

**Cygnnet NW Limited**

**Annual report and financial  
statements**

**Registered number 04059699**

**For the year ended**

**31 December 2016**

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## Strategic Report

The directors present their strategic report for the year ended 31<sup>st</sup> December 2016.

### Business review

Cygnnet NW Limited is a leading UK provider of mental health services. Cygnnet is able to deliver a diverse range of services through its two sites in Bury and Sheffield.

Cygnnet is different to many other providers with a broad coverage of the mental health spectrum from Secure, Non-secure rehabilitation and Adolescent care.

Cygnnet NW Limited was acquired by Cygnnet Health Care Limited and became part of the Cygnnet Health Care Group ("The Group") in August 2015. Under new ownership and with the consequent change in capital structure, Cygnnet has been able to focus more on investing in the delivery of more high quality value for money services.

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

Cygnnet NW now operates 222 beds (2015: 219 beds) spread through a portfolio of 2 quality facilities (2015: 2 facilities).

### *Corporate and Clinical Delivery and Governance*

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

Our Governance plan is designed to enhance Quality Assurance. This plan is monitored regularly by local board and governance meetings, and twice-yearly "Board to Ward" meetings.

We continue to work with the Care Quality Commission ("CQC"), the English regulatory authority, aiming to be the market leader in our sector in delivery of clinical quality. We are pleased to report 100% compliance with Commissioning for Quality and Innovation ("CQUIN") in 2015/16 (measured 1st April 2015 to 31st March 2016 in line with the relevant NHS financial year) – all 36 out of 36 quality targets were met on the quarterly submissions made in 2015/16.

The continued focus on quality and governance has seen a more streamlined reporting structure for the governance team with Quality assurance managers for each region. Reporting directly to the Board, the governance team delivers evidence and assurance of robust systems and processes ensuring that we have proof of our high standards and service delivery at individual service user level and across the whole Company, learning from experience as we go.

### *Our People*

We are 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 being Helpful, Responsible, Respectful, Honest and Empathetic.

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

## **Strategic Report** *(continued)*

### *Key performance measures*

The key performance measures that the Board of Directors ("The Board") uses to monitor progress of the Company against its objectives are:

- Careful attention to clinical risk management;
- Service user experience and involvement;
- Clinical quality, including safety and effectiveness;
- Customer satisfaction and patient care outcomes;
- Health and Safety compliance;
- Staff and management skills development;
- Staff turnover and retention;
- Debtor days;
- Occupancy rates;
- Fee levels and pricing;
- EBITDA;
- Margin; and
- Staff and agency costs.

### **Future prospects**

The directors expect the company to maintain its current performance. The group has strengthened its position in the market place due to the acquisition on 28<sup>th</sup> December 2016 of the adult services division of the Cambian PLC group.

## Strategic Report (continued)

### Key risks and uncertainties

#### Regulatory risk

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

#### Reputational risk

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

#### Competition

The Group monitors competition closely to ensure that it remains competitive in the market place. The Group 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.



L Harrod  
Director



MG Ground  
Director

29 September 2017

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

## Directors' report

The directors present their report and the financial statements for the 12 month period ended 31 December 2016. In the prior financial period the year end for the Company was changed from 31 March to 31 December and hence the comparative information contained in these financial statements include a 9 month period to December 2015.

### Principal activities

Cygnnet NW Limited provides specialist secure psychiatric care for adults and adolescents at hospital facilities at Cygnnet Hospital Bury and Cygnnet Hospital Sheffield, South Yorkshire.

All hospital facilities are registered with the Care Quality Commission in accordance with the requirements of the Health and Social Care Act 2008.

### Results and dividends

The profit for the year, after taxation, amounted to £10,669,000 (*31 December 2015: profit £5,193,000*).

The directors have not recommended a dividend.

