

Company registration number 02141256 (England and Wales)

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

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CYGNET HEALTH CARE LIMITED

COMPANY INFORMATION

Directors	Dr Antonio Romero Mr Mark Ground Mr Thomas Day Mrs Jenny Gibson
Secretary	Mr Mark Ground
Company number	02141256
Registered office	Nepicar House London Road Wrotham Heath Sevenoaks Kent England TN15 7RS
Independent auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

CYGNET HEALTH CARE LIMITED

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CYGNET HEALTH CARE LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The strategic report set out below is the Cygnet Health Care Limited report for the year ended 31 December 2022.

Principal Activities

Cygnet Health Care Limited ("The Company") is a leading UK provider of behavioural health services, focusing on delivering a diverse range of services to optimise the service user experience through its sites including Blackheath, Ealing, Harrow and Maidstone. The Company provides a broad coverage of the behavioural health spectrum from Secure, PICU / Acute, Personality Disorder and Mental Health. Cygnet Health Care Limited is part of the Cygnet Health UK Group ("Cygnet").

The Company is supported by its long term strategic partner Universal Health Services Inc. ("UHS"), the leading provider of behavioural health care in the USA. UHS helps the Company to focus more on investing in the delivery of high quality, value-for-money services.

The Company remains focussed on quality and delivering clinically effective shorter lengths of stay with lower episode costs so that our customers receive better value, and service users are rehabilitated faster.

The Company recognises that its most valuable asset is its staff – their health, well-being and career development is crucially important. We fundamentally want to deliver on our vision and mission of working together in a positive culture of openness, honesty and inclusivity, which includes those who use our services. This means ensuring that everyone's voice is heard and acted upon. Therefore, we look critically at all aspects of our work and develop long term outcome driven action plans for inclusion, equity and diversity. Not only will this ensure that we deliver services with zero tolerance to racism, prejudice and discrimination, and that everyone can access the right help they need at the right time, but also, ensure we recruit, support and retain talented people who exemplify our values and feel proud to be part of the Company in the delivery of person-centred care.

Business Review

The results for the year ended 31 December 2022 are set out in the Income Statement on page 15.

Company Revenue for the year was £170.5m (2021: £160.8m), an increase of £9.7m.

Operating profit for the year was £6.3m (2021: loss £3.2m) and the loss before tax was £27.2m (2021: £28.8m). Operating profit margin has increased to 0.26% excluding separately reported items (2021: operating loss margin 2.0%).

Net assets have decreased to £40.0m (2021: £61.2m).

The Company continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity. During the period the Company spent £13.1m (2021: £7.0m) on capital expenditure.

The financial highlights of the Company for the year are as follows:

	2022 £m	2021 £m
Revenue	170.5	160.8
Operating profit / (loss)	6.3	(3.2)
(Loss) before tax	(27.2)	(28.8)
Total assets	1,301.5	1,238.6
Total liabilities	1,261.5	1,177.5
Net assets	40.0	61.2

The Company operated 816 beds in 2022 (2021: 818) and employed an average of 2,295 clinical (2021: 2,003) and 888 non-clinical staff (2021: 836).

CYGNET HEALTH CARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Future prospects

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

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

Environmental, Social and Governance ("ESG") commitments

Cygnnet is committed to making our business more environmentally and socially sustainable. More information on the Cygnnet group's ESG commitments can be found in the Cygnnet Health UK Limited consolidated accounts. This includes the disclosure of the Cygnnet Streamline Energy and Carbon Reporting requirements which incorporates this Company.

People with disabilities

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

Governance

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

CYGNET HEALTH CARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Key Performance Indicators ("KPIs")

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

Financial

These include revenue, operating profit and profit before tax. See Business Review section for analysis of these figures.

Non-financial

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

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

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

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

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

Key risks and uncertainties

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

Loss of funding

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

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

CYGNET HEALTH CARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Competition

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

Reputational risk

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

Regulatory risk

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

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

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

Inflationary risk

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

Data risk

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

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

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

Climate risk

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

CYGNET HEALTH CARE LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

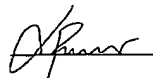
Section 172(1) of the Companies Act 2006

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

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

The Board of Directors of Cygnnet consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2022.

On behalf of the board



Dr Antonio Romero
Director
5 July 2023



Mr Thomas Day
Director
5 July 2023

CYGNET HEALTH CARE LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

See Strategic Report for Principal Activities.

Results and dividends

The results for the year are set out on page 15.

No ordinary dividends were paid during the year (2021: £nil). The directors do not recommend payment of a final dividend (2021: £nil).

Directors

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

Dr Antonio Romero

Mr Mark Ground

Mr Michael McQuaid

(Resigned 13 December 2022)

Mr Thomas Day

Mrs Jenny Gibson

(Appointed 13 December 2022)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Financial and business risk management

The Company has an established approach to risk management. The principal risks associated with financial instruments are:

Credit risk

The Company's credit risk principally arises from trade receivables and amounts owed by fellow group undertakings. Given that the Company's customers are UK public bodies, credit risk for trade receivables is minimal but balances with customers are actively monitored. Amounts due from fellow group undertakings are supported by the Company's parent.

