

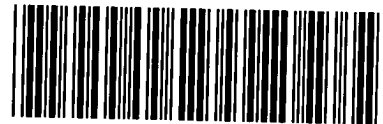
Company Registration No. 03872364 (England and Wales)

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

COMPANY INFORMATION

Directors

Dr Antonio Romero
Mr Michael McQuaid
Mr Mark Ground
Mr Gerald Corbett

Secretary

Mr Anthony Coleman

Company number

03872364

Registered office

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent
TN15 7RS

Independent auditors

PricewaterhouseCoopers LLP
1 Embankment Place
London
WC2N 6RH

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

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CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The strategic report set out below is the Cygnet (OE) Limited strategic report for the year ended 31 December 2019.

Principal Activities

The principal activity of the company continued to be that of the operation of a residential care home business in the United Kingdom.

During the current year, Cygnet (OE) Limited employed 156 people (2018: 191).

Cygnet (OE) Limited is a wholly owned subsidiary of Cygnet Health UK Limited and the results of Cygnet (OE) Limited are included in the consolidated financial statements of Cygnet Health UK Limited.

The strategic report is group focused as that is how it is managed and management reporting is prepared on a group rather than an individual entity level. The risks are considered to be interrelated between the group companies.

Cygnet Health UK Limited Group

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

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

Cygnet is proud of its positive history of working alongside its commissioners to implement CQUIN schemes, which are embraced and recognised organisationally as a significant driver of innovation and service improvement. Individual CQUIN schemes are developed around areas of national best practice and are initiated by NHS England and various local commissioning groups (CCGs and Trusts), these schemes challenge providers to reflect on their current practices and encourage them to innovate and develop new ways of working.

Cygnet has received recognition nationally by other industry leading organisations and NHS bodies, for instance, NHS England South West MH produced a case study on Cygnet to share as best practice for achieving 100% compliance with NHS England's Child and Adolescent Mental Health Services (CAMHS) Inpatient Transition CQUIN scheme.

In addition to the above, in the year 2018 -2019 Cygnet were involved in 12 separate CQUIN schemes that cover a range of clinical best practice areas, ranging from reducing the length of inpatient stay, implementing Recovery Colleges in secure services, improving physical Health Care of those suffering from serious mental illness, reducing restrictive practices, collaborating with primary care providers and many more.

Cygnet 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 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 plan to look critically at all aspects of our work and develop long term outcome driven action plans for inclusion, equality and diversity. Not only will this ensure that we deliver services where no one suffers racism, prejudice or 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 in the delivery of person-centred care.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Review of the business

The results for the year ended 31 December 2019 are set out in the Income statement and Statement of Financial Position.

In 2019, Cygnet (OE) Limited received £9.2m in revenue (2018: £9.6m), and had operating expenses of £9.5m (2018: £13.0m).

The company generated a loss after tax of £1.8m (2018: £3.2m).

Cygnet (OE) Limited has £8.0m in property, plant and equipment (2018: £9.4m), and had net assets of £14.4m (2018: £16.2m) at 31 December 2019.

Group Revenue for the year was £434.2m (2018: £375.6m). Operating profit before significant items for the year was £40.0m (2018: £45.2m) and the profit before tax was £27.6m (2018: £44.5m).

Net cash inflow from operating activities, before interest and taxation was £54.1m (2018: £59.5m).

Cygnet 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 business spent £42.0m (2018: £38.0m) on capital expenditure.

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

	2019	2018
	£m	£m
Revenue	434.2	375.6
Operating profit (before separately reported items*)	40.0	45.2
Total assets	1,115	1,048
Total liabilities	(115)	(103)
Net assets	<u>1,000</u>	<u>945</u>

*Separately reported items in include:

Impairment of freehold land and buildings:	<u>(£29.6m)</u>	<u>(£9.2m)</u>
Reversal of previous impairment of freehold land and buildings:	<u>£17.4m</u>	<u>£8.4m</u>

Cygnet made a statutory profit before tax of £27.6m (2018: £44.5m).

