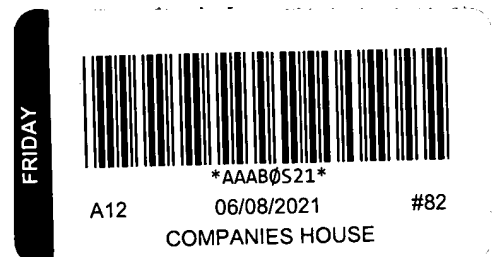


Company Registration No. 03872364 (England and Wales)

CYGNET (OE) LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020



CYGNET (OE) LIMITED

COMPANY INFORMATION

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Mr Michael McQuaid
Mr Mark Ground
Mr Gerald Corbett

Secretary

Mr Anthony Coleman

Company number

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CYGNET (OE) LIMITED

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CYGNET (OE) LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The strategic report set out below is the Cygnet (OE) Limited strategic report for the year ended 31 December 2020.

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 161 people (2019: 156).

Company Revenue for the year was £5.9m (2019: £9.2m). Operating losses for the year were £3.8m (2019: £3.2m).

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 ("the 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. During 2020, Cygnet has further developed its specialist services and supported living portfolios, in addition to opening new services working collaboratively with our customers to meet their changing needs.

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 are proud of their positive history of working alongside its commissioners to implement the Commissioning for Quality and Innovation ("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 the year 2019 -2020 Cygnet were involved in 3 separate NHS England (NHSE) CQUIN schemes that covered a range of clinical best practice areas, including Healthy Weight Management in adult secure services, implementing staff training in Child and Adolescent Mental Health Services (CAMHS) and implementing the nationally recognised Sunburst Deaf Communication Assessment tool across all its adult deaf services. Cygnet was involved in 4 local CCG / Trust CQUIN Schemes across 6 customer contracts.

These CQUIN schemes cover a variety of Cygnet services including rehab, PICU and Acute services. These schemes were based on the following areas; staff flu vaccinations, preventing ill health through risky behaviour (alcohol and tobacco), staff training for sepsis and safeguarding training and protocols. Additionally, Cygnet's specialist residential services have engaged in CQUIN schemes with their local CCG / Host Local Authority commissioners.

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 (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Cygnnet recognises that its most valuable asset is its staff – their health, well-being and career development is crucially important. We fundamentally want to deliver on our vision and mission of working together in a positive culture of openness, honesty and inclusivity, which includes those who use our services. This means ensuring that everyone's voice is heard and acted upon. Therefore, we look critically at all aspects of our work and develop long term outcome driven action plans for inclusion, 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 Cygnnet in the delivery of person-centred care.

Business Review

Group Revenue for the year was £456.3m (2019: £434.2m). Operating profits for the year were £43.1m (2019: £40.0m) and the profit before tax was £39.6m (2019: £27.6m).

Net cash inflow from operating activities, before interest and taxation was £73.5m (2019: £64.5m).

Cygnnet continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity. During the period the business spent £28.5m (2019: £42.2m) on capital expenditure.

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

	2020	2019
	£m	£m
Revenue	456.3	434.2
Operating Profit	43.1	40.0
Profit before tax	39.6	27.6
Profit before tax (before separately reported items*)	42.9	39.8
Asset value	1,200	1,116
Total liabilities	(137)	(116)
Net assets	1,063	1,000

*Separately reported items in 2020 include:

Impairment of freehold land and buildings	(14.9)	(29.6)
Reversal of previous impairment of freehold land and buildings	11.6	17.4

The business operates in a highly competitive market. Most competition is based on regional catchment areas and the funding body's procurement initiatives with the NHS and Local Authorities usually being the dominant provider. Our business continues to be supported by strong relationships with customers:

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

The below table summarises the number of NHS and Local Authority purchasing bodies that Cygnet did business with. The 2020 NHS numbers have reduced due to some consolidation within NHS purchasing bodies.

	2020	2019
NHS	214	257
Local authorities	143	169
Total	357	426

We are pleased to be partnering with our commissioners on working together in new innovative and strategic ways that are mutually beneficial to us both clinically and from an efficiency point of view but also in a way that puts service users first.

The Cygnet business operated 2,978 beds in 2020 (2019: 2,725) spread through a portfolio of over 100 sites and employs over 9,491 permanent employees and 10,161 including casual workers.

In 2020, 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 new beds.

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;
- Take into account the interests of the Company's employees;
- Foster relationships with our suppliers, customers and others;
- Have a positive impact on the Company's operations on the community and environment;
- Attribute importance to behaving as a responsible business; and
- Act fairly between members of the Company.

The Board of Directors of Cygnet consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2020.

COVID 19 Infection Control Measures

In 2020 Cygnet's approach to infection control has been focused on reducing the risk of COVID-19 transmission, whilst ensuring continuity and quality of care, examples of some the key initiatives are:

- Daily infection control communication to support operational colleagues.
- Global sourcing and push distribution of sanitisers, cleaning products and personal protective equipment.
- Stringent site access protocols to eliminate non-essential site visits, thereby reducing vectors of transmission; coupled with enhanced support from Advocacy to ensure the residents' and patients' voices still heard and acted upon.
- Provision of tablets to allow carers to communicate remotely with individuals in our care.
- Easy read communications to help understanding of the pandemic for vulnerable service users.
- Block booking of flexible workforce to reduce personnel attending multiple providers.
- Additional staff clothing purchased to allow daily laundry of workwear.
- Enhanced flexibility to source alternative therapeutic materials allowing on site activities to replace off site events.
- Direct deliveries from Cygnet's food service provider, reducing the need for colleagues to visit supermarkets.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Our Corporate strategic priorities

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

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

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

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

Our Strategic priorities are:

- **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 and engage more people:** To collect, value and harness the opinion and suggestions of our service users, the public, staff, visitors and external partners, with a view to always enhancing service quality.
- **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.