Liquidity risk

The Company is supported by its parent Cygnet Health UK Limited for which the Directors have received written confirmation.

See Strategic Report for more risks.

Disabled persons

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

CYGNET HEALTH CARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Employee involvement

The directors recognise the importance of human resources. Cygnet's policy is to encourage active involvement of employees in the management of its facilities and in matters affecting employees' interests. Each facility has a Staff Relations Group ("SRG").

The elected chairperson of the SRG attends the twice yearly Board meetings at their facility and serves as a conduit for interaction between the Board and employees. The SRG also takes an active role in quality assurance and the accreditation process which all the Cygnet facilities embrace. In addition, Cygnet encourages personal career development for all employees through providing access to training and actively developing promotional opportunities. In order to obtain staff feedback, an annual staff engagement survey is carried out and reported on and exit interviews are collated independently.

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

Independent Auditors

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

Energy and carbon report

Cygnet had a Streamlined Energy and Carbon Report ("SECR") prepared by Sustainable Advantage which covers the reporting period 1st January 2022 to 31st December 2022. The report can be seen in the Cygnet Health UK Limited's consolidated accounts.

Information on how the directors have complied with the Wates principles and how the company engages with suppliers, customers and others in a business relationship can be found in the Strategic Report.

CYGNET HEALTH CARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Statement of directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the 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 company and of the profit or loss of the company 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 United Kingdom Accounting Standards, comprising FRS 101 have been followed, 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 company will continue in business.

The directors are responsible for safeguarding the assets of the 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 company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006.

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 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 company's auditors are aware of that information.

CYGNET HEALTH CARE LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

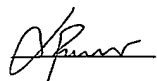
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has net current liabilities of £326m (2021: £302m), of which £979m (2021: £886m) relates to amounts due to related group undertakings.

The directors have received a letter from Cygnet Health UK Limited indicating their intention to: (1) continue to provide the financial resources necessary to support the company in meeting its liabilities as and when they fall due for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2022; and (2) not to require settlement of outstanding intercompany balances to the extent that money is not, at the relevant settlement date, otherwise available to the company to meet such liabilities for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2022. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so and they have reviewed the consolidated group cash flow forecasts for the entity providing the letter of support extending 12 months from signing date and have concluded there are adequate resources to support the company as a going concern as well as all other subsidiaries to whom support is being provided for this period.

Future developments

Future developments of Cygnet are covered in the strategic report.

On behalf of the board



Dr Antonio Romero
Director

5 July 2023



Mr Thomas Day
Director

5 July 2023

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

Report on the audit of the financial statements

Opinion

In our opinion, Cygnet Health Care Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its loss for the year then ended;
- 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
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; the income statement, the statement of comprehensive income and the statement 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 company 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, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- We reviewed the letter of support received from Cygnet Health UK Limited and assessed the financial health of this company and the group headed by Cygnet Health UK Limited as a whole (the 'Cygnet Health UK group');
- We evaluated the base case forecast and the downside scenario of the Cygnet Health UK group, and challenged the adequacy and appropriateness of the underlying assumptions;
- We performed our own sensitivity analysis to understand the changes required to key assumptions to use all of the available liquidity;
- We validated the liquidity available to the Cygnet Health UK group at 31 December 2022 by obtaining confirmation of cash balances held at bank and reviewing the loan agreement with the company's controlling party;
- We assessed performance subsequent to 31 December 2022 of the Cygnet Health UK group compared to that forecasted; and
- We considered the appropriateness of the related disclosures included within the financial statements.

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 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 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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 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 company and industry, we identified that the principal risks of non-compliance with laws and regulations related to General Data Protection Regulation (GDPR) and Care Quality Commission standards, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 (CA06) and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial reporting through the use of journals impacting

revenue and expenditure and management bias in accounting estimates. Audit procedures performed by the engagement team included:

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

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



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

CYGNET HEALTH CARE LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

		2022		Total	2021		Total
		Before separately reported items	Separately reported items*		Before separately reported items	Separately reported items*	
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue		170,464	-	170,464	160,787	-	160,787
Operating expenses		(170,804)	-	(170,804)	(163,368)	-	(163,368)
Other income		-	5,855	5,855	-	-	-
Net impairment gains/(losses) on financial assets		790	-	790	(638)	-	(638)
Operating profit/(loss)	3	450	5,855	6,305	(3,219)	-	(3,219)
Finance income	7	24,589	-	24,589	17,136	-	17,136
Finance expenses	8	(57,417)	-	(57,417)	(42,800)	-	(42,800)
Other gains and (losses)		-	(693)	(693)	-	102	102
Loss before taxation		(32,378)	5,162	(27,216)	(28,883)	102	(28,781)
Tax on loss	9	(3,317)	132	(3,185)	(2,015)	(19)	(2,034)
Loss for the financial year		(35,695)	5,294	(30,401)	(30,898)	83	(30,815)

The income statement has been prepared on the basis that all operations are continuing operations.

