reports made by the regulators are discussed by the board and/or its committees where appropriate; ongoing dialogue is maintained in order to respond with agility to emerging areas of focus. Some of our regulators also have responsibility for monitoring the ongoing financial viability of our business – individual directors meet with the regulators periodically to discuss this aspect. Staff bonuses at all levels of the organisation are partly linked to the outcomes of internal and external quality metrics.

#### *Commissioners*

As the majority of our revenue is derived from public sources (local authorities, NHS England, local healthcare commissioners etc), it is important that we evolve our service provision to satisfy local demand (which can change over time) and provide those services at an appropriate cost. Communication with commissioners is ongoing both locally and nationally, and the Board will consider the requirements of commissioners when allocating resources for new or retooled service offerings, and agreeing a general approach to funding and contract renewal.

#### *Suppliers*

We aim to treat our suppliers fairly and work in partnership with them as they provide essential goods and services to the Group. It is our policy to adhere to agreed credit terms. Together with our contracted workforce, agency workers in the nursing and care professions play an essential role in delivering quality services – we endeavour to utilise pre-approved agencies and ensure that the level of onboarding and continuous training and development is provided to agency resource.

#### *Communities and the wider environment*

The Group operates nationally and many of our facilities are embedded within the wider community. It is therefore important that the impact of our operations on the communities we operate in are taken into consideration, particularly with regard to the readjustment of service users back into community settings. We are also cognisant of the need to consider the overall environment when contracting with suppliers, or considering any significant development projects, for example. The wider environment in which we operate is also of importance, particularly with the growing awareness of climate change and the concomitant expectation that organisations should seek to minimise their impact on the environment. We therefore take certain measures to improve energy efficiency, further details of which are set out in the directors' report under "Streamlined energy and carbon reporting".

#### *Principal decisions*

The Group defines principal decisions as those that are material or of strategic importance to the Group, and those that have a significant impact on any of our key stakeholder groups. By way of example, a selection of principal decisions taken by the Board during the year is set out below, highlighting the primary stakeholder groups affected and some of the considerations taken into account in reaching those decisions.

##### *(1) Approval of the 2023 budget and business plan*

The board approved the final budget for 2023 that includes business plans for each existing facility as well as central functions in order to arrive at an aggregated business plan. The key stakeholder groups affected were our investors and our workforce. Some of the key considerations taken into account included the need for an appropriate shareholder return, the need to recruit, motivate and retain our staff (including assessing appropriate pay increases and incentive schemes) and the likely impact on our cost base of increases in supply costs, balancing value for money with the interests of our suppliers.

# Priory Group UK 1 Limited

## Strategic report

### The Board's statement on Section 172(1) (continued)

#### Principal decisions (continued)

##### *(ii) Facility refurbishments, expansions and retoolings*

As part of the 2022 and 2023 budgets and looking ahead into the medium term, the Board approved a number of significant capital expenditure projects in order to refurbish and/or expand existing facilities, retool locations to better reflect demand for services or offer higher value services, and consider selective additional property acquisitions to expand certain service lines. The key stakeholder groups affected are our investors, our commissioners and current and future service users. Some of the key considerations taken into account included the likely return on investment of such projects, the ability of a project to meet the requirements of commissioners in providing a particular service, and our ability to safely staff and effectively operate the service. The timing of such projects is kept under review and planned works amended where necessary.

##### *(iii) Rationalisation of certain facilities*

During the prior year, the Board decided to rationalise a number of services, primarily within the Group's older people care offering, through a managed wind down and/or sale of a number of non-core facilities. This strategy has continued throughout 2022. The key stakeholder groups affected are our service-users, our commissioners and regulators, our workforce as well as in some instances our landlords. Some of the key considerations taken into account included whether the operational and financial performance of facilities could be satisfactorily improved, whether enhanced capital expenditure at these facilities represents an efficient use of capital, and where sites were earmarked for closure how employees, commissioners and service users were consulted in order to minimise disruption.

On behalf of the Board

*David Hall*

**David Hall**  
**Director**

Fifth Floor  
80 Hammersmith Road  
London  
England  
W14 8UD  
25 April 2023

# Priory Group UK 1 Limited

## Directors' report

The directors present their annual report and the audited consolidated and company financial statements of Priory Group UK 1 Limited for the year ended 31 December 2022. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRS IC) interpretations in conformity with the requirements of the Companies Act 2006 and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), in particular FRS 101.

This report should be read in conjunction with the strategic report set out from page 2. The Group has chosen in accordance with Section 414C (11) of the Companies Act 2006 to set out in the strategic report the following that the directors believe to be of strategic importance:

- Business review;
- Future developments and strategy;
- Financial risk management; and
- Principal risks and uncertainties.

### Dividends

The directors do not recommend the payment of a dividend (2021: £nil).

### Directors

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

Rebekah Cresswell  
David Hall  
Jim Lee  
André Schmidt

### Going concern

The Board reviews forecasts of the Group's liquidity requirements based on a range of scenarios to ensure it has sufficient cash to meet operational needs. The formal period for which the Board has assessed the appropriateness of the going concern assumption extends from the date of signing these financial statements to 30 June 2024, although there are no known or anticipated events or factors beyond this period that would impinge on the ability of the Group to determine its continuation as a going concern.

At 31 December 2022, the Group had debt (including accrued interest) of £300.5m due to its immediate parent, RemedcoUK Limited, a wholly owned subsidiary of the Group's ultimate parent.

The directors have adopted the going concern basis (notwithstanding the net liabilities as at 31 December 2022 of £170.1m) in preparing these financial statements after assessing the principal risks and having considered the impact of a severe but plausible scenario potentially precipitated by a general deterioration in trading conditions.

The directors have used the 2023 budget as a base case financial and liquidity forecast for the going concern assessment period and applied sensitivities to that forecast to derive a severe but plausible downside scenario. Specifically, the severe but plausible downside scenario assumes:

- Reductions in occupancy levels from budget of between 1% and 5% depending on business division and month; and
- No repayment of the RCF facility or further draw downs.

The revenue and cost impact of such a scenario would have a significant negative impact on the Group's profitability and cash flow for 2023 and the first half of 2024, although would still deliver positive EBITDA and sufficient cash liquidity throughout the going concern assessment period.

The directors have also conducted a review of the forecast to ascertain the possible circumstances in which liquidity would become negative during the going concern assessment period. Such a scenario would involve a significant reduction in occupancy and a failure to take any mitigating actions with regard to the cost base of the Group and capital investment. The utilisation of cash pooling and the group-wide RCF facility is a further mitigating action, however access is dependent on the funding requirements of Median given they are shared facilities. This scenario would be significantly more pessimistic than conditions experienced in recent years. As such, the likelihood of the realisation of this hypothetical scenario is considered to be remote.

After making appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties, the directors are satisfied that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future. They have done this by examining and stress testing the trading forecasts and financing requirements of the Group for the period from the date of approval of these financial statements to 30 June 2024. The directors are satisfied that the going concern basis of preparation for these financial statements is appropriate. Accordingly, the financial statements have been prepared on a going concern basis.

### Employees

The directors recognise that the continued position of the Group in the behavioural care industry depends on the quality and motivation of its employees. Well-trained, engaged and quality employees are crucial for the Group to ensure that service users receive the best quality care. The Group offers employees at every level the opportunity of continuous training and further education through the Priory Academy. Throughout 2022 the Group continued to develop the Academy supported by training and competence schemes, technical development frameworks, learning pathways, newly designed learning materials and accreditations. Employees have a personal development plan that is monitored, assessed and modified during the annual appraisal process.

# Priory Group UK 1 Limited

## Directors' report

### Employees (continued)

The key quality performance indicators the Group uses to measure engagement and training are the employee opinion survey, employee sickness levels and compliance with the Group e-learning programme. The Group has low levels of sickness and high levels of compliance with training programmes. Whilst monitoring these performance indicators, the Group continues to review its remuneration system to ensure it is fair, transparent, flexible and provides individual recognition.

The Group recognises that good and effective employee communications are particularly important to retaining and motivating employees, and throughout the business, it is the directors' policy to promote the understanding by all employees of the Group's business aims, purpose, performance and individual opportunities for personal and career development. This is achieved through internal publications, presentations on performance and a variety of other approaches appropriate for a particular location. Employees are consulted on issues through the "Your Say" forum and have access to the Group's intranet site and a weekly e-newsletter. Results of the employee opinion survey drive further improvements. In all these areas, the Group continues to invest in resource and IT solutions in order to deliver a positive experience for all our colleagues.

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

### Streamlined energy and carbon reporting

In April 2019, the Department for Business, Energy and Industrial Strategy introduced a new reporting regulation entitled the Streamlined Energy and Carbon Reporting Framework ("SECR"), replacing various other reporting requirements. Organisations subject to the SECR are required to include information relating to their energy usage and carbon emissions. This is the second year for which such disclosures apply to the Group.

The energy used by the Group in the year ended 31 December 2022 is as follows:

| Emission type      | Total volume (kWh) | Calculated emissions (Tonnes of CO <sub>2</sub> e) |
|--------------------|--------------------|----------------------------------------------------|
| Scope 1 (direct)   | 80,733,447         | 15,938                                             |
| Scope 2 (indirect) | 26,760,311         | 5,175                                              |
| Scope 3 (indirect) | 2,519,270          | 626                                                |
|                    | <b>110,013,028</b> | <b>21,739</b>                                      |

Scope 1 emissions are emissions from activities owned or controlled by the Group that release emissions into the atmosphere. These include emissions from combustion in boilers, furnaces and vehicles. Scope 2 emissions are those associated with the Group's consumption of purchased electricity, heat, steam and cooling. Scope 3 emissions are those emissions that occur at sources that the Group does not own or control, primarily employee-owned vehicles.

Scope 1 emissions in the year ended 31 December 2022 were as follows:

| Emission type | Definition                                                             | Total volume (kWh) | Calculated emissions (Tonnes of CO <sub>2</sub> e) |
|---------------|------------------------------------------------------------------------|--------------------|----------------------------------------------------|
| Gas           | Emissions from combustion of gas                                       | 59,626,141         | 10,884                                             |
| Liquid fuels  | Emissions from combustion of fuel for stationary machinery and engines | 15,859,211         | 1,264                                              |
| Transport     | Emissions from combustion of fuel for transport purposes               | 5,248,095          | 3,790                                              |
|               |                                                                        | <b>80,733,447</b>  | <b>15,938</b>                                      |

Scope 2 emissions in the year ended 31 December 2022 were as follows:

| Emission type | Definition                           | Total volume (kWh) | Calculated emissions (Tonnes of CO <sub>2</sub> e) |
|---------------|--------------------------------------|--------------------|----------------------------------------------------|
| Electricity   | Emissions from purchased electricity | 26,760,311         | 5,175                                              |

Scope 3 emissions in the year ended 31 December 2022 were as follows:

| Emission type       | Definition                                                               | Total volume (kWh) | Calculated emissions (Tonnes of CO <sub>2</sub> e) |
|---------------------|--------------------------------------------------------------------------|--------------------|----------------------------------------------------|
| Employee-owned cars | Emissions from business travel in rental cars or employee-owned vehicles | 2,519,270          | 626                                                |

# Priory Group UK 1 Limited

## Directors' report

### Streamlined energy and carbon reporting (continued)

The energy used by the Group in the year ended 31 December 2021 is as follows:

| <b>Emission type</b> | <b>Total volume<br/>(kWh)</b> | <b>Calculated<br/>emissions<br/>(Tonnes of<br/>CO<sub>2</sub>e)</b> |
|----------------------|-------------------------------|---------------------------------------------------------------------|
| Scope 1 (direct)     | 112,725,005                   | 22,407                                                              |
| Scope 2 (indirect)   | 35,590,751                    | 7,556                                                               |
| Scope 3 (indirect)   | 2,895,023                     | 717                                                                 |
|                      | <b>151,210,779</b>            | <b>30,680</b>                                                       |

Scope 1 emissions in the year ended 31 December 2021 were as follows:

| <b>Emission type</b> | <b>Definition</b>                                                      | <b>Total volume<br/>(kWh)</b> | <b>Calculated<br/>emissions<br/>(Tonnes of<br/>CO<sub>2</sub>e)</b> |
|----------------------|------------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------|
| Gas                  | Emissions from combustion of gas                                       | 83,367,337                    | 15,269                                                              |
| Liquid fuels         | Emissions from combustion of fuel for stationary machinery and engines | 21,383,153                    | 5,177                                                               |
| Transport            | Emissions from combustion of fuel for transport purposes               | 7,974,515                     | 1,961                                                               |
|                      |                                                                        | <b>112,725,005</b>            | <b>22,407</b>                                                       |

Scope 2 emissions in the year ended 31 December 2021 were as follows:

| <b>Emission type</b> | <b>Definition</b>                    | <b>Total volume<br/>(kWh)</b> | <b>Calculated<br/>emissions<br/>(Tonnes of<br/>CO<sub>2</sub>e)</b> |
|----------------------|--------------------------------------|-------------------------------|---------------------------------------------------------------------|
| Electricity          | Emissions from purchased electricity | 35,590,751                    | 7,556                                                               |

Scope 3 emissions in the year ended 31 December 2021 were as follows:

| <b>Emission type</b> | <b>Definition</b>                                                        | <b>Total volume<br/>(kWh)</b> | <b>Calculated<br/>emissions<br/>(Tonnes of<br/>CO<sub>2</sub>e)</b> |
|----------------------|--------------------------------------------------------------------------|-------------------------------|---------------------------------------------------------------------|
| Employee-owned cars  | Emissions from business travel in rental cars or employee-owned vehicles | 2,895,023                     | 717                                                                 |

### Intensity measure

The intensity measure used by the Group is Tonnes of CO<sub>2</sub>e per available bed. On this measure, the intensity value for the year ended 31 December 2022 is 3.93 Tonnes of CO<sub>2</sub>e per available bed (2021: 4.103 Tonnes of CO<sub>2</sub>e per available bed).

### Methodology

The Group has taken guidance from the UK Government Environmental Reporting Guidelines (March 2019), the GHG Reporting Protocol - Corporate Standard, and from the UK Government GHG Conversion Factors for Company Reporting document for calculating carbon emissions. Energy usage information (gas and electricity) has been obtained directly from our energy suppliers and HH/AMR data, where available, for those supplies with HH/AMR meters. For supplies where there was not complete 12-month energy usage available, flat profile estimation techniques were used to complete the annual consumption. CO<sub>2</sub>e emissions were calculated using the appropriate emission factors from the UK Government GHG conversion information.

### Energy efficiency measures

The Group takes its impact on the global climate seriously, recognising the importance of good environmental practice. Where feasible, the Group is committed to adopting energy efficiency measures to help reduce its impact on climate change. Energy efficiency measures taken across the Group include works to replace older and inefficient air conditioning units and boilers with modern, cleaner alternatives (including installing air source heat pumps at one location); conversion of oil-fired boilers to LPG; installation of LED lighting; the upgrade of building insulation; and the buying of renewable energy.

The Group believe there is a responsibility to care for and protect the environment in which it operates and is fully committed to improving the environmental performance across all business activities. In 2022, the Group introduced the Priory Green: Save energy, save the planet initiative. This commits to reducing the Group's carbon footprint by 25% by 2025.

A specific action plan is in place, which focuses on energy efficiency, waste reduction, water use minimisation, business travel reduction, environmentally responsible procurement, service provision and operations and colleague training. Colleagues are encouraged to participate in energy saving, carbon footprint reducing and environmentally friendly activities and to contribute ideas for improvement.

# Priory Group UK 1 Limited

## Directors' report

### Prior year restatements

During the year ended 31 December 2022 the Group undertook a detailed review of its accounting records relating to property, plant and equipment and intangible assets. This review identified a number of anomalies relating to prior years, the most significant being errors in the application of various impairment charges and the lack of derecognition of disposed assets. A consequent adjustment to right of use assets recognised in the year ended 31 December 2021 was also required as a result.

A further material reclassification was noted relating to property rents paid in advance which is recorded in the consolidated balance sheet at both 31 December 2021 and 1 January 2021 being the beginning of the comparative period. The prepayment was included within right of use assets but should have been offset against lease liabilities.

See note 2(v) for further details.

### Provision of information to auditors

As far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. Each director has 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 Company's auditors are aware of that information. This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

On behalf of the Board

*David Hall*

**David Hall**  
**Director**

Fifth Floor  
80 Hammersmith Road  
London  
England  
W14 8UD  
25 April 2023

## Priory Group UK 1 Limited

### Statement of directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual report and the consolidated 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.

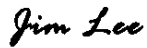
The directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and company and enable them to ensure that the financial statements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

#### Directors' confirmations

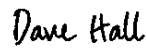
In the case of each director in office at the date the directors' report is approved:

- 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.

On behalf of the Board



**Jim Lee**  
**Director**  
**25 April 2023**



**David Hall**  
**Director**  
**25 April 2023**

# Priory Group UK 1 Limited

## Independent auditors' report to the members of Priory Group UK 1 Limited

### Report on the audit of the financial statements

#### Opinion

In our opinion:

- Priory Group UK 1 Limited's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent 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 parent 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 consolidated financial statements (the "Annual Report"), which comprise: the consolidated and parent company balance sheets as at 31 December 2022; the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated and parent company statements of changes in equity 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 parent 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 parent 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 parent 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.

# Priory Group UK 1 Limited

## Independent auditors' report to the members of Priory Group UK 1 Limited

### 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 parent 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 parent 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 health and safety legislation, data protection regulations and employment law, 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 UK tax laws. 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 posting inappropriate journal entries to manipulate financial performance, management bias in determining significant accounting estimates and accounting for significant one-off or unusual transactions. Audit procedures performed by the engagement team included:

- enquiring with management, internal audit and those charged with governance to understand the relevant laws and regulations applicable to the group and parent company, and their assessment of fraud related risks;
- evaluating management's controls designed to prevent and detect fraudulent financial reporting;
- identifying and testing journal entries using a risk-based targeting approach for unusual account combinations that could impact revenue and EBITDA;
- challenging assumptions and judgements made by management in determining significant accounting estimates;
- review of board minutes; and
- reviewing financial statement disclosures and testing to supporting documentation, where appropriate, to assess compliance with applicable laws and regulations.