Cygnets Governance Structure

Cygnets is committed to providing high quality care through a robust governance framework that is transparent, accountable and inclusive. Clinical excellence and governance are the foundation of our business. Cygnets apply the broad principles of UK corporate governance best practice, drawing on the UK Corporate Governance Code and comply with the Wates principles.

Locally each service has its own local risk register and governance arrangements that feed up into regional and corporate framework to ensure transparency and provide a clear line of sight from Board to ward/service and vice versa.

Services are organised into either our Health Care or Social Care directorates. Within these directorates, services are clustered into geographical regions which are overseen by Operations Directors and supported by Regional Clinical Directors, Quality Assurance Managers, Regional Nurse Directors, Regional Psychology and Regional Occupational Therapy support.

The services within our Social Care directorate are overseen by a Managing Director who reports to the Chief Operating Officer. Due to the size of our Health Care directorate, we have two Managing Directors who cover North and South, both of whom report to the Chief Operating Officer.

Our central service functions provide support to our operational and clinical colleagues and provide the organisation with external mechanisms to gain assurance and identify where further support is required. This includes a weekly virtual meeting of the Senior Management team. People's Councils remain a key feature of our governance framework to ensure the voice of the people who use our services is heard.

Our regional, and through them local structures, report into 4 new Executive quarterly meetings that enable us to hear and respond to issues directly and work more collaboratively across our teams. They are:

- Group Clinical Governance Meeting;
- Operational and Commercial Meeting;
- Quality, Risk and Safety Meeting; and
- Finance Meeting.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

These four Executive quarterly meetings report to the Cygnet Executive Management Board (EMB) which is chaired by the CEO, which in turn report to the Board Committees. They are:

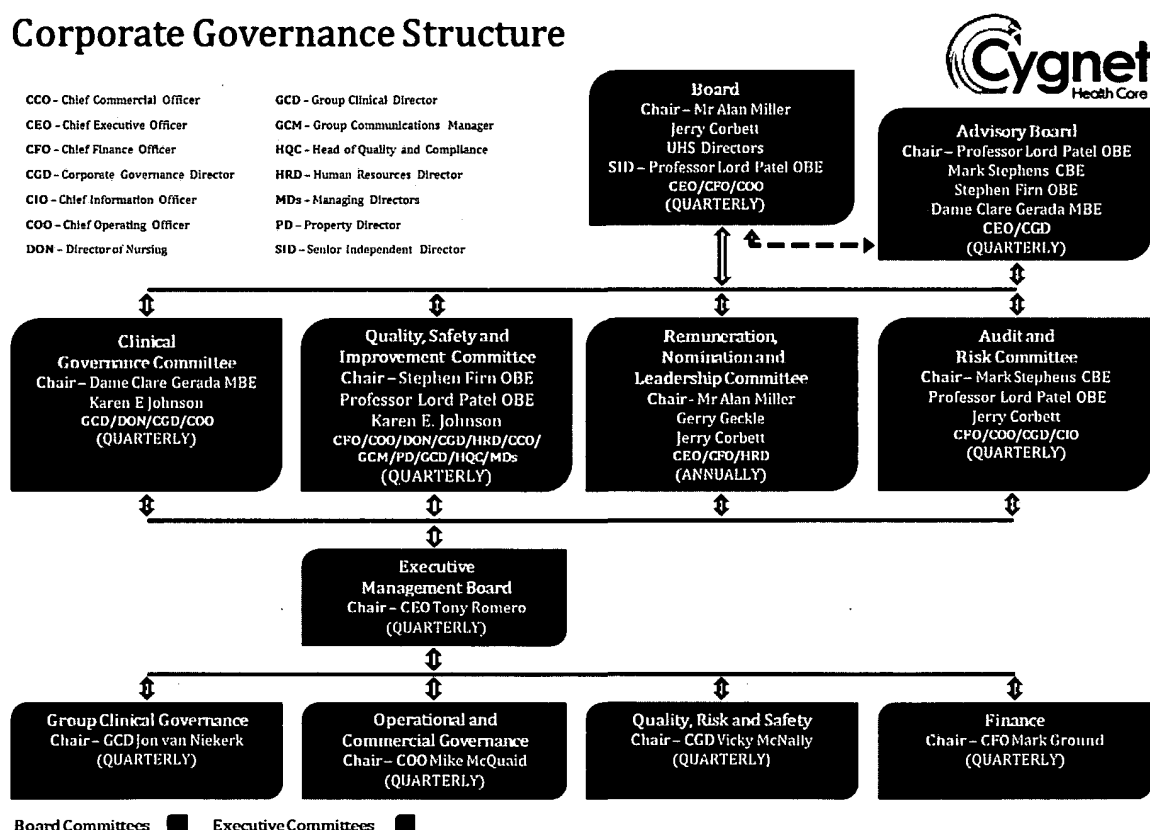
- Clinical Governance Committee;
- Remuneration, Nomination and Leadership Committee;
- Audit and Risk Committee; and
- Quality Safety and Improvement Committee.

Cygnet has a newly established Advisory Board, with members having senior experience and expertise to support the Board's Committees. Advisory Board Members are independent and hold non-executive positions, this is chaired by Cygnet's Senior Independent Director, Professor Lord Patel OBE, and attended by Mark Stephens CBE, Stephen Firt OBE and Dame Clare Gerada MBE.

The Cygnet Advisory Board members are the Chairs on each of the Non-Executive Board sub Committees. Feedback from each of those committees is fed up through to the Main Board by the Senior Independent Director.

This structure can be seen in the chart below.

Corporate Governance Structure



Quality and safety are at the forefront of everything we do and we constantly monitor and review our services through our Internal Quality Assurance, Safeguarding and specialist teams. Our processes and systems give us visibility to manage performance, hear feedback, and maintain good quality care.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 ("CQUIN") in 2019/20 in line with the relevant NHS financial year.