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

- Reversal of previous impairment of land and buildings of £nil (2021: £102k of reversal of previous impairment)
- Impairment of land and buildings of £693k (2021: £nil)
- Insurance settlement proceeds of £5,855k (2021: £nil)

The accompanying notes on pages 21 to 44 form part of the financial statements.

CYGNET HEALTH CARE LIMITED

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £'000	2021 £'000
Loss for the financial year	(30,401) <u> </u>	(30,815) <u> </u>
Other comprehensive expense:		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	639	(3,564)
Deferred tax movement on revaluation	2,680 <u> </u>	(2,071) <u> </u>
Total items that will not be reclassified to profit or loss	3,319 <u> </u>	(5,635) <u> </u>
Total comprehensive expense for the year	(27,082) <u> </u>	(36,450) <u> </u>

The accompanying notes on pages 21 to 44 form part of the financial statements.

CYGNET HEALTH CARE LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note(s)	2022 £'000	2021 £'000
Fixed assets			
Intangible assets	10	2,687	2,687
Other intangible assets	10	1,922	-
Property, plant and equipment	11	305,187	321,546
Investments	12, 14	292,436	292,436
		<u>602,232</u>	<u>616,669</u>
Current assets			
Inventories	13	315	289
Trade and other receivables	15	674,832	597,624
Corporation tax recoverable		11,377	10,208
Cash and cash equivalents		12,793	13,767
		<u>699,317</u>	<u>621,888</u>
Current liabilities			
Trade and other payables	16	1,011,371	910,358
Taxation and social security		2,923	2,681
Lease liabilities	17	10,473	10,242
Deferred income		791	428
		<u>1,025,558</u>	<u>923,709</u>
Net current liabilities		<u>(326,241)</u>	<u>(301,821)</u>
Total assets less current liabilities		275,991	314,848
Non-current liabilities			
Lease liabilities	17	225,688	243,974
Provisions for liabilities			
Deferred tax liabilities	18	10,302	9,801
Net assets		<u>40,001</u>	<u>61,073</u>

CYGNET HEALTH CARE LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2022

	Note(s)	2022 £'000	2021 £'000
Equity			
Called up share capital	20	715	715
Share premium account		178	178
Revaluation reserve		29,761	26,892
Capital redemption reserve		4,839	4,839
Other reserves		6,316	1,832
(Accumulated losses)/Retained earnings		(1,808)	26,617
Total equity		40,001	61,073

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

Dr Antonio Romero
Director

Mr Thomas Day
Director

Company Registration No. 02141256

The accompanying notes on pages 21 to 44 form part of the financial statements.

CYGNET HEALTH CARE LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Capital contribution reserve	Retained earnings/(Acc umulated losses)	Total equity
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	715	178	33,072	4,839	-	56,238	95,042
Year ended 31 December 2021:							
Loss for the financial year	-	-	-	-	-	(30,815)	(30,815)
Total other comprehensive (expense)/income:							
Revaluation of property, plant and equipment	-	-	(3,564)	-	-	-	(3,564)
Tax relating to other comprehensive expense	-	-	(2,071)	-	-	-	(2,071)
Total comprehensive expense for the year	-	-	(5,635)	-	-	(30,815)	(36,450)
Transfer to other reserves	-	-	-	-	1,832	-	1,832
Credit to equity for equity settled share-based payments	19	-	-	-	-	649	649
Other movements*	-	-	(545)	-	-	545	-
Balance at 31 December 2021	715	178	26,892	4,839	1,832	26,617	61,073

* Other movements relate to a transfer from the revaluation reserve to retained earnings to reflect the difference between depreciation on a historic cost basis and revaluation basis.

CYGNET HEALTH CARE LIMITED

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Called up share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Capital contribution reserve	Retained earnings/(Acc umulated losses)	Total equity
Note	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022	715	178	26,892	4,839	1,832	26,617	61,073
Year ended 31 December 2022:							
Loss for the financial year	-	-	-	-	-	(30,401)	(30,401)
Total other comprehensive expense:							
Revaluation of property, plant and equipment	-	-	639	-	-	-	639
Tax relating to other comprehensive expense	-	-	2,680	-	-	-	2,680
Total comprehensive expense for the year	-	-	3,319	-	-	(30,401)	(27,082)
Credit to equity in respect of share based payments	19	-	-	-	4,484	1,526	6,010
Other movements*	-	-	(450)	-	-	450	-
Balance at 31 December 2022	715	178	29,761	4,839	6,316	(1,808)	40,001

* Other movements relate to a transfer from the revaluation reserve to retained earnings to reflect the difference between depreciation on a historical cost basis and revaluation basis.