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](http://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 parent 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.

## **Priory Group UK 1 Limited**

### **Independent auditors' report to the members of Priory Group UK 1 Limited**

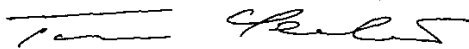
#### **Other required reporting**

##### **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 parent 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 parent company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Tom Yeates (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

Leeds

25 April 2023

## Priory Group UK 1 Limited

### Consolidated income statement for the year ended 31 December 2022

| £'000                                  | Note | Year ended 31<br>December 2022 | Year ended 31<br>December 2021<br>(restated*) |
|----------------------------------------|------|--------------------------------|-----------------------------------------------|
| <b>Continuing operations</b>           |      |                                |                                               |
| Revenue                                | 3    | 712,182                        | 721,010                                       |
| Operating costs                        | 4    | (671,089)                      | (656,705)                                     |
| Exceptional items                      | 7    | (167)                          | (12,621)                                      |
| Other operating income                 | 13   | 277                            | 277                                           |
| <b>Operating profit</b>                | 3    | <b>41,203</b>                  | 51,961                                        |
| Analysed as:                           |      |                                |                                               |
| <b>Adjusted EBITDA</b>                 |      | <b>102,384</b>                 | 127,483                                       |
| Depreciation                           | 4    | (61,014)                       | (62,901)                                      |
| Amortisation                           | 4    | -                              | -                                             |
| Exceptional items                      | 7    | (167)                          | (12,621)                                      |
| <b>Operating profit</b>                |      | <b>41,203</b>                  | 51,961                                        |
| Finance costs                          | 8    | (69,297)                       | (89,461)                                      |
| Finance income                         | 8    | 171                            | 56                                            |
| <b>Loss before tax</b>                 |      | <b>(27,923)</b>                | (37,444)                                      |
| Income tax                             | 9    | 12,015                         | (39,491)                                      |
| <b>Loss from continuing operations</b> |      | <b>(15,908)</b>                | (76,935)                                      |
| Profit from discontinued operations    | 10   | -                              | 170,954                                       |
| <b>(Loss)/profit for the year</b>      |      | <b>(15,908)</b>                | 94,019                                        |

\*See Note 2(v) for details of restatement.

Adjusted EBITDA represents earnings before interest, tax, depreciation, amortisation and exceptional items. All are 'non-GAAP measures' as they are not measures defined within IFRS and are discussed in more detail in note 2.

## Priory Group UK 1 Limited

### Consolidated statement of comprehensive income for the year ended 31 December 2022

| £'000                                                         | Year ended 31<br>December 2022 | Year ended 31<br>December 2021<br>(restated*) |
|---------------------------------------------------------------|--------------------------------|-----------------------------------------------|
| Loss from continuing operations                               | (15,908)                       | (76,935)                                      |
| Profit from discontinued operations                           | -                              | 170,954                                       |
| <b>(Loss)/profit for the year</b>                             | <b>(15,908)</b>                | <b>94,019</b>                                 |
| <i>Items that will not be reclassified to profit or loss:</i> |                                |                                               |
| Actuarial (loss)/gain on defined benefit scheme               | (3,455)                        | 5,760                                         |
| Movement in deferred tax relating to actuarial (loss)/gain    | 864                            | (554)                                         |
| <b>Other comprehensive (expense)/income for the year</b>      | <b>(2,591)</b>                 | <b>5,206</b>                                  |
| <b>Total comprehensive (expense)/income for the year</b>      | <b>(18,499)</b>                | <b>99,225</b>                                 |

\*See Note 2(v) for details of restatement.

# Priory Group UK 1 Limited

## Consolidated balance sheet at 31 December 2022

| £'000                                            | Note | 31 December 2022   | 31 December 2021<br>(restated*) | 1 January 2021<br>(restated*) |
|--------------------------------------------------|------|--------------------|---------------------------------|-------------------------------|
| <b>Non-current assets</b>                        |      |                    |                                 |                               |
| Intangible assets                                | 11   | -                  | -                               | -                             |
| Property, plant and equipment                    | 12   | 494,030            | 517,173                         | 1,160,562                     |
| Right of use assets                              | 13   | 517,989            | 526,811                         | 264,868                       |
|                                                  |      | <b>1,012,019</b>   | <b>1,043,984</b>                | <b>1,425,430</b>              |
| <b>Current assets</b>                            |      |                    |                                 |                               |
| Net investment in finance leases                 | 13   | -                  | 302                             | 592                           |
| Inventories                                      | 14   | 497                | 468                             | 539                           |
| Trade and other receivables                      | 15   | 69,394             | 81,910                          | 61,480                        |
| Corporation tax recoverable                      |      | 10,769             | 7,763                           | 1,687                         |
| Cash                                             | 16   | 10,519             | 20,058                          | 54,971                        |
|                                                  |      | <b>91,179</b>      | <b>110,501</b>                  | <b>119,264</b>                |
| Assets held for sale                             | 17   | 7,944              | 500                             | 5,025                         |
|                                                  |      | <b>99,123</b>      | <b>111,001</b>                  | <b>124,289</b>                |
| <b>Total assets</b>                              |      | <b>1,111,142</b>   | <b>1,154,985</b>                | <b>1,549,719</b>              |
| <b>Current liabilities</b>                       |      |                    |                                 |                               |
| Trade and other payables                         | 18   | (98,315)           | (124,636)                       | (137,130)                     |
| Corporation tax payable                          |      | -                  | (7,739)                         | -                             |
| Lease liabilities                                | 13   | (52,761)           | (54,790)                        | (26,008)                      |
| Borrowings                                       | 19   | (20,363)           | (19,295)                        | -                             |
| Provisions                                       | 20   | (15,273)           | (15,457)                        | (16,761)                      |
|                                                  |      | <b>(186,712)</b>   | <b>(221,917)</b>                | <b>(179,899)</b>              |
| <b>Net current liabilities</b>                   |      | <b>(87,589)</b>    | <b>(110,916)</b>                | <b>(55,610)</b>               |
| <b>Non-current liabilities</b>                   |      |                    |                                 |                               |
| Lease liabilities                                | 13   | (773,825)          | (776,980)                       | (309,154)                     |
| Borrowings                                       | 19   | (280,151)          | (261,136)                       | (1,199,194)                   |
| Deferred income tax                              | 21   | (37,231)           | (44,453)                        | (102,762)                     |
| Pension liability                                | 22   | (3,370)            | (2,147)                         | (9,583)                       |
|                                                  |      | <b>(1,094,577)</b> | <b>(1,084,716)</b>              | <b>(1,620,693)</b>            |
| <b>Net liabilities</b>                           |      | <b>(170,147)</b>   | <b>(151,648)</b>                | <b>(250,873)</b>              |
| Equity attributable to the owners of the parent: |      |                    |                                 |                               |
| Share capital                                    | 23   | 74,984             | 74,984                          | 74,984                        |
| Share premium account                            |      | 647,240            | 647,240                         | 647,240                       |
| Accumulated losses                               |      | (892,371)          | (873,872)                       | (973,097)                     |
| <b>Total equity</b>                              |      | <b>(170,147)</b>   | <b>(151,648)</b>                | <b>(250,873)</b>              |

\*See Note 2(v) for details of restatement.

The consolidated financial statements of Priory Group UK 1 Limited (registered company number 09057543) on pages 15 to 50 were approved by the board of directors and authorised for issue on 25 April 2023. They were signed on its behalf by:

*Jim Lee*

Jim Lee  
Director

*Dave Hall*

David Hall  
Director

## Priory Group UK 1 Limited

### Consolidated statement of cash flows for the year ended 31 December 2022

| £'000                                                                 | Note | Year ended 31<br>December 2022 | Year ended 31<br>December 2021<br>(restated*) |
|-----------------------------------------------------------------------|------|--------------------------------|-----------------------------------------------|
| <b>Operating activities</b>                                           |      |                                |                                               |
| Operating profit                                                      |      | 41,203                         | 74,696                                        |
| Profit on disposal of property, plant and equipment                   |      | (23,390)                       | (44,409)                                      |
| Depreciation of property, plant and equipment and right of use assets | 12   | 61,014                         | 71,775                                        |
| Amortisation of intangible assets                                     | 4    | -                              | -                                             |
| Net impairment of non-current assets                                  | 7    | 18,283                         | 39,326                                        |
| Non-cash exceptional items                                            |      | -                              | 1,403                                         |
| (Increase)/decrease in inventories                                    |      | (29)                           | 71                                            |
| Decrease/(increase) in trade and other receivables                    |      | 9,302                          | (16,553)                                      |
| (Decrease)/increase in trade and other payables                       |      | (28,994)                       | 25,209                                        |
| Post-employment benefits                                              |      | (2,250)                        | (1,780)                                       |
|                                                                       |      | 75,139                         | 149,738                                       |
| Taxation                                                              |      | 881                            | (67,425)                                      |
| <b>Net cash generated from operating activities</b>                   |      | <b>76,020</b>                  | <b>82,313</b>                                 |
| <b>Investing activities</b>                                           |      |                                |                                               |
| Interest income                                                       | 8    | 92                             | 56                                            |
| Proceeds from disposal of property, plant and equipment               |      | 12,262                         | 13,360                                        |
| Purchases of property, plant and equipment                            |      | (38,359)                       | (44,301)                                      |
| Proceeds from sale and leaseback transaction                          |      | -                              | 801,252                                       |
| Proceeds from sale of Education division (less divested cash)         |      | -                              | 138,292                                       |
| <b>Net cash (used in)/generated from investing activities</b>         |      | <b>(26,005)</b>                | <b>908,659</b>                                |
| <b>Financing activities</b>                                           |      |                                |                                               |
| Repayment of obligations under lease liabilities                      |      | (10,358)                       | (14,064)                                      |
| Proceeds from borrowings                                              |      | -                              | 19,137                                        |
| Repayment of borrowings                                               |      | -                              | (875,056)                                     |
| Interest paid on lease liabilities                                    |      | (49,196)                       | (38,798)                                      |
| Interest paid on borrowings                                           |      | -                              | (117,104)                                     |
| <b>Net cash used in from financing activities</b>                     |      | <b>(59,554)</b>                | <b>(1,025,885)</b>                            |
| <b>Net decrease in cash</b>                                           |      | <b>(9,539)</b>                 | <b>(34,913)</b>                               |
| Cash at the beginning of the year                                     | 16   | 20,058                         | 54,971                                        |
| <b>Cash at the end of the year</b>                                    | 16   | <b>10,519</b>                  | <b>20,058</b>                                 |

\*See Note 2(v) for details of restatement.

The comparative consolidated statement of cash flows includes the cash flows from both continuing and discontinued operations.

## Priory Group UK 1 Limited

### Consolidated statement of changes in equity for the year ended 31 December 2022

| <b>£'000</b>                                        | <b>Share capital</b> | <b>Share premium account</b> | <b>Accumulated losses</b> | <b>Total equity</b> |
|-----------------------------------------------------|----------------------|------------------------------|---------------------------|---------------------|
| At 1 January 2021 as previously reported            | 74,984               | 647,240                      | (1,021,148)               | (298,924)           |
| Restatement*                                        | -                    | -                            | 48,051                    | 48,051              |
| At 1 January 2021 restated                          | 74,984               | 647,240                      | (973,097)                 | (250,873)           |
| Loss from continuing operations (restated*)         | -                    | -                            | (76,935)                  | (76,935)            |
| Profit from discontinued operations (restated*)     | -                    | -                            | 170,954                   | 170,954             |
| Other comprehensive income for the year             | -                    | -                            | 5,206                     | 5,206               |
| Total comprehensive income for the year (restated*) | -                    | -                            | 99,225                    | 99,225              |
| At 31 December 2021 (restated*)                     | 74,984               | 647,240                      | (873,872)                 | (151,648)           |
| At 31 December 2021 as previously reported          | 74,984               | 647,240                      | (906,248)                 | (184,024)           |
| Restatement*                                        | -                    | -                            | 32,376                    | 32,376              |
| At 31 December 2021 restated                        | 74,984               | 647,240                      | (873,872)                 | (151,648)           |
| Loss from continuing operations                     | -                    | -                            | (15,908)                  | (15,908)            |
| Other comprehensive expense for the year            | -                    | -                            | (2,591)                   | (2,591)             |
| Total comprehensive expense for the year            | -                    | -                            | (18,499)                  | (18,499)            |
| <b>At 31 December 2022</b>                          | <b>74,984</b>        | <b>647,240</b>               | <b>(892,371)</b>          | <b>(170,147)</b>    |

\*See Note 2(v) for details of restatement.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 1. General information

The Company is a private limited company, limited by shares and incorporated and domiciled in the UK. The Company is the holding company of Whitewell UK Holding Company 1 Limited and its subsidiaries, whose principal activity is the provision of behavioural care in the United Kingdom, focusing on the provision of acute psychiatry, forensic and rehabilitation and recovery services, older people care, and specialist support for adults who have learning disabilities.

The address of the registered office is Fifth Floor, 80 Hammersmith Road, London, England, W14 8UD.

### 2. Significant accounting policies

#### a) Basis of preparation

The consolidated financial statements are prepared in accordance with UK-adopted International Accounting Standards in conformity with the requirements of the Companies Act 2006 ('IFRS'). They also comply with applicable legal requirements of the Companies Act 2006 as applicable to companies using IFRS. The Company has elected to prepare its parent company financial statements in accordance with UK generally accepted accounting principles (UK GAAP), including FRS 101.

The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets. The accounting policies set out below have been applied consistently. The Group has not adopted any new IFRS standards, amendments to standards or interpretations prior to their effective date.

The preparation of financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable in the particular circumstance, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of complexity, or areas where assumptions and estimates are significant to the financial statements are discussed on page 25.

#### b) Going concern

The Board reviews forecasts of the Group's liquidity requirements based on a range of scenarios to ensure it has sufficient cash to meet operational needs. The formal period for which the Board has assessed the appropriateness of the going concern assumption extends from the date of signing these financial statements to 30 June 2024, although there are no known or anticipated events or factors beyond this period that would impinge on the ability of the Group to determine its continuation as a going concern.

At 31 December 2022, the Group had debt (including accrued interest) of £300.5m due to its immediate parent, RemedcoUK Limited, a wholly owned subsidiary of the Group's ultimate parent.

The directors have adopted the going concern basis (notwithstanding the net liabilities as at 31 December 2022 of £170.1m) in preparing these financial statements after assessing the principal risks and having considered the impact of a severe but plausible scenario potentially precipitated by a general deterioration in trading conditions.

The directors have used the 2023 budget as a base case financial and liquidity forecast for the going concern assessment period and applied sensitivities to that forecast to derive a severe but plausible downside scenario. Specifically, the severe but plausible downside scenario assumes:

- Reductions in occupancy levels from budget of between 1% and 5% depending on business division and month; and
- No repayment of the RCF facility or further draw downs.

The revenue and cost impact of such a scenario would have a significant negative impact on the Group's profitability and cash flow for 2023 and the first half of 2024, although would still deliver positive EBITDA and sufficient cash liquidity throughout the going concern assessment period.

The directors have also conducted a review of the forecast to ascertain the possible circumstances in which liquidity would become negative during the going concern assessment period. Such a scenario would involve a significant reduction in occupancy and a failure to take any mitigating actions with regard to the cost base of the Group and capital investment. The utilisation of cash pooling and the group-wide RCF facility is a further mitigating action, however access is dependent on the funding requirements of Median given they are shared facilities. This scenario would be significantly more pessimistic than conditions experienced in recent years. As such, the likelihood of the realisation of this hypothetical scenario is considered to be remote.

After making appropriate enquiries and having considered the business activities and the Group's principal risks and uncertainties, the directors are satisfied that the Group as a whole has adequate resources to continue in operational existence for the foreseeable future. They have done this by examining and stress testing the trading forecasts and financing requirements of the Group for the period from the date of approval of these financial statements to 30 June 2024. The directors are satisfied that the going concern basis of preparation for these financial statements is appropriate. Accordingly, the financial statements have been prepared on a going concern basis.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all of its subsidiary undertakings made up to 31 December 2022. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The purchase method is used to account for the acquisition of subsidiaries and group reorganisations. Under the purchase method the cost of the acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred in exchange for the subsidiary. Identifiable assets, liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. All acquisition costs are expensed immediately.

Non-controlling interests are initially measured at fair value.

Intercompany transactions and balances between group entities are eliminated on consolidation. Where necessary, the accounting policies applied by subsidiaries have been changed to ensure consistency with the accounting policies applied by the Group.

#### d) Discontinued operations

In the prior year, the Group disposed of the Education division, which represented a separate line of business. The net results of the Education division, up until disposal, are presented as discontinued operations in the Group consolidated income statement. Comparatives have been re-presented – see note 10 for further details.

#### e) Non-current assets held for sale

Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset or disposal group is available for immediate sale in its present condition and when the asset or disposal group is being actively marketed. Management must be committed to the sale and expect the sale to complete within one year from the date of classification or the reporting date.

#### f) Intangible assets

##### i) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually, or more frequently where circumstances suggest an impairment may have occurred. Any impairment is recognised immediately in the income statement and is not subsequently reversed.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units on an EBITDA basis, in line with the expected benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of that unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary or disposal group, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

##### ii) Brands and customer contracts

Acquired brands and customer contracts acquired in a business combination are shown at fair value at the acquisition date. They have finite useful economic lives and are carried at cost less accumulated amortisation and amortisation. Brands are amortised on a straight line basis to allocate the cost of a brand over its estimated useful life of up to 30 years. Customer contracts are amortised on an attrition basis over their useful economic lives of between 3 and 10 years. Attrition rates are calculated with reference to the average length of stay of service users.

#### g) Segment reporting

Substantially all of the Group's operations are in the UK, therefore no geographical disclosures are presented. The group is not required to comply with IFRS 8 'Operating segments' and has not voluntarily chosen to present the information required by IFRS 8. Further details regarding revenue are provided in note 3 to the consolidated financial statements.