The business operates in a highly competitive market. Most competition is based on local catchment areas and the funding body's procurement initiatives with the NHS and Local Authorities. Our business continues to be supported by strong relationships with customers; in 2019 Cygnet did business with 257 (2018: 228) NHS and Local Authority purchasing bodies. We are pleased to be partnering with our commissioners on working together in new innovative ways that are mutually beneficial to us both clinically and from an efficiency point of view but also in a way that puts service users first.

The Cygnet business operated 2,725 beds in 2019 (2018: 2,479) spread through a portfolio of over 100 sites and employed during the year 8,726 people.

In 2019, Cygnet has been able to extend its delivery of health and social care services through organic development with various extensions and including the opening of over 50 new beds.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Our Corporate strategic priorities

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

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

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

Our Strategic priorities are:

- **Be the best:** To work together to enable people to achieve their personal best by creating opportunities for them to reach their true potential.
- **Support more people:** To care for as many people as possible through the provision of specialist services in communities across the country.
- **Deliver excellence:** To be seen as a provider of choice for the delivery of high quality, evidence-based, specialist care services that are always aligned to the needs of service users, staff and policy.
- **Value our staff:** To recruit and retain talented people who exemplify our values and feel proud to work with us in the delivery of person-centred care.
- **Innovation in services:** Continuously measure our progress, identify key needs and strive to continually enhance our services and outcomes.

Corporate Governance and Clinical Delivery

Cygnnet has continued to focus on striving for the highest quality corporate and clinical governance throughout everything we do. Clinical excellence and governance are the foundation of our business.

Cygnnet has a range of corporate, as well as regional specialist roles and structures which support the local operational needs and delivery of our services and provide the organisation with external mechanisms to gain assurance and identify where further support is required.

We use a governance matrix approach which includes processes at a local, regional and corporate level. This structure encourages increased opportunities to improve communication and learning across the organisation from ward to board. In addition to local teams there are regional quality assurance and governance leads, regional clinical directors, regional nursing directors, regional psychology and regional Occupational Therapy support.

Our continued focus on quality and governance has seen investment in people and a more streamlined reporting structure for the governance team with Quality Assurance Managers for each region. The governance team delivers evidence and assurance of systems and processes ensuring that we have evidence of our high standards and service delivery at individual service user level and across the whole group, learning from experience as we go.

During September 2019 we commissioned an external review of our Corporate Governance arrangements in response to a period of significant growth over the past 3 years, through merger and acquisition, and in response to a Care Quality Commission (CQC) Well-Led inspection of our headquarters function in July and August 2019.

As a result we have reviewed our corporate governance structures and are implementing the following sub committees of the Board in 2020: Clinical Governance Committee, Audit and Risk Committee, Nomination and Remuneration committee. Cygnnet has also appointed a Senior Independent Director, Lord Kamlesh Patel.

We continue to work with our regulators aiming to be the market leader in our sector in delivery of clinical quality. We are pleased to report 100% compliance with Commissioning for Quality and Innovation ("CQUIN") in 2018/19 in line with the relevant NHS financial year. During the year we achieved 82% Good or Outstanding CQC ratings (85% in 2018).

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Cygnnet's approach to Clinical Governance

The Clinical Directorate team are responsible for the oversight and implementation of clinical governance across Cygnnet to ensure quality, safety, service user experience and lessons learnt. The three Regional Clinical Directors each chair the quarterly Regional Clinical Governance meetings that review the local Clinical Governance meetings with representation from each unit.

The framework used for local and regional clinical governance is based on 7 pillars of clinical governance, namely, clinical effectiveness and research, risk management, audit, service user and carer involvement, clinical staff management, information management, education and training.

Information gathered at local level is analysed in Regional Clinical Governance to identify trends, themes and lessons learned in each region. Unresolved or significant issues are escalated to clinical board. Lessons learned and best practice are disseminated to individual units.

We have a comprehensive suite of policies which are regularly updated to ensure they comply with legislative and best practice recommendations. This year we have significantly consolidated our policies across our business.

Examples include:

- Recruitment, Selection and Appointment of Staff Policy – to consolidate our safer recruitment guidelines;
- Freedom to Speak Up (Whistleblowing) Policy – as well as our independently run Whistleblowing line, we have also introduced a Freedom to Speak Up Guardian (FTSUG). As well as reviewing all concerns raised, the FTSUG is responsible for nurturing a culture of openness. This role sits outside the management structure and reports directly to the Executive Management Board. The Executive lead for the freedom to speak up service is the Director of Nursing; and
- Staff Retention and Leaving the Company Policy – retention of our people is one of key strategic goals.