The accompanying notes on pages 21 to 44 form part of the financial statements.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

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

1.1 Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

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

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Cygnnet Health UK Limited in which the entity is consolidated;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements of paragraph 16(b) of IAS 27 Separate Financial Statements;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirements of IFRS 7 Financial Instruments: Disclosures.

Where required, equivalent disclosures are given in the group financial statements of Cygnnet Health UK Limited. The group financial statements of Cygnnet Health UK Limited are available to the public and can be obtained as set out in note 22.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statement. The financial statements present information about the company as an individual entity and not about its group.

Cygnnet Health Care Limited is a wholly owned subsidiary of Cygnnet Health UK Limited and the results of Cygnnet Health Care Limited are included in the consolidated financial statements of Cygnnet Health UK Limited which are available from Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

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

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has net current liabilities of £326m (2021: £302m), of which £979m (2021: £886m) relates to amounts due to related group undertakings.

The directors have received a letter from Cygnet Health UK Limited indicating their intention to: (1) continue to provide the financial resources necessary to support the company in meeting its liabilities as and when they fall due for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2022; and (2) not to require settlement of outstanding intercompany balances to the extent that money is not, at the relevant settlement date, otherwise available to the company to meet such liabilities for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2022. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so and they have reviewed the consolidated group cash flow forecasts for the entity providing the letter of support extending 12 months from signing date and have concluded there are adequate resources to support the company as a going concern as well as all other subsidiaries to whom support is being provided for this period.

1.3 Revenue

Revenue relates to income received from operating psychiatric facilities and nursing homes.

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

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

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

1.4 Goodwill

Goodwill represents the excess cost of acquisition over the fair value of net assets acquired. It is initially recognised as an asset at cost and it subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in the income statement in the period of the acquisition. Goodwill is considered to have an indefinite useful life.

For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least 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 the 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.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.5 Intangible assets other than goodwill

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

1.6 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Properties are initially recorded at cost and are subsequently revalued at their fair value less accumulated depreciation and impairment losses. If there is an upward revaluation of property then accumulated depreciation is reversed up to the amount of the increase in valuation.

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

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

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

Freehold & Leasehold buildings	40 years
Plant and equipment	10 years
Motor vehicles	5 years
IFRS 16 - ROU Land and Building	Over remaining life of the lease
Land	Not depreciated

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

1.7 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

1 Accounting policies (Continued)

1.8 Impairment of tangible and intangible assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible asset with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.9 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.10 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13.

1.11 Cash and cash equivalents

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

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.12 Financial assets

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument:

Initial measurement of financial assets

Under IFRS 9 financial assets are initially classified and measured at fair value, with any changes in fair value going through the profit or loss as they arise ("FVTPL"), unless criteria are met that allows the instrument to be classified and measured at either amortised costs or fair value through other comprehensive income ("FVOCI"). Financial assets not classified as FVTPL are initially measured at fair value plus transaction costs.

Financial assets are classified and measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified and measured at FVOCI if they are held in a business model whose objectives are achieved by collection contractual cash follows and selling financial assets.

Loans and receivables

The business model under which the trade receivables are held is to collect contractual cash flows that are solely payments of principle and interest. Therefore trade receivables are measured at amortised cost.

Impairment of financial assets

Financial assets, other than those measured FVTPL, are assessed for indicators of impairment at each reporting date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

When a trade receivable is considered unrecoverable it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the carrying amount of the provisions are recognised in the profit and loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.13 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.14 Equity instruments

Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the group.

1.15 Taxation

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

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.16 Employee benefits

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

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

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

Defined contribution plans

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

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

1.17 Share-based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

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

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

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.18 Leases

At inception, the company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

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

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

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

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

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

1.19 New standards

There are no new accounting standards or amendments to existing accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2022 that have had a material impact on the company's financial statements.

1.20 Separately reported items

Separately reported items have been deemed as non-recurring expenses which are not part of the core operating activities of the group. During the current and prior year, separately reported items include the impairment of land and buildings, and reversal of previous impairment of land and buildings.

Operating expenses include central costs relating to the provision of support services to the wider Cygnet portfolio. The allocation of central costs means that the company has recurring losses.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Significant estimates and judgements

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

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

Key sources of estimation uncertainty

Freehold and leasehold buildings are revalued annually. The valuation was determined this year by Knight Frank LLP by estimating a fair maintainable operating profit ("FMOP") for each site and applying an appropriate rate of return (Years Purchase "YP") that reflects the risk and rewards of the property and its trading potential. Clearly both of these elements are a source of estimation uncertainty. The YP is determined on a site-by-site basis and in 2022 has a range of 0 to 9 (2021: 0 to 9) depending on the future earnings expectations of the property. In determining the FMOP, the long-term operating profit potential for the site by reference to the latest budgets and forecasts and investment cases was considered. The average FMOP per site is £2,015k (2021: £1,964k). As these factors are unobservable inputs the estimate is level 3 in the IFRS 13: Fair value hierarchy. Changes to FMOP or YP can result in material movements to the fair value of properties each reporting period. Where there are revaluations upwards, they are accounted for in other comprehensive income. Where revaluations are downwards to the base cost they are taken as a charge in the income statement. An increase/decrease in the YP by a factor of 1.0 would increase/ decrease the property valuation by £10,084k. A 5% increase/decrease in the FMOP would increase/decrease the property valuation by £3,246k.

