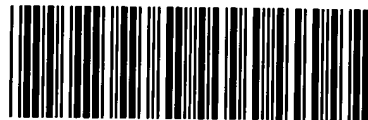


Company registration number 03977299 (England and Wales)

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

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COMPANIES HOUSE

# **CYGNET BEHAVIOURAL HEALTH LIMITED**

## **COMPANY INFORMATION**

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**Directors**

Dr Antonio Romero  
Mr Mark Ground  
Mr Thomas Day  
Mrs Jenny Gibson

**Secretary**

Ms Katie Bowen

**Company number**

03977299

**Registered office**

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

**Independent auditors**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

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# **CYGNET BEHAVIOURAL HEALTH LIMITED**

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# CYGNET BEHAVIOURAL HEALTH LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

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

#### Principal Activities

Cygnet Behavioural Health Limited ("Cygnet Behavioural Health") 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 such as Nield House, Heathers and St Augustine's. Cygnet Behavioural Health provides a broad coverage of the behavioural health spectrum from Secure, PICU / Acute, Personality Disorder, Child and Adolescents, Deafness and Mental Health.

Cygnet Behavioural Health 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 Cygnet Behavioural Health to focus more on investing in the delivery of high quality, value-for-money services.

Cygnet Behavioural Health 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.

Cygnet Behavioural Health recognises that its most valuable asset is its staff – their health, well-being and career development is crucially important. We fundamentally want to deliver on our vision and mission of working together in a positive culture of openness, honesty and inclusivity, which includes those who use our services. This means ensuring that everyone's voice is heard and acted upon. Therefore, we look critically at all aspects of our work and develop long term outcome driven action plans for inclusion, equity and diversity. Not only will this ensure that we deliver services that have 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 Cygnet Behavioural Health 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 13.

Company Revenue for the year was £106.5m (2021: £93.2m), an increase of £13.3m. The increase in bed numbers during the year have contributed to an increase of £10.8m in In-patient fees, and an increase of £2.5m in Special Nursing income.

Operating profit for the year was £4.7m (2021: loss £10.3m). Operating profit margin has increased to 4.4% (2021: Operating loss margin of 11%). The increase in revenue has contributed to the increase in operating profit, as has a reduction in management charges from other Cygnet group companies.

Net liabilities have increased to £136.5m (2021: £115.6m).

Cygnet Behavioural Health 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 £8.0m (2021: £2.2m) on capital expenditure.

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

|                           | 2022<br>£m | 2021<br>£m |
|---------------------------|------------|------------|
| Revenue                   | 106.5      | 93.2       |
| Operating Profit / (Loss) | 4.7        | (10.3)     |
| (Loss) before tax         | (20.5)     | (31.6)     |
| Total assets              | 590.9      | 551.7      |
| Total liabilities         | 727.4      | 667.3      |
| Net liabilities           | 136.5      | 115.6      |

# **CYGNET BEHAVIOURAL HEALTH LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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Cygnnet Behavioural Health operated 611 beds in 2022 (2021: 602) spread over 28 sites and employed an average of 1,579 clinical (2021: 1,506) and 469 non-clinical staff (2021: 450).

#### **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 Behavioural Health Limited is part of the Cygnnet Health UK Group (“Cygnnet”). 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 BEHAVIOURAL HEALTH LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **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. Adjusted margins are also considered and reflect the causes for changes in EBITDA, such as changes in occupancy rates.

#### **Non-financial**

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

A monthly Quality Dashboard by region is produced which summarises performance by unit, this includes 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 rates.

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, levels of agency and occupancy rate.

### **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, and subsequently contract with most of the ICBs, NHS Provider Collaboratives and NHS England, NHS Trusts, Health Boards, and Local Authorities. Each commissioning entity is responsible for its own budget and commissioning strategy, this affords Cygnet protection if revenues from a particular commissioning entity reduces.

#### **Competition**

Cygnet monitors competition closely to ensure that it remains competitive in the market place. Cygnet 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. Cygnet monitors prices charged both internally and externally to ensure that its services are appropriately priced to compete and importantly provide value.

# **CYGNET BEHAVIOURAL HEALTH LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **Reputational risk**

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

### **Regulatory risk**

Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnet's policies and procedures. All themes and trends arising from regulator inspection reports are disseminated and action planning for improvements is shared across Cygnet 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.