Anti- Bribery and Corruption

Cygnnet has a policy for anti-bribery and corruption and has a zero tolerance to such activities and requires compliance with the current legislation.

Data Protection Act (DPA) 2018 including General Data Protection Regulations (GDPR) 2016

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.

Modern Slavery Act 2015

Cygnnet has a Slavery and Human Trafficking statement available on the company website. This states that Cygnnet Health Care Limited has zero tolerance to slavery, human trafficking and violation of slavery law. Modern slavery is recognised as a category of abuse within our safeguarding policies. In regards our suppliers and procedures, Cygnnet has a number of procedures in place that contribute to ensuring modern slavery does not occur in our business or supply chains.

Our commitment to Service Users

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

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

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Visibility of this data is key to driving our programme of continual quality improvement across the business and disseminating results through our Ward to Board governance structures ensures that results get discussed at each level of the business and improvements are fully embedded and sustained.

Expert by Experience

Cygnnet has a full programme of Expert by Experience visits within the organisation. These are primarily to ensure our service users views are heard in the provision and development of our services. Our clinical services ensure our service users voice is at the heart of our provision of high quality services. Cygnnet has entered into a service level agreement with Choice Support who manage the contracts with Expert by Experience. This ensures there is a robust governance around experts by experience and that they are looked after and all references and DBS checks are performed on all those who we use as experts by experience.

Our commitment to operational excellence

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

We remain committed to our top priority — taking care of people. This includes a relentless focus on treating individuals with respect, operating with integrity, building trust, empowering our teams and in providing a superior quality care.

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

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

Our commitment to community and the environment

As a leading provider of hospital and social care services, Cygnnet delivers high-quality, compassionate care to those in need. Our dedicated and talented staff treat service users and residents with dignity and respect throughout our care pathways.

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

Energy

Cygnnet is actively engaged in fulfilling its commitments under the Energy Savings Opportunity Scheme (ESOS).

We aim to reduce our energy consumption and seek renewable sources as and when they come on to the market. Cygnnet are currently in long term contracts with our electricity suppliers; renewables make up circa. 15% of their generation mix. As our existing electricity contracts expire our target is to exceed the UK average renewable generation mix.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Waste

Waste generation is minimised with an active commitment to reduce landfill by ensuring paper, cardboard, cans, glass, plastics, cooking oil and food is recycled.

Our commitment to our people

Cygnnet has a very experienced Human Resources ('HR') department to support our people, including operational HR Business Partners, a Learning and Development team covering our mandatory and developmental training programmes, and a Resourcing team who specialise in award winning branding and campaigns, international recruitment, innovative recruitment strategies.

Cygnnet has introduced a new HR strategy which includes:

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

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

Cygnnet has introduced a central on-boarding team to ensure a positive candidate experience and speed up the process from the candidate applying to their start date.

Our HR Business Partners carry out HR site reviews with service managers regularly. This is a full review of the employee life cycle and includes staffing, turnover, retention, employee issues including disciplinary, grievance, ill health, etc.

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

Cygnnet undertakes Mental Health First Aider training. To date Cygnnet has around 70 Mental Health First Aiders in Cygnnet to ensure that not only the individuals in our care receive mental health support but also our colleagues.

Cygnnet has further expanded its apprenticeships programmes including Trainee Nurse Associate and Leadership and Management. In 2019 we had 295 staff on apprenticeships. Cygnnet also regularly reviews its induction processes.

In 2019 Cygnnet put together an inclusion and diversity working party including a wide range of people across the business. Cygnnet conducted a staff survey into issues and also created an information and support area on the intranet.

