

CYGNET HEALTH UK LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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CYGNET HEALTH UK LIMITED

COMPANY INFORMATION

Directors	Dr Antonio Romero Mr Mark Ground Mr Michael McQuaid Mr Thomas Day
Secretary	Mr Mark Ground
Company number	06464637
Registered office	Nepicar House London Road Wrotham Heath Sevenoaks Kent England TN15 7RS
Independent Auditors	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

CYGNET HEALTH UK LIMITED

CONTENTS

	Pages
Strategic report	1 - 14
Directors' report	15 - 20
Independent auditor's report	21 - 23
Group income statement	24
Group statement of comprehensive income	25
Group statement of financial position	26 - 27
Group statement of changes in equity	28 - 29
Group statement of cash flows	30
Notes to the group financial statements	31 - 62
Company statement of financial position	63
Company statement of changes in equity	64
Notes to the company financial statements	65 - 68

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The strategic report set out below is the Cygnet Health UK Limited Group ("the Group") strategic report relating to the Cygnet Group of Companies ("Cygnet") for the year ended 31 December 2021.

Principal Activities

Cygnet is a leading UK provider of behavioural health services, focusing on delivering a diverse range of services to optimise the service user experience through its network of sites. Cygnet provides a broad coverage of the behavioural health spectrum from Secure, PICU / Acute, Mental Health Rehabilitation and Recovery, Personality Disorder, Children and Adolescents, Eating Disorder, Learning Disabilities, Autism Spectrum Disorder, Neuropsychiatric, Older Adults, Deafness and Mental Health. Cygnet operates across health and social care.

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

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

Cygnet recognises that its most valuable asset is its staff – their health, well-being and career development is crucially important. We fundamentally want to deliver on our vision and mission of working together in a positive culture of openness, honesty and inclusivity, which includes those who use our services. This means ensuring that everyone's voice is heard and acted upon. Therefore, we look critically at all aspects of our work and develop long term outcome driven action plans for inclusion, equality and diversity. Not only will this ensure that we deliver services where no one suffers racism, prejudice or discrimination, and that everyone can access the right help they need at the right time, but also, ensure we recruit, support and retain talented people who exemplify our values and feel proud to be part of Cygnet in the delivery of person-centred care.

Business Review

The results for the year ended 31 December 2021 are set out in the Group income statement on page 25.

Group Revenue for the year was £500.6m (2020: £456.3m) an increase of £44.3m. £25m of this increase relates to additional occupancy with 138 additional patients year on year. Special nursing accounted for £9m with pricing and a change in patient mix contribution to the remaining increase.

Operating profits for the year were £46.7m (2020: £43.1m) and the profit before tax was £41.8m (2020: £39.6m). Operating profit margin (both before and after separately reported items) has remained consistent with the prior year at 9.3% (2020: 9.5%).

Net Assets have fallen by £7m to £1,056m (2020: £1,063m). This largely is due to profit for the year £26m (2020: £33m) and upwards valuation of properties £21m (2020: £71m) being offset against the dividends paid in the year £30m (2020: £24m) and the increased deferred tax liability £26m (2020: £19m).

Cygnet continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity. During the period the business spent £19.5m (2020: £28.5m) on capital expenditure.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021	2020
	£m	£m
Revenue	500.6	456.3
Operating profit	46.7	43.1
Profit before tax	41.8	39.6
Profit before tax (before separately reported items*)	46.5	42.9
EBITDA	74.6	67.8
Total assets	1,239	1,200
Total liabilities	(183)	(137)
Net assets	1,056	1,063

*Separately reported items include:

Impairment of freehold land and buildings	(4.9)	(14.9)
Reversal of previous impairment of freehold land and buildings	10.4	11.6
Impairment of Goodwill	10.1	-

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 including CCG's and Local Authorities usually being the dominant providers. Our business continues to be supported by strong relationships with customers.

The below table summarises the number of NHS and Local Authority purchasing bodies that Cygnet did business with.

	2021	2020
NHS (including CCG's)	199	214
Local authorities	155	143
Total	354	357

The reduction in NHS purchasing bodies that Cygnet did business with was due to the merging of existing bodies.

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. In 2021, Cygnet was a partner in multiple Local Provider Collaboratives across England, which focused on the local provision of adult secure, CAMHS (Children and Adolescent Mental Health Services) and eating disorder services.

The Cygnet business operated 2,992 beds in 2021 (2020: 2,978) spread through a portfolio of 147 sites and employed an average of 7,945 (2020: 7,534) clinical and 2,067 (2020: 1,957) non-clinical staff.

Future prospects

At Cygnet we are ambitious for the future and for all the people who need to access our services, whether they require mental health support or long term care for enduring mental health conditions or learning disabilities.

It is our commitment that each person we help should have a positive experience of care with outcomes that bring benefit to their unique and individual needs.

There is no doubt the COVID-19 pandemic has had a significant impact on the nation's physical and mental health. At Cygnet we want to be part of the solution through the provision of services that provide meaningful care that is accessible, responsive, evidence-based, innovative and compassionate.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Cygnets' strategy is to continue to maintain and enhance high quality, safe services for children, young people, adults and older people. We want all our services to deliver to the level of our absolute best and provide person-centred care.