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

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

### **Inflationary risk**

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

### **Data risk**

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

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

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

### **Climate risk**

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

# CYGNET BEHAVIOURAL HEALTH LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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

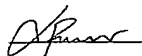
#### Section 172(1) of the Companies Act 2006

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

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



# **CYGNET BEHAVIOURAL HEALTH LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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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 13.

No ordinary dividends were paid during the current period (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 details of 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 BEHAVIOURAL HEALTH LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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#### **Employee involvement**

The directors recognise the importance of human resources. The Cygnet Health UK Limited Group's ("Group") 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 Group's facilities embrace. In addition, the Group 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.

### **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 BEHAVIOURAL HEALTH LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### Going concern

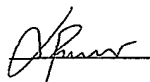
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has net current liabilities of £243m (2021: £219m), of which £336m (2021: £296m) relates to amounts due to related group undertakings included within current liabilities.

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 the Group are covered in the strategic report.

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



Dr Antonio Romero  
**Director**  
5 July 2023



Mr Thomas Day  
**Director**  
5 July 2023

Nepicar House  
London Road  
Wrotham Heath  
Sevenoaks  
Kent  
TN15 7RS

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET BEHAVIOURAL HEALTH LIMITED**

### **Report on the audit of the financial statements**

---

#### **Opinion**

In our opinion, Cygnet Behavioural Health 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, 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Conclusions relating to going concern**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the 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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET BEHAVIOURAL HEALTH LIMITED**

### **Report on the audit of the financial statements**

---

#### **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.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET BEHAVIOURAL HEALTH LIMITED**

### **Report on the audit of the financial statements**

---

#### ***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 loss and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- 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;
- Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combinations impacting revenue or loss;
- Reviewing minutes of meetings of the Board of directors;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, in particular in relation to whether there is an indicator for impairment for 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET BEHAVIOURAL HEALTH LIMITED**

### **Report on the audit of the financial statements**

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#### ***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.

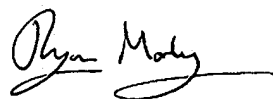
#### **Other required reporting**

##### **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.



Ryan Morley (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors  
London

6 July 2023

# CYGNET BEHAVIOURAL HEALTH LIMITED

## INCOME STATEMENT

**FOR THE YEAR ENDED 31 DECEMBER 2022**

|   | Note     | 2022<br>£'000   | 2021<br>£'000   |
|---|----------|-----------------|-----------------|
| Revenue   |          | 106,534         | 93,216          |
| Operating expenses                                |          | (101,685)       | (103,482)       |
| Net impairment (losses)/gains on financial assets |          | (182)           | 10              |
| <b>Operating profit/(loss)</b>                    | <b>3</b> | <b>4,667</b>    | <b>(10,256)</b> |
| Finance costs                                     | <b>6</b> | (11,746)        | (8,212)         |
| Other finance costs                               | <b>6</b> | (13,450)        | (13,134)        |
| <b>Loss before taxation</b>                       |          | <b>(20,529)</b> | <b>(31,602)</b> |
| Tax on loss                                       | <b>7</b> | (330)           | (970)           |
| <b>Loss for the financial year</b>                |          | <b>(20,859)</b> | <b>(32,572)</b> |

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

There is no other comprehensive income for the year (2021: £nil).

The accompanying notes on pages 17 to 33 form part of the financial statements.



# CYGNET BEHAVIOURAL HEALTH LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

|  |      | 2022           |                  | 2021           |                  |
|--|------|----------------|------------------|----------------|------------------|
|  | Note | £'000          | £'000            | £'000          | £'000            |
| <b>Fixed assets</b>                          |      |                |                  |                |                  |
| Intangible assets                            | 8    |                | -                |                | -                |
| Property, plant and equipment                | 9    |                | 382,675          |                | 362,752          |
| Investments                                  | 10   |                | 93,813           |                | 93,813           |
|  |      |                | <u>476,488</u>   |                | <u>456,565</u>   |
| <b>Current assets</b>                        |      |                |                  |                |                  |
| Inventories                                  | 11   | 206            |                  | 177            |                  |
| Trade and other receivables                  | 12   | 106,643        |                  | 87,887         |                  |
| Cash and cash equivalents                    |      | 7,609          |                  | 7,043          |                  |
|  |      | <u>114,458</u> |                  | <u>95,107</u>  |                  |
| <b>Current liabilities</b>                   |      |                |                  |                |                  |
| Trade and other payables                     | 15   | 343,980        |                  | 302,901        |                  |
| Taxation and social security                 |      | 1,496          |                  | 1,266          |                  |
| Lease liabilities                            | 16   | 11,612         |                  | 10,359         |                  |
|  |      | <u>357,088</u> |                  | <u>314,526</u> |                  |
| <b>Net current liabilities</b>               |      |                | (242,630)        |                | (219,419)        |
| <b>Total assets less current liabilities</b> |      |                | 233,858          |                | 237,146          |
| <b>Non-current liabilities</b>               | 16   |                | (369,108)        |                | (351,867)        |
| <b>Provisions for liabilities</b>            |      |                |                  |                |                  |
| Deferred tax liabilities                     | 13   |                | (1,248)          |                | (918)            |
| <b>Net liabilities</b>                       |      |                | <u>(136,498)</u> |                | <u>(115,639)</u> |
| <b>Equity</b>                                |      |                |                  |                |                  |
| Called up share capital                      | 18   |                | 49,890           |                | 49,890           |
| Share premium account                        |      |                | 86,392           |                | 86,392           |
| Accumulated losses                           |      |                | (272,780)        |                | (251,921)        |
| <b>Total equity</b>                          |      |                | <u>(136,498)</u> |                | <u>(115,639)</u> |