Cygnnet continues to review our benefits packages and have introduced a number of new features recently. Cygnnet benchmarks its approach to pay and reward annually, both across the sector and geographically. We also continue to report on gender pay gap, comparing men and women's average pay across the organisation.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

In order to obtain staff feedback an annual staff survey is carried out. Cygnet's staff engagement score for 2019 was 70% (2018: 65%). The 2019 survey showed the following:

- 70% (2018: 63%) of staff recommend Cygnet as a great place to work;
- 93% (2018: 94%) of Cygnet staff understand Cygnet's values;
- 8 out of 10 (2018: 8 out of 10) people feel supported by their managers;
- 7 out of 10 (2018: 7 out of 10) people would be happy for their relatives to be supported by Cygnet; and
- 82% (2018: 77%) of people think Cygnet's top priority is the care of service users.

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

We would like to take this opportunity to thank all of our staff for their dedication to the business and service users.

People with disabilities

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

Key Performance Indicators ('KPIs')

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

Financial

These include EBITDA, which reflects the earnings before interest and tax, depreciation and amortisation. Adjusted margins are also considered and reflect the causes for changes in EBITDA, such as changes in occupancy rates.

Management consider other KPI's including occupancy, average daily fees, EBITDA margin and agency hours, these are considered commercially sensitive and therefore specific examples are not included in this report.

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.

This year we have developed a sophisticated Incident Management System, which links into our other electronic systems and enables real time reporting and the early identification of risks and key themes and trends, this will be rolled out across the business by April 2020.

We have worked with Experts by Experience to further improve our process to manage and learn from Comments, Complaints and Compliments this includes a new Complaints Procedure and information in accessible formats. We have appointed a new Group Quality Standards Leads and will be rolling out the new Complaints Dashboard in 2020.

Staffing KPI's include: Recruitment of staff, Retention of staff, Training compliance.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Future prospects

Cygnets strategy is to continue to consolidate the business, to focus on quality and to grow and develop the business through:

- Putting services users and residents at the centre of everything we do;
- Looking after our staff;
- Maintaining and improving CQC ratings and CQUINS;
- Integration of policies and procedures;
- Furthering geographical coverage;
- Development and broadening of current service lines;
- Extension of service lines and care pathways;
- Reacting to the changing dynamics of our market and customers, in particular the NHS; and
- Providing an environment and culture which promotes excellence in what we do and a fulfilling place for staff to pursue their careers.

Key risks and uncertainties

The Group faces many risks and uncertainties from external factors. The following are the most significant risk and uncertain facing the Group:

COVID-19

At Cygnets as the effects of COVID-19 are becoming clear our focus continues to be keeping those in our care, and our staff as protected and safe as possible. We have very dedicated teams who are closely tracking the situation. Our teams meet every day, from Ward to Board, to help ensure business continuity and adaptation to the evolving situation.

Cygnets is informed of government guidance and able to respond to the guidance as it changes. Our priority is to make sure we can provide safe continued care. We are working closely with our business partner, the NHS.

Loss of funding

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

Competition

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

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Brexit

Cygnnet is monitoring closely the legal and political developments in the process towards Brexit as a result of the 2016 referendum. We have established a Brexit working group which reports to our Executive Team.

We have undertaken planning to prepare the Group for trading post transition period. We take business continuity very seriously and our priority is to mitigate the risks to continuity and safety of patient care, alongside critical issues related to other stakeholders be they employees, customers or consultants.

Although the Withdrawal Agreement was signed 24th January 2020, the absence of an agreed and binding post-transition trade arrangement with the EU, means that a no-deal Brexit remains a principal risk for Cygnnet. Cygnnet has considered the impact in a number of areas including:

- **Suppliers**

Cygnnet buys from UK suppliers but the source of their products can be from or via the EU.

- **Employees**

Whilst a relatively small portion of our employees are EU citizens we are keeping a watching brief over this area and continue to strive to recruit the highest calibre of candidates.

- **Increased Costs**

It is reasonable to anticipate that EU imports could be subject to customs charges and tariffs. We do not yet know what duties will be levied so cannot quantify the impact.

- **Mitigation**

We have been working closely with our key suppliers over recent months to understand their Brexit plans.

We have also been undertaking detailed contingency planning for some time to mitigate the impact of a no-deal Brexit in accordance with Government guidance.

We believe we are taking the reasonable steps to ensure that disruption to our patients and other stakeholders is minimised. However, given the uncertainties around the impact of a no-deal Brexit, we cannot rule out some disruption to the business as there may be some circumstances outside of our reasonable control.