#### h) Revenue recognition

Revenue represents consideration received for the provision of healthcare, education and adult care services. Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes. Revenue in respect of the provision of healthcare, education and adult care services is recognised in respect of the number of days of care that have been provided in the relevant period. Revenue in respect of ancillary services is recognised as the services are provided, assuming the other revenue recognition criteria are met. Revenue paid in advance is included in deferred income until the service is provided. Revenue in respect of services provided but not invoiced by the year end is included within accrued income.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### i) Borrowing costs and interest

All borrowing costs are recognised in the income statement in the year in which they are incurred. Interest income is recognised in the income statement as it accrues, using the effective interest method. The Group has no borrowing costs directly attributable to the acquisition, construction or production of specific qualifying assets.

#### j) Retirement benefit costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due, when the service is provided by the employee. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Group, through one of its subsidiaries, Partnerships in Care Limited, operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan. The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at 31 December 2022 less the fair value of the plan assets.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Company engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and have terms approximating to the estimated period of future payments.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income in the period that they arise. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of the plan assets. The cost is recognised in profit or loss as a finance expense.

The Group, through one of its subsidiary companies, operates an additional funded defined benefit pension scheme, the "Priory Central Services Pension and Life Assurance Scheme" for staff at one of its homes. The defined benefit obligation, plan assets and net surplus are not material, and are therefore not separately recognised in the consolidated financial statements.

#### k) Government grants

The Group from time to time receives government grants and financial assistance from central government, national bodies such as NHS England and local government (local authorities), particularly in connection with lost revenues and additional costs associated with the COVID-19 pandemic. Such grants are only recognised in the financial statements when there is reasonable assurance that the Group will comply with any conditions attached to the grant and that the grant will be received. The grants are recognised as income over the period necessary to match them with the related service provided or costs incurred for which they are intended to compensate, on a systematic basis. A grant receivable as compensation for costs already incurred or for immediate financial support, with no future related costs or conditions, is recognised as income in the period in which it is receivable. During the year ended 31 December 2022, the Group (along with other organisations in the sector) received various forms of government assistance in the form of COVID support payment that do not strictly meet the definition of a government "grant". Further details are set out in note 3.

#### l) Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit can differ 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, or 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 balance sheet date.

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 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.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority, and the Group intends to settle its current tax assets and liabilities on a net basis.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### m) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Assets in the course of construction represent the direct costs of purchasing, constructing and installing property, plant and equipment ahead of their productive use. No depreciation is provided on an asset that is in the course of construction until it is completed and the asset is ready for its intended use.

Depreciation is provided to write off the cost less the estimated residual value of property, plant and equipment by equal instalments over their estimated useful economic lives as follows:

|                       |               |
|-----------------------|---------------|
| Buildings             | 50 years      |
| Fixtures and fittings | 3 to 16 years |
| Motor vehicles        | 4 years       |

The expected residual values and useful lives of the assets to the business are reassessed, and adjusted if appropriate at each balance sheet date. Land is not depreciated on the basis that land has an unlimited life. Where the cost of land and buildings cannot be split, the directors have estimated that the value attributable to land is 22% of the cost of the land and buildings, based on experience.

#### n) Inventory

Inventory comprises primarily medical drugs and catering supplies and is stated at the lower of cost and net realisable value.

#### o) Leases

The Group applied IFRS 16 using the modified retrospective approach from 1 January 2019. From that date, the Group's accounting policy is as follows:

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

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either the Group has the right to operate the asset, or the Group designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

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

The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term. The estimated useful lives of right of use assets are determined on the same basis as those of property, plant and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is re-measured at amortised cost using the effective interest method. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### o) Leases (continued)

When the lease liability is re-measured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

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

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

##### 1) Short-term leases

The Group has elected not to recognise right of use assets and lease liabilities for short-term leases of property and equipment that have a lease term of 12 months or less. The Group recognises the lease payments associated with short-term leases as an expense on a straight-line basis over the lease term.

##### 2) Leases of low-value assets

The Group has elected not to recognise right of use assets and lease liabilities for leases of low-value assets, including sundry IT and office equipment. The Group recognises the lease payments associated with low-value leases as an expense on a straight-line basis over the lease term.

##### 3) Portfolio approach to discount rates

The Group has elected to apply a single discount rate to portfolios of leases with reasonably similar characteristics, namely leases with a similar remaining lease term.

##### 4) Impairment review on initial application

The Group has elected to rely on its assessment of whether leases are onerous (through the application of IAS 37) as an alternative to performing an impairment review on initial application. The Group has therefore adjusted the right of use asset by the amount of the provision for onerous leases.

The Group sublets a small number of properties. When the Group is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assumes the lease classification of a sub-lease with reference to the right of use asset arising from the head lease, not with reference to the underlying asset. The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of operating costs.

#### p) Non-derivative financial instruments

Non-derivative financial instruments comprise trade and other receivables, cash, borrowings and trade and other payables. Non-derivative financial instruments are recognised initially at fair value. The Group has no financial instruments measured at fair value through the income statement. Subsequent to initial recognition, financial instruments are measured as described below:

##### i) Trade and other receivables

IFRS 9 requires an expected credit loss (ECL) model to be applied to financial assets rather than the incurred credit loss model required under IAS 39. The ECL model requires the Group to account for expected losses as a result of credit risk on initial recognition of financial assets and to recognise changes in those expected credit losses at each reporting date.

The main area of focus to the Group is the impairment provisioning of trade receivables. For trade receivables, the Group uses the simplified approach under IFRS 9 to recognise lifetime expected credit losses. For trade receivables, the Group recognises a loss allowance for expected credit losses at an amount equal to the lifetime expected credit loss (ECL). In calculating, the Group uses its historical experience and external indicators to evaluate the expected credit losses. This is recorded through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

In assessing the credit risk, the majority of the Group's customers are Local Authorities and other public bodies ultimately controlled by the UK Government. The credit risk associated with trade receivables with such bodies is considered low.

##### ii) Cash

Cash comprises all bank balances and is stated in the balance sheet at fair value. Cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown in creditors due within one year.

##### iii) Trade and other payables

Trade and other payables are initially stated at fair value and subsequently measured at amortised cost using the effective interest rate method.

##### iv) Borrowings

All borrowings are initially stated at the fair value of proceeds received after deduction of finance costs and are subsequently measured at amortised cost using the effective interest rate method. The issue costs are amortised over the life of the underlying borrowings at a constant rate on the carrying amount. On early repayment of the borrowings, the balance of the un-amortised issue costs, and any premium and discounts arising in the early repayment of borrowings are recognised in the income statement. Details of the Group's financial risk management policies are included in note 24.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### q) Classification of financial instruments issued by the Group

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Instruments issued that do not evidence a residual interest in the assets of the Group are classified as liabilities. Equity instruments issued by the Group are recognised in equity at the value of the net proceeds received.

#### r) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### s) Reserves

The share premium reserve records the amount received in return for the issue of shares, in excess of the nominal value of those shares. The accumulated losses reserve is the cumulative amount of profits and losses less any dividend distributions made.

#### t) Non-GAAP measures and exceptional items

The Group assesses its operational performance using a number of financial measures, some of which are 'non-GAAP measures' as they are not measures defined within IFRS. These measures include Earnings before Interest, Tax, Depreciation, Amortisation and exceptional items (Adjusted EBITDA). Management believe presenting the Group's results in this way provides users of the financial statements with additional useful information on the underlying performance of the business, and is consistent with how business performance is monitored internally.

Items that are both material and non-recurring and whose significance is sufficient to warrant separate disclosure and identification within the consolidated financial information are referred to as exceptional items. Items that may give rise to classification as exceptional include, but are not limited to, significant and material restructuring and reorganisation programmes, re-financing and acquisition costs, impairment charges and profits or losses on the disposal of assets. Further detail of exceptional items is provided in note 7.

#### u) Significant sources of estimation, uncertainty and critical accounting judgements in applying the Group's accounting policies

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

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

Significant accounting estimates and judgements have been applied by the Group in order to prepare the consolidated financial statements with respect to the valuation of deferred tax assets, initial recognition and subsequent amortisation of customer relationships and other intangible assets, the classification of exceptional items and the valuation of property, plant and equipment and right of use assets. These judgements are described below:

##### (i) Valuation of deferred tax assets

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income. Refer to note 21 for further detail of deferred tax assets recognised.

##### (ii) Initial recognition and subsequent amortisation of customer relationships and other intangible assets

In accounting for each acquisition, the Group considers whether there are acquired intangible assets that qualify for separate recognition. In respect of previous acquisitions, the Group has concluded that two classes of intangibles qualify under certain circumstances: brands and customer contracts. The valuation method used to value the customer contracts is a multi-period excess earnings method, based on an estimate of the amount of earnings attributable to those contracts. The intangible asset is then amortised on an attrition basis. The valuation method used to value acquired brands is the royalty relief method, with subsequent amortisation charged on a straight-line basis. Estimating excess earnings, appropriate royalty rates and the useful economic life of customer contracts and brands requires management judgement and discretion.

##### (iii) Classification and measurement of exceptional items

The Group recognises certain expenses and gains as "exceptional" – these are both judgemental and often material in nature. Exceptional items are defined as those that are not incurred in the standard operational course of business and if not stated as exceptional would artificially skew the reported results of the Group.

##### (iv) Impairment of property, plant and equipment and right of use assets

Asset impairments require management judgement in relation to the assumptions used to determine the extent of the impairment. There is also estimation uncertainty in determining expectations of future profitability. Refer to note 12 and 13 for further detail of impairments recognised.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### v) Prior year restatements

##### (i) Reclassification of rent prepayment

During the year ending 31 December 2022 a material reclassification was discovered relating to the rent prepayment recorded in the consolidated balance sheet at both 31 December 2021 and 1 January 2021. The prepayment was included within right of use assets but should have been offset against lease liabilities. The effect of correcting this is to reduce right of use assets by £5.2m and decrease lease liabilities by £5.2m at both 31 December 2021 and 1 January 2021. This adjustment is included in the table below.

##### (ii) Reassessment of property, plant and equipment, intangible assets, right of use assets and deferred tax

During the year ended 31 December 2022 the Group undertook a detailed review of its accounting records relating to property, plant and equipment and intangible assets. This review identified a number of anomalies relating to prior years, the most significant being errors in the application of various impairment charges, not accounting for the reversal of previous impairment charges where evidence existed to do so and the lack of derecognition of disposed assets. Due to the sale and leaseback transaction entered into in 2021 a consequent adjustment to right of use assets recognised in the year ended 31 December 2021 is also required. These adjustments also had a material impact on deferred tax.

This has been corrected by restating each of the affected financial statement line items disclosed as comparative figures in these financial statements as follows:

| £'000                                      | 31 December 2021 (as previously reported) | (Decrease)/ increase | 31 December 2021 (restated) | 1 January 2021 (as previously reported) | (Decrease)/ increase | 1 January 2021 (restated) |
|--------------------------------------------|-------------------------------------------|----------------------|-----------------------------|-----------------------------------------|----------------------|---------------------------|
| Intangible assets <sup>1</sup>             | 15,936                                    | (15,936)             | -                           | 20,985                                  | (20,985)             | -                         |
| Property, plant and equipment <sup>2</sup> | 454,600                                   | 62,573               | 517,173                     | 1,080,255                               | 80,307               | 1,160,562                 |
| Right of use assets <sup>3</sup>           | 534,956                                   | (8,145)              | 526,811                     | 270,094                                 | (5,226)              | 264,868                   |
| Current lease liabilities <sup>3</sup>     | (60,016)                                  | 5,226                | (54,790)                    | (31,234)                                | 5,226                | (26,008)                  |
| Deferred tax liabilities <sup>4</sup>      | (33,111)                                  | (11,342)             | (44,453)                    | (91,491)                                | (11,271)             | (102,762)                 |
| <b>Net liabilities</b>                     | <b>(184,024)</b>                          | <b>32,376</b>        | <b>(151,648)</b>            | <b>(298,924)</b>                        | <b>48,051</b>        | <b>(250,873)</b>          |
| Accumulated losses                         | (906,248)                                 | 32,376               | (873,872)                   | (1,021,148)                             | 48,051               | (973,097)                 |
| <b>Total equity</b>                        | <b>(184,024)</b>                          | <b>32,376</b>        | <b>(151,648)</b>            | <b>(298,924)</b>                        | <b>48,051</b>        | <b>(250,873)</b>          |

| £'000                                                                 | 2021 (as previously reported) | Profit increase/ (decrease) | 2021 (restated) |
|-----------------------------------------------------------------------|-------------------------------|-----------------------------|-----------------|
| <b>Statement of profit or loss (extract)</b>                          |                               |                             |                 |
| Depreciation                                                          | (61,651)                      | (1,250)                     | (62,901)        |
| Amortisation <sup>1</sup>                                             | (5,049)                       | 5,049                       | -               |
| Exceptional items <sup>2</sup>                                        | (23,304)                      | 10,683                      | 12,621          |
| Income tax <sup>4</sup>                                               | (32,542)                      | (6,949)                     | (39,491)        |
| Profit from discontinued operations <sup>2, 3</sup>                   | 194,162                       | (23,208)                    | 170,954         |
| <b>Profit for the year</b>                                            | <b>109,694</b>                | <b>(15,675)</b>             | <b>94,019</b>   |
| <b>Statement of comprehensive income (extract)</b>                    |                               |                             |                 |
| Profit for the year                                                   | 109,694                       | (15,675)                    | 94,019          |
| <b>Total comprehensive expense for the year</b>                       | <b>114,900</b>                | <b>(15,675)</b>             | <b>99,225</b>   |
| <b>Statement of cash flows (extract)</b>                              |                               |                             |                 |
| Operating profit                                                      | 59,973                        | 14,723                      | 74,696          |
| Profit on disposal of property, plant and equipment <sup>2</sup>      | (37,739)                      | (6,670)                     | (44,409)        |
| Depreciation of property, plant and equipment and right of use assets | 70,765                        | 1,010                       | 71,775          |
| Amortisation of intangible assets <sup>1</sup>                        | 5,049                         | (5,049)                     | -               |
| Impairment of non-current assets <sup>2</sup>                         | 43,340                        | (4,014)                     | 39,326          |
| <b>Cash at the end of the year</b>                                    | <b>20,058</b>                 | <b>-</b>                    | <b>20,058</b>   |

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### v) Prior year restatements (continued)

##### (ii) Reassessment of property, plant and equipment and intangible assets (continued)

###### <sup>1</sup>Intangible assets

In 2018 an impairment review over the group's CGUs determined the value in use of the Healthcare and Adult Care CGUs to be substantially lower than their carrying value. After impairing goodwill related to those CGUs in full, the remaining impairment charge was part-allocated to intangible assets for customer contracts and brands. On review of that treatment in the current period the directors have determined that errors were made in the allocation of the impairment charge and those intangible assets should have been impaired in full. The effect of this correction was to reduce intangible assets at 1 January 2021 by £21.0m (with a corresponding decrease to opening reserves) and at 31 December 2021 by £15.9m. Amortisation charged in the 2021 income statement of £5.0m relating to those intangible assets has been reversed. Deferred tax liabilities reduced by £4.0m at 1 January 2021 and £4.3m at 31 December 2021 related to this adjustment. The impact on the cash flow statement for the year ended 31 December 2021 was to increase reported operating profit by £5.0m and reduce the adjustment for amortisation by £5.0m. There was no impact on cash generated from operations or net cash flow.

###### <sup>2</sup>Property plant and equipment

A number of adjustments were made to property, plant and equipment, the significant adjustments are as follow:

- A review of impairment charges taken against property, plant and equipment in periods prior to 1 January 2021 identified that part of those impairments should have been reversed in accordance with IAS 36, based on evidence of value in use or fair value less costs of disposal at 1 January 2021. As a result, property, plant and equipment was increased by £74.8m at 1 January 2021 with a corresponding increase to opening reserves to correct the opening carrying value. In addition, it was identified that certain disposals in periods prior to 1 January 2021 had used incorrect carrying values in the disposal accounting. The impact on property, plant and equipment at 1 January 2021 was an increase of £5.5m with a corresponding increase to opening reserves to correct the opening carrying value. The corresponding impact of these adjustments to property, plant and equipment at 31 December 2021 was £80.3m. The impact of these adjustments on deferred tax liabilities at 1 January 2021 was an increase of £15.3m and an increase of £20.1m at 31 December 2021.
- A review of the accounting for the sale of the Education division in 2021 identified that property, plant and equipment relating to Education and included as part of the transaction, with a net book value of £27.5m, had not been included in the disposal accounting. Correcting this error has reduced the value of property, plant and equipment at 31 December 2021 by £27.5m, with a corresponding reduction in the profit from discontinued operations in the 2021 income statement. The impact of this correction on deferred tax liabilities at 31 December 2021 was a decrease of £6.9m. There was no impact on cash generated from operations or net cash flow. There was no impact on opening reserves.
- It was identified that the incorrect carrying values of certain other property, plant and equipment, totalling £7.4m higher than the correct figures, were used in accounting for their disposal in 2021. Correcting this error has increased the value of property, plant and equipment at 31 December 2021 by £7.4m with a corresponding increase in profit on disposal of property, plant and equipment within exceptional items in the 2021 income statement. The impact of this correction on deferred tax liabilities at 31 December 2021 was an increase of £1.8m. The impact on the cash flow statement for the year ended 31 December 2021 was to increase reported operating profit by £7.4m and reduce the profit on disposal of property, plant and equipment adjustment by £7.4m. There was no impact on cash generated from operations or net cash flow. There was no impact on opening reserves.
- A review of the impairment assessment performed in 2021 identified that the incorrect carrying values for certain items of property, plant and equipment had been considered and as a result the impairment charge booked in the 2021 income statement was overstated by £3.7m. Correcting this error resulted in an increase in the value of property, plant and equipment of £3.7m at 31 December 2021 and a corresponding reduction to the impairment charge within exceptional items in the 2021 income statement. The impact on deferred tax liabilities at 31 December 2021 in relation to this correction was an increase of £0.9m. The impact on the cash flow statement for the year ended 31 December 2021 was to increase reported operating profit by £3.7m and reduce the adjustment for impairment of non-current assets by £3.7m. There was no impact on cash generated from operations or net cash flow. There was no impact on opening reserves.
- As a result of the reversal of prior year impairments the depreciation in the 2021 income statement was increased by £1.3m with a corresponding reduction in the value of property, plant and equipment at 31 December 2021. The impact on deferred tax liabilities at 31 December 2021 in relation to this correction was a decrease of £0.3m. The impact on the cash flow statement for the year ended 31 December 2021 was to reduce reported operating profit by £1.3m and increase the adjustment for depreciation by £1.3m. There was no impact on cash generated from operations or net cash flow. There was no impact on opening reserves.