Cygnets approach to Clinical Governance

The Group Clinical Directorate is responsible for the oversight and implementation of Clinical Governance across Cygnets to ensure a framework is in place through which Cygnets are accountable for continuously improving the quality of services and safeguarding high standards of care by creating an environment in which excellence in clinical care will flourish. The three Regional Medical Directors each chair the quarterly Regional Clinical Governance meetings that review the local Clinical Governance meetings with representation from each unit and ultimately reports to the Group Clinical Governance Meeting chaired by the Group Clinical Director.

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 and Education/ training.

Information gathered at local level is analysed in the Regional Clinical Governance to identify trends, themes and lessons learned in each region. Unresolved or significant issues are escalated to the Group Clinical Governance Meeting. 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. Additionally the HR team provide appropriate tools to the business such as License to recruit training; individual recruitment plans and clearly defined processes;
- 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 our key strategic goals. Ongoing monitoring of staff surveys is undertaken to understand our teams, improve benefits and identify concerns. Turnover is monitored by tenure, and highlights that we have higher turnover of colleagues with shorter tenure. Work continues to improve candidates on boarding experience, support colleagues with selection as well as improved induction processes.

Anti- Bribery and Corruption

Cygnets 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

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

Cyber

Cygnets has again achieved the Cyber Essentials PLUS certification illustrating our commitment to staying on top of current Cyber awareness. We have invested heavily in the latest Cyber Security prevention platforms and education solutions designed specifically to deal with the evolving Cyber threat landscape. Daily external penetration tests and quarterly internal penetration tests are scheduled and remediated.

Modern Slavery Act 2015

Cygnets has a Slavery and Human Trafficking statement available on the company website. This states that Cygnets Health Care Limited has zero tolerance to slavery, human trafficking and violation of slavery law. Modern slavery is recognised as a category

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

of abuse within our safeguarding policies. In regards our suppliers and procedures, Cygnet 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

Cygnet 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 Cygnet, 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.

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

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

Our Commitment to Quality

Providing the highest standards of care to our Service Users is a key focus of Cygnet. During 2020, we launched our Quality Strategy that sets out our quality priorities along with our quality targets. Our Quality Strategy is the plan through which we focus on the quality of the care which we provide to our service users, and ensure we are continually challenging our services to improve. It ensures that quality, outcomes and service user experience drives the overall direction of our work and that our service users are at the centre of what we do as a business.

We also launched a Quality Improvement Framework to help us operationalise our Quality Improvement plans and provide services with a framework to start delivering upon their Quality Improvement goals.

Our Quality Improvement Goals

Goal 1: Delivering Excellence in Safe and Effective Care.

Goal 2: Leading the Best Service User Experience; ensuring all Service Users will rate their care as good or excellent.

Goal 3: Ensuring our staff have time to care.

Goal 4: Visible Inspirational Leadership; Ensuring our leaders are highly visible and demonstrable role models championing quality improvements.

Goal 5: Create a Culture of Innovation and Embracing of Continuous Quality Improvement.

Goal 6: Robust Measurement of Essential Quality Standards; Providing Assurance of Patient Safety and Clinical Effectiveness at all levels of the organisation.

Goal 7: Ensuring staff feel valued and understand their contribution to the organisation.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Our Quality Achievements

The below targets are taken from the 2019/20 Quality Account.

Service user experience

As a key domain in the NHS Outcomes Framework, service user experience is a crucial area for review and improvement. We have identified the following two measures:

KEY PRIORITIES: Service user experience (2019/20)	Target / Evidence	Outcome
1. To ensure service user voice is heard throughout the organisation	To establish a service user and engagement strategy	Met
	To implement patient stories at Corporate Management Board	Met
2. To develop a system where access to Experts by Experience is available throughout the organisation	To establish a service level agreement with Choice Support for the provision of experts by experience.	Met

Clinical effectiveness

As a key domain in the NHS Outcomes Framework, clinical effectiveness is a crucial area for review and improvement. We have identified the following two measures:

KEY PRIORITIES: Clinical effectiveness (2019/20)	Target / Evidence	Outcome
1. To ensure that clinical practice within Cygnet is in line with evidence based practice	To develop and implement a Cygnet Clinical Strategy	Met
2. To develop a culture of continuous quality improvement within Cygnet Health Care	Implementation of the Cygnet Quality Improvement Strategy	Met

Service user safety

As a key domain in the NHS Outcomes Framework, service user safety is a crucial area for review and improvement. We have identified the following two measures:

KEY PRIORITIES: Service user safety (2019/20)	Target / Evidence	Outcome
1. Ensure systems and processes are in place across the organisation to report incidents	<ul style="list-style-type: none">To implement a new incident management and reporting system	Met

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

2. To develop and enhance our systems of learning from incidents and complaints to share best practice across the organisation

- To further develop and enhance the framework for sharing of learning and best practice across the organisation.

Met

Commissioning for Quality and Innovation (CQUIN)

Commissioning for Quality and Innovation (CQUIN) targets are part of a national programme designed to reward good performance in relation to delivering quality services within healthcare. As Cygnet Health Care has services commissioned by NHS England and Clinical Commissioning Groups we fully participate in CQUIN programmes.