### Directors

The directors who served during the period and up to the date of approval of these financial statements were:

N McLeod	
M Ground	
D Cole	(Resigned 25 <sup>th</sup> October 2016)
L Harrod	(Appointed 28 <sup>th</sup> September 2016)
A Coleman	(Company Secretary)

### Employee involvement

During the year, the policy of providing employees with information about the group has been continued through internal media methods in which employees have also been encouraged to present their suggestions and views on the group's performance. Regular meetings are held between local management and employees to allow a free flow of information and ideas.

### Disabled employees

The group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person. Where existing employees become disabled, it is the group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

### Qualifying third party indemnity provisions

During the financial year, qualifying third party indemnity provision for the benefit of all directors was in force.

## Directors' report (continued)

### Disclosure of information to auditor

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

### Auditor

Pursuant to a shareholder's resolution, the Company is not obliged to reappoint its auditor annually and KPMG LLP will until further notice continue in office.

By order of the board:



L Harrod  
Director



MG Ground  
Director

29 September 2017

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

## **Statement of directors' responsibilities in respect of the Strategic report, Directors' report and the financial statements**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for 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. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.





**KPMG LLP**

Arlington Business Park  
Theale  
Reading  
RG7 4SD  
United Kingdom

**Independent auditor's report to the members of Cygnet NW Limited**

We have audited the financial statements of Cygnet NW Limited for the period ended 31 December 2016 set out on pages 9 to 23. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:


- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

**Independent auditor's report to the members of Cygnat NW Limited (continued)**

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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



**James Ledward (Senior Statutory Auditor)**  
for and on behalf of KPMG LLP, Statutory Auditor

29 September 2017

Chartered Accountants  
Arlington Business Park  
Theale  
Reading  
RG7 4SD

**Income Statement**  
*for the year ended 31 December 2016*

	<i>Note</i>	<b>Year ended 31 December 2016</b>	<b>9 month period ended 31 December 2015</b>
		<b>£'000</b>	<b>£'000</b>
<b>Revenue</b>	<b>1,2</b>	<b>46,025</b>	<b>31,779</b>
<b>Operating expenses</b>		<b>(35,202)</b>	<b>(25,978)</b>
<b>Operating profit before finance costs</b>		<b>10,823</b>	<b>5,801</b>
<b>Finance expenses</b>	<b>6</b>	<b>(371)</b>	<b>(682)</b>
<b>Finance Income</b>	<b>6</b>	<b>13</b>	<b>6</b>
<b>Profit on ordinary activities before taxation</b>		<b>10,465</b>	<b>5,125</b>
<b>Taxation</b>	<b>7</b>	<b>204</b>	<b>68</b>
<b>Profit for the financial period</b>		<b>10,669</b>	<b>5,193</b>
<b>Attributable to equity holders</b>		<b>10,669</b>	<b>5,193</b>

All amounts relate to continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

## Other Comprehensive Income

for the period ended 31 December 2016

	Year ended 31 December 2016	9 month period ended 31 December 2015
	£'000	£'000
<b>Profit for the financial year</b>	<b>10,669</b>	<b>5,193</b>
<i>Other comprehensive income:</i>		
Unrealised (deficit)/surplus on revaluation of tangible fixed assets	6,496	(12,298)
Deferred tax recognised on revaluation- recognised directly in equity	(393)	2,795
<b>Total comprehensive income</b>	<b>16,772</b>	<b>(4,310)</b>

The notes on pages 12 to 23 form part of these financial statements.