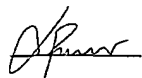
## **CYGNET BEHAVIOURAL HEALTH LIMITED**

### **STATEMENT OF FINANCIAL POSITION (CONTINUED)**

**AS AT 31 DECEMBER 2022**

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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 number 03977299**

# CYGNET BEHAVIOURAL HEALTH LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

|                              | Called up<br>share capital | Share<br>premium<br>account | Accumulated<br>losses | Total equity |
|------------------------------|----------------------------|-----------------------------|-----------------------|--------------|
|                              | £'000                      | £'000                       | £'000                 | £'000        |
| Balance at 1 January 2021    | 49,890                     | 86,392                      | (219,349)             | (83,067)     |
| Year ended 31 December 2021: |                            |                             |                       |              |
| Loss for the year            | -                          | -                           | (32,572)              | (32,572)     |
| Balances at 31 December 2021 | 49,890                     | 86,392                      | (251,921)             | (115,639)    |
| Year ended 31 December 2022: |                            |                             |                       |              |
| Loss for the year            | -                          | -                           | (20,859)              | (20,859)     |
| Balances at 31 December 2022 | 49,890                     | 86,392                      | (272,780)             | (136,498)    |

The accompanying notes on pages 17 to 33 form part of the financial statements.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **1 Accounting policies**

#### **Company information**

Cygnnet Behavioural Health 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. The principle accounting policies adopted are set out below, and remain consistent with the prior year, unless stated otherwise.

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

- the requirements of paragraphs 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 20.

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 Behavioural Health Limited is a wholly owned subsidiary of Cygnnet Health UK Limited and the results of Cygnnet Behavioural Health 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 BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

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#### **1 Accounting policies**

**(Continued)**

##### **1.2 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 £243m (2021: £219m), of which £336m (2021: £296m) relates to amounts due to related group undertakings included within current liabilities.

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, residential homes and rehabilitation facilities.

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 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. The company owns computer software which it has capitalised as intangible and is amortised over 5 years.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.5 Property, plant and equipment

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

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 property, plant and equipment and are recognised net within 'other operating income' in the income statement.

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 buildings           | 40 years                     |
| Fixtures and fittings        | 5-10 years                   |
| Motor vehicles               | 5 years                      |
| IFRS 16 - ROU building asset | Over remaining life of 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.

#### 1.6 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.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.7 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.

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.

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.

#### 1.8 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.

#### 1.9 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 BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.10 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.

##### *Financial assets held at amortised cost*

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 BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.11 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

##### *Financial liabilities at fair value through profit or loss*

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- It has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- On initial recognition it is part of a portfolio of identified financial instruments that the company manages together and had recent actual pattern of short-term profit taking, or
- It is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

##### *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.

#### 1.12 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.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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### 1 Accounting policies

(Continued)

#### 1.13 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.

#### 1.14 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.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 1 Accounting policies

(Continued)

#### 1.15 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.

#### 1.16 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.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 2 Significant accounting policies and accounting estimates and judgements

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

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

The directors do not believe there are any critical estimates.

The directors believe there has been a key judgement whether there is an indicator for impairment for property plant and equipment. In making the judgement whether there is an indicator of impairment for property, plant and equipment, the directors consider the site-by-site valuation performed by one of the company's parent entity which holds property at their fair value. This fair value assessment utilises assumptions based on the fair, maintainable operating profit of the site and valuation multiples. Since the estimated fair value is above the carrying value, the directors have not identified an indicator of impairment at 31 December 2022.