Key accounting judgements in applying the Group's accounting policies

There is a key judgement whether there are potential indicators on whether the investments held by the Company are impaired. The Directors have assessed this by reference of the carrying value of the net assets of the Company's subsidiaries which exceed the carrying value of the investment and have therefore concluded that no indicators are present. The directors do not believe there are any indicators of impairment and thus the value of the investments remains at the same value as the prior year.

3 Operating profit/(loss)

	2022	2021
	£'000	£'000
Operating profit/(loss) for the year is stated after crediting/(charging):		
Depreciation of property, plant and equipment	20,995	19,709
Profit on disposal of property, plant and equipment	(2,495)	-
Low value and short term lease expenses	5	6
Net impairment (gains)/losses on financial and contract assets	(790)	638
Share-based payments	4,484	2,481
	<u>4,484</u>	<u>2,481</u>

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

4 Employees

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

	2022 Number	2021 Number
Clinical	2,295	2,003
Non-Clinical	888	836
	<u>3,183</u>	<u>2,839</u>

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	114,657	102,415
Social security costs	12,324	10,574
Other pension costs	2,614	2,292
Share based payments	4,484	2,481
	<u>134,079</u>	<u>117,762</u>

The non-UK directors did not receive emoluments for their services directly from this company which are deemed to be of negligible value (2021: £nil).

5 Directors' remuneration

	2022 £'000	2021 £'000
Remuneration for qualifying services	2,226	2,568
Company pension contributions to defined contribution schemes	21	20
	<u>2,247</u>	<u>2,588</u>

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

Remuneration for qualifying services	1,088	1,229
Company pension contributions to defined contribution schemes	10	10
	<u></u>	<u></u>

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Directors' remuneration (Continued)

The above directors remuneration relates to remuneration received by UK directors only.

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

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

6 Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditors:		
Audit of the financial statements of the company	182	147

Cygnnet Health Care Limited meets the cost of the audit fees for all subsidiaries.

7 Finance income

	2022 £'000	2021 £'000
Interest income		
Interest on bank deposits	76	1
Interest receivable from group companies	24,513	17,135
Total income	24,589	17,136

Interest receivable from group companies is accrued at a rate of 5.1% per annum above SONIA on intercompany balances.

At 31 December 2021 the interest rate benchmark LIBOR was transitioned to SONIA as a result of IBOR reform. There was no accounting impact on the accounts for the year ended 31 December 2021.

8 Finance expenses

	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	48,392	33,474
Interest on other loans	90	-
	48,482	33,474
Interest on other financial liabilities:		
Interest on lease liabilities	8,935	9,326
Total interest expense	57,417	42,800

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tax on loss

	2022 £'000	2021 £'000
Current tax		
Adjustments in respect of prior period	5	(27)
Deferred tax		
Origination and reversal of temporary differences	1,966	1,188
Adjustments in respect of prior periods	593	(39)
Effect of changes in tax rate	621	912
	<u>3,180</u>	<u>2,061</u>
Total tax charge	<u>3,185</u>	<u>2,034</u>

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 25% as this rate had been substantively enacted as of 24 May 2021.

Tax expense for the year is lower (2021: lower) than the standard rate of corporation tax in the UK for the year ended 31 December 2022 of 19% (2021: 19%). The differences are explained below.

The charge for the year can be reconciled to the loss per the income statement as follows:

	2022 £'000	2021 £'000
Loss before taxation	(27,216)	(28,781)
Expected tax credit based on a corporation tax rate of 19.00% (2021: 19.00%)	(5,171)	(5,468)
Effect of expenses not deductible in determining taxable profit	1,319	630
Income not taxable	(1,112)	(19)
Adjustment in respect of prior years	5	(27)
Group relief	5,836	7,173
Other permanent differences	(463)	(491)
Deferred tax adjustments in respect of prior years	593	(39)
Corporate interest restriction	1,462	524
Transfer pricing adjustment	(235)	(1,676)
Remeasurement of deferred tax changes in tax rate	-	912
Depreciation in excess of capital allowances	51	230
Chargeable gains/(losses)	279	-
Deferred tax movement for change in tax rate	621	285
Taxation charge for the year	<u>3,185</u>	<u>2,034</u>

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

9 Tax on loss

(Continued)

In addition to the amount charged to the income statement, the following amounts relating to tax have been recognised directly in other comprehensive expense:

	2022 £'000	2021 £'000
Deferred tax arising on:		
Revaluation of property	(2,680)	2,071