###### <sup>3</sup>Right of use assets and lease liabilities

From the review performed it was also identified that right of use assets were overstated by £2.9m at 31 December 2021 which predominantly related to assets divested as part of the Education division disposal that had not been included in the disposal accounting. Correcting this error resulted in a decrease in right of use assets at 31 December 2021 of £2.9m, a reduction of £2.6m to the profit from discontinued operations, a reduction of £0.1m to depreciation and a net increase of £0.4m to the exceptional items in the 2021 income statement. The impact on the cash flow statement for the year ended 31 December 2021 was to decrease the profit on disposal of property, plant and equipment adjustment by £0.7m, increase the depreciation adjustment by £0.3m and increase the impairment adjustment by £0.3m. Reported operating profit decreased by £0.1m. There was no impact on deferred tax, cash generated from operations or net cash flow. There was no impact on opening reserves.

See also adjustment (i) above in relation to the reclassification of rent paid in advance.

###### <sup>4</sup>Tax

The adjustments to deferred tax noted above resulted in an increase in the income tax charge from continuing operations in the 2021 income statement of £6.9m and an increase in the profit on disposal of discontinued operations by the same value.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 2. Significant accounting policies (continued)

#### w) Changes in accounting policy and disclosure

From 1 January 2022, the following standards and interpretations became effective and were adopted by the Group:

- Amendment to IFRS 16, 'Leases' – Covid-19 related rent concessions
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

The adoption of these interpretations has had no impact on the Group's profit for the year or equity.

The following new standards, amendments and interpretations, which are in issue at the balance sheet date but not yet effective and/or endorsed for use in the UK, have not been applied in these financial statements:

|                                                                                                                                                  | Effective for periods commencing on or after |
|--------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------|
| Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8                                                                                 | 1 January 2023                               |
| Amendment to IAS 12 - deferred tax related to assets and liabilities arising from a single transaction                                           | 1 January 2023                               |
| IFRS 17, 'Insurance contracts'                                                                                                                   | 1 January 2023                               |
| Amendments to IAS 8 accounting policies, changes in accounting estimates and errors: definition of accounting estimates                          | 1 January 2023                               |
| Amendments to IAS 1, 'Presentation of financial statements' relating to classification of liabilities and non-current liabilities with covenants | 1 January 2024                               |
| Amendments to IFRS 16, 'Leases' lease liability in a sale and leaseback                                                                          | 1 January 2024                               |

It is considered that the above standards and amendments will not have a significant effect on the results or net assets of the Group in 2023.

### 3. Revenue

The following is an analysis of the Group's revenue for the year:

| £'000        | 2022           | 2021           |
|--------------|----------------|----------------|
| Healthcare   | 461,623        | 462,367        |
| Adult Care   | 250,559        | 258,643        |
| <b>TOTAL</b> | <b>712,182</b> | <b>721,010</b> |

Included in the above revenue is total income from government grants and financial assistance of £2,016,000 (2021: £10,948,000) which primarily relates to amounts designed to compensate the Group for lost revenues and additional general expenditure attributable to the COVID-19 pandemic. This financial assistance fell into two broad types. The first type relating to contracts with NHS bodies that were based on an indicative number of beds being filled (with the financial assistance been payment for those beds that could not be fully occupied due to COVID-19 restrictions). The second type was infection control funds received from local authorities. These were considered modifications of the underlying contracts with those local authorities as the funds were designed to compensate the Group for forced modifications to its operations as a direct result of COVID-19 (for example through isolating patients by reducing capacity and placing restrictions on the movements of staff between settings). As such, it is considered appropriate to recognise these amounts within revenue. The total income from government grants and financial assistance is split between the divisions as follows:

| £'000        | 2022         | 2021          |
|--------------|--------------|---------------|
| Healthcare   | (269)        | 2,884         |
| Adult Care   | 2,285        | 8,064         |
| <b>TOTAL</b> | <b>2,016</b> | <b>10,948</b> |

#### Information about major customers

In 2022 revenue from NHS England was less than 10% (2021: 11%) of total revenue (continuing and discontinuing) and no other single customer accounted for more than 10% of total revenue. On a consolidated basis, revenue of £186.2m (2021: £179.8m) and £443.0m (2021: £447.0m) arose from organisations within Social Services and the NHS respectively, which each represent more than 10% of the Group's total revenue. Of this revenue, £394.1m (2021: £391.4m) arose in the Healthcare division and £235.1m (2021: £235.4m) in the Adult Care division.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 4. Operating costs

| <b>£'000</b>                                            | <b>2022</b>    | <b>2021<br/>(restated*)</b> |
|---------------------------------------------------------|----------------|-----------------------------|
| Staff costs (note 6)                                    | <b>392,190</b> | 411,555                     |
| Other operating costs                                   | <b>217,618</b> | 181,966                     |
| Depreciation of property, plant and equipment (note 12) | <b>35,693</b>  | 42,253                      |
| Depreciation of right of use assets (note 13)           | <b>25,321</b>  | 20,648                      |
| Amortisation of intangible assets (note 11)             | -              | -                           |
| Sundry lease expenses                                   | <b>267</b>     | 283                         |
|                                                         | <b>671,089</b> | 656,705                     |

\*See Note 2(v) for details of restatement. In addition, consultant fees of £5.7m have been reclassified from staff costs to other operating costs in 2021. This is consistent with the treatment of these fees in 2022.

### 5. Auditors' remuneration

Audit fees of £500,000 (2021: £450,000) were borne by the Group in relation to the audit of the consolidated financial statements. Additional audit fees of £210,000 were also paid in respect of the prior year audit.

### 6. Employee numbers and costs

The average monthly number of employees (including executive directors) was:

| <b>Number</b>                | <b>2022</b>   | <b>2021</b> |
|------------------------------|---------------|-------------|
| Medical, care and nursing    | <b>11,544</b> | 15,033      |
| Administrative and ancillary | <b>3,223</b>  | 4,198       |
|                              | <b>14,767</b> | 19,231      |

Their aggregate remuneration comprised:

| <b>£'000</b>                 | <b>2022</b>    | <b>2021<br/>(restated*)</b> |
|------------------------------|----------------|-----------------------------|
| Wages and salaries           | <b>352,635</b> | 429,052                     |
| Social security costs        | <b>32,675</b>  | 36,501                      |
| Other pension costs          | <b>6,880</b>   | 10,131                      |
|                              | <b>392,190</b> | 475,684                     |
| Less discontinued operations | -              | (64,129)                    |
|                              | <b>392,190</b> | 411,555                     |

\*Consultant fees of £5.7m have been reclassified from staff costs to other operating costs in 2021. This is consistent with the treatment in 2022.

### 7. Exceptional items

| <b>£'000</b>                                                                                   | <b>2022</b>     | <b>2021<br/>(restated*)</b> |
|------------------------------------------------------------------------------------------------|-----------------|-----------------------------|
| Reorganisation and rationalisation costs                                                       | <b>1,802</b>    | 7,466                       |
| Professional costs and other fees                                                              | <b>5,472</b>    | 9,509                       |
| Insurance proceeds                                                                             | <b>(2,000)</b>  | -                           |
| Impairment of property plant and equipment and right of use assets                             | <b>29,143</b>   | 39,326                      |
| Reversal of prior year impairments                                                             | <b>(10,860)</b> | -                           |
| Profit on disposal of property, plant and equipment, right of use assets and lease liabilities | <b>(23,390)</b> | (43,680)                    |
|                                                                                                | <b>167</b>      | 12,621                      |

\*See Note 2(v) for details of restatement.

Reorganisation and rationalisation costs relate to redundancy costs arising from the integration with Median. In the prior year this also included early lease exit costs for leasehold facilities where a negotiated settlement was reached with landlords in order to assign the leases to other operators.

Professional and other fees primarily relate to the continuation of non-recurring management consultancy projects that commenced in 2021 from the change in ownership to assess synergies and integrate the Group with Median. In the prior year costs related to the sale and leaseback transaction, the disposal of the Education division and non-recurring management consultancy projects arising from the change in ownership.

Insurance proceeds received relate to a site that was impaired in 2020 due to a fire.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 7. Exceptional items (continued)

Impairment costs relate to the impairment of property, plant and equipment and right of use assets - see notes 12 and 13. Prior year impairments have been reassessed at 31 December 2022 resulting in the reversal of £10.9m.

Profit on disposal of property, plant and equipment, right of use assets and lease liabilities relates mainly to the disposal of closed sites and some operational Older People sites. It includes lease exit costs for disposed sites, in addition to lease curtailment gains of £22.3m. The prior year included the profit from the sale and lease back - see note 12.

### 8. Finance income and finance costs

| £'000                                     | 2022          | 2021          |
|-------------------------------------------|---------------|---------------|
| <b>Finance costs</b>                      |               |               |
| Interest payable on intercompany loans    | 20,083        | 54,210        |
| Interest on lease liabilities             | 49,196        | 35,147        |
| Net cost on post-employment benefit       | 18            | 104           |
|                                           | <b>69,297</b> | <b>89,461</b> |
| <b>Finance income</b>                     |               |               |
| Interest received on finance leases       | (6)           | (24)          |
| Interest receivable on intercompany loans | (79)          | (21)          |
| Other interest income                     | (86)          | (11)          |
|                                           | <b>(171)</b>  | <b>(56)</b>   |
| <b>Net finance costs</b>                  | <b>69,126</b> | <b>89,405</b> |

### 9. Income tax

| £'000                                             | 2022            | 2021 (restated*) |
|---------------------------------------------------|-----------------|------------------|
| <b>Current tax</b>                                |                 |                  |
| Current tax on profits for the year               | (3,081)         | 63,414           |
| Adjustments in respect of prior years             | (2,576)         | (1,635)          |
|                                                   | <b>(5,657)</b>  | <b>61,779</b>    |
| <b>Deferred tax (note 21):</b>                    |                 |                  |
| Origination and reversal of temporary differences | (1,928)         | (24,261)         |
| Adjustments in respect of prior years             | (4,430)         | 1,973            |
|                                                   | <b>(6,358)</b>  | <b>(22,288)</b>  |
| <b>Taxation</b>                                   | <b>(12,015)</b> | <b>39,491</b>    |

Corporation tax is calculated at 19% (2021: 19%) of the estimated taxable profit or loss for the year. The expected tax credit for the year can be reconciled to the credit per the income statement as follows:

| £'000                                                       | 2022            | 2021 (restated*) |
|-------------------------------------------------------------|-----------------|------------------|
| <b>Loss before tax</b>                                      | <b>(27,923)</b> | <b>(37,444)</b>  |
| Tax at the UK corporation tax rate of 19% (2021: 19%)       | (5,305)         | (7,114)          |
| Effect of:                                                  |                 |                  |
| Non-deductible expenses                                     | 3,125           | 13,474           |
| Adjustments in respect of prior years                       | (7,006)         | 872              |
| Property (including sale and leaseback transaction in 2021) | (3,842)         | 16,995           |
| Other differences                                           | 1,515           | 730              |
| Changes in tax rates                                        | (502)           | 14,534           |
| <b>Tax (credit)/charge for the year</b>                     | <b>(12,015)</b> | <b>39,491</b>    |

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

\*See Note 2(v) for details of restatement.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 10. Profit from discontinued operations

On 31 August 2021, the group divested its Education and Children's Services division together with sundry overseas assets to Aspris Bidco Limited for £59.7m. The divestment was part of a planned rationalisation of the Group by its new owners. The division was sold on 31 August 2021 and is reported in the prior year as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

The financial performance and cash flow information presented are for the 8 months ended 31 August 2021.

| £'000                                                            | 2021 (restated*) |
|------------------------------------------------------------------|------------------|
| Revenue                                                          | 112,656          |
| Operating costs                                                  | (87,440)         |
| Exceptional items                                                | (2,481)          |
| Operating profit                                                 | 22,735           |
| Finance costs                                                    | (3,701)          |
| Profit before tax                                                | 19,034           |
| Income tax                                                       | (1,481)          |
| Profit after income tax of discontinued operation                | 17,553           |
| Gain on disposal of discontinued operation                       | 153,401          |
| <b>Profit from discontinued operation</b>                        | <b>170,954</b>   |
| Net cash inflow from operating activities                        | 13,699           |
| Net cash outflow from investing activities                       | (4,474)          |
| Net cash outflow from financing activities                       | (6,522)          |
| <b>Net increase in cash generated by discontinued operations</b> | <b>2,703</b>     |

| £'000                                   | (restated*)    |
|-----------------------------------------|----------------|
| Consideration received                  | 59,728         |
| Carrying amount of net liabilities sold | 93,673         |
| <b>Gain on sale before income tax</b>   | <b>153,401</b> |
| Income tax expense on gain              | -              |
| <b>Gain on sale after income tax</b>    | <b>153,401</b> |

The carrying amount of the assets and liabilities of the Education and Children's Services division at the date of sale were:

| £'000                         | 31 August 2021<br>(previously reported) | Adjustments    | 31 August 2021<br>(restated*) |
|-------------------------------|-----------------------------------------|----------------|-------------------------------|
| Property, plant and equipment | 109,846                                 | 27,511         | 137,357                       |
| Right of use assets           | 120,249                                 | 2,816          | 123,065                       |
| Trade and other receivables   | 12,932                                  | -              | 12,932                        |
| Cash                          | 13,983                                  | -              | 13,983                        |
| Assets held for sale          | 500                                     | -              | 500                           |
| <b>Total assets</b>           | <b>257,510</b>                          | <b>30,327</b>  | <b>287,837</b>                |
| Trade and other payables      | (148,558)                               | -              | (148,558)                     |
| Lease liabilities             | (201,416)                               | -              | (201,416)                     |
| Provisions                    | (784)                                   | -              | (784)                         |
| Deferred income tax           | (23,874)                                | (6,878)        | (30,752)                      |
| <b>Total liabilities</b>      | <b>(374,632)</b>                        | <b>(6,878)</b> | <b>(381,510)</b>              |
| <b>Net liabilities</b>        | <b>(117,122)</b>                        | <b>23,449</b>  | <b>(93,673)</b>               |

\*As explained in note 2(v), during the year the directors undertook a review of the group's accounting for property, plant and equipment and identified a number of prior period errors associated with the allocation and reversal of impairment charges which had a consequent impact on disposal accounting and closing carrying values. The corrections identified resulted in the requirement to revisit and correct the accounting for the sale of the Education and Children's Services division. The adjustments to property, plant and equipment and right of use assets are explained in note 2(v). The adjustment to deferred income tax is the tax impact at 25% of the adjustment to Property, plant and equipment.

The impact of the above restatements on the income statement relating to discontinued operations was to decrease the gain on disposal of discontinued operation by £23.4m, from £176.8m to £153.4m, resulting in a decrease in profit from discontinued operation by the same amount to £171.0m.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 11. Intangible assets

| £'000                                          | Goodwill       | Brands<br>(restated*) | Customer<br>contracts<br>(restated*) | Total<br>(restated*) |
|------------------------------------------------|----------------|-----------------------|--------------------------------------|----------------------|
| <b>Cost</b>                                    |                |                       |                                      |                      |
| At 1 January 2021 (restated*)                  | 478,588        | 15,059                | 102,428                              | 596,075              |
| Disposal                                       | (101,535)      | -                     | (35,467)                             | (137,002)            |
| <b>At 1 January 2022 and 31 December 2022</b>  | <b>377,053</b> | <b>15,059</b>         | <b>66,961</b>                        | <b>459,073</b>       |
| <b>Accumulated amortisation and impairment</b> |                |                       |                                      |                      |
| At 1 January 2021                              | 478,588        | 15,059                | 102,428                              | 596,075              |
| Disposal                                       | (101,535)      | -                     | (35,467)                             | (137,002)            |
| <b>At 31 December 2021 and 2022</b>            | <b>377,053</b> | <b>15,059</b>         | <b>66,961</b>                        | <b>459,073</b>       |
| <b>Net book value</b>                          |                |                       |                                      |                      |
| <b>At 31 December 2022</b>                     | -              | -                     | -                                    | -                    |
| <b>At 31 December 2021</b>                     | -              | -                     | -                                    | -                    |

\*See Note 2(v) for details of restatement.

### 12. Property, plant and equipment

| £'000                                          | Land and<br>buildings<br>(restated*) | Assets in the<br>course of<br>construction | Fixtures and<br>fittings<br>(restated*) | Motor<br>vehicles | Total<br>(restated*) |
|------------------------------------------------|--------------------------------------|--------------------------------------------|-----------------------------------------|-------------------|----------------------|
| <b>Cost</b>                                    |                                      |                                            |                                         |                   |                      |
| At 1 January 2021                              | 1,296,678                            | 3,840                                      | 234,843                                 | 1,117             | 1,536,478            |
| Additions                                      | 10,215                               | 4,085                                      | 29,867                                  | -                 | 44,167               |
| Disposals (restated*)                          | (763,394)                            | (1,426)                                    | (77,285)                                | (1,117)           | (843,222)            |
| Transfers between classifications              | 3,530                                | (5,501)                                    | 1,971                                   | -                 | -                    |
| <b>At 31 December 2021</b>                     | <b>547,029</b>                       | <b>998</b>                                 | <b>189,396</b>                          | <b>-</b>          | <b>737,423</b>       |
| Additions                                      | 1,925                                | 9,673                                      | 24,181                                  | -                 | 35,779               |
| Disposals                                      | (25,242)                             | (43)                                       | (26,629)                                | -                 | (51,914)             |
| Transfers between classifications              | 5,733                                | (7,475)                                    | 1,742                                   | -                 | -                    |
| Transfer to current assets                     | (26,286)                             | -                                          | (6,137)                                 | -                 | (32,423)             |
| <b>At 31 December 2022</b>                     | <b>503,159</b>                       | <b>3,153</b>                               | <b>182,553</b>                          | <b>-</b>          | <b>688,865</b>       |
| <b>Accumulated depreciation and impairment</b> |                                      |                                            |                                         |                   |                      |
| At 1 January 2021 (restated*)                  | 250,537                              | -                                          | 124,263                                 | 1,116             | 375,916              |
| Charge for the year (restated*)                | 18,235                               | -                                          | 29,953                                  | -                 | 48,188               |
| Disposal (restated*)                           | (188,424)                            | -                                          | (41,971)                                | (1,116)           | (231,511)            |
| Impairment (restated*)                         | 20,631                               | -                                          | 7,026                                   | -                 | 27,657               |
| <b>At 31 December 2021</b>                     | <b>100,979</b>                       | <b>-</b>                                   | <b>119,271</b>                          | <b>-</b>          | <b>220,250</b>       |
| Charge for the year                            | 10,054                               | -                                          | 25,639                                  | -                 | 35,693               |
| Disposals                                      | (16,541)                             | -                                          | (24,845)                                | -                 | (41,386)             |
| Impairment                                     | 10,456                               | -                                          | 5,161                                   | -                 | 15,617               |
| Reversal of prior year impairments             | (6,744)                              | -                                          | (4,116)                                 | -                 | (10,860)             |
| Transfer to current assets                     | (20,643)                             | -                                          | (3,836)                                 | -                 | (24,479)             |
| <b>At 31 December 2022</b>                     | <b>77,561</b>                        | <b>-</b>                                   | <b>117,274</b>                          | <b>-</b>          | <b>194,835</b>       |
| <b>Net book value</b>                          |                                      |                                            |                                         |                   |                      |
| <b>At 31 December 2022</b>                     | <b>425,598</b>                       | <b>3,153</b>                               | <b>65,279</b>                           | <b>-</b>          | <b>494,030</b>       |
| <b>At 31 December 2021 (restated*)</b>         | <b>446,050</b>                       | <b>998</b>                                 | <b>70,125</b>                           | <b>-</b>          | <b>517,173</b>       |

\*See Note 2(v) for details of the restatement and below for the impact on the property, plant and equipment note.