## Statement of changes in equity

	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
Balance at 1 April 2015	1	816	38,393	20,351	59,561
Profit or loss	-	-	-	5,194	5,194
Other comprehensive income	-	-	(9,504)	-	(9,504)
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>(9,504)</b>	<b>5,194</b>	<b>(4,310)</b>
Total contributions by and distributions to owners:					
Transfer to profit and loss reserve	-	-	(665)	665	-
<b>Balance at 31 December 2015</b>	<b>1</b>	<b>816</b>	<b>28,224</b>	<b>26,211</b>	<b>55,252</b>
	Share Capital £'000	Share Premium £'000	Revaluation Reserve £'000	Profit and Loss Account £'000	Total Equity £'000
Balance at 1 January 2016	1	816	28,224	26,211	55,252
Profit or loss	-	-	-	10,669	10,669
Other comprehensive income	-	-	6,103	-	6,103
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>6,103</b>	<b>10,669</b>	<b>16,772</b>
Total contributions by and distributions to owners	-	-	-	-	-
Transfer to profit and loss reserve	-	-	(775)	775	-
<b>Balance at 31 December 2016</b>	<b>1</b>	<b>816</b>	<b>33,552</b>	<b>37,655</b>	<b>72,024</b>

**Statement of Financial Position**  
*at 31 December 2016*

	Note	31 December 2016 £'000	31 December 2015 £'000
<b>Non-current assets</b>			
Tangible assets	8	74,626	68,960
<b>Current assets</b>			
Trade and other receivables	9	4,704	1,299
Cash and cash equivalents		575	2,206
		5,279	3,505
<b>Total assets</b>		79,905	72,465
<b>Current liabilities</b>			
Amount owed to group undertakings		3,674	13,550
Trade and other payables	10	2,342	1,830
Tax payable		-	149
		6,016	15,529
<b>Non-current liabilities</b>			
Deferred tax liabilities	11	1,865	1,684
<b>Total liabilities</b>		7,881	17,213
<b>Equity attributable to equity holders of the parent</b>			
Share capital	14	1	1
Share premium		816	816
Revaluation reserve		33,552	28,224
Profit and loss		37,655	26,211
<b>Total equity</b>		72,024	55,252
<b>Total equity and liabilities</b>		79,905	72,465

These financial statements were approved by the board of directors on 29 September 2017 and were signed on its behalf by:



**L Harrod**  
Director



**MG Ground**  
Director

Company registered number: 04059699

The notes on pages 12 to 23 form part of these financial statements

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

Cygnat NW Limited is a company incorporated and domiciled in the UK.

The address of the company's registered office is:

Nepicar House London Road  
Wrotham Heath  
Sevenoaks  
Kent  
TN15 7RS

The Company is exempt by virtue of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

The Company's parent undertaking is Cygnat Surrey Limited. Its ultimate UK parent undertaking is UK Acquisitions No. 6 Limited, a subsidiary of Universal Health Services Inc., a company incorporated in the USA.

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* ("FRS 101"). The amendments to FRS 101 (2015/15 Cycle) issued in July 2016 and effective immediately have been applied.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's ultimate UK parent undertaking, UK Acquisitions No. 6 Limited includes the Company in its consolidated financial statements. The consolidated financial statements of UK Acquisitions No. 6 Limited are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a cash Flow Statement and related notes;
- comparative period reconciliations for share capital and tangible fixed assets;
- disclosures in respect of transactions with wholly owned subsidiaries ;
- disclosures in respect of capital management;
- the effects of new but not yet effective IFRSs, and
- disclosures in respect of the compensation of Key Management Personnel.

As the consolidated financial statements of Acquisitions No. 6 Limited include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- certain disclosures required by IFRS 13 *Fair Value Measurement* and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

**Notes (continued)**

**1 Accounting policies (continued)**

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Basis of measurement**

The financial statements are presented in sterling. They are prepared on the historical cost basis.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

**Significant accounting policies**

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

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

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

Judgements and estimates made by management in the application of FRS 101 that have significant effect on the financial statements are discussed in note 17.

**Expenses**

**Net financing costs**

Net financing costs comprise interest payable and finance charges.

**Taxation**

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

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

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

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

## Notes (continued)

### 1 Accounting policies (continued)

#### *Impairment*

The carrying amounts of the Company's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

#### *Reversals of impairment*

An impairment loss is reversed when there is an indication that the impairment loss may no longer exist or there has been a change in the estimates used to determine the recoverable amount.