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Intangible assets

	Goodwill	Software	Customer contracts and trademarks	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2022	6,216	-	1,030	7,246
Additions	-	2,402	-	2,402
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2022	6,216	2,402	1,030	9,648
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Accumulated amortisation and impairment				
At 1 January 2022	3,529	-	1,030	4,559
Charge for the year	-	480	-	480
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2022	3,529	480	1,030	5,039
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Carrying amount				
At 31 December 2022	2,687	1,922	-	4,609
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 December 2021	2,687	-	-	2,687
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Impairment tests for cash generating units containing goodwill

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

The goodwill has arisen from two acquisitions (Stac Healthcare Limited and Orchard Portman House Limited). The carrying value of goodwill split by as follows:

	2022 £'000	2021 £'000
Stac Healthcare Limited	937	937
Orchard Portman House Limited	1,750	1,750
	<u> </u>	<u> </u>
	2,687	2,687
	<u> </u>	<u> </u>

The Company has carried out a review of the recoverable amount of goodwill. This was judged to be its value-in-use. This was calculated using a cash flow projection based on the Board approved budget and the 3 year plan. These are then extrapolated using a long term growth of 2.1% (2021: 2.1%). These projections are then discounted at a post-tax rate of 8.5% (2021: 7%). Using these assumptions it was determined that no impairment to goodwill was required for any CGU.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Property, plant and equipment

	Freehold & Leasehold buildings	Assets under construction	Plant and equipment	Motor vehicles	IFRS 16 - ROU Land and Building	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation						
At 1 January 2022	92,098	3,431	41,487	1,433	252,707	391,156
Additions	374	798	9,039	44	2,866	13,121
Remeasurement	-	-	-	-	233	233
Disposals	-	(257)	(6)	(11)	(10,552)	(10,826)
Revaluation	(278)	-	-	-	-	(278)
Transfer	684	(812)	128	-	-	-
At 31 December 2022	92,878	3,160	50,648	1,466	245,254	393,406
Accumulated depreciation						
At 1 January 2022	2,967	-	23,172	836	42,635	69,610
Charge for the year	453	-	6,045	225	14,272	20,995
Eliminated on disposal	-	-	(2)	(11)	(2,149)	(2,162)
Eliminated on revaluation	(224)	-	-	-	-	(224)
At 31 December 2022	3,196	-	29,215	1,050	54,758	88,219
Carrying amount						
At 31 December 2022	89,682	3,160	21,433	416	190,496	305,187
At 31 December 2021	89,131	3,431	18,315	597	210,072	321,546

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

11 Property, plant and equipment

(Continued)

A formal valuation is carried out on a periodic basis, with the last valuation being carried out in February 2023, with a valuation date of 31 December 2022. This independent valuation was carried out by Knight Frank LLP, in accordance with the practice statements in the valuation standards (The Red Book) published by the Royal Institution of Chartered Surveyors.

The valuation is performed on a property by property basis and estimates the value that could be realised on a sale. This is based on a transaction multiple applied against the fair maintainable operating profit of the sites. The fair maintainable operating profit is the level of sustainable profits a site could earn in its current condition at maturity and is based on historic site performance.

All property revaluations are Level 3 fair value measurements in line with IFRS 13, there are no Level 1 or 2 fair values. The total Level 3 fair value measurement for 2022 was £89,682k (2021: £89,131k).

At 31 December 2022, had the leasehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £8,358k (2021: £8,358k). At 31 December 2022, had the freehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £36,563k (2021: £36,504k).

The table below sets out the movement in the valuation of property, plant and equipment in the year. A net charge has been recognised in the income statement of £693k (2021: net credit of £102k) relating to (i) £1,447k of impairments to freeholding land and buildings where the revised fair value of the properties was less than the historical cost amount less depreciation; and (ii) impairment reversals of £754k (2021: £102k) in the year where the revised valuation is now above the previously impaired amount and to bring the asset value back to cost less depreciation.

A gain of £639k (2021: loss of £3,565k) has been recognised in other comprehensive income in the year from other revaluation movements related to property plant and equipment.

	2022	2021
	£'000	£'000
Impairment of freehold land and buildings	1,447	-
Reversal of freehold land and buildings impairments	(754)	(102)
Net income statement charge/(credit)	693	(102)
Net revaluation of freehold land and buildings recorded in other comprehensive income	639	(3,564)

12 Investments

	2022	2021
	£'000	£'000
Investments in subsidiaries	292,436	292,436

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Investments (Continued)

Movements in investments

	Shares in group undertakings £'000
Cost	
At 1 January 2022 & 31 December 2022	292,436
Carrying amount	
At 31 December 2022	292,436
At 31 December 2021	292,436