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.

Danshell acquisition and Whorlton Hall

Following the acquisition of Danshell in the summer of 2018 and during the early stages of the integration in 2019, one of the Danshell sites - Whorlton Hall was featured in a BBC Panorama TV programme. This had an impact on Cygnnet during the year.

As soon as we were aware of the allegations, we immediately and simultaneously informed all the relevant authorities, including the Care Quality Commission, NHS Commissioning Authorities, Social Workers and the Police. We also immediately suspended all the members of staff involved, and took the initiative of transferring all the patients out of the service and closed the hospital.

The company has taken the situation extremely seriously conducting a significant operational and procedural review and making investment to rectify issues. It is also reviewing the adequacy of the seller disclosure process at the time of the deal.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

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 CQC inspection reports are disseminated and action planning for improvements is shared across the group for learning purposes and to confirm Board Assurance. Health and Safety regulations are reviewed and internal policies, procedures and training updated in line with those regulations.

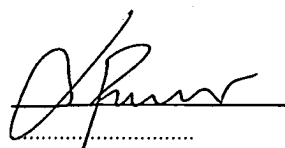
The Group engages in clinical audit, internal audit of systems, controls and continuous monitoring of performance of employees and customer and service user satisfaction.

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

S172

From the perspective of the board, as a result of the group governance structure whereby the entity board is embedded within the group board, the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the group board in relation both to the group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the group board has considered the matters set out in s172 (for the group and for the entity) is set out in the body of this strategic report.

On behalf of the board



Dr Antonio Romero
Director

27 August 2020



Mr Gerald Corbett
Director

27 August 2020

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

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and audited financial statements for the year ended 31 December 2019.

Principal activities

The principal activity of the company continued to be that of the operation of a residential care home business in the United Kingdom.

Results and dividends

The results for the year are set out on page 18.

No ordinary dividends were paid during the year (2018: £nil). The directors do not recommend payment of a final dividend (2018: £nil).

No preference dividends were paid. The directors do not recommend payment of a final dividend.

Directors

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

Dr Antonio Romero

Mr Michael McQuaid

Mr Mark Ground

Mr Laurence Harrod

(Resigned 7 August 2019)

Mr Clynton Hall

(Resigned 5 June 2019)

Mr Gerald Corbett

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 risk management

The group's activities expose it to a variety of financial risks that include market and external risks, liquidity risk, interest rate risk, credit risk and data risk:

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Market and external risks

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

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

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

There are also other external risks that Cygnnet is exposed to, for example the effects of Brexit.

Cygnnet is monitoring closely the legal and political developments in the process towards Brexit as a result of the 2016 referendum. We have established a Brexit working group which reports to our Executive Team.

We have undertaken planning to prepare the Group for trading post transition period. We take business continuity very seriously and our priority is to mitigate the risks to continuity and safety of patient care, alongside critical issues related to other stakeholders be they employees, customers or consultants.

We have also been undertaking detailed contingency planning for some time to mitigate the impact of a no-deal Brexit in accordance with Government guidance.

Liquidity risk

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

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

Interest rate risk

Other than funding from its strategic partner Universal Health Services Inc., the group has no other external funding attracting interest, and therefore has limited exposure to interest rate risk.

Credit risk

The Group has limited credit risk, as the majority of income is due from the NHS, Local Authorities and CCG's.

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, its IT and systems infrastructure.

This year we have developed a sophisticated Incident Management System, which links into our other electronic systems and enables real time reporting and the early identification of risks and key themes and trends, this will be rolled out across the business by April 2020.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Independent auditors

PricewaterhouseCoopers LLP were appointed as auditors to the company and in accordance with section 485 of the Companies Act 2006.

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 the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing 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 also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Statement of disclosure to independent auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditors are unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditors are aware of that information.

Going concern

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 2019; 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 2019. 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.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

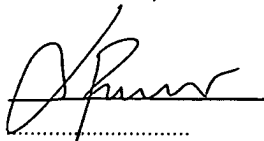
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

Future developments

Future developments of the company are covered in the strategic report.

The financial statements on pages 18 to 35 were approved by the Board of Directors on ...27 August 2020..... and signed on its behalf by



Dr Antonio Romero

Director

Date: ...27 August 2020.....