Achievement in the following NHS England CQUINs 2019–2020				
CQUINs	Quarter 1 April to June	Quarter 2 July to September	Quarter 3 October to December	Quarter 4 January to March
Managing Healthy Weight In Adult Secure Services	100%	100%	100%	100%
CAMHS Staff Training	100%	100%	100%	100%
D/deaf Communication Assessment	100%	100%	100%	100%

Achievement in the following Clinical Commissioning group (CCG) CQUINs 2019–2020				
CQUINs	Quarter 1 April to June	Quarter 2 July to September	Quarter 3 October to December	Quarter 4 January to March
Flu CQUIN	No Report Required	No Report Required	No Report Required	100%
Sepsis	No Report Required	No Report Required	No Report Required	100%
Alcohol and Tobacco	100%	100%	100%	100%
Achievement of NHSE Healthy Weight CQUIN	100%	100%	100%	100%
Safeguarding	100%	100%	100%	100%

Our commitment to operational excellence

Cygnet'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 persistent focus on treating individuals with respect, operating with integrity, building trust, empowering our teams and in providing a superior quality care.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

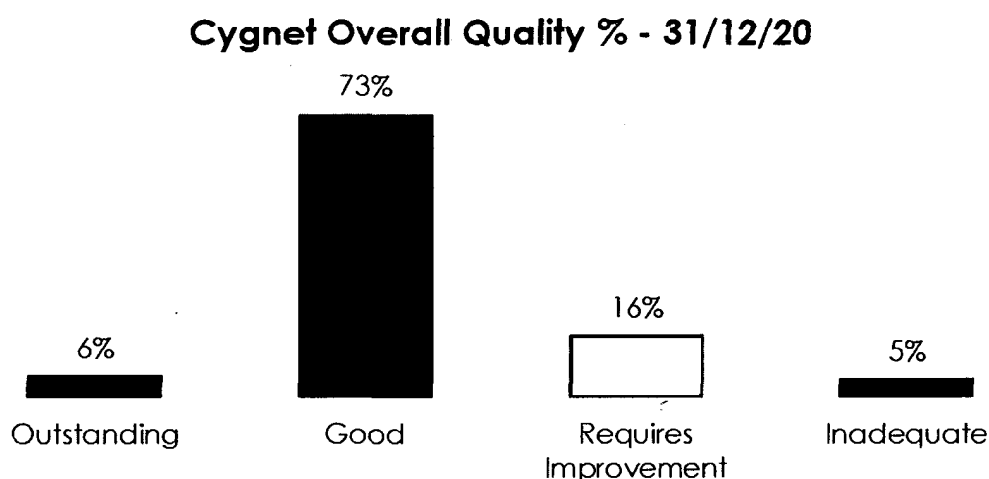
Our operations team work closely with HR, Clinical and Estates teams to ensure fluid communication and collaboration occurs between departments to deliver the best quality care to our service users.

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

At Cygnet, 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 Cygnet to benchmark, improve and report on the high-quality care provided.

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

The Group's overall regulatory scores for Healthcare and Social Care divisions are shown below as at 31 December 2020, and show 79% of sites are rated Good or Outstanding, or equivalent (78% 2019).



Our commitment to community and the environment

As a leading provider of hospital and social care services, Cygnet 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.

Streamlined Energy and Carbon Reporting

In accordance with the Companies (Directors' Report) Regulations 2018, the Group has prepared the following energy and carbon declaration. The data has been reported for all entities which operate under Cygnet Health UK Limited without exclusion. Cygnet Health UK Limited is not responsible for any energy consumption or emissions outside of the UK.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

UK Greenhouse gas emissions and energy use data for the period 1st January 2020 to 31st December 2020.

Energy consumption used to calculate emissions (kWh)	59,152,731
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Energy consumption break down (kWh):	
	34,937,560
Natural Gas	17,536,623
Electricity	4,434,907
Transport fuel	2,243,641
Additional heating fuels	

Scope 1 emissions in metric tonnes CO ₂ e	6,424
Natural Gas consumption	1,522
Owned transport business mileage	535
Additional heating fuels	
	8,481
Total Scope 1	

Scope 2 emissions in metric tonnes CO ₂ e	
Purchased electricity	4,088

Total gross emissions in metric tonnes CO ₂ e	12,569
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Gross intensity ratio - tonnes CO ₂ e per £million(revenue)	27.55
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Through the purchase of zero-carbon electricity, Cygnet Health UK Limited was able to reduce its total emissions by 5.1%.

Emission reductions in metric tonnes CO₂e

Electricity purchased on zero-carbon contracts	-644.93
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Total net emissions in metric tonnes CO ₂ e	11,924
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Net intensity ratio - tonnes CO ₂ e per £million(revenue)	26.13
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The following standards are used in the calculation the above disclosures:

- 2019 HM Government Environmental Reporting Guidelines
- GHG Reporting Protocol – Corporate Standard
- 2020 UK Government's Conversion Factors for Company Reporting

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Energy Efficiency Action

In 2020 the Group made major steps towards reducing our environmental impact:

- We procured 100% REGO-certified electricity for over 150 meters and all meters being added to the portfolio will follow suit. This will mean Cygnet should be able to meet the goal of using 100% Renewable electricity in 2021.
- All new builds or fit-outs are completed to high environmental standards including LED lighting, high-efficiency boilers, full insulation and double glazing.
- All light fittings in existing sites are replaced with suitable LED units where possible when they reach end of life.
- All boilers replaced with high efficiency condensing boilers when they reach end of life.
- With a large fleet we have undertaken a study on the impact of procuring suitable Electric Vehicles and are looking to further develop this in 2021.
- The results of the 2019 ESOS report were carefully considered and acted upon appropriately to reduce energy usage at several of the larger and older sites in the group.

Covid-19 had a major impact on all elements of Cygnet businesses, so the focus of 2020 has been on delivering Covid-safe services successfully. As we move into a post-Covid world Cygnet will continue to further advance our Environmental goals to play our part in the UK Government's Road to Net Zero.

Waste

2020 and the Covid-19 pandemic saw an increase in the PPE utilised at our services leading to an increase in clinical waste. However Cygnet have actively worked to reduce landfill by switching general waste bins for recycling containers. The result has been a 5% drop in landfill waste since January 2020, and a 2% increase in recycling for the same period.