13 Inventories

	2022 £'000	2021 £'000
Raw materials	315	289

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Investments

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

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Orchard Portman House Limited*	United Kingdom	100	100	Holding company
Orchard Portman Hospital Limited	United Kingdom	100	100	Property holding
Taunton Hospital Limited	United Kingdom	100	100	Property holding
Cygnnet Hospital Holdings Limited*	United Kingdom	100	100	Holding company
Cygnnet Surrey Limited	United Kingdom	100	100	Psychiatric healthcare facilities
Cygnnet NW Limited	United Kingdom	100	100	Psychiatric healthcare facilities
Cygnnet Aspirations Developments Limited*	United Kingdom	100	100	Holding company
Safe Spaces Limited^	United Kingdom	100	100	Non trading
Cygnnet Care Services Limited*	United Kingdom	100	100	Residential care facilities
Cygnnet Behavioural Health Limited*	United Kingdom	100	100	Psychiatric healthcare facilities
Cygnnet Learning Disabilities Midlands Limited	United Kingdom	100	100	Residential care facilities
CAS Learning Disabilities Services Limited^	United Kingdom	100	100	Non trading
Isand Limited	United Kingdom	100	100	Residential care facilities
Isand (Domiciliary Care) Limited	United Kingdom	100	100	Residential care facilities
Cygnnet Learning Disabilities Limited	United Kingdom	100	100	Residential care facilities
CAS Aspirations Properties Limited	United Kingdom	100	100	Investment company
CAS St Paul's Limited	United Kingdom	100	100	Investment property
CAS Aspirations Properties V Limited	Jersey	100	100	Non trading
Short Ground Limited	United Kingdom	100	100	Residential care facilities
Relativeto Limited	United Kingdom	100	100	Residential care facilities
Caireach Limited	United Kingdom	100	100	Residential care facilities
Cygnnet Clifton Limited	United Kingdom	100	100	Residential care facilities
CAS Clifton Healthcare Limited^	United Kingdom	100	100	Non trading
CAS Healthcare Properties Limited	United Kingdom	100	100	Investment property
CAS Aspirations Properties Limited	Jersey	100	100	Non trading
CAS Aspirations Properties III Limited	Jersey	100	100	Non trading
Cygnnet D Holdings Limited*	Guernsey	100	100	Holding company
Cygnnet DHG Limited	Guernsey	100	100	Holding company
Cygnnet (DM) LLP*	United Kingdom	98	98	Support services
Cygnnet (OE) Limited	United Kingdom	100	100	Residential care facilities
Cygnnet (DH) Limited	United Kingdom	100	100	Residential care facilities

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

14 Investments

(Continued)

Everycorner	United Kingdom	100	100	Residential care facilities
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*indicates direct holdings. Remaining subsidiaries acquired through direct acquisitions

All entities have the same registered office as Cygnet Health Care Limited Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS with the exception of the Jersey and Guernsey entities. The Jersey entities have a registered office of 1st Floor, 2 Hill Street, PO Box 521, St. Helier, Jersey JE2 4UA and the Guernsey entities have a registered office of 18-20 Le Pollet, St Peter Port, Guernsey, GY1 1WH.

The year end of the above companies is 31 December.

^ These companies were dissolved post year end.

15 Trade and other receivables

	2022 £'000	2021 £'000
Trade receivables	31,060	23,891
Expected credit loss	88	(1,841)
	<u>31,148</u>	<u>22,050</u>
Amounts owed by fellow group undertakings	639,821	570,511
Other receivables	1,046	3,301
Prepayments and accrued income	2,817	1,762
	<u>674,832</u>	<u>597,624</u>

Of the Amounts due from fellow group undertakings, £362,804k (2021: £338,291k) incurs interest of 5.1% + SONIA, the remainder of the balance £277,017k (2021: £232,220k) has no interest applied.

The Directors have considered the credit risk associated with amounts owed by fellow group undertakings including incorporating the letter of support received from the counterparties parent and considered the potential method of recovery. As a result, no expected credit loss provision is required.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Trade and other payables

	2022 £'000	2021 £'000
Trade payables	11,251	4,949
Amounts owed to fellow group undertakings	978,917	885,529
Accruals and deferred income	19,117	19,110
Other payables	2,086	770
	<u>1,011,371</u>	<u>910,358</u>

All trade and other payables are unsecured and given they are short term in nature, the carrying value approximates their fair value.

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

Amounts owed to group undertakings totalling £742m (2021: £693m) are charged interest at a rate of 4.85% per annum above SONIA. The remainder of the balance £237m (2021: £192m) is interest free.

17 Lease liabilities - IFRS 16

	2022 £'000	2021 £'000
Maturity analysis		
Within one year	18,764	19,188
In two to five years	75,860	77,601
In over five years	215,874	243,680
Total undiscounted liabilities	<u>310,498</u>	<u>340,469</u>
Effect of discounting	(74,337)	(86,253)
Total discounted liabilities	<u>236,161</u>	<u>254,216</u>

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

	2022 £'000	2021 £'000
Current liabilities	10,473	10,242
Non-current liabilities	225,688	243,974
	<u>236,161</u>	<u>254,216</u>

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

17 Lease liabilities - IFRS 16

(Continued)

The fair value of the company's lease obligations is approximately equal to their carrying amount.