Mr Gerald Corbett

Director

Date: ...27 August 2020.....

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent
TN15 7RS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

Report on the audit of the financial statements

Opinion

In our opinion, Cygnet (OE) Limited's (formerly Oakview Estates Limited) financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 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, comprising 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 2019; the Income Statement, 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

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2019 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 set out on page 13, 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.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

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 received 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.



Andrew Barford (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

27 August 2020

Chartered Accountants and Statutory Auditors
London

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Turnover		9,231	9,634
Operating expenses		(9,515)	(13,015)
Impairment	7	(1,496)	
Operating loss	2	(1,780)	(3,381)
Finance costs	6	(3)	(8)
Loss before taxation		(1,783)	(3,389)
Tax on loss	5	1	194
Loss and total comprehensive expense for the financial year		(1,782)	(3,195)

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

The accompanying notes on pages 22 to 35 form part of the financial statements.

There is no other comprehensive income for the year.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

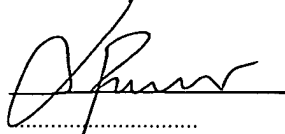
	Notes	2019 £'000	2018 £'000
Fixed assets			
Property, plant and equipment	7	8,050	9,445
Current assets			
Trade and other receivables	8	5,677	7,675
Cash and cash equivalents		2,267	1,274
		7,944	8,949
Current liabilities			
Trade and other payables	9	1,259	1,826
Lease liabilities	10	53	50
		1,312	1,876
Net current assets		6,632	7,073
Total assets less current liabilities		14,682	16,518
Non-current liabilities			
Lease liabilities	10	-	53
Provisions for liabilities			
Deferred tax liabilities	11	279	280
Net assets		14,403	16,185
Equity			
Called up share capital	12	200	200
Retained earnings		14,203	15,985
Total equity		14,403	16,185

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2019

The financial statements were approved by the board of directors and authorised for issue on ~~27 August 2020~~ and are signed on its behalf by:



Dr Antonio Romero
Director



Mr Gerald Corbett
Director

The accompanying notes on pages 22 to 35 form part of the financial statements.

Company Registration No. 03872364

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
Balance at 1 January 2018	200	19,180	19,380
Year ended 31 December 2018:			
Loss and total comprehensive expense for the year	-	(3,195)	(3,195)
Balances at 31 December 2018	200	15,985	16,185
Year ended 31 December 2019:			
Loss and total comprehensive expense for the year	-	(1,782)	(1,782)
Balances at 31 December 2019	200	14,203	14,403

The accompanying notes on pages 22 to 35 form part of the financial statements.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

Company information

Cygnnet (OE) Limited (formerly Oakview Estates Limited) is a private company limited by shares incorporated in England and Wales. The registered office is Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS. The registered number is 03872364.

1.1 Accounting convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, (except as otherwise stated).

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 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 paragraph 33 (c) of IFRS 5 Non current Assets Held for Sale and Discontinued Operations;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- 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 ; and
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets.

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 14.

Cygnnet (OE) Limited (formerly Oakview Estates Limited) is a wholly owned subsidiary of Cygnnet Health UK Limited and the results of Cygnnet (OE) Limited (formerly Oakview Estates 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 (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.2 Going concern

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 2019; 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 2019. 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 and arises entirely in the United Kingdom. Revenue from operating psychiatric facilities and residents of the Group's nursing homes is recognised, as earned, through the provision of contracted services.

Revenue is recognised in the accounting period in which the Company provides the service.

1.4 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 less accumulated depreciation and reviewed for 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.

Leases in which the Company assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Where land and buildings are held under leases the accounting treatment of the land is considered separately from that of the buildings. Leased assets acquired by way of finance lease are stated at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as described below.

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. Freehold land is not depreciated. 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 useful lives are as follows:

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Freehold land and buildings	50 years
Fixtures and fittings	3 - 5 years
Motor vehicles	4 years

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the income statement.

Cygnnet (OE) Limited has performed an asset impairment review at the balance sheet date and determined that the Thors Park building has become impaired by the total value of £1,496,000. The impairment to the properties was assessed using the fair value valuation completed by Knight Frank.