In addition, Cygnet have actively promoted cooking oil recycling, recycling 6,000 litres of cooking oil in to bio-diesel.

Our long term goal is to promote recycling within our sites, and reduce our requirement for landfill where possible.

Our commitment to our people

Cygnet 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, and innovative recruitment strategies.

Cygnet 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;
- Having up to date and effective HR processes;
- Having a clear international recruitment strategy; and
- Implementing a central on-boarding team.

In addition to the national recruitment strategy, Cygnet 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.

Cygnet 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.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

During 2020 TRiM (Trauma Risk Management) and StRaW (Sustaining Resilience at Work) peer support networks were added to the wellbeing and resilience initiatives.

Cygnnet has further expanded its apprenticeships programmes including Trainee Nurse Associate and Leadership and Management. In 2020 we had 359 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.

During 2020 a separate BAME network was created to play an instrumental role in providing a credible and unified voice for BAME staff. This will help shape relevant strategies and policies based on the shared unique experiences of BAME staff and identify and provide the necessary support.

Cygnnet continues to review our benefits packages and have introduced a number of new features recently and bolstered others. 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.

In order to obtain staff feedback an annual staff survey is carried out. Cygnnet's average positive score for 2020 was 68.3. The 2020 survey showed the following:

- 62% of colleagues completed the survey;
- 82% of people think Cygnnet's top priority is the care of service users;
- 85% of people enjoy working for Cygnnet;
- 8 out of 10 people feel supported and valued by their manager; and
- 92% of staff feel confident in knowing how to report concerns.

Cygnnet 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')

Cygnnet 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.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

Other financial and related KPI's include occupancy and revenue levels, debtor days, customer satisfaction e.g. CQUIN, and levels of agency.

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 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 was rolled out across the business in 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 Lead and rolled out a new Complaints Dashboard in 2020.

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

Future prospects

Cygnets' strategy is to continue to consolidate the business, to focus on sustainability of quality, embedding best practice, implementing quality systems, governance process and policies across the business to ensure the delivery of the best care in the industry:

- putting service users and residents at the centre of everything we do;
- looking after our staff;
- improving CQC ratings and CQUINS;
- integration of policies and procedures;
- furthering geographical coverage;
- developing and broadening of current service lines;
- extending service lines and care pathways;
- reacting to the changing dynamics of our market and customers, in particular developing strategic partnerships with 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 will face many risks and uncertainties from external factors. The following are the most significant risks and uncertainties facing the Group:

COVID-19

At Cygnets as the effects of COVID-19 are 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 and its recovery. Our teams meet every day, from Ward to Board, to help ensure business continuity and adaptation to the evolving situation.

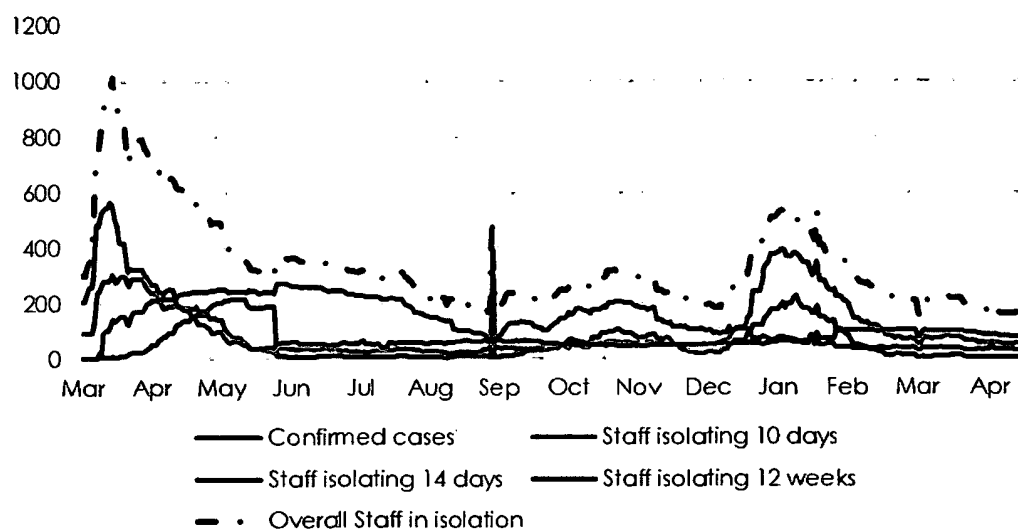
CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

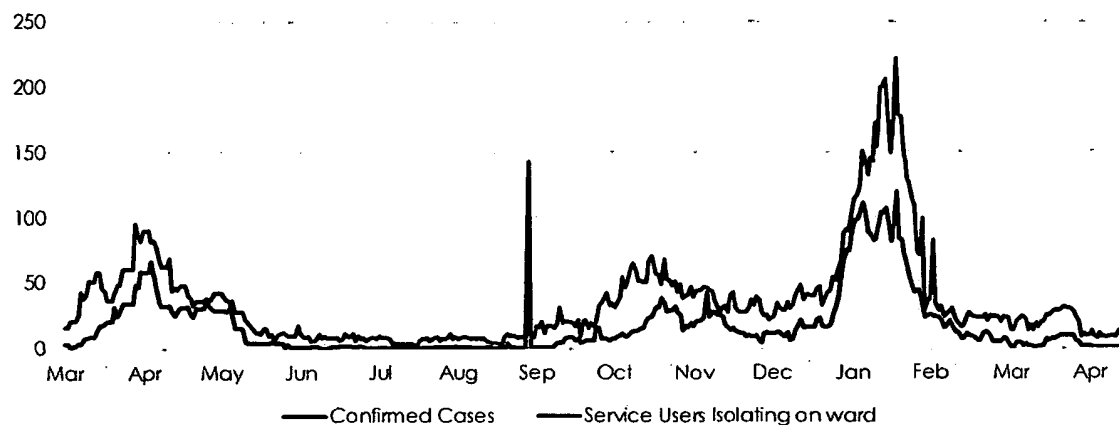
FOR THE YEAR ENDED 31 DECEMBER 2020

We have been tracking the pandemic impact on Cygnet in terms of cases, isolation etc. and this is shown in the charts below.