#### *Going concern*

The company has positive net current assets and net assets together with long-term support from Group. As a consequence, the directors believe that the company is well placed to manage its business risks successfully.

The directors have a reasonable expectation that the company and group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

#### *Revenue*

Revenue comprises revenue recognised by the company in respect of goods and services supplied during the period, exclusive of Value Added Tax and trade discounts.

#### *Tangible assets and depreciation*

Tangible assets are stated at cost or valuation and less depreciation. Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold property	-	2.5% straight line
Fixtures & fittings	-	20% straight line
Office equipment	-	20% straight line

#### *Revaluation of tangible assets*

Individual freehold properties are carried at current period value at the balance sheet date. A full valuation is obtained from a qualified valuer for each property at least every five years, with an interim valuation in any year where it is likely that there has been a material change in value.

Revaluation gains and losses are recognised in the statement of total recognised gains and losses unless losses exceed the previously recognised gains or reflect a clear consumption of economic benefits, in which case the losses are recognised in the Profit and loss account.

#### *Operating leases*

Rentals under operating leases are charge to the Income Statement on a straight line basis over the lease term

#### *Pensions*

The Company operated a defined contribution pension scheme and the pensions charge represents the amounts payable by the Company to the fund in respect of the year.



**Notes (continued)**

**2 Operating profit**

The operating profit is stated after charging:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Depreciation of tangible fixed assets		
- owned by the company	1,805	1,782
	<u>1,805</u>	<u>1,782</u>

During the year, no director received any emoluments (31 December 2015: *£nil*).

**3 Auditor's remuneration**

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Audit of these financial statements	14	14
Other services relating to taxation	4	4
	<u>18</u>	<u>18</u>

The remuneration of the auditor in the current and previous financial period was borne by another group company. The amount disclosed above is management's best estimate of the proportion relating to this company.

## Notes (continued)

### 4 Staff numbers and costs

The aggregate payroll costs of these persons were as follows:

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
Wages and salaries	19,568	15,738
Social security costs	1,546	1,235
Other pension costs	484	455
	<u>21,598</u>	<u>17,428</u>

The average monthly number of employees, including the directors, during the year was as follows:

	31 December 2016 No.	31 December 2015 No.
Nursing staff	515	557
Administrative	-	264
	<u>515</u>	<u>821</u>

### 5 Directors' remuneration

The directors received consideration for services to Cygnet Surrey Limited, of which Cygnet NW Limited is a parent undertaking, however, the proportion attributable to their services to Cygnet NW Limited is not separately identifiable.

### 6 Net finance costs

	31 December 2016 £'000	31 December 2015 £'000
Interest payable to group undertakings	(371)	(682)
Interest receivable	13	6
	<u>(358)</u>	<u>(676)</u>

Interest in the year relates to interest payable on amounts owed to group undertakings. Interest in the period relates to interest payable and receivable on amounts owed to and from group undertakings. From 19 August 2016, interest has accrued at a rate of 4.85% per annum above LIBOR. Prior to acquisition (19 August 2016), interest accrued at a rate of 4.53%.

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

## Notes (continued)

### 7 Taxation

#### Analysis of charge in income statement

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<i>UK corporation tax</i>		
Current tax on income for the period	-	150
Adjustments in respect of prior periods	9	-
	<hr/>	<hr/>
<b>Total current tax</b>	<b>9</b>	<b>150</b>
	<hr/>	<hr/>
<i>Deferred tax</i>		
Origination and reversal of timing differences	(205)	(212)
Current period adjustment for prior periods	(7)	(6)
	<hr/>	<hr/>
<b>Total deferred tax</b>	<b>(213)</b>	<b>(218)</b>
	<hr/>	<hr/>
<b>Tax on profit on ordinary activities</b>	<b>(204)</b>	<b>(68)</b>
	<hr/>	<hr/>