1.5 Impairment of tangible and intangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible 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 (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) 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 (or cash-generating unit) 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 (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in 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.

1.6 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. There was no impact on the company from the adoption of IFRS 13.

1.7 Cash and cash equivalents

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

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.8 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

Financial assets are classified as at FVTPL when the financial asset is held for trading. This is the case if:

- the asset has been acquired principally for the purpose of selling in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Interest and dividends are included in 'Investment income' and gains and losses on remeasurement included in 'other gains and losses' in the statement of comprehensive income.

Financial assets held at amortised cost

Financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held to maturity investments.

Held to maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

Trade Receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

Financial assets at fair value through other comprehensive income

Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, 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.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

Financial assets classified as available for sale are measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income. Where an AFS financial asset is disposed of or determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss.

Dividends and interest earned on AFS financial assets are included in the investment income line item in the statement of comprehensive income.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting end 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 of the investment have been affected.

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.

1.9 Financial liabilities

The company recognizes 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 has a 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.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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.

1.10 Equity instruments

Equity instruments issued by the company 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 company.

1.11 Taxation

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

Current tax

Tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the statement of financial position date, and any adjustment to the tax payable in respect of previous periods.

Deferred tax

Deferred tax is provided on temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: the initial recognition of goodwill; the initial recognition of assets or liabilities that affect neither accounting nor taxable profit other than in a business combination, and differences relating to investments in subsidiaries and associate to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

1.12 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.

1.13 Retirement 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.

1.14 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 remeasurements 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.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

1 Accounting policies

(Continued)

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 including IT equipment. The payments associated with these leases are recognised in profit or loss on a straight-line basis over the lease term.

1.15 New standards

There are new accounting standards or amendments to existing accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2019 that have not had a material impact on the company's financial statements.

1.16 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 the revision and future periods if the revision affects both current and future periods.

The directors do not believe there are any judgements or estimates made by management in the application of Adopted IFRS that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Operating loss

	2019	2018
	£'000	£'000
Operating loss for the year is stated after charging:		
Fees payable to the company's auditors for the audit of the company's financial statements	45	30
Depreciation of property, plant and equipment	547	441
	<u>592</u>	<u>471</u>

The directors do not receive emoluments for their services to this company which are considered to be of negligible value (2018: £nil).

3 Auditors' remuneration

	2019	2018
	£'000	£'000
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the company	45	30
	<u>45</u>	<u>30</u>

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

3 Auditors' remuneration

(Continued)

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

The current year audit is being completed by PricewaterhouseCoopers LLP, last year's audit was completed by KPMG LLP.

4 Employees

The average monthly number of persons employed by the company during the year was:

	2019 Number	2018 Number
Clinical	131	153
Non-Clinical	25	38
	<u>156</u>	<u>191</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	4,574	5,665
Social security costs	396	391
Pension costs	72	-
	<u>5,042</u>	<u>6,056</u>

The directors did not receive emoluments for their services directly from this company which are deemed to be of negligible value. However, the UK directors received remuneration for services to Cygnet Health Care Limited of which Cygnet (OE) Limited (formerly Oakview Estates Limited) is a fellow subsidiary undertaking.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

5 Income tax expense

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the current year	-	(99)
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of temporary differences	1	(106)
Adjustment in respect of prior periods	(2)	11
	<u> </u>	<u> </u>
	(1)	(95)
	<u> </u>	<u> </u>
Total tax (credit)	<u> </u> (1)	<u> </u> (194)

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

	2019 £'000	2018 £'000
Loss before taxation	(1,783)	(3,389)
	<u> </u>	<u> </u>
Expected tax credit based on a corporation tax rate of 19.00% (2018: 19.00%)	(339)	(644)
Effect of expenses not deductible in determining taxable profit	19	3
Adjustment in respect of prior years	-	11
Effect of change in UK corporation tax rate	(2)	13
Group relief	(32)	132
Depreciation on assets not qualifying for tax allowances	-	66
Deferred tax adjustments in respect of prior years	(2)	-
Impairment of fixed assets	-	325
Losses generated in the year	-	(100)
Share of Danshell LLP loss	(5)	-
Fixed asset difference	360	-
	<u> </u>	<u> </u>
Taxation credit for the year	<u> </u> (1)	<u> </u> (194)

These financial statements account for the change in the UK Corporation Tax rate from 19% to 17% for financial years beginning 1 April 2020 based on enacted legislation. Deferred tax in the UK is provided at a blended rate, depending on when the deferred tax is expected to unwind. The group notes that the UK corporation tax reduction to 17% is expected to be (cancelled/ delayed) and will account for this when it is substantively enacted.