Staff isolations



Service Users cases and isolation



Cygnet 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 to ensure business continuity and stability throughout the pandemic.

Cygnet continues to place significant emphasis on supporting the workforce, patients and residents of services to become protected through acceptance of the Covid vaccination. To date we have approximately 5,500 staff who have received the vaccination.

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

In addition to vaccination we continue to focus on surveillance of the workforce and users of services through regular testing in accordance with national guidance. This includes providing all staff with access to LFD and where appropriate PCR testing. In addition we provide PCR testing to all patients / residents in accordance with national guidance.

Loss of funding

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.

Competition

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

Brexit

The United Kingdom left the European Union on 31st January 2021. The Trade and Cooperation Agreement ensures tariff free movement of goods between the European Union and the United Kingdom.

Cygnnet have worked closely with key supply partners to ensure continuity of supply of essential products and stored additional inventory of any high risk items that support business continuity. So far in 2021 this strategy has ensured all such items have remained readily available.

Free movement of people between the European Union and the United Kingdom ceased on 1st January 2021. Whilst a very small proportion of Cygnnet's workforce are from the European Union, a potential consequence of the restrictions on free movement could be a tightening of the labour market. Changes in the hospitality sector have deferred the influence of Brexit on the labour supply.

Whilst Cygnnet remain cautiously optimistic of the UK's post Brexit future and its impact on our goods and labour supply chains, we will retain a watching brief.

Reputational risk

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

Regulatory risk

Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnnet's policies and procedures. All themes and trends arising from 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.

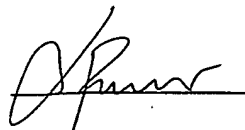
Cygnnet has an external whistleblowing phone line to ensure that any concerns felt by staff can be assured of a full hearing and action as a consequence this is in addition to having a Freedom to Speak Up Guardian (FTSU).

CYGNET (OE) LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

On behalf of the board.



.....
Dr Antonio Romero
Director
5 July 2021



.....
Mr Gerald Corbett
Director
5 July 2021

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

CYGNET (OE) LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and audited financial statements for the year ended 31 December 2020.

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 27.

No ordinary dividends were paid during the year (2019: £nil). The directors do not recommend payment of a final dividend (2019: £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 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 and business 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

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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. By working with our key suppliers and storing additional inventory of high risk items Cygnnet's supply of essential products have remained readily available. Also, whilst only a small proportion of Cygnnet's workforce are from the European Union, the end of free movement between the European Union and the United Kingdom may cause a tightening of the labour market.

Another external risk is the effects of COVID-19. Cygnnet's focus continues to keep those in our care, and our staff as protected and safe as possible. Cygnnet tracks the situation and its recovery to help ensure business continuity and adaptation to the evolving situation. Cygnnet is informed of government guidance and able to respond to the guidance as it changes. Cygnnet places significant emphasis on supporting the workforce, patients and residents of services to become protected through acceptance of the Covid vaccination. In addition to vaccination we continue to focus on surveillance of the workforce and users of services through regular testing. In addition Cygnnet provides PCR testing to all patients and residents in accordance with national 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.

CYGNET (OE) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

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 auditor of the company will be put at the next Annual General Meeting.

CYGNET (OE) LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 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.

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.

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 2020; 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 2020. 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

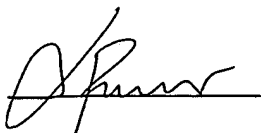
DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2021 and signed on its behalf by



Dr Antonio Romero

Director

5 July 2021



Mr Gerald Corbett

Director

5 July 2021

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent
TN15 7RS

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

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 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 2020; 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 (OE) 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 2020 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 (OE) 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), the Companies Act 2006 (CA06), taxation legislation and Care Quality Commission standards, and we considered the extent to which non-compliance might have a material effect on the financial statements. 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 profit 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 and fraud;
- Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combinations impacting revenue or profit;
- 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 of 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. This description forms part of our auditors' report.

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

Report on the audit of the financial statements

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.

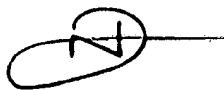
Other required reporting

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.



.....

Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
6 July 2021

CYGNET (OE) LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
			As Restated
	Note	£'000	£'000
Turnover		5,855	9,231
Operating expenses		(9,506)	(12,408)
Net impairment losses on financial assets		(145)	(4)
Operating loss	3	(3,796)	(3,181)
Finance costs	6	(1)	(3)
Loss before taxation		(3,797)	(3,184)
Tax on loss	5	(86)	1
Loss for the financial year		(3,883)	(3,183)

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

The accompanying notes on pages 31 to 45 form part of the financial statements.

There has been a restatement of 2019 balances to correct management charges which were omitted from last years' accounts. This restatement affects management charges and the amounts owed by group undertakings. The effect on the Income statement is additional operating costs of £1.4m. The amounts owed by group undertakings have decreased by this amount. See note 15.

There is no other comprehensive income for the year.