The depreciation charge for the prior year of £48.2m (as restated) includes £42.2m (as restated) relating to continuing operations and £6.0m relating to discontinued operations.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 12. Property, plant and equipment (continued)

Property, plant and equipment with a carrying value of £467.9m (as restated) were disposed of in 2021 as part of a sale and leaseback transaction. Total proceeds were £801.3m realising a profit on disposal of £41.5m (as restated), after accounting for the resulting leases under IFRS16.

Property, plant and equipment was impaired by £15.6m in the year, this relates to a number of unprofitable, restructured and/or closed facilities. Following the impairments, these properties are carried at a value not exceeding the higher of their value in use and fair value less costs to sell.

Prior year impairments were reviewed at 31 December 2022 resulting in £10.5m of previous impairments being reversed.

At 31 December 2022, the Group had entered into contractual commitments for the acquisition of property, plant and equipment amounting to £1.0m (2021: £0.4m).

The impact of the restatement detailed in note 2(v) on property, plant and equipment is as follows:

|                                                            | 31 December<br>2021 (as<br>previously<br>reported) | Adjustments   | 31 December<br>2021<br>(restated) |
|------------------------------------------------------------|----------------------------------------------------|---------------|-----------------------------------|
| <b>Cost</b>                                                |                                                    |               |                                   |
| Disposals – land and buildings                             | (743,406)                                          | (19,988)      | (763,394)                         |
| Disposals – fixtures and fittings                          | (87,368)                                           | 10,083        | (77,285)                          |
| <b>Accumulated depreciation and impairment</b>             |                                                    |               |                                   |
| At 1 January 2021 – land and buildings                     | 330,844                                            | (80,307)      | 250,537                           |
| Charge for the year– land and buildings                    | 16,914                                             | 1,321         | 18,235                            |
| Disposals – land and buildings                             | (188,570)                                          | 146           | (188,424)                         |
| Disposals – fixtures and fittings                          | (52,054)                                           | 10,083        | (41,971)                          |
| Impairment– land and buildings                             | 25,332                                             | (4,701)       | 20,631                            |
| Impairment – fixtures and fittings                         | 6,046                                              | 980           | 7,026                             |
| <b>Net book value</b>                                      |                                                    |               |                                   |
| At 31 December 2021 – land and buildings                   | 382,497                                            | 63,553        | 446,050                           |
| At 31 December 2021 – assets in the course of construction | 998                                                | -             | 998                               |
| At 31 December 2021 – fixtures and fittings                | 71,105                                             | (980)         | 70,125                            |
|                                                            | <b>454,600</b>                                     | <b>62,573</b> | <b>517,173</b>                    |

## Priory Group UK 1 Limited

### Notes to the consolidated financial statements

#### 13. Right of use assets and lease liabilities

The Group leases a number of assets, including land and buildings, motor vehicles and office printers/photocopiers. Information about leases for which the Group is a lessee is presented below.

##### Right of use assets

Year ended 31 December 2022:

| £'000                            | Land and buildings | Motor vehicles | Total   |
|----------------------------------|--------------------|----------------|---------|
| Balance at 1 January (restated*) | 522,374            | 4,437          | 526,811 |
| Balance at 31 December           | 513,884            | 4,105          | 517,989 |
| Depreciation charge for the year | 23,357             | 1,964          | 25,321  |
| Impairment charge for the year   | 13,526             | -              | 13,526  |
| Additions during the year        | 200                | 1,638          | 1,838   |

Year ended 31 December 2021:

| £'000                                                                  | Land and buildings | Office equipment | Motor vehicles | Total   |
|------------------------------------------------------------------------|--------------------|------------------|----------------|---------|
| Balance at 1 January (restated*)                                       | 257,467            | 468              | 6,933          | 264,868 |
| Balance at 31 December (restated*)                                     | 522,374            | -                | 4,437          | 526,811 |
| Depreciation charge for the year – continuing operations (restated*)   | 18,160             | 468              | 2,020          | 20,648  |
| Depreciation charge for the year – discontinued operations (restated*) | 2,850              | -                | 745            | 3,595   |
|                                                                        | 21,010             | 468              | 2,765          | 24,243  |
| Impairment charge for the year (restated*)                             | 11,669             | -                | -              | 11,669  |
| Additions during the year                                              | 410,616            | -                | 2,729          | 413,345 |

\*See Note 2(v) for details of restatement.

##### Lease liabilities

Lease liabilities included in the statement of financial position are as follows:

| £'000       | 2022    | 2021 (restated*) |
|-------------|---------|------------------|
| Current     | 52,761  | 54,790           |
| Non-current | 773,825 | 776,980          |
|             | 826,586 | 831,770          |

\*See Note 2(v) for details of restatement.

##### Amounts recognised in profit or loss

| £'000                                                                     | 2022   | 2021   |
|---------------------------------------------------------------------------|--------|--------|
| Interest on lease liabilities – continuing activities                     | 49,196 | 35,147 |
| Interest on lease liabilities – discontinued activities                   | -      | 3,651  |
| Variable lease payments – continuing activities                           | 727    | (705)  |
| Variable lease payments – discontinued activities                         | -      | (35)   |
| Expenses relating to short term leases – continuing activities            | 267    | 234    |
| Expenses relating to short term leases – discontinued activities          | -      | 165    |
| Expenses relating to leases of low-value assets – continuing activities   | 195    | 188    |
| Expenses relating to leases of low-value assets – discontinued activities | -      | 58     |

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 13. Right of use assets and lease liabilities (continued)

#### Amounts recognised in the statement of cash flows

| £'000                                           | 2022          | 2021          |
|-------------------------------------------------|---------------|---------------|
| Operating activities (within operating profit): |               |               |
| Variable lease payments                         | 727           | (740)         |
| Payments on short term leases                   | 267           | 399           |
| Payments on leases of low-value assets          | 195           | 246           |
| Financing activities:                           |               |               |
| Repayment of lease liabilities                  | 10,358        | 14,064        |
| Payment of interest on lease liabilities        | 49,196        | 38,798        |
|                                                 | <b>60,743</b> | <b>52,767</b> |

The Group leases land and buildings for its operational facilities. Larger facilities typically involve a lease term of between 20 and 30 years, whilst smaller sites, for example adult care facilities, typically involve shorter lease terms of between 3 and 10 years. Some leases include an option to renew the lease for an additional period of the same duration after the end of the initial contractual term. As the exercising of such options are not deemed reasonably certain, such renewal options are generally not taken into account when determining the right of use assets and lease liabilities.

The Group leases motor vehicles with lease terms generally of four years. The Group also leases a number of sundry IT and office equipment with contract terms of up to four years. These leases are for low-value items, and the Group has elected not to recognise right of use assets and lease liabilities for these items.

When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied was 6.24%. Lease liabilities in respect of new leases entered into arising from the Group's sale and leaseback transaction were measured using lease payments discounted at the interest rate implicit in the lease, 5.80%. An analysis of undiscounted contractual cash flows is set out in note 24.

#### Sub-leases

##### Finance leases

The Group sublets an office facility under a finance lease arrangement, charging rent of £308,000 annually. Both the head lease and the sublease expired on 31 December 2022. Contractual lease payments are as follows:

| £'000                                          | 2022     | 2021       |
|------------------------------------------------|----------|------------|
| In less than one year                          | -        | 308        |
| In more than one year but less than five years | -        | -          |
|                                                | -        | 308        |
| Finance income relating to future periods      | -        | (6)        |
| <b>Net investment in finance lease</b>         | <b>-</b> | <b>302</b> |

The Group recognised £6,000 (2021: £24,000) of finance income on the net investment in the lease; this is included within "finance income" in the income statement.

##### Operating leases

The Group subleases part of an operational facility within the Healthcare division under a series of operating lease arrangements. As at 31 December 2022, the remaining terms of the subleases were between 11 and 13 years.

Lease payments receivable under operating leases amounted to £277,000 in the year ended 31 December 2022 (2021: £277,000); this is presented within "other operating income" in the income statement.

### 14. Inventories

| £'000               | 2022 | 2021 |
|---------------------|------|------|
| Consumable supplies | 497  | 468  |

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 15. Trade and other receivables

| £'000                              | 2022    | 2021    |
|------------------------------------|---------|---------|
| Trade receivables <sup>1</sup>     | 39,770  | 38,410  |
| Allowance for doubtful debts       | (1,737) | (1,677) |
|                                    | 38,033  | 36,733  |
| Amounts owed by group undertakings | 2,643   | -       |
| Other receivables                  | 9,417   | 31,483  |
| Prepayments and accrued income     | 19,301  | 13,694  |
|                                    | 69,394  | 81,910  |

Amounts owed by group undertakings relate to an unsecured loan with RemedcoUK Limited with interest accruing at 3% p.a.

<sup>1</sup>See note 24 for details of credit risk associated with trade receivables.

### 16. Cash

| £'000 | 2022   | 2021   |
|-------|--------|--------|
| Cash  | 10,519 | 20,058 |

### 17. Assets held for sale

| £'000                          | Land and buildings | Fixtures and fittings | Total        |
|--------------------------------|--------------------|-----------------------|--------------|
| <b>Cost and net book value</b> |                    |                       |              |
| At 1 January 2021              | 3,619              | 1,406                 | 5,025        |
| Disposals                      | (3,119)            | (1,406)               | (4,525)      |
| At 31 December 2021            | 500                | -                     | 500          |
| Additions                      | 5,643              | 2,301                 | 7,944        |
| Disposals                      | (500)              | -                     | (500)        |
| <b>At 31 December 2022</b>     | <b>5,643</b>       | <b>2,301</b>          | <b>7,944</b> |

All properties held for sale are actively marketed and are expected to be sold within 12 months of the year-end.

### 18. Trade and other payables

| £'000                              | 2022   | 2021    |
|------------------------------------|--------|---------|
| Trade payables                     | 11,868 | 10,642  |
| Amounts owed to group undertakings | 15,102 | 40,516  |
| Other taxes and social security    | 10,515 | 13,551  |
| Accruals and deferred income       | 50,217 | 50,369  |
| Other payables                     | 10,613 | 9,558   |
|                                    | 98,315 | 124,636 |

Amounts owed to group undertakings are unsecured and interest free, with no fixed date of repayment.

Included within accruals and deferred income is £5.5m (2021: £5.9m) in respect of deferred income from services provided.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 19. Borrowings

| £'000                                       | 2022           | 2021           |
|---------------------------------------------|----------------|----------------|
| <b>Borrowings due less than one year</b>    |                |                |
| Loans from related parties                  | 19,137         | 19,137         |
| Accrued interest                            | 1,226          | 158            |
|                                             | <b>20,363</b>  | <b>19,295</b>  |
| <b>Borrowings due greater than one year</b> |                |                |
| Loans from related parties                  | 256,968        | 256,968        |
| Accrued interest                            | 23,183         | 4,168          |
|                                             | <b>280,151</b> | <b>261,136</b> |
| <b>Total borrowings</b>                     | <b>300,514</b> | <b>280,431</b> |

Loans from related parties due in less than one year comprise an unsecured loan of £19,137,000 (2021: £19,137,000) with RemedcoUK Limited which incurs interest at 5.4%.

Loans from related parties due greater than one year comprise an unsecured loan with RemedcoUK Limited that accrues interest at 7.4% pa and is repayable on 16 February 2029. There are no contractual obligations to pay either capital or interest until the date of maturity and accrued interest is not compounded.

The directors have assessed the fair market value of the loans to be consistent with their book value.

### 20. Provisions

| £'000                             | Legal costs   |
|-----------------------------------|---------------|
| At 1 January 2021                 | 16,761        |
| Charged to income statement       | 3,235         |
| Elimination on disposal to Aspris | (784)         |
| Used during year                  | (3,755)       |
| At 31 December 2021               | 15,457        |
| Charged to income statement       | 2,678         |
| Used during year                  | (2,862)       |
| <b>At 31 December 2022</b>        | <b>15,273</b> |

Analysis of provisions:

| £'000                   | 2022          | 2021          |
|-------------------------|---------------|---------------|
| Current                 | 15,273        | 15,457        |
| <b>Total provisions</b> | <b>15,273</b> | <b>15,457</b> |

#### Legal costs

In light of a number of outstanding legal claims, provisions have been made which represent management's best estimate of the amounts required to settle the claims totalling £15.3m (2021: £15.5m), £7.9m (2021: £9.0m) is covered by insurance (included in other receivables) giving a net position of £7.4m (2021: £6.5m).

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 21. Deferred income tax

The following are the major deferred tax liabilities/(assets) recognised by the Group and movements thereon during the current year.

| £'000                                | Tax losses     | Interest        | Other timing differences | Intangibles (restated*) | Property, plant and equipment restated* | Total (restated*) |
|--------------------------------------|----------------|-----------------|--------------------------|-------------------------|-----------------------------------------|-------------------|
| At 1 January 2021                    | (23,054)       | (20,887)        | 66                       | -                       | 146,637                                 | 102,762           |
| Charge/(credit) to income statement  | 21,848         | (6,347)         | 1,793                    | -                       | (45,405)                                | (28,111)          |
| Disposal of Education division       | -              | -               | -                        | -                       | (30,752)                                | (30,752)          |
| Debit to other comprehensive income  | -              | -               | 554                      | -                       | -                                       | 554               |
| At 31 December 2021                  | (1,206)        | (27,234)        | 2,413                    | -                       | 70,480                                  | 44,453            |
| (Credit)/charge to income statement  | (910)          | 11,166          | 648                      | -                       | (17,262)                                | (6,358)           |
| Credit to other comprehensive income | -              | -               | (864)                    | -                       | -                                       | (864)             |
| <b>At 31 December 2022</b>           | <b>(2,116)</b> | <b>(16,068)</b> | <b>2,197</b>             | <b>-</b>                | <b>53,218</b>                           | <b>37,231</b>     |

\*See Note 2(v) for details of restatement.

The prior year credit to the income statement of £28.1m comprises £22.3m relating to continuing operations and £5.8m relating to discontinued operations.

A deferred tax asset of £0.3m (2021: £2.8m) and a deferred tax liability of £5.2m (2021: £4.1m) are expected to reverse within the twelve months of 31 December 2022. The remaining net deferred tax liability balance of £32.3m (2021: £43.2m) is expected to reverse more than twelve months after the year-end.

The Group has tax losses of £8.5m (2021: £6.3m) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. A deferred tax asset of £2.1m (2021: £1.2m) has been recognised in respect of such losses based on a forecast prepared to anticipate their use against future taxable profits of the companies in which they arose.

A deferred tax asset of £1.2m (2021: £0.4m) has not been recognised in respect of £4.9m (2021: £2.1m) of losses where there is insufficient certainty over their future use. These losses do not expire and if the Group were able to recognise these assets, profit would increase by £1.2m (2021: £0.4m).

A deferred tax asset of £16.1m (2021: £27.2m) has been recognised in respect of interest deductions, based on the expectation that these timing differences will reverse and reduce future taxable profits.

A deferred tax liability of £2.2m (2021: £2.4m) has been recognised in respect of other timing differences, based on the expectation that these timing differences will reverse.

A deferred tax liability of £53.2m (2021: £70.5m as restated) has been recognised in respect of property, plant and equipment and represents the difference between the carrying value and the tax base of the Group's property portfolio. The deferred tax liability will reverse over time as the buildings are depreciated.

### 22. Pension commitments

The group operates a defined contribution pension scheme. The scheme assets are held separately from these of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £6,880,000 (2021: £10,131,000).

The Group operates a defined benefit pension scheme in the UK, the Partnerships in Care Limited Pension and Life Assurance Plan. The plan was closed to future accrual from 1 May 2015; at this date, all members who were actively accruing benefits in the plan became deferred members. The disclosures set out below are based on calculations carried out as at 31 December 2022 by a qualified independent actuary.

The assets are held in a separate trustee-administered fund to meet long-term pension liabilities to past and present employees. The trustees of the plan are required to act in the best interest of the Plan's beneficiaries. The appointment of members of the trustee board is determined by the trust documentation.

The liabilities of the plan are measured by discounting the best estimate of future cash flows to be paid out of the Plan using the projected unit method. This amount is reflected in the shareholders' funds in the balance sheet. The projected unit method is an accrued benefits valuation method in which the Plan's liabilities make allowances for projected earnings. The liabilities set out in this note have been calculated based on the most recent full actuarial valuation at 31 December 2019, updated to 31 December 2022. The results of the calculations and the assumptions adopted are shown below.