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 charging/(crediting): |               |               |
| Depreciation of property, plant and equipment                              | 17,296        | 16,449        |
| Amortisation of intangible assets (included within operating expenses)     | -             | 296           |
| Net impairment losses/(gains) on financial assets                          | 182           | (10)          |
|  | <u>17,478</u> | <u>16,735</u> |

#### 4 Employees

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

|              | 2022         | 2021         |
|--------------|--------------|--------------|
|              | Number       | Number       |
| Clinical     | 1,579        | 1,506        |
| Non-Clinical | 469          | 450          |
| Total        | <u>2,048</u> | <u>1,956</u> |

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 4 Employees (Continued)

Their aggregate remuneration comprised:

|                       | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------|---------------|---------------|
| Wages and salaries    | 49,207        | 43,329        |
| Social security costs | 4,830         | 3,891         |
| Other pension costs   | 923           | 816           |
|                       | <u>54,960</u> | <u>48,036</u> |

The directors did not receive emoluments for their services to this company which are deemed to be of negligible value (2021: £nil). However, the directors received remuneration for services to Cygnet Health Care Limited of which Cygnet Behavioural Health Limited is a fellow subsidiary undertaking.

### 5 Auditors' remuneration

|  | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
| Fees payable to the company's auditors:          |               |               |
| For audit services                               |               |               |
| Audit of the financial statements of the company | <u>128</u>    | <u>111</u>    |

Fees payable to the company's auditors in the current period were borne by another group company. The amount disclosed above is management's best estimate of the proportion relating to this Company.

### 6 Finance costs

|   | 2022<br>£'000 | 2021<br>£'000 |
|---|---------------|---------------|
| Interest on financial liabilities measured at amortised cost: |               |               |
| Interest payable to group undertakings and on other loans     | 11,746        | 8,212         |
| Interest on other financial liabilities:                      |               |               |
| Interest on lease liabilities                                 | <u>13,450</u> | <u>13,134</u> |
| Total interest expense  | <u>25,196</u> | <u>21,346</u> |

Interest payable to group undertakings is accrued at a rate of 5.1% per annum above SONIA. 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 2022.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 7 Tax on loss

|   | 2022<br>£'000 | 2021<br>£'000 |
|---|---------------|---------------|
| <b>Deferred tax</b>                               |               |               |
| Origination and reversal of temporary differences | 297           | 1,125         |
| Adjustment in respect of prior periods            | (61)          | 52            |
| Effect of change in tax rate                      | 94            | (207)         |
|   | <u>330</u>    | <u>970</u>    |

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

|  | 2022<br>£'000 | 2021<br>£'000 |
|--|---------------|---------------|
| Loss before taxation   | (20,529)      | (31,602)      |
| Expected tax credit based on a corporation tax rate of 19.00% (2021: 19.00%) | (3,901)       | (6,004)       |
| Group relief   | 4,810         | 6,643         |
| Deferred tax adjustments in respect of prior years                           | (61)          | 52            |
| Movement in deferred tax not recognised                                      | -             | 829           |
| Transfer pricing adjustments   | (701)         | (520)         |
| Depreciation in excess of capital allowances                                 | 89            | 106           |
| Deferred tax movement for change in tax rate                                 | -             | 71            |
| Remeasurement of deferred tax for changes in tax rates                       | 94            | (207)         |
| <b>Taxation charge for the year</b>  | <u>330</u>    | <u>970</u>    |

For the year ended 31 December 2022, the company had a £1,485k deferred tax asset (2021: £1,485k deferred tax asset) which was not recognised given the Directors do not consider it to be probable to be recoverable based on future taxable profits.

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.