CYGNET (OE) LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020	2019
	Note	£'000	As restated £'000
Fixed assets			
Property, plant and equipment	8	6,376	8,050
Current assets			
Trade and other receivables	7	12,870	10,450
Cash and cash equivalents		354	2,267
		13,224	12,717
Current liabilities			
Trade and other payables	9	10,066	7,433
Taxation and social security		50	-
Lease liabilities	10	-	53
		10,116	7,486
Net current assets		3,108	5,231
Total assets less current liabilities		9,484	13,281
Provisions for liabilities			
Deferred tax liabilities	11	365	279
Net assets		9,119	13,002

CYGNET (OE) LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

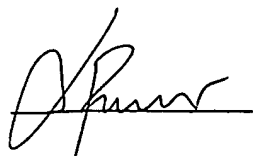
AS AT 31 DECEMBER 2020

		2020	2019
	Note	£'000	As restated £'000
Equity			
Called up share capital	12	200	200
Retained earnings		8,919	12,802
Total equity		<u>9,119</u>	<u>13,002</u>

There have been two prior period adjustments, correcting for errors in the comparatives. The first restatement relates to a correction of management charges which were omitted from last years' accounts. This restatement affects management charges and the amounts owed by group undertakings. The effect on the Income statement is additional administration costs of £1.4m. The amounts owed by group undertakings have decreased by this amount. See note 15.

The second restatement relates to the amounts owed to and from fellow group undertakings. The company has multiple balances with different group undertakings and historically the company had netted these assets and liabilities into a single balance. The presentation has been changed to show the gross amounts owed to and from fellow group undertakings. The corresponding adjustment at 1 January 2019 would have been £60k. These adjustments have no impact to net assets or profit for the year in any period.

The financial statements on pages 27 to 45 were approved by the Board of Directors on 5 July 2021 and signed on its behalf by:



Dr Antonio Romero
Director



Mr Gerald Corbett
Director

The accompanying notes on pages 31 to 45 form part of the financial statements.

Company Registration No. 03872364

CYGNET (OE) LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
As restated for the year ended 31 December 2019:			
	<hr/>	<hr/>	<hr/>
Balance at 1 January 2019	200	15,985	16,185
Year ended 31 December 2019:			
Loss for the year as restated	-	(3,183)	(3,183)
	<hr/>	<hr/>	<hr/>
Balances at 31 December 2019 as restated	200	12,802	13,002
	<hr/>	<hr/>	<hr/>
Year ended 31 December 2020:			
Loss for the year	-	(3,883)	(3,883)
	<hr/>	<hr/>	<hr/>
Balances at 31 December 2020	200	8,919	9,119
	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 31 to 45 form part of the financial statements.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

Company information

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

1.1 Accounting convention

The financial statements have been prepared in accordance with 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 principal accounting policies adopted are set out below, and remain consistent with the prior year, unless stated otherwise.

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

- the requirements of paragraphs 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, 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.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020; 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 2020. 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 residential homes.

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

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

The Company works closely with the NHS with quarterly monitoring in place to ensure that targets are met. Since the NHS pays monthly in advance 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.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.4 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. Historically the residual value for freehold buildings has been zero but in 2020 this has been revised to be the indexed base cost of the property. 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:

Freehold buildings	50 years
Fixtures and fittings	3 - 5 years
Motor vehicles	4 years
Assets under construction	Not depreciated

1.5 Impairment of tangible and intangible assets

At each reporting period 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.

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.

1.6 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 (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.7 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 flows and selling financial assets.

Loans and receivables

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

Impairment of financial assets

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

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

If with regard to trade receivables that do not contain a significant financing component IFRS 9 established a simplified impairment approach whereby an entity has to recognise a loss allowance based on lifetime Expected Credit Losses. IFRS 9 allows an entity to use a "provision matrix" to calculate expected losses. The provision matrix uses historic default rates and is adjusted for forward looking estimates.

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 (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.8 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.

1.9 Equity instruments

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

1.10 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.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

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.

1.11 Employee benefits

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

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

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

Defined contribution plans

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

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

1.12 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 2020 that have had a material impact on the company's financial statements.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

1 Accounting policies

(Continued)

1.13 Significant accounting policies and 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 critical estimates.

The directors believe there have 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 2020.

2 Employees

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

	2020 Number	2019 Number
Clinical	132	131
Non-Clinical	29	25
	<hr/>	<hr/>
Total	161	156
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	3,857	4,574
Social security costs	366	396
Other pension costs	74	72
	<hr/>	<hr/>
	4,297	5,042
	<hr/>	<hr/>

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 is a fellow subsidiary undertaking.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

3 Operating loss

	2020	2019
	£'000	£'000
Operating loss for the year is stated after charging:		
Depreciation of property, plant and equipment	332	547
	<u> </u>	<u> </u>

4 Auditors' remuneration

	2020	2019
	£'000	£'000
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the company	8	45
	<u> </u>	<u> </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.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

5 Tax on loss

	2020	2019
		as restated
	£'000	£'000
Current tax		
UK corporation tax on profits for the current year	(6)	-
	<u> </u>	<u> </u>
Deferred tax		
Origination and reversal of temporary differences	75	1
Adjustment in respect of prior periods	17	(2)
	<u> </u>	<u> </u>
	92	(1)
	<u> </u>	<u> </u>
Total tax charge/(credit)	<u> 86 </u>	<u> (1) </u>

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

	2020	2019
		as restated
	£'000	£'000
Loss before taxation	(3,797)	(3,184)
	<u> </u>	<u> </u>
Expected tax credit based on a corporation tax rate of 19.00% (2019: 19.00%)	(721)	(605)
Effect of expenses not deductible in determining taxable profit	84	19
Adjustment in respect of prior years	-	(2)
Effect of change in UK corporation tax rate	-	(2)
Group relief	261	229
Depreciation in excess of capital allowances	430	360
Remeasurment of deferred tax for changes in tax rates	32	-
	<u> </u>	<u> </u>
Taxation charge/(credit) for the year	<u> 86 </u>	<u> (1) </u>

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023. The deferred tax assets and liabilities of UK companies within the Group have been calculated at 19% as this rate has been substantively enacted at the balance sheet date. Had the 25% rate been substantively enacted on or before 31 December 2020 it would have had the effect of increasing the net deferred tax liability by £115k.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

6 Finance costs

	2020 £'000	2019 £'000
Bank interest payable	1	-
Interest on lease liabilities	-	3
	<u>1</u>	<u>3</u>

7 Trade and other receivables

	2020 £'000	2019 As restated £'000
Trade receivables	952	1,244
Expected credit loss	(149)	(4)
	<u>803</u>	<u>1,240</u>
Amounts owed by fellow group undertakings	12,032	9,140
Other receivables	4	2
Prepayments and accrued income	31	68
	<u>12,870</u>	<u>10,450</u>

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

In the financial statements for the year ended 31 December 2019, the company omitted a management charge in error between Cygnet DM LLP, Cygnet OE Limited and Cygnet DH Limited, and therefore a restatement has been made for this. Cygnet OE Limited has recorded an additional management charge expense in 2019 of £1.4m. This has increased the loss for the year to £3.2m, and decreased amounts due from group undertakings on the balance sheet by £1.4m. See note 15.