As at 31 December 2022, contributions are payable to the Plan at the rates set out in the latest schedule of contributions. The total employer contributions expected to be made in the year commencing 1 January 2023 consist of shortfall contributions amounting to £2.25m. In addition, the employer will directly meet the administration expense of the Plan, including any levies payable to the Pensions Regulator and the Pension Protection Fund.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 22. Pension commitments (continued)

| £'000                               | 2022           | 2021           |
|-------------------------------------|----------------|----------------|
| Fair value of scheme assets         | 33,020         | 53,492         |
| Present value of future obligations | (36,390)       | (55,639)       |
| <b>Net pension scheme liability</b> | <b>(3,370)</b> | <b>(2,147)</b> |

The amounts recognised in the income statement are as follows:

| £'000                                         | 2022 | 2021 |
|-----------------------------------------------|------|------|
| Net interest on net defined benefit liability | 18   | 104  |

The amounts recognised in other comprehensive (expense)/income are as follows:

| £'000                                                                                   | 2022           | 2021         |
|-----------------------------------------------------------------------------------------|----------------|--------------|
| Re-measurements:                                                                        |                |              |
| Return on scheme assets excluding interest income                                       | (22,002)       | 3,660        |
| Gain from change in financial assumptions                                               | 20,579         | 3,060        |
| (Loss)/gain from change in demographic assumptions                                      | (6)            | 17           |
| Experience losses                                                                       | (2,026)        | (977)        |
| <b>Re-measurement (losses)/gains recognised in other comprehensive (expense)/income</b> | <b>(3,455)</b> | <b>5,760</b> |

Reconciliation of fair value of plan liabilities were as follows:

| £'000                                     | 2022          | 2021          |
|-------------------------------------------|---------------|---------------|
| Opening defined benefit obligation        | 55,639        | 58,728        |
| Interest cost                             | 1,013         | 695           |
| Actuarial gains                           | (18,547)      | (2,100)       |
| Benefits paid                             | (1,715)       | (1,684)       |
| <b>Closing defined benefit obligation</b> | <b>36,390</b> | <b>55,639</b> |

Reconciliation of fair value of plan assets were as follows:

| £'000                                             | 2022          | 2021          |
|---------------------------------------------------|---------------|---------------|
| Opening fair value of scheme assets               | 53,492        | 49,145        |
| Interest income on plan assets                    | 995           | 591           |
| Return on scheme assets excluding interest income | (22,002)      | 3,660         |
| Contributions by employer                         | 2,250         | 1,780         |
| Benefits paid                                     | (1,715)       | (1,684)       |
| <b>Closing fair value of scheme assets</b>        | <b>33,020</b> | <b>53,492</b> |

### Actuarial assumptions

The principal assumptions at the balance sheet date were:

|                                       | 2022                                                        | 2021                                                        |
|---------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------|
| Discount rate                         | 4.95%                                                       | 1.85%                                                       |
| Price inflation (RPI)                 | 3.20%                                                       | 3.50%                                                       |
| Price inflation (CPI)                 | 2.65%                                                       | 2.95%                                                       |
| Future increases in deferred pensions | 2.65%                                                       | 2.95%                                                       |
| Commutation                           | Lump sum such that 20% of pension at retirement is commuted | Lump sum such that 20% of pension at retirement is commuted |

## Priory Group UK 1 Limited

### Notes to the consolidated financial statements

#### 22. Pension commitments (continued)

Mortality assumptions are set based on actuarial advice in accordance with published statistics. These assumptions translate into an average life expectancy in years of a pensioner retiring at age 65:

|                                                          | 2022 | 2021 |
|----------------------------------------------------------|------|------|
| Retiring at the end of the reporting period:             |      |      |
| - Male                                                   | 23.0 | 22.9 |
| - Female                                                 | 25.2 | 25.0 |
| Retiring 20 years after the end of the reporting period: |      |      |
| - Male                                                   | 24.3 | 24.3 |
| - Female                                                 | 26.6 | 26.5 |

#### Asset breakdown

The major categories of scheme assets as a percentage of total scheme assets are as follows:

|                  | 2022  | 2021  |
|------------------|-------|-------|
| Equities         | 10.2% | 6.8%  |
| Bonds            | 11.2% | 25.6% |
| Real Return Fund | 19.7% | 21.6% |
| Real LDI         | 23.9% | 19.6% |
| Insurance Policy | 28.7% | 24.9% |
| Cash             | 6.3%  | 1.5%  |

The assets are all active on quoted markets with the exception of the private debt holdings and insured pensions.

#### Sensitivity analysis

The table below shows the impact on the defined benefit obligation if the assumptions were changed as shown (assuming all other assumptions remain constant):

| £'000                                               | 2022  | 2021  |
|-----------------------------------------------------|-------|-------|
| 0.25% decrease in discount rate                     | 1,146 | 2,248 |
| 0.25% increase in inflation and related assumptions | 764   | 1,458 |
| 1 year increase in life expectancy                  | 1,383 | 2,114 |

#### 23. Share capital

|                                           | 2022       |                        | 2021       |                        |
|-------------------------------------------|------------|------------------------|------------|------------------------|
|                                           | Number     | Nominal value<br>£'000 | Number     | Nominal value<br>£'000 |
| <b>Allotted, called up and fully paid</b> |            |                        |            |                        |
| Ordinary shares of £1 each                | 74,983,981 | 74,984                 | 74,983,981 | 74,984                 |

#### 24. Financial instruments and risk management

The use of financial instruments is managed under policies and procedures approved by the Board. These are designed to reduce the financial risks faced by the Group, which primarily relates to credit, interest and liquidity and capital management risks, which arise in the normal course of the Group's business.

##### Credit risk

Financial instruments that potentially expose the Group to credit risk consist primarily of cash and trade receivables. Cash is only deposited with major financial institutions that satisfy certain credit criteria.

Credit risk is not considered significant given that the vast majority of revenue is derived from publicly funded entities and payment is taken in advance for privately funded healthcare services. Credit evaluations are carried out on privately funded residents in the Adult Care business. The Group provides credit to customers in the normal course of business and the balance sheet is net of allowances of £1.7m (2021: £1.7m) for doubtful receivables. The Group measures those allowances at an amount equal to the lifetime expected credit losses using both quantitative and qualitative information and analysis based on the Group's historical experience.

# **Priory Group UK 1 Limited**

## **Notes to the consolidated financial statements**

### **24. Financial instruments and risk management (continued)**

#### **Credit risk (continued)**

The Group does not require collateral in respect of financial assets.

The average credit period taken at the year-end on the provision of services is 20 days (2021: 17 days). Allowances against doubtful debts are recognised against trade receivables based on estimated irrecoverable amounts determined by reference to past default experience of the counterparty. The majority of the Group's allowance for doubtful debts relates to specific trade receivables that are not considered recoverable, and management only considers it appropriate to create a collective provision based on the age of the trade receivable in respect of certain types of trade receivables.

The ageing of trade receivables at 31 December is as follows:

| £'000       | 2022          | 2021          |
|-------------|---------------|---------------|
| Current     | 32,010        | 23,974        |
| 30-60 days  | 5,213         | 7,165         |
| 60-150 days | 1,547         | 4,897         |
| 150 days +  | 1,000         | 2,374         |
|             | <b>39,770</b> | <b>38,410</b> |

The directors consider that the carrying amount of trade and other receivables is approximately equal to their fair value.

Trade receivables at least 60 days past due for which no loss allowance has been made at 31 December is as follows:

| £'000     | 2022 | 2021  |
|-----------|------|-------|
| 60 days + | 810  | 5,594 |

The movement in allowance for doubtful debts is as follows:

| £'000                         | 2022         | 2021         |
|-------------------------------|--------------|--------------|
| Balance at 1 January          | 1,677        | 1,893        |
| Disposal                      | -            | (403)        |
| Charged to income statement   | 60           | 187          |
| <b>Balance at 31 December</b> | <b>1,737</b> | <b>1,677</b> |

Apart from the Group's two largest customers (NHS England and Local Authorities on a consolidated basis), the Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities.

There is no concern over the credit quality of amounts past due but for which no loss allowance has been recognised since the risk is spread over a number of unrelated counterparties that include central and local Government. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above and cash held by the Group.

#### **Expected credit losses**

Expected credit losses from trade and other receivables are not expected to be material as the group's revenues are derived largely from publicly funded sources and credit risk is spread amongst a significant number of individual payers. Revenues from private customers are generally invoiced in advance, and the group has not experienced any significant credit losses historically. There are no future events or changes in condition that would reasonably and materially affect the level of expected credit losses.

#### **Interest rate risk**

The Group finances its operations through intragroup loans. The loans are denominated in pounds and are borrowed at fixed interest rates of 7.4% per annum and 5.4%. See note 19 for further details.

#### **Liquidity risk**

The Group prepares both annual and short-term cash flow forecasts reflecting known commitments and anticipated projects. Borrowing facilities are arranged as necessary to finance requirements. The Group has sufficient available bank facilities and cash flows from profits to fund current commitments.

# **Priory Group UK 1 Limited**

## Notes to the consolidated financial statements

### **24. Financial instruments and risk management (continued)**

#### **Liquidity risk (continued)**

The following table shows the contractual cash flow maturities of financial liabilities:

#### **2022**

| £'000                    | Total            | 0-1 years      | 2-5 years      | 5 years and over |
|--------------------------|------------------|----------------|----------------|------------------|
| Trade and other payables | 78,852           | 78,852         | -              | -                |
| Loan from related party  | 436,020          | 20,363         | -              | 415,657          |
| Lease liabilities        | 1,624,727        | 60,016         | 243,952        | 1,320,759        |
|                          | <b>2,139,599</b> | <b>159,231</b> | <b>243,952</b> | <b>1,736,416</b> |

#### **2021**

| £'000                         | Total            | 0-1 years      | 2-5 years      | 5 years and over |
|-------------------------------|------------------|----------------|----------------|------------------|
| Trade and other payables      | 105,178          | 105,178        | -              | -                |
| Loan from related party       | 320,858          | 19,295         | 301,563        | -                |
| Lease liabilities (restated*) | 1,647,039        | 54,790         | 236,057        | 1,356,192        |
|                               | <b>2,073,075</b> | <b>179,263</b> | <b>537,620</b> | <b>1,356,192</b> |

\* See Note 2(v) for details of restatement.

#### **Capital risk management**

The Group's objective when managing its capital is to ensure that entities in the Group will be able to continue as a going concern whilst maximizing returns for stakeholders through the optimization of debt and equity. The Group's capital structure is as follows:

| £'000                                   | 2022      | 2021<br>(restated*) |
|-----------------------------------------|-----------|---------------------|
| Cash                                    | 10,519    | 20,058              |
| Lease liabilities                       | (826,586) | (831,770)           |
| Borrowings (including accrued interest) | (300,514) | (280,431)           |
| Equity                                  | (170,147) | (151,648)           |

\* See Note 2(v) for details of restatement.

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

#### **Analysis of changes in net debt**

#### **2022**

| £'000                                   | As at 1 January<br>2022 (restated*) | Cash flow  | Non-cash changes | As at 31<br>December 2022 |
|-----------------------------------------|-------------------------------------|------------|------------------|---------------------------|
| Cash                                    | 20,058                              | (9,539)    | -                | 10,519                    |
| Lease liabilities (restated*)           | (831,770)                           | 10,358     | (5,174)          | (826,586)                 |
| Borrowings (excluding accrued interest) | (276,105)                           | -          | -                | (276,105)                 |
| <b>Net debt</b>                         | <b>(1,087,817)</b>                  | <b>819</b> | <b>(5,174)</b>   | <b>(1,092,172)</b>        |

\* See Note 2(v) for details of restatement.

#### **2021**

| £'000                                   | As at 1 January<br>2021 (restated*) | Cash flow     | Divestments    | Non-cash<br>changes | As at 31<br>December 2021<br>(restated*) |
|-----------------------------------------|-------------------------------------|---------------|----------------|---------------------|------------------------------------------|
| Cash                                    | 54,971                              | (20,927)      | (13,986)       | -                   | 20,058                                   |
| Lease liabilities (restated*)           | (335,162)                           | (787,188)     | 201,416        | 89,164              | (831,770)                                |
| Borrowings (excluding accrued interest) | (1,132,024)                         | 855,919       | -              | -                   | (276,105)                                |
| <b>Net debt</b>                         | <b>(1,412,215)</b>                  | <b>47,804</b> | <b>187,430</b> | <b>89,164</b>       | <b>(1,087,817)</b>                       |

\* See Note 2(v) for details of restatement.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 25. Related party transactions

#### Ultimate parent and controlling party

At 31 December 2022, the ultimate parent undertaking is Rehab and Mental Healthcare Group B.V. and the ultimate controlling party is Waterland Private Equity Investments B.V., both registered in the Netherlands.

The largest group in which the results of this company are consolidated is that headed by Median B.V., incorporated in the Netherlands. The consolidated financial statements of Median B.V. can be obtained from Basisweg 10, 1043 AP, Amsterdam, the Netherlands.

The smallest group in which the results of this company are consolidated is that headed by Priory Group UK 1 Limited, incorporated in the United Kingdom. The address of Priory Group UK 1 Limited is Fifth Floor, 80 Hammersmith Road, London, England, W14 8UD.

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

The Group has loan balances with RemedcoUK Limited that accrue interest, see note 19 and 8 for further details. In addition, £16.0m (2021: £40.1m) is due to RemedcoUK Limited, £0.4m (2021: £0.4m) to Median Deutschland B.V. & Co. KG, £3.8m (2021: £nil) from Median B.V. and £0.1m (2021: £nil) from AHC-WW Jersey Limited, see note 18.

The Group is owed £0.4m (2021: £9.0m) from Aspris, a related party due to common ownership, this is included within other receivables. The Group also received a deposit of £1.25m from Aspris in relation to the sale of a property, which completed in Q1 2023, this is included within other payables. During the period Aspris remitted to the group headed by Priory Group UK 1 Limited a total of £39.8m (2021: £33.9m) for amounts settled by the group on behalf of Aspris.

The Group has a number of leases with MPT, a related party due to a minority shareholding in a parent of the Group. Rent payable (on an accruals basis) to MPT for the year ended 31 December 2022 is £50.3m (2021: £17.3m).

#### Remuneration of key management personnel

| £'000                        | 2022  | 2021  |
|------------------------------|-------|-------|
| Short-term employee benefits | 1,161 | 2,239 |
| Post-employment benefits     | 22    | 37    |

Emoluments of the highest paid director of the Company payable in the year ended 31 December 2022 were £535,000 (2021: £1,109,000). In addition, the Group paid pension contributions of £2,000 in respect of the highest paid director (2021: £5,000).

Andre Schmidt is remunerated by the Median Group, as his services to the Company were incidental to his services to other companies.

#### Share-based payments

During the year ended 31 December 2022, the directors of the Company were offered, and exercised, options to purchase shares in the ultimate parent undertaking, Rehab and Mental Healthcare Group B.V. Excluding Andre Schmidt whose options were offered by virtue of his provision of services to other group companies, three directors exercised options to acquire in aggregate 1,160 shares; this represents 0.275% of the total issued share capital of this company.

The purchase price for each share was €906.32; of the total amounts payable by the directors approximately 48% has been settled, with the remaining 52% remaining to be paid when the shares become eligible for disposal by their current owners. The purchase price is deemed to be consistent with the fair value of the options and consequently no IFRS 2 share-based payments expense is recognised in the year.

The only material service condition attached to the shares relates to good/bad leaver provisions, and there are restrictions on the secondary sale of the shares (such a transaction being dependent on the ultimate controlling party's successful divestment of its investee group – the disposal of shares is mandatory (at market value) in the event of such an exit event).

No further options to purchase shares in any group company or related party remain outstanding as at 31 December 2022.

### 26. Events after the reporting period

In a transaction that completed during February 2023, the Group sold the trade and assets of six Older People homes to another UK care home operator. Consideration for the sale was £10.0m and this realised an estimated profit on disposal of £2.1m.

As part of a long term strategic plan, the Group completed the sale and leaseback of a further five Healthcare sites during April 2023 to MPT. Total sale proceeds received were £43.7m. It is anticipated that a material profit on disposal will be realised through the disposal of these properties, however the directors are yet to fully assess the quantum of this profit. The lease terms were identical to those entered into during 2021. Lease terms run until 2046 with options to extend for two further ten year periods. Annual rental uplifts are calculated by reference to CPI with a maximum cap at 70% of the movement on that index.