The deferred tax liability as at 31 December 2019 has been calculated based on these rates.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

6 Finance costs

	2019 £'000	2018 £'000
Interest on hire purchase contracts	3	5
Interest on other loans	-	3
	<u>3</u>	<u>8</u>

7 Property, plant and equipment

	Freehold land and buildings £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2018	12,564	714	110	13,388
Additions	138	290	220	648
	<u>12,702</u>	<u>1,004</u>	<u>330</u>	<u>14,036</u>
At 31 December 2019	12,702	1,004	330	14,036
Accumulated depreciation and impairment				
At 1 January 2018	3,369	470	104	3,943
Charge for the year	329	157	61	547
Impairment	1,496	-	-	1,496
	<u>5,194</u>	<u>627</u>	<u>165</u>	<u>5,986</u>
At 31 December 2019	5,194	627	165	5,986
Carrying amount				
At 31 December 2019	<u>7,508</u>	<u>377</u>	<u>165</u>	<u>8,050</u>
At 31 December 2018	<u>9,195</u>	<u>244</u>	<u>6</u>	<u>9,445</u>

Cygnnet (OE) Limited has performed an asset impairment review at the balance sheet date and determined that the Thors Park building has become impaired by the total value of £1,496,000. The impairment to the properties was assessed using the fair value valuation completed by Knight Frank.

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

8 Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	1,244	1,252
Provision for bad and doubtful debts	(4)	-
	<u>1,240</u>	<u>1,252</u>
Other receivables	2	161
Amounts owed by fellow group undertakings	4,367	6,262
Prepayments	68	-
	<u>5,677</u>	<u>7,675</u>

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortised cost.

Amounts owed by group undertakings are interest free, unsecured and payable on demand.

9 Trade and other payables

	2019 £'000	2018 £'000
Trade payables	385	374
Accruals	419	1,452
Other payables	455	-
	<u>1,259</u>	<u>1,826</u>

10 Lease liabilities

	2019 £'000	2018 £'000
Maturity analysis		
Within one year	53	50
In two to five years	-	53
	<u>53</u>	<u>103</u>
Total undiscounted liabilities		
	<u>53</u>	<u>103</u>

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

10 Lease liabilities

(Continued)

	2019 £'000	2018 £'000
Current liabilities	53	50
Non-current liabilities	-	53
	<u>53</u>	<u>103</u>
	<u>53</u>	<u>103</u>
	2019 £'000	2018 £'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	<u>3</u>	<u>5</u>

11 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 year.

	Accelerated capital allowances £'000	Tax losses £'000	Short term timing differences £'000	Total £'000
Deferred tax liability at 1 January 2018	275	-	100	375
Deferred tax movements in prior year				
Credit/(Debit) to profit or loss	<u>8</u>	<u>(89)</u>	<u>(14)</u>	<u>(95)</u>
Deferred tax liability/(asset) at 1 January 2019	283	(89)	86	280
Deferred tax movements in current year				
Credit/(Debit) to profit or loss	<u>(2)</u>	<u>89</u>	<u>(88)</u>	<u>(1)</u>
Deferred tax liability/(asset) at 31 December 2019	<u>281</u>	<u>-</u>	<u>(2)</u>	<u>279</u>

CYGNET (OE) LIMITED (FORMERLY OAKVIEW ESTATES LIMITED)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2019

11 Deferred taxation

(Continued)

Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2019 £'000	2018 £'000
Deferred tax liabilities	279	280

12 Called up share capital

2019
£'000

2018
£'000

Ordinary share capital

Issued and fully paid

200,002 ordinary shares (2018:200,002) of £1 each

200	200
200	200

13 Related party transactions

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

Identity of related parties

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

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

Other related party transactions

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

14 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