#### Reconciliation of effective tax rate

	Year ended 31 December 2016 £'000	Year ended 31 December 2015 £'000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	10,465	5,125
	<hr/>	<hr/>
Profit on ordinary activities multiplied by standard rate of corporation tax rate in the UK of 20% (31 December 2015: 20%)	2,093	1,025
	<hr/>	<hr/>
<i>Effects of:</i>		
Expenses not deductible for tax purposes	30	1
Depreciation in excess of capital allowances for the period	622	(7)
Adjustments to tax charge in respect of prior periods	(7)	(6)
Group Relief	(2,942)	(1,081)
	<hr/>	<hr/>
<b>Total tax (credit)/charge for the period</b>	<b>(204)</b>	<b>(68)</b>
	<hr/>	<hr/>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2015) and 20% (effective from 1 April 2016) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and 18% (effective from 1 April 2020) were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the company's future current tax charge accordingly.

Deferred tax is provided at the rate of 17% (31 December 2015: 18%).

## Notes (continued)

### 8 Tangible fixed assets

	Land and Buildings £'000	Motor Vehicles £'000	Fixtures & fittings £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2016	67,662	31	5,404	73,097
Additions	489	89	397	975
Disposals	-	-	-	-
Revaluation	6,496	-	-	6,496
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	74,647	120	5,801	80,568
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Depreciation</b>				
At 1 January 2016	-	9	4,128	4,137
Charge for the year	1,357	24	424	1,805
On disposals	-	-	-	-
On revalued assets	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2016	1,357	33	4,552	5,942
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>				
At 31 December 2016	73,290	88	1,247	74,626
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2015	67,662	22	1,276	68,960
	<hr/>	<hr/>	<hr/>	<hr/>

#### Revaluation

Leasehold land and buildings are measured using the revaluation model.

The fair value of the Company's freehold land and buildings has been determined at period end using values consistent with the valuation conducted by Knight Frank LLP on 8 January 2016.

The Knight Frank LLP review was conducted in accordance with the practice statements in the valuation standards (The Red Book) published by the Royal Institution of Chartered Surveyors. Knight Frank LLP are members of the Royal Institution of Chartered Surveyors and have appropriate qualification and recent experience in the valuation of properties in the relevant locations.

The properties consist entirely of independent private hospital and nursing care home facilities which, having due regard to the Red Book, are to be treated as i) Land and buildings fully equipped as an operational entity and valued having regard to trading potential and; ii) Land and buildings owner-occupied for the purposes of the undertaking.

If the land and buildings had not been included at valuation they would have been included under the historical cost convention. The net book value at the period end was £39,107,000 (31 December 2015: £39,199,000).

**Notes (continued)**

**9 Trade and other receivables**

	31 December 2016 £'000	31 December 2015 £'000
Trade receivables	4,347	968
Other receivables and prepayments	357	331
	<u>4,704</u>	<u>1,299</u>

**10 Trade and other payables**

	31 December 2016 £'000	31 December 2015 £'000
Trade payables	992	791
Other taxation and social security	411	482
Other payables	63	77
Accruals and deferred income	876	480
	<u>2,342</u>	<u>1,830</u>

## Notes (continued)

### 11 Deferred taxation

#### *Recognised deferred tax assets and liabilities*

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	31 December 2016 £'000	31 December 2015 £'000	31 December 2016 £'000	31 December 2015 £'000
Property, plant and equipment	-	-	1,870	1,697
Other	(5)	(12)	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Tax (assets) / liabilities	(5)	(12)	1,870	1,697
Net off tax liabilities/(assets)	5	12	(5)	(12)
	<hr/>	<hr/>	<hr/>	<hr/>
Net tax liabilities	-	-	1,865	1,685
	<hr/>	<hr/>	<hr/>	<hr/>

#### *Movement in deferred tax during the period:*

	1 January 2016 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2016 £'000
Property, plant and equipment	1,697	(220)	393	1,870
Other	(12)	7	-	(5)
	<hr/>	<hr/>	<hr/>	<hr/>
	1,685	(213)	393	1,865
	<hr/>	<hr/>	<hr/>	<hr/>