## Priory Group UK 1 Limited

### Notes to the consolidated financial statements

#### 27. Subsidiaries

The subsidiary undertakings at the year-end are as follows:

| Name of subsidiary                                          | Principal activities       | Country of incorporation | Class and percentage of shares held |
|-------------------------------------------------------------|----------------------------|--------------------------|-------------------------------------|
| Priory Group No. 2 Limited                                  | Holding company            | United Kingdom           | 100% ordinary                       |
| Priory Group No. 3 Limited                                  | Holding company            | United Kingdom           | 100% ordinary                       |
| Priory Investments Holdings Limited <sup>1</sup>            | Holding company            | Cayman Islands           | 100% ordinary                       |
| Priory Health No. 1 Limited <sup>1</sup>                    | Holding company            | Cayman Islands           | 100% ordinary                       |
| Craegmoor Group Limited                                     | Holding company            | United Kingdom           | 100% ordinary                       |
| Priory Healthcare Holdings Limited                          | Holding company            | United Kingdom           | 100% ordinary                       |
| Medical Imaging (Essex) Limited                             | Non trading                | United Kingdom           | 100% ordinary                       |
| Nottcor 6 Limited                                           | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Pension Trustee Limited                              | Trustee company            | United Kingdom           | 100% ordinary                       |
| Priory Healthcare Investments Trustee Limited               | Investment trustee company | United Kingdom           | 100% ordinary                       |
| Priory Holdings Company No. 1 Limited <sup>1</sup>          | Holding company            | Cayman Islands           | 100% ordinary                       |
| Priory New Investments Limited                              | Holding company            | United Kingdom           | 100% ordinary                       |
| Priory Services for Young People (IOM) Limited <sup>4</sup> | Non trading                | Isle of Man              | 100% ordinary                       |
| Priory Health No. 2 Limited <sup>1</sup>                    | Holding company            | Cayman Islands           | 100% ordinary                       |
| Priory Healthcare Investments Limited                       | Holding company            | United Kingdom           | 100% ordinary                       |
| Priory Finance Company Limited <sup>1</sup>                 | Financing company          | Cayman Islands           | 100% ordinary                       |
| Priory Finance Property Holdings No.1 Limited               | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Finance Property Holdings No.2 Limited               | Non trading                | United Kingdom           | 100% ordinary                       |
| Coxlease Holdings Limited                                   | Holding company            | United Kingdom           | 100% ordinary                       |
| Priory Healthcare Finance Co Limited                        | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Group Limited                                        | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Securitisation Holdings Limited                      | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Behavioural Health Limited                           | Non trading                | United Kingdom           | 100% ordinary                       |
| Employee Management Services Limited                        | Non trading                | United Kingdom           | 100% ordinary                       |
| Sturt House Clinic Limited                                  | Non trading                | United Kingdom           | 100% ordinary                       |
| Fanplate Limited                                            | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Securitisation Limited                               | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Grange (Holdings) Limited                            | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Old Acute Services Limited                           | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Old Grange Services Limited                          | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Old Forensic Services Limited                        | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Old Schools Services Limited                         | Non trading                | United Kingdom           | 100% ordinary                       |
| Libra Health Limited                                        | Non trading                | United Kingdom           | 100% ordinary                       |
| Jacques Hall Limited                                        | Non trading                | United Kingdom           | 100% ordinary                       |
| Robinson Kay House (Bury) Limited                           | Non trading                | United Kingdom           | 100% ordinary                       |
| Farleigh Schools Limited                                    | Non trading                | United Kingdom           | 100% ordinary                       |
| Chelfham Senior School Limited                              | Non trading                | United Kingdom           | 100% ordinary                       |
| Autism (GB) Limited                                         | Non trading                | United Kingdom           | 100% ordinary                       |
| Solutions (Llangarron) Limited                              | Non trading                | United Kingdom           | 100% ordinary                       |
| Priory Holdings Company No. 2 Limited <sup>1</sup>          | Holding company            | Cayman Islands           | 100% ordinary                       |
| Cockermouth Propco Limited                                  | Property company           | United Kingdom           | 100% ordinary                       |
| Fulford Grange Medical Centre Limited                       | Non trading                | United Kingdom           | 50% ordinary                        |
| Priory Holdings Company No. 3 Limited <sup>1</sup>          | Holding company            | Cayman Islands           | 100% ordinary                       |
| Priory Healthcare Limited                                   | Specialist healthcare      | United Kingdom           | 100% ordinary                       |
| Priory Rehabilitation Services Limited                      | Rehabilitation services    | United Kingdom           | 100% ordinary                       |
| Priory Central Services Limited                             | Management services        | United Kingdom           | 100% ordinary                       |
| Velocity Healthcare Limited                                 | Specialist healthcare      | United Kingdom           | 100% ordinary                       |
| Revona LLP                                                  | Trading                    | United Kingdom           | 100% members' capital               |
| CO Developments Limited <sup>3</sup>                        | Property company           | United Kingdom           | 100% ordinary                       |
| Priory Care Homes Holdings Limited                          | Non trading                | United Kingdom           | 100% ordinary                       |
| Heiden Homes Limited                                        | Rehabilitation services    | United Kingdom           | 100% ordinary                       |

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 27. Subsidiaries (continued)

| Name of subsidiary                              | Principal activities | Country of incorporation | Class and percentage of shares held                                           |
|-------------------------------------------------|----------------------|--------------------------|-------------------------------------------------------------------------------|
| Priory New Investments No. 2 Limited            | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Priory New Investments No. 3 Limited            | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Affinity Healthcare Holdings Limited            | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Affinity Healthcare Limited                     | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Affinity Hospitals Holding Limited <sup>2</sup> | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Affinity Hospitals Group Limited <sup>2</sup>   | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Affinity Hospitals Limited                      | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Cheadle Royal Healthcare Limited                | Private healthcare   | United Kingdom           | 100% ordinary                                                                 |
| Middleton St George Healthcare Limited          | Private healthcare   | United Kingdom           | 100% ordinary                                                                 |
| Cheadle Royal Residential Services Limited      | Non trading          | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Group (No.1) Limited                  | Holding company      | United Kingdom           | Limited by guarantee                                                          |
| Craegmoor Group (No.2) Limited                  | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Group (No.3) Limited                  | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Amore Group (Holdings) Limited                  | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Group (No.5) Limited                  | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Group (No.6) Limited                  | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Limited                               | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Amore Care Holdings Limited                     | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Facilities Company Limited            | Supply of services   | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Hospitals (Holdings) Limited          | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Learning (Holdings) Limited           | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Care (Holdings) Limited               | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor (Harbour Care) Limited                | Holding company      | United Kingdom           | 100% ordinary                                                                 |
| Harbour Care (UK) Limited                       | Care delivery        | United Kingdom           | 100% of total issued share capital (ordinary, A, B and cumulative preference) |
| Burnside Care Limited                           | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Healthcare Company Limited            | Non trading          | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Supporting You Limited                | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Greymount Properties Limited                    | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Parkcare Homes (No. 2) Limited                  | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Autism TASC Services Limited                    | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Cotswold Care Services Limited                  | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Holdings Limited                      | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Craegmoor Homes Limited                         | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| J C Care Limited                                | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Johnston Care Limited                           | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Lambs Support Services Limited                  | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Positive Living Limited                         | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Sapphire Care Services Limited                  | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Strathmore Care Services Limited                | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Treehome Limited                                | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Grovedraft Limited                              | Non trading          | United Kingdom           | 100% ordinary                                                                 |
| Peninsula Autism Services and Support Limited   | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| High Quality Lifestyles Limited                 | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| New Directions (Bexhill) Limited                | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| New Directions (Hastings) Limited               | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| New Directions (Robertsbridge) Limited          | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| New Directions (St. Leonards on Sea) Limited    | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Lansdowne Road Limited                          | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| Lothlorien Community Limited                    | Care delivery        | United Kingdom           | 100% ordinary                                                                 |
| R.J. Homes Limited                              | Care delivery        | United Kingdom           | 100% ordinary                                                                 |

## Priory Group UK 1 Limited

### Notes to the consolidated financial statements

#### 27. Subsidiaries (continued)

| Name of subsidiary                              | Principal activities   | Country of incorporation | Class and percentage of shares held |
|-------------------------------------------------|------------------------|--------------------------|-------------------------------------|
| Heddfan Care Limited                            | Care delivery          | United Kingdom           | 100% ordinary                       |
| Conquest Care Homes (Norfolk) Limited           | Care delivery          | United Kingdom           | 100% ordinary                       |
| Conquest Care Homes (Peterborough) Limited      | Care delivery          | United Kingdom           | 100% ordinary                       |
| Conquest Care Homes (Soham) Limited             | Care delivery          | United Kingdom           | 100% ordinary                       |
| Ferguson Care Limited                           | Care delivery          | United Kingdom           | 100% ordinary                       |
| Speciality Care (Learning Disabilities) Limited | Care delivery          | United Kingdom           | 100% ordinary                       |
| Speciality Care (Rehab) Limited                 | Care delivery          | United Kingdom           | 100% ordinary                       |
| Amore (Prestwick) Limited                       | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore Elderly Care Holdings Limited             | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore Elderly Care (Wednesfield) Limited        | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore (Ben Madigan) Limited                     | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore (Warrenpoint) Limited                     | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore (Watton) Limited                          | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore Care Limited                              | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Speciality Healthcare Limited                   | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Health & Care Services (NW) Limited             | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Speciality Care (Addison Court) Limited         | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Speciality Care (EMI) Limited                   | Elderly care services  | United Kingdom           | 100% ordinary and 100% preference   |
| Speciality Care (UK Lease Homes) Limited        | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Parkcare Homes Limited                          | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Health & Care Services (UK) Limited             | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore (Stoke 1) Limited                         | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore (Wednesfield 1) Limited                   | Elderly care services  | United Kingdom           | 100% ordinary                       |
| S P Cockermouth Limited                         | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore (Coventry) Limited <sup>4</sup>           | Elderly care services  | Isle of Man              | 100% ordinary                       |
| Yorkshire Parkcare Company Limited              | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Speciality Care (Rest Care) Limited             | Non trading            | United Kingdom           | 100% ordinary                       |
| Amore (Bourne) Limited                          | Non trading            | United Kingdom           | 100% ordinary                       |
| Amore (Cockermouth) Limited                     | Non trading            | United Kingdom           | 100% ordinary                       |
| Amore (Ings Road) Limited                       | Non trading            | United Kingdom           | 100% ordinary                       |
| Amore Elderly Care Limited                      | Elderly care services  | United Kingdom           | 100% ordinary                       |
| Amore (Stoke 2) Limited                         | Non trading            | United Kingdom           | 100% ordinary                       |
| Amore (Wednesfield 2) Limited                   | Non trading            | United Kingdom           | 100% ordinary                       |
| Wednesfield 3 Limited                           | Non trading            | United Kingdom           | 100% ordinary                       |
| Stoke Trustee (No 2) LLP                        | Non trading            | United Kingdom           | 100% membership capital             |
| Wednesfield Trustee LLP                         | Non trading            | United Kingdom           | 100% membership capital             |
| Wednesfield Trustee (No 2) LLP                  | Non trading            | United Kingdom           | 100% membership capital             |
| Stoke Trustee LLP                               | Non trading            | United Kingdom           | 100% membership capital             |
| Priory Finance Property LLP                     | Property company       | United Kingdom           | 100% membership capital             |
| Life Works Community Limited                    | Specialist healthcare  | United Kingdom           | 100% ordinary                       |
| Progress Care (Holdings) Limited                | Holding company        | United Kingdom           | 100% ordinary                       |
| Progress Adult Services Limited                 | Care delivery          | United Kingdom           | 100% ordinary                       |
| Whitewell UK Holding Company 1 Limited          | Holding company        | United Kingdom           | 100% ordinary                       |
| Whitewell UK Investments 1 Limited              | Holding company        | United Kingdom           | 100% ordinary                       |
| Priory Group No. 1 Limited                      | Holding company        | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Limited                    | Mental health services | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Scotland Limited           | Mental health services | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Oaktree) Limited          | Mental health services | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Ivydene) Limited          | Mental health services | United Kingdom           | 100% ordinary                       |

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 27. Subsidiaries (continued)

| Name of subsidiary                                                | Principal activities     | Country of incorporation | Class and percentage of shares held |
|-------------------------------------------------------------------|--------------------------|--------------------------|-------------------------------------|
| Partnerships in Care (Albion) Limited                             | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Brunswick) Limited                          | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Beverley) Limited                           | Mental health services   | United Kingdom           | 100% ordinary                       |
| The Manor Clinic Limited                                          | Mental health services   | United Kingdom           | 100% ordinary                       |
| Manor Hall Specialist Care Partnerships Limited <sup>5</sup>      | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Meadow View) Limited                        | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Cleveland) Limited                          | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care 1 Limited                                    | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Nelson) Limited                             | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Pastoral) Limited                           | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Rhondda) Limited                            | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Cardiff) Limited                            | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Oak Vale) Limited                           | Mental health services   | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Vancouver) Limited                          | Mental health services   | United Kingdom           | 100% ordinary                       |
| Priory Group UK 2 Limited                                         | Holding company          | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Management Limited                           | Holding company          | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Investments 1 Limited                        | Holding company          | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Management 2 Limited                         | Holding company          | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Oak Vale) Holding Company Limited           | Holding company          | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Oak Vale) Property Holding Company Limited  | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Vancouver) Holding Company Limited          | Holding company          | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Vancouver) Property Holding Company Limited | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property Holding Company Limited             | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 1 Limited                           | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Investments 2 Limited                        | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 3 Limited                           | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 4 Limited                           | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 6 Limited                           | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 7 Limited                           | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 15 Limited                          | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 16 Limited                          | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 19 Limited                          | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 20 Limited                          | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 22 Limited                          | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care Property 31 Limited                          | Property holding company | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Cleveland) Holding Company Limited          | Holding company          | United Kingdom           | 100% ordinary                       |
| Partnerships in Care (Cleveland) Property Holding Company Limited | Property holding company | United Kingdom           | 100% ordinary                       |

## Priory Group UK 1 Limited

### Notes to the consolidated financial statements

#### 27. Subsidiaries (continued)

All subsidiary undertakings above were owned for all of the current year and the prior year. During the prior year, the Group disposed of the following undertakings, which had been held from before 1 January 2021:

| Name of subsidiary                                        | Principal activities          | Country of incorporation | Class and percentage of shares held                                    |
|-----------------------------------------------------------|-------------------------------|--------------------------|------------------------------------------------------------------------|
| Priory Education Services Limited                         | Specialist education services | United Kingdom           | 100% ordinary                                                          |
| Priory (Thetford 1) Limited                               | Non trading                   | United Kingdom           | 100% ordinary                                                          |
| Priory (Thetford 2) Limited                               | Non trading                   | United Kingdom           | 100% ordinary                                                          |
| Thetford Trustee LLP                                      | Non trading                   | United Kingdom           | 100% members' capital                                                  |
| Castlecare Group Limited                                  | Non trading                   | United Kingdom           | 100% ordinary                                                          |
| Castlecare Holdings Limited                               | Non trading                   | United Kingdom           | 100% ordinary                                                          |
| Castle Homes Care Limited                                 | Children's care homes         | United Kingdom           | 100% ordinary                                                          |
| Castle Homes Limited                                      | Children's care homes         | United Kingdom           | 100% ordinary                                                          |
| Quantum Care (UK) Limited                                 | Children's care homes         | United Kingdom           | 100% ordinary                                                          |
| Castlecare Cymru Limited                                  | Children's care homes         | United Kingdom           | 100% ordinary                                                          |
| Castlecare Education Limited                              | Specialist education services | United Kingdom           | 100% ordinary                                                          |
| Rothcare Estates Limited                                  | Property company              | United Kingdom           | 100% ordinary                                                          |
| Priory New Education Services Limited                     | Education                     | United Kingdom           | 100% ordinary                                                          |
| Priory (Troup House) Limited <sup>2</sup>                 | Education                     | United Kingdom           | 100% ordinary                                                          |
| Dunhall Property Limited                                  | Non trading                   | United Kingdom           | 100% ordinary                                                          |
| Speciality Care Limited                                   | Holding company               | United Kingdom           | 100% 10p ordinary shares, 100% cumulative redeemable preference shares |
| Coxlease School Limited                                   | Non trading                   | United Kingdom           | 100% ordinary                                                          |
| Strathmore College Limited                                | Care delivery                 | United Kingdom           | 100% ordinary                                                          |
| Speciality Care (Medicare) Limited                        | Holding company               | United Kingdom           | 100% ordinary                                                          |
| Speciality Care (Rest Homes) Limited                      | Care delivery                 | United Kingdom           | 100% ordinary                                                          |
| Specialised Courses Offering Purposeful Education Limited | Care delivery                 | United Kingdom           | 100% ordinary                                                          |
| Progress Care and Education Limited                       | Children's homes              | United Kingdom           | 100% ordinary                                                          |
| Aspire Scotland Limited <sup>2</sup>                      | Children's care and education | United Kingdom           | 100% ordinary                                                          |
| Aspire Scotland (Holdings) Limited <sup>2</sup>           | Holding company               | United Kingdom           | 100% ordinary                                                          |
| Galaxy Cafe Limited <sup>2</sup>                          | Children's care and education | United Kingdom           | 100% ordinary                                                          |
| Galaxy UK Leisure Limited <sup>2</sup>                    | Children's care and education | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 2 Limited                   | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 8 Limited                   | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 9 Limited                   | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 10 Limited                  | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 11 Limited                  | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 12 Limited                  | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 14 Limited                  | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 17 Limited                  | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 21 Limited                  | Property holding company      | United Kingdom           | 100% ordinary                                                          |
| Partnerships in Care Property 24 Limited                  | Property holding company      | United Kingdom           | 100% ordinary                                                          |

Unless stated otherwise the registered address of each subsidiary is Fifth Floor, 80 Hammersmith Road, London, England, W14 8UD.

<sup>1</sup> Company registered address is c/o M&C Corporate Services Limited, P.O. Box 309GT, Ugland House, South Church Street, Georgetown, Grand Cayman, Cayman Islands.

<sup>2</sup> Company registered address is 38-40 Mansionhouse Road, Glasgow, G41 3DW, United Kingdom.

<sup>3</sup> Company registered address is Norwich Union House, 7 Fountain Street, Belfast BT1 5EA, United Kingdom.

<sup>4</sup> Company registered address is First Floor, Jubilee Buildings, Victoria Street, Douglas IM1 2SH, Isle of Man.

<sup>5</sup> Company registered address is Manor Hall Deanston, Doune, Stirlingshire, United Kingdom, FK16 6AD.