The total outflow relating to lease payments for the year was £19,166k (2021: £18,914k). £1,751k (2021: £1,772k) was settled via cash and £17,415k (2021: £17,142k) was settled via balances with fellow group undertakings.

18 Deferred tax liabilities

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

	Other £'000	Short term timing differences £'000	Property, plant and equipment £'000	Capital gains £'000	Total £'000
Deferred tax liability at 1 January 2021	(382)	(291)	3,374	2,969	5,670
Deferred tax movements in prior year					
Charge/(credit) to profit or loss	90	(131)	1,189	-	1,148
Charge/(credit) to other comprehensive income	41	-	(47)	530	524
Effect of change in tax rate - profit or loss	(35)	(104)	1,051	-	912
Effect of change in tax rate - other comprehensive income	(86)	-	-	1,633	1,547
Deferred tax liability/(asset) at 31 December 2021	(372)	(526)	5,567	5,132	9,801
Deferred tax movements in current year					
Charge/(credit) to profit or loss	40	11	2,509	-	2,560
Charge/(credit) to other comprehensive income	(202)	-	-	(1,930)	(2,132)
Effect of change in tax rate - profit or loss	13	11	597	-	621
Effect of change in tax rate - other comprehensive income	(64)	-	-	(484)	(548)
Deferred tax (asset)/liability at 31 December 2022	(585)	(504)	8,673	2,718	10,302

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

18 Deferred tax liabilities

(Continued)

Deferred tax assets and liabilities are offset in the financial statements only where the company has a legally enforceable right to do so.

	2022 £'000	2021 £'000
Deferred tax liabilities	10,302	9,801

As at 31 December 2022, there was a carried forward Corporate Interest Restriction disallowance of £19,807k (2021: £13,117k), and we have not recognised a deferred tax impact of this.

19 Share-based payment transactions

Universal Health Services Inc. scheme

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

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

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

Grant Date	Expiry date	Exercise Price	Fair value of option	of Granted	Cancelled/ forfeit	Exercised	Outstanding
18/3/2015	18/3/2020	\$117.29	\$21.277	55,000	(17,500)	(37,500)	-
23/3/2016	23/3/2021	\$118.62	\$23.770	71,000	(33,750)	(37,250)	-
29/3/2017	28/3/2022	\$124.56	\$27.029	145,500	(46,750)	(98,750)	-
20/3/2018	20/3/2023	\$119.64	\$28.169	102,000	(26,630)	(62,429)	12,941
20/3/2019	20/3/2024	\$134.02	\$30.435	84,000	(22,874)	(31,702)	29,424
20/3/2020	20/3/2025	\$67.69	\$69.81	99,000	(19,875)	(30,944)	48,181
17/3/2021	17/3/2026	\$138.80	\$40.42	112,500	(20,061)	(12,482)	79,957
23/3/2022	23/3/2027	\$143.81	\$45.71	117,750	(11,250)	-	106,500

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Share-based payment transactions (Continued)

Long term incentive plan

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

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

For the year ended 31 December 2022 a charge of £4,484k (2021: £1,832k) has been recognised by the Company along with associated capital contribution of £4,484k (2021: £1,832k) in relation to these D shares. This reflects the estimated contribution that UK Acquisitions No.6 Limited has given its subsidiaries through granting the option to the Company's employees.

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

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

2022	2021	
£'000	£'000	
2021	2022	
Called up share capital	Called up share capital	
Ordinary share capital	Ordinary share capital	
Authorised	Authorised	
2,787,125,000 Ordinary shares (2021: 2,787,125,000) of 1p each	27,871	27,871
Issued and fully paid	Issued and fully paid	
11,499,359 Ordinary shares (2021: 11,499,359) of 1p each	115	115
Preference share capital	Preference share capital	
Authorised	Authorised	
800,000 Irredeemable preference shares (2021: 800,000) of £1 each	800	800
Issued and fully paid	Issued and fully paid	
600,000 Irredeemable preference shares (2021: 600,000) of £1 each	600	600

Holders of Ordinary shares have equal entitlement to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Every holder of Ordinary shares are entitled to vote at a meeting of shareholders with each share entitled to one vote.

Preference shares are disclosed in equity as there is no contractual obligation to deliver dividends or interest payments.

CYGNET HEALTH CARE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

21 Capital commitments

	2022	2021
	£'000	£'000
At 31 December the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	382	31

22 Controlling party

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

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

23 Related party transactions

The ultimate controlling party of the Company is Universal Health Services Inc., the immediate parent company is Cygnet 2002 Limited and the UK ultimate parent is UK Acquisitions No.6 Limited. The registered office of the ultimate controlling party is 367 South Gulph Road, King of Prussia, PA 19406.

Identity of related parties

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

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

Transactions with key management personnel

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

Other related party transactions

There were no other related party transactions during the current or preceding year.