#### *Movement in deferred tax during the prior year:*

	1 April 2015 £'000	Recognised in income £'000	Recognised in equity £'000	31 December 2015 £'000
Property, plant and equipment	4,698	(206)	(2,795)	1,697
Other	-	(12)	-	(12)
	<hr/>	<hr/>	<hr/>	<hr/>
	4,698	(218)	(2,795)	1,685
	<hr/>	<hr/>	<hr/>	<hr/>

### 12 Contingencies

In the prior period there was a charge over the properties of the company to secure certain borrowings of the then intermediate parent company, C&C Alpha Healthcare Group Limited.

The company had also given a cross corporate guarantee in relation to bank loans on behalf of its parent company and certain fellow subsidiary undertakings. At 31 December 2016, this guarantee amounted to *Enil* (31 December 2015: *Enil*).

## Notes (continued)

### 13 Related party transactions

The ultimate controlling party of the Company is Universal Health Services Inc, and the UK ultimate parent of the Company is UK Acquisitions No.6 Limited.

#### *Identity of related parties*

The Company has a related party relationship with its ultimate parent undertaking, the ultimate parent's subsidiaries, and with its directors, one of whom is a shareholder of this company.

The Company has applied the exemption available under FRS101 in respect of transactions with wholly owned subsidiaries.

#### *Transactions with key management personnel*

The Company has applied the exemption available under FRS101 in respect of disclosure of the compensation of key management personnel.

#### *Other related party transactions during the period*

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

### 14 Share capital

	31 December 2016 £'000	31 December 2015 £'000
Allotted, called up and fully paid		
100,000 Ordinary shares of £0.01 each	1	1
	<u>1</u>	<u>1</u>

### 15 Pension commitments

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The pension cost charge represents contributions payable by the group to the fund and amounted to £483,720 (31 December 2015: £455,254). Contributions totalling £50,623 (31 December 2015: £67,649) were payable to the fund at the balance sheet date and are included in creditors.

## Notes (continued)

### 16 Operating lease commitments

At 31 December 2016 Group had annual commitments under non-cancellable operating leases as follows:

Group	31 December 2016 £'000	31 December 2015 £'000
<i>Expiry date</i>		
Within 1 year	51	26
Between 2 and 5 years	32	141
After more than 5 years	83	-
	<u>166</u>	<u>167</u>

### 17 Accounting estimates and judgements

Management discussed the development, selection and disclosure of the Company's critical accounting policies and estimates and the application of these policies and estimates.

#### *The valuation of investments*

The directors do not believe there is an impairment in the valuation of the investments in subsidiary undertakings. The carrying value is deemed to be supported by the underlying subsidiary assets.

#### *The valuation of properties*

In determining the value of the properties, the directors rely on external valuations carried out by professionally qualified valuers in accordance with the appraisal and valuation standards of the Royal Institution of Chartered Surveyors.

The properties consist entirely of independent private hospital and nursing care home facilities which, having due regard to the Red Book, are to be treated as i) Land and buildings fully equipped as an operational entity and valued having regard to trading potential and; ii) Land and buildings owner-occupied for the purposes of the undertaking.

The Directors do not believe that there has been any impairment in the carrying value of the properties, plant and equipment or intangible fixed assets, except as disclosed in the financial statements.

Note 1 gives detailed analysis about the useful economic lives of depreciable assets.



## Notes (continued)

### 18 Ultimate parent undertaking and controlling party

The Company was acquired on 19 August 2016 by Cygnnet Health Care Limited.

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 Cygnnet 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 Cygnnet Health UK Limited financial statements may be obtained from:

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

### 19 Principal subsidiaries

Company name	Country	Percentage Shareholding	Activity
Safe Spaces Limited	United Kingdom	100	Dormant