# Priory Group UK 1 Limited

## Notes to the consolidated financial statements

### 28. Section 479A Companies Act exemption

The Company has provided a guarantee in respect of the outstanding liabilities of the subsidiary undertakings listed in note 27 in accordance with sections 479A - 479C of the Companies Act 2006, these UK subsidiary companies of the Group are exempt from the requirements of the Companies Act 2006 relating to the audit of financial statements by virtue of section 479A of this Act.

| Name of subsidiary                              | Registered number | Name of subsidiary                              | Registered number |
|-------------------------------------------------|-------------------|-------------------------------------------------|-------------------|
| Priory Healthcare Limited                       | 6244860           | Priory Group No. 3 Limited                      | 7480550           |
| Priory Rehabilitation Services Limited          | 6244877           | Velocity Healthcare Limited                     | 6485062           |
| Cheadle Royal Healthcare Limited                | 3254624           | Revona LLP                                      | OC341361          |
| Priory Finance Property LLP                     | OC315650          | Craegmoor Group Limited                         | 6600023           |
| Priory Group No. 1 Limited                      | 7480152           | Craegmoor Group (No. 3) Limited                 | 6628024           |
| Parkcare Homes (No. 2) Limited                  | 4000281           | Amore Group (Holdings) Limited                  | 6628016           |
| Parkcare Homes Limited                          | 2155276           | Craegmoor Group (No. 5) Limited                 | 4204571           |
| Coxlease Holdings Limited                       | 4427783           | Craegmoor Group (No. 6) Limited                 | 4229516           |
| Fanplate Limited                                | 5347672           | Craegmoor Limited                               | 2825572           |
| Priory Central Services Limited                 | 4391278           | Amore Care (Holdings) Limited                   | 3517404           |
| Priory Finance Property Holdings No 1 Limited   | 5590294           | Amore Care Limited                              | 1825148           |
| Priory Finance Property Holdings No 2 Limited   | 5590103           | Speciality Healthcare Limited                   | 2904221           |
| Priory Group Limited                            | 4433255           | Health & Care Services (NW) Limited             | 2847005           |
| Priory Healthcare Finance Co Limited            | 4433253           | Craegmoor Care (Holdings) Limited               | 4790555           |
| Priory Healthcare Investments Limited           | 4433250           | Greymount Properties Limited                    | 3091645           |
| Priory Securitisation Holdings Limited          | 4793915           | Craegmoor Healthcare Company Limited            | 3830455           |
| Priory Securitisation Limited                   | 3982134           | Craegmoor Supporting You Limited                | 4955186           |
| Affinity Hospitals Holding Limited              | SC196089          | Craegmoor Facilities Company Limited            | 3656033           |
| Affinity Hospitals Limited                      | 3966451           | Craegmoor Hospitals (Holdings) Limited          | 4675861           |
| Middleton St George Healthcare Limited          | 3864079           | Burnside Care Limited                           | 5628124           |
| Priory New Investments Limited                  | 6997550           | Craegmoor Learning (Holdings) Limited           | 3015539           |
| Priory New Investments No. 2 Limited            | 7102440           | Speciality Care (Addison Court) Limited         | 3011310           |
| Priory New Investments No. 3 Limited            | 7102547           | Speciality Care (EMI) Limited                   | 2192205           |
| Affinity Healthcare Holdings Limited            | 5305312           | Speciality Care (UK Lease Homes) Limited        | 3071277           |
| Affinity Healthcare Limited                     | 5236108           | J C Care Limited                                | 3251577           |
| Affinity Hospitals Group Limited                | SC224907          | Lansdowne Road Limited                          | 2115380           |
| Amore (Ben Madigan) Limited                     | 6715859           | Lothlorien Community Limited                    | 2872249           |
| Amore (Cockermouth) Limited                     | 6889688           | R. J. Homes Limited                             | 2980088           |
| Amore (Ings Road) Limited                       | 6766727           | Heddfan Care Limited                            | 2928647           |
| Amore (Prestwick) Limited                       | 6715857           | Sapphire Care Services Limited                  | 4146017           |
| Amore (Stoke 1) Limited                         | 6866823           | Autism TascC Services Limited                   | 4744054           |
| Amore (Warrenpoint) Limited                     | 6715869           | Craegmoor Homes Limited                         | 4790588           |
| Amore (Watton) Limited                          | 6773612           | Johnston Care Limited                           | 3381658           |
| Amore (Wednesfield 1) Limited                   | 6882968           | Cotswold Care Services Limited                  | 3341447           |
| Priory Care Homes Holdings Limited              | 6660792           | Treehome Limited                                | 2776626           |
| Amore Elderly Care Limited                      | 6660776           | Strathmore Care Services Limited                | 4147864           |
| SP Cockermouth Limited                          | 6485612           | Lambs Support Services Limited                  | 5562543           |
| CO Developments Limited                         | NI064937          | The Manor Clinic Limited                        | 6084605           |
| Amore Elderly Care (Wednesfield) Limited        | 7318739           | Manor Hall Specialist Care Partnerships Limited | SC445897          |
| Positive Living Limited                         | 5868343           | Partnerships in Care (Meadow View) Limited      | 5075900           |
| Craegmoor Holdings Limited                      | 3830300           | Partnerships in Care (Cleveland) Limited        | 8671457           |
| Ferguson Care Limited                           | 2582268           | Partnerships in Care 1 Limited                  | 1833385           |
| Speciality Care (Rehab) Limited                 | 2965073           | Partnerships in Care (Rhondda) Limited          | 5715589           |
| Speciality Care (Learning Disabilities) Limited | 2953416           | Priory Grange (Holdings) Limited                | 5346419           |
| Yorkshire Parkcare Company Limited              | 1915148           | Priory Healthcare Holdings Limited              | 3738107           |
| Conquest Care Homes (Norfolk) Limited           | 2894168           | Partnerships in Care (Cardiff) Limited          | 5722804           |
| Conquest Care Homes (Soham) Limited             | 3934362           | Partnerships in Care (Oak Vale) Limited         | 8135440           |
| Conquest Care Homes (Peterborough) Limited      | 2706124           | Partnerships in Care (Vancouver) Limited        | 6970725           |

## Priory Group UK 1 Limited

### Notes to the consolidated financial statements

#### 28. Section 479A Companies Act exemption (continued)

| Name of subsidiary                           | Registered number | Name of subsidiary                                                | Registered number |
|----------------------------------------------|-------------------|-------------------------------------------------------------------|-------------------|
| Speciality Care (Rest Care) Limited          | 3257061           | Priory Group UK 2 Limited                                         | 9059930           |
| Health & Care Services (UK) Limited          | 2083074           | Partnerships in Care Management Limited                           | 5401308           |
| Craegmoor (Harbour Care) Limited             | 7880338           | Partnerships in Care Investments 1 Limited                        | 7773948           |
| Harbour Care (UK) Limited                    | 7838042           | Partnerships in Care Management 2 Limited                         | 9489130           |
| Peninsula Autism Services & Support Limited  | 3804697           | Partnerships in Care (Oak Vale) Holding Company Limited           | 8390458           |
| High Quality Lifestyles Limited              | 2734700           | Partnerships in Care (Oak Vale) Property Holding Company Limited  | 7910544           |
| Helden Homes Limited                         | 4490949           | Partnerships in Care (Vancouver) Holding Company Limited          | 8211574           |
| New Directions (Bexhill) Limited             | 3884127           | Partnerships in Care (Vancouver) Property Holding Company Limited | 6244563           |
| New Directions (Hastings) Limited            | 5126487           | Partnerships in Care Property Holding Company Limited             | 5448019           |
| New Directions (Robertsbridge) Limited       | 3466259           | Partnerships in Care Property 1 Limited                           | 5403392           |
| New Directions (St. Leonards on Sea) Limited | 6339063           | Partnerships in Care Investments 2 Limited                        | 7773953           |
| Life Works Community Limited                 | 4740254           | Partnerships in Care Property 3 Limited                           | 5406109           |
| Progress Care (Holdings) Limited             | 3545347           | Partnerships in Care Property 4 Limited                           | 5406112           |
| Progress Adult Services Limited              | 3545816           | Partnerships in Care Property 6 Limited                           | 5406120           |
| Whitewell UK Investments 1 Limited           | 9929374           | Partnerships in Care Property 7 Limited                           | 5406122           |
| Whitewell UK Holding Company 1 Limited       | 9929366           | Partnerships in Care Property 15 Limited                          | 5406176           |
| Amore Elderly Care Holdings Limited          | 7009955           | Partnerships in Care Property 16 Limited                          | 5510031           |
| Priory Group No. 2 Limited                   | 7480437           | Partnerships in Care Property 19 Limited                          | 5613394           |
| Partnerships in Care Limited                 | 2622784           | Partnerships in Care Property 20 Limited                          | 5613407           |
| Partnerships in Care Scotland Limited        | 4727112           | Partnerships in Care Property 22 Limited                          | 5852397           |
| Partnerships in Care (Oaktree) Limited       | 4785303           | Partnerships in Care Property 31 Limited                          | 7916205           |
| Partnerships in Care (Ivydene) Limited       | 7263526           | Partnerships in Care (Cleveland) Holding Company Limited          | 8917740           |
| Partnerships in Care (Albion) Limited        | 3671946           | Partnerships in Care (Cleveland) Property Holding Company Limited | 8457596           |
| Partnerships in Care (Brunswick) Limited     | 7507166           | Libra Health Limited                                              | 1355923           |
| Partnerships in Care (Beverley) Limited      | 7155722           | Priory Old Schools Services Limited                               | 2838284           |
| Partnerships in Care (Nelson) Limited        | 7294608           | Priory Old Acute Services Limited                                 | 1505382           |
| Partnerships in Care (Pastoral) Limited      | 7224362           | Solutions (Llangarron) Limited                                    | 4961209           |
| Farleigh Schools Limited                     | 3225255           |                                                                   |                   |

The subsidiary undertakings in note 27 which are excluded from the above list are not required to prepare audited financial statements either because they are dormant, registered outside of the United Kingdom or a small LLP.

# Priory Group UK 1 Limited

## Parent company balance sheet at 31 December 2022

| £'000                                                   | Note | 31 December 2022 | 31 December 2021 |
|---------------------------------------------------------|------|------------------|------------------|
| <b>Fixed assets</b>                                     |      |                  |                  |
| Investments                                             | 3    | <u>457,722</u>   | <u>628,397</u>   |
| <b>Current assets</b>                                   |      |                  |                  |
| Debtors                                                 | 4    | <u>32,806</u>    | <u>33,984</u>    |
| Creditors: amounts falling due within one year          | 5    | <u>(953,833)</u> | <u>(904,023)</u> |
| <b>Net current liabilities</b>                          |      | <b>(921,027)</b> | <b>(870,039)</b> |
| <b>Total assets less current liabilities</b>            |      | <b>(463,305)</b> | <b>(241,642)</b> |
| Creditors: amounts falling due after more than one year | 6    | <u>(280,151)</u> | <u>(261,136)</u> |
| <b>Net liabilities</b>                                  |      | <b>(743,456)</b> | <b>(502,778)</b> |
| <b>Capital and reserves</b>                             |      |                  |                  |
| Called up share capital                                 | 7    | 74,984           | 74,984           |
| Share premium account                                   |      | 647,240          | 647,240          |
| Profit and loss account b/fwd.                          |      | (1,225,002)      | (694,125)        |
| Loss for the year                                       |      | <u>(240,678)</u> | <u>(530,877)</u> |
| <b>Total shareholders' deficit</b>                      |      | <b>(743,456)</b> | <b>(502,778)</b> |

The financial statements of Priory Group UK 1 Limited (registered company number 09057543) on pages 51 to 55 were approved by the board of directors and authorised for issue on 25 April 2023. They were signed on its behalf by:

*Jim Lee*

**Jim Lee**  
Director

*Dave Hall*

**David Hall**  
Director

## Priory Group UK 1 Limited

Parent company statement of changes in equity for the year ended 31 December 2022

| <b>£'000</b>                | <b>Called up share capital</b> | <b>Share premium account</b> | <b>Profit and loss account</b> | <b>Total shareholders' funds/ (deficit)</b> |
|-----------------------------|--------------------------------|------------------------------|--------------------------------|---------------------------------------------|
| At 1 January 2021           | 74,984                         | 647,240                      | (694,125)                      | 28,099                                      |
| Loss for the financial year | -                              | -                            | (530,877)                      | (530,877)                                   |
| At 31 December 2021         | 74,984                         | 647,240                      | (1,225,002)                    | (502,778)                                   |
| Loss for the financial year | -                              | -                            | (240,678)                      | (240,678)                                   |
| <b>At 31 December 2022</b>  | <b>74,984</b>                  | <b>647,240</b>               | <b>(1,465,680)</b>             | <b>(743,456)</b>                            |

# Priory Group UK 1 Limited

## Notes to the parent company financial statements

### 1. Significant accounting policies

The following accounting policies have been applied consistently in the Company's financial statements.

#### a) Basis of preparation

The separate financial statements of the Company are presented as required by the Companies Act 2006 as applicable to companies using FRS 101. As permitted by that Act, the separate financial statements have been prepared in accordance with UK generally accepted accounting principles (UK GAAP), including FRS 101. The financial statements are prepared on a going concern basis under the historical cost convention. Considerations relevant to the going concern basis of preparation are set out in note 2(b) of the group financial statements.

The Company is a private limited company, limited by shares and incorporated and domiciled in the United Kingdom. The address of the registered office is Fifth Floor, 80 Hammersmith Road, London, England, W14 8UD.

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, in particular, Financial Reporting Standard 101 "Reduced Disclosure Framework" (FRS 101) and the Companies Act 2006. FRS 101 sets out a reduced disclosure framework for a "qualifying entity" as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS.

The Company is a qualifying entity for the purposes of FRS 101. Note 25 of the consolidated financial statements gives details of the Company's ultimate parent. Its consolidated financial statements prepared in accordance with IFRS are set out on pages 15 to 50.

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

- Statement of cash flows;
- IFRS 7 financial instrument disclosures;
- IAS 1 information on management of capital;
- IAS 8 disclosures in respect of new standards and interpretations that have been issued but which are not yet effective;
- IAS 24 disclosure of key management personnel compensation; and
- IAS 24 disclosures in respect of related party transactions entered into between fellow group companies.

#### b) Investments in subsidiary undertakings

Investments in subsidiary undertakings are stated at cost and reviewed for impairment if there are indicators that the carrying value may not be recoverable.

#### c) Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 101 requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Management considers that there is one critical accounting estimate that applies to these financial statements, being the carrying value of investments, which is determined by reference to an estimated enterprise value using generally accepted valuation techniques and allowing for contractual debt cash flows (both payable and receivable) in the investee group. To determine enterprise value the directors apply a conservative multiple to forecast EBITDA (defined as Earnings Before Interest, Tax, Depreciation and Amortisation, and adjusted so as to remove the accounting effects of the application of IFRS 16) of the investment as a proxy for future cash flows. Should the multiple applied be adjusted by 1 in either direction the impairment charge recorded in the year would correspondingly change by approximately £65.3m.

### 2. Profit and loss account

The Company has taken advantage of the exemption under section 408 of the Companies Act 2006 from the requirement to present its own profit and loss account. The loss for the financial year was £240.7m (2021: loss of £530.9m).

The Company had no employees during the year. The costs relating to the directors' services have been borne by Priory Central Services Limited, a fellow group company. No amounts (2021: £nil) have been recharged to the company in respect of the directors' services and the directors do not believe that it is practical to allocate these costs between group companies. See Note 25 for details of the emoluments paid to the directors by the Group.

# Priory Group UK 1 Limited

## Notes to the parent company financial statements

### 3. Investments

|                                                                 | <b>£'000</b>     |
|-----------------------------------------------------------------|------------------|
| <b>Cost</b>                                                     |                  |
| <b>At 1 January 2021, 31 December 2021 and 31 December 2022</b> | <b>1,561,495</b> |
| <b>Provision for impairment</b>                                 |                  |
| At 1 January 2021                                               | 449,037          |
| Impairment                                                      | 484,061          |
| At 31 December 2021                                             | 933,098          |
| Impairment                                                      | 170,675          |
| <b>At 31 December 2022</b>                                      | <b>1,103,773</b> |
| <b>Net book value</b>                                           |                  |
| <b>At 31 December 2022</b>                                      | <b>457,722</b>   |
| At 31 December 2021                                             | 628,397          |

Investments were impaired by £170.7m in the year (2021: £484.1m). See note 1c for details of the methodology applied and sensitivity analysis.

The Company's subsidiaries are given in note 27 to the consolidated financial statements.

### 4. Debtors

| <b>£'000</b>                       | <b>2022</b>   | <b>2021</b>   |
|------------------------------------|---------------|---------------|
| Amounts owed by group undertakings | 2,742         | 2,663         |
| Group relief receivable            | 13,996        | 4,086         |
| Deferred tax asset                 | 16,068        | 27,235        |
|                                    | <b>32,806</b> | <b>33,984</b> |

Amounts owed by group undertakings relates to a £5.0m loan facility with RemedcoUK Limited of which £2.6m (2021: £2.6m) is drawn down at the year-end with interest accruing at 3% p.a.

| <b>£'000</b>               | <b>Deferred tax asset</b> |
|----------------------------|---------------------------|
| At 1 January 2021          | 14,092                    |
| Credit for the year        | 13,143                    |
| At 31 December 2021        | 27,235                    |
| Credit for the year        | (11,167)                  |
| <b>At 31 December 2022</b> | <b>16,068</b>             |

A deferred tax asset of £16.1m (2021: £27.2m) has been recognised in respect of interest deductions, based on the expectation that these timing differences will reverse and reduce future taxable profits.

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

### 5. Creditors: amounts falling due within one year

| <b>£'000</b>                       | <b>2022</b> | <b>2021</b> |
|------------------------------------|-------------|-------------|
| Amounts owed to group undertakings | 953,833     | 904,023     |

Amounts owed to group undertakings include loans of £810.2m (2021: £801.2m) which bear interest at 5.4% and £19.1m (2021: £19.1m) due to RemedcoUK Limited. Loans are unsecured and repayable upon demand.

Other amounts owed to group undertakings are unsecured, interest free and repayable upon demand.

## Priory Group UK 1 Limited

### Notes to the parent company financial statements

#### 6. Creditors: amounts falling due after more than one year

| £'000                              | 2022    | 2021    |
|------------------------------------|---------|---------|
| Amounts owed to group undertakings | 280,151 | 261,136 |

Amounts owed to group undertakings comprises an unsecured loans from RemedcoUK Limited, further details are given in note 19 to the consolidated financial statements.

#### 7. Called up share capital

Details of the Company's share capital are disclosed in note 23 to the consolidated financial statements.

#### 8. Ultimate parent company, controlling party and related party transactions

The company's immediate parent is RemedcoUK Limited, a company registered in the United Kingdom.

The company's ultimate parent undertaking is Rehab and Mental Healthcare Group B.V. and the ultimate controlling party is Waterland Private Equity Investments B.V., both registered in the Netherlands.

The largest group in which the results of this company are consolidated is that headed by Median B.V., incorporated in the Netherlands. The consolidated financial statements of Median B.V. can be obtained from Basisweg 10, 1043 AP, Amsterdam, the Netherlands.

The smallest group in which the results of this company are consolidated is that headed by Priory Group UK 1 Limited, incorporated in the United Kingdom. The address of Priory Group UK 1 Limited is Fifth Floor, 80 Hammersmith Road, London, England, W14 8UD.

The company has loan balances with its immediate parent company RemedcoUK Limited, see note 4, 5 and 6 for further details.