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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### **8 Intangible Assets**

|                                 | Software<br>£'000 |
|---------------------------------|-------------------|
| <b>Cost</b>                     |                   |
| At 1 January 2021               | 1,478             |
|                                 | —                 |
| At 31 December 2022             | 1,478             |
|                                 | —                 |
| <b>Accumulated amortisation</b> |                   |
| At 1 January 2021               | 1,478             |
|                                 | —                 |
| At 31 December 2022             | 1,478             |
|                                 | —                 |
| <b>Carrying amount</b>          |                   |
| At 31 December 2022             | -                 |
|                                 | —                 |
| At 31 December 2021             | -                 |
|                                 | —                 |

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 9 Property, plant and equipment

|                                 | Freehold<br>buildings<br>£'000 | Assets under<br>construction<br>£'000 | Fixtures and<br>fittings<br>£'000 | Motor vehicles<br>£'000 | IFRS 16 - ROU<br>building asset<br>£'000 | Total<br>£'000 |
|---------------------------------|--------------------------------|---------------------------------------|-----------------------------------|-------------------------|--|----------------|
| <b>Cost</b>                     |                                |                                       |                                   |                         |  |                |
| At 1 January 2021               | 16,216                         | 1,244                                 | 12,867                            | 1,282                   | 383,125                                  | 414,734        |
| Additions                       | 104                            | 5,192                                 | 2,681                             | -                       | -  | 7,977          |
| Disposals                       | -                              | (39)                                  | -                                 | -                       | (64)                                     | (103)          |
| Remeasurement                   | -                              | -                                     | -                                 | -                       | 29,281                                   | 29,281         |
| At 31 December 2022             | 16,320                         | 6,397                                 | 15,548                            | 1,282                   | 412,342                                  | 451,889        |
| <b>Accumulated depreciation</b> |                                |                                       |                                   |                         |  |                |
| At 1 January 2021               | 600                            | -                                     | 6,776                             | 856                     | 43,750                                   | 51,982         |
| Charge for the year             | -                              | -                                     | 1,548                             | 244                     | 15,504                                   | 17,296         |
| Eliminated on disposal          | -                              | -                                     | -                                 | -                       | (64)                                     | (64)           |
| At 31 December 2022             | 600                            | -                                     | 8,324                             | 1,100                   | 59,190                                   | 69,214         |
| <b>Carrying amount</b>          |                                |                                       |                                   |                         |  |                |
| At 31 December 2022             | 15,720                         | 6,397                                 | 7,224                             | 182                     | 353,152                                  | 382,675        |
| At 31 December 2021             | 15,616                         | 1,244                                 | 6,091                             | 426                     | 339,375                                  | 362,752        |

### 10 Investments

|                             | 2022<br>£'000 | 2021<br>£'000 |
|-----------------------------|---------------|---------------|
| Investments in subsidiaries | 93,813        | 93,813        |

### 11 Inventories

|               | 2022<br>£'000 | 2021<br>£'000 |
|---------------|---------------|---------------|
| Raw materials | 206           | 177           |



# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 12 Trade and other receivables

|   | 2022<br>£'000  | 2021<br>£'000 |
|---|----------------|---------------|
| Trade receivables                         | 21,393         | 15,837        |
| Provision for expected credit loss        | (419)          | (451)         |
|   | <u>20,974</u>  | <u>15,386</u> |
| Amounts owed by fellow group undertakings | 84,319         | 72,068        |
| Other receivables                         | 1,289          | 374           |
| Prepayments and accrued income            | 61             | 59            |
|   | <u>106,643</u> | <u>87,887</u> |

All amounts shown under debtors fall due for payment within one year. Amounts due from Group undertakings are repayable on demand and do not attract interest.

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 in relation to intercompany debt.

### 13 Deferred taxation

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

|  | ACAs<br>£'000 | Short term<br>timing<br>differences<br>£'000 | Total<br>£'000 |
|--|---------------|--|----------------|
| Deferred tax asset at 1 January 2021           | (52)          | -  | (52)           |
| <b>Deferred tax movements in prior year</b>    |               |  |                |
| Charge/(credit) to profit or loss              | 860           | (39)   | 821            |
| Effect of change in tax rate to profit or loss | 161           | (12)   | 149            |
|  | <u>969</u>    | <u>(51)</u>                                  | <u>918</u>     |
| Deferred tax liability at 31 December 2021     |               |  |                |
| <b>Deferred tax movements in current year</b>  |               |  |                |
| Charge/(credit) to profit or loss              | 289           | (53)   | 236            |
| Effect of change in tax rate to profit or loss | 111           | (17)   | 94             |
|  | <u>1,369</u>  | <u>(121)</u>                                 | <u>1,248</u>   |
| Deferred tax liability at 31 December 2022     |               |  |                |

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

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 14 Subsidiaries

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

| Name of undertaking                     | Registered office | Ownership interest (%) | Voting power held (%) | Nature of business          |
|---|-------------------|------------------------|-----------------------|-----------------------------|
| CAS Healthcare Properties Limited       | United Kingdom    | 100                    | 100                   | Investment property         |
| Cygnnet Clifton Limited                 | United Kingdom    | 100                    | 100                   | Residential care facilities |
| CAS Clifton Healthcare Limited*^        | United Kingdom    | 100                    | 100                   | Non trading                 |
| CAS Aspirations Properties Limited*     | Jersey            | 100                    | 100                   | Dormant                     |
| CAS Aspirations Properties III Limited* | Jersey            | 100                    | 100                   | Dormant                     |

\*Held indirectly through its immediate subsidiaries.