The second restatement relates to the amounts owed to and from fellow group undertakings. The company has multiple balances with different group undertakings and historically the company had netted these assets and liabilities into a single balance. However, since the company does not have the legal right to offset balances between different group undertakings these should have been presented gross. The corresponding adjustment at 1 January 2019 would have been £6m. These adjustments have no impact to net assets or profit for the year in any period.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

8 Property, plant and equipment

	Freehold buildings £'000	Assets under construction £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2020	12,702	-	1,004	330	14,036
Additions	220	22	605	37	884
Disposals	-	-	-	(43)	(43)
At 31 December 2020	12,922	22	1,609	324	14,877
Accumulated depreciation and impairment					
At 1 January 2020	5,194	-	627	165	5,986
Charge for the year	-	-	263	69	332
Impairment loss (profit or loss)	2,226	-	-	-	2,226
Eliminated on disposal	-	-	-	(43)	(43)
At 31 December 2020	7,420	-	890	191	8,501
Carrying amount					
At 31 December 2020	5,502	22	719	133	6,376
At 31 December 2019	7,508	-	377	165	8,050

9 Trade and other payables

	2020 £'000	2019 As restated £'000
Trade payables	700	385
Amounts due to fellow group undertakings	9,061	6,174
Accruals	280	419
Other payables	25	455
	10,066	7,433

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

The restatement relates to the amounts owed to and from fellow group undertakings. The company has multiple balances with different group undertakings and historically the company had netted these assets and liabilities into a single balance. The presentation has been changed to show the gross amounts owed to and from fellow group undertakings.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

10 Lease liabilities

	2020 £'000	2019 £'000
Maturity analysis		
Within one year	-	53
	<u> </u>	<u> </u>

	2020 £'000	2019 £'000
Current liabilities	-	53
	<u> </u>	<u> </u>

	2020 £'000	2019 £'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	-	3
	<u> </u>	<u> </u>

11 Deferred tax liabilities

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

	Accelerated capital allowances £'000	Tax losses £'000	Short term timing differences £'000	Total £'000
Deferred tax liability at 1 January 2019	283	(89)	86	280
Deferred tax movements in prior year				
(Credit)/Debit to profit or loss	(2)	89	(88)	(1)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax liability/(asset) at 31 December 2019	281	-	(2)	279
Deferred tax movements in current year				
Charge to profit or loss	19	-	67	86
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Deferred tax liability/(asset) at 31 December 2020	300	-	65	365
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

12	Called up share capital	2020	2019
		£'000	£'000
	Ordinary share capital		
	<i>Issued and fully paid</i>		
	200,002 ordinary shares (2019: 200,002) of £1 each	200	200
		<u>200</u>	<u>200</u>
		<u>200</u>	<u>200</u>

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

15 Prior period adjustments

There have been two prior period adjustments, correcting for errors in the comparatives. The company has multiple balances with different group undertakings and has historically presented amounts owed by and to these undertakings net in the statement of financial position. Since the company has no legal right to offset these balances, adjustment 1 restates the comparatives to show the gross amounts owed to and from fellow group undertakings. This adjustment has no impact to net assets or equity.

In addition, the company omitted management charges to other group undertakings for the year ended 31 December 2019. Adjustment 2 corrects for this and has resulted in additional revenue of £1,401k with and associated decrease to amounts owed by group undertakings.

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Prior period adjustments

(Continued)

Changes to the statement of financial position

	At 31 December 2019		
	Previously reported As at 31 Dec 2019	Adjustments	As restated at 31 Dec 2019
	£'000	£'000	£'000
Current assets			
Amounts due from group undertakings	2,966	6,174	9,140
Current liabilities			
Amounts owed to fellow group undertakings	(1,259)	(6,174)	(7,433)
	=====	=====	=====
Capital and reserves			
Retained earnings	14,203	(1,401)	12,802
Total equity	14,403	(1,401)	13,002
	=====	=====	=====

Changes to the income statement

	Period ended 31 December 2019		
	Previously reported as at 31 Dec 2019	Adjustment	As restated as at 31 Dec 2019
	£'000	£'000	£'000
Administrative expenses	(11,011)	(1,397)	(12,408)
Net impairment losses on financial assets	-	(4)	(4)
Loss for the financial period	(1,782)	(1,401)	(3,183)
	=====	=====	=====

Reconciliation of changes in equity

	1 January 2019	31 December 2019
	£'000	£'000
Equity as previously reported	16,185	14,403
Adjustments to prior year		
Management fees restatement	-	(1,401)
	=====	=====
Equity as adjusted	16,185	13,002
	=====	=====
Analysis of the effect upon equity		
Retained earnings	-	(1,401)
	=====	=====

CYGNET (OE) LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

15 Prior period adjustments

(Continued)

Reconciliation of changes in loss for the previous financial period

**2019
£'000**

Loss as previously reported

(1,782)

Adjustments to prior year

Management fees restatement

(1,401)

Loss as adjusted

(3,183)