Registered Office (United Kingdom): Nepicar House London Road, Wrotham Heath, Sevenoaks, Kent, England, TN15 7RS

Registered Office (Jersey): 1st Floor, 2 Hill Street, PO Box 521, St. Helier, Jersey JE2 4UA

^ Company dissolved post year end

#### 15 Trade and other payables

|   | 2022<br>£'000  | 2021<br>£'000  |
|---|----------------|----------------|
| Trade payables                            | 1,249          | 919            |
| Amounts owed to fellow group undertakings | 336,276        | 295,800        |
| Accruals                                  | 5,800          | 5,801          |
| Other payables                            | 655            | 381            |
|   | <u>343,980</u> | <u>302,901</u> |

The amounts owed to group undertakings 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.

Notional loans included in amounts due to group undertakings totalling £173,869k (2021: £162,121k) attract interest of 5.1% per annum above SONIA (2021: 5.1%). The remaining £162,407k (2021: £133,679k) is interest free.

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 2022.

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

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

### 16 Lease liabilities

|                                       | 2022           | 2021           |
|---------------------------------------|----------------|----------------|
|                                       | £'000          | £'000          |
| <b>Maturity analysis</b>              |                |                |
| Within one year                       | 25,184         | 23,283         |
| In two to five years                  | 100,735        | 93,101         |
| In over five years                    | 426,514        | 417,466        |
|                                       | <u>552,433</u> | <u>533,850</u> |
| <b>Total undiscounted liabilities</b> | 552,433        | 533,850        |
| Effect of discounting                 | (171,713)      | (171,624)      |
|                                       | <u>380,720</u> | <u>362,226</u> |
| <b>Total discounted liabilities</b>   | 380,720        | 362,226        |

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

|                         | 2022           | 2021           |
|-------------------------|----------------|----------------|
|                         | £'000          | £'000          |
| Current liabilities     | 11,612         | 10,359         |
| Non-current liabilities | 369,108        | 351,867        |
|                         | <u>380,720</u> | <u>362,226</u> |

|   | 2022   | 2021   |
|---|--------|--------|
|   | £'000  | £'000  |
| Amounts recognised in profit or loss include the following: |        |        |
| Interest on lease liabilities                               | 13,450 | 13,134 |

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 £24,237k (2021: £23,032k). £7k (2021: £29k) was settled via cash and £24,230k (2021: £23,003k) was settled via balances with fellow group undertakings.

### 17 Retirement benefit schemes

|   | 2022  | 2021  |
|---|-------|-------|
|   | £'000 | £'000 |
| <b>Defined contribution schemes</b>                                 |       |       |
| Charge to profit or loss in respect of defined contribution schemes | 923   | 816   |

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

# CYGNET BEHAVIOURAL HEALTH LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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|           |  |                   |                   |
|-----------|--|-------------------|-------------------|
| <b>18</b> | <b>Called up share capital</b>                           | <b>2022</b>       | <b>2021</b>       |
|           |  | <b>£'000</b>      | <b>£'000</b>      |
|           | Ordinary share capital                                   |                   |                   |
|           | <i>Authorised, issued and fully paid</i>                 |                   |                   |
|           | 49,889,707 Ordinary Shares (2021: 49,889,707) of £1 each | 49,890            | 49,890            |
|           |  | <u>          </u> | <u>          </u> |

|           |  |                   |                   |
|-----------|--|-------------------|-------------------|
| <b>19</b> | <b>Capital commitments</b>                                     | <b>2022</b>       | <b>2021</b>       |
|           |  | <b>£'000</b>      | <b>£'000</b>      |
|           | 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                   | 6,872             | 49                |
|           |  | <u>          </u> | <u>          </u> |

### 20 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

### 21 Related party transactions

The ultimate controlling party of the Company is Universal Health Services Inc., the immediate parent company is Cygnet Health Care Limited and the UK ultimate parent of the Company 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.

#### *Other related party transactions*

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