In our five year corporate strategy (2022 – 2027) we will continue and are committed to:

- Put service users and residents at the centre of everything we do;
- Ensure our existing models of care continue to be embedded and evolve to ensure our work is pioneering, dynamic and at the forefront of service excellence;
- Use data intelligently to drive improvement and foster a culture of continual learning;
- Recognise our staff are our most important asset in the delivery of safe, quality care and create a culture which promotes excellence and provides a fulfilling place for staff to pursue their careers;
- Demonstrate how we value our workforce through training, development, compassionate leadership, recognition, and responding to their own wellbeing needs;
- Remain aligned with the commitments of the NHS Long Term Plan and continue to build on the work we have already achieved to deliver sustained, quality, safe care;
- Respond to the changing dynamics of our market and commissioners to provide services at the right time and in the right settings;
- Collaborate and strengthen our strategic partnerships with the NHS, our commissioners and other stakeholders; and
- Work in partnership to provide services that can help more people through:
 - furthering geographical coverage;
 - developing and broadening of current service lines;
 - extending service lines and care pathways.

Section 172(1) of the Companies Act 2006

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

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

The Board of Directors of Cygnets 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 2021.

Environmental, Social and Governance (ESG) commitments

Cygnets is committed to making our business more environmentally and socially sustainable.

Environmental

Cygnets is committed to having a positive impact on the environment. We take our responsibility to contribute to a greener society very seriously. Our Sustainability Strategy is a key priority in Cygnets' Strategic Plan 2022-2027. It sets out our aims to achieve:

- Net zero carbon for our direct and indirect emissions by 2035
- Net zero carbon emissions in our supply chain by 2040.

In 2021 a number of measures were taken to demonstrate our green credentials which we will continue to build upon. These include: 100% renewable electricity procured in 2021; black plastic has been removed from our food supplies and used cooking oil is recycled.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

In addition, all new builds or fit-outs are completed to high environmental standards including solar energy generation, LED lighting, high-efficiency boilers, full insulation and double glazing. All light fittings in existing sites are replaced with suitable LED units when they reach end of life and high efficiency condensing boilers are installed when heating boilers need to be replaced.

At the point that any of our vehicles needs to be changed or upgraded we have committed to doing so with electric vehicles, where appropriate, to ensure our large fleet is increasingly environmentally friendly.

The Co-Sustain initiative empowers service users and staff to take sustainability into their own hands. Through Co-Sustain, we will be working closely with service users, residents and staff to raise awareness of environmental issues, take action and explore creative ways of reducing our carbon footprint across our services. One of the first projects we're launching as part of Co-Sustain is a new bin signage pilot.

Some specific examples include:

- Engaging with communities when we are developing new facilities to ensure they understand our plans and feel informed.
- Pilot and expand the 'Cygnets in Schools' initiative with the Education team from our CAMHS units.
- In partnership with local sports teams, further enhance the Cygnets brand to support awareness of the services we provide locally and support recruitment.
- Supporting a national charity partner each year as voted for in the staff survey.
- Cygnets-wide competitions to fundraise around awareness days and events with the most successful service nominating a local charity to donate to.
- Support staff through donation drives – food banks, clothes, etc.

Cygnets's Streamlined Energy and Carbon Reporting information can be found in the Directors' report.

Social

Our commitment to community

Cygnets genuinely values good relationships with people in the local communities where we have services. We have more than 30-years of experience in helping and caring for people in communities across the UK and we have built strong relationships with our neighbours.

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.

Cygnets employs more than 10,000 people UK-wide and we bring additional economic and social benefits to the local economies in which our services are based. Where possible we use local produce, resources and suppliers at our facilities to support the local economy and community infrastructure. We support our staff in their local community endeavours including building relationships with local businesses, schools, charities, community groups and other residential care services. We actively encourage our staff to play a proactive role in the communities where they work and are proud supporters and sponsors of numerous community initiatives, clubs and groups.

Our commitment to our people

Cygnets 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.

Cygnets 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.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

Cygnet are committed to hearing our staff voice and ensuring everyone is treated equally, fairly and with respect. The following actions have been taken to ensure Cygnet have acted fairly between members of the company:

- Provide targeted and relevant staff communications through accessible and interactive platforms
- Continue to promote the Freedom to offer the Guardian Service as a confidential support service for staff
- Reconvene our Staff Representative Groups (SRGs) to gather and respond to feedback
- Cygnet Awards
- Reflecting the diversity of our workforce and those we look after in our leadership and opportunities for progression
- Implement the Framework for Open Cultures
- Implement our Diversity and Inclusion strategy with clear objectives to ensure everyone enjoys equal opportunities according to their needs and individual aims.
- Working with the Diversity and Inclusion group and Multicultural Network to promote awareness and inclusion so that staff feel more confident in sharing their information

Cygnet undertakes Mental Health First Aider training. To date Cygnet has around 93 Mental Health First Aiders in Cygnet to ensure that not only the individuals in our care receive mental health support but also our staff.

Cygnet has further expanded its apprenticeships programmes including Trainee Nurse Associate and Leadership and Management. In 2021 we had 214 staff on apprenticeships. Cygnet also regularly reviews its induction processes.

Cygnet continues to review our benefits packages and have introduced a number of new features recently and bolstered others. Cygnet 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. Cygnet's average positive score was 71% (2020: 68%). The 2021 survey showed the following:

- 77% (2020: 62%) of colleagues completed the survey;
- 82% (2020: 82%) of people think Cygnet's top priority is the care of service users;
- 82% (2020: 85%) of people enjoy working for Cygnet;
- 8 out of 10 (2020: 8 out of 10) people feel supported and valued by their manager; and
- 96% (2020: 92%) of staff feel confident in knowing how to report concerns.

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

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

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Governance

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 meaning we can provide high quality, safe, sustainable services and ensure learning opportunities to constantly improve and excel. Cygnets apply the broad principles of UK corporate governance best practice, drawing on the Wates principles as outlined below.

Purpose, Leadership and Board Composition

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 fortnightly virtual meeting of the Senior Management team.

Our regional, and through them local structures, report into 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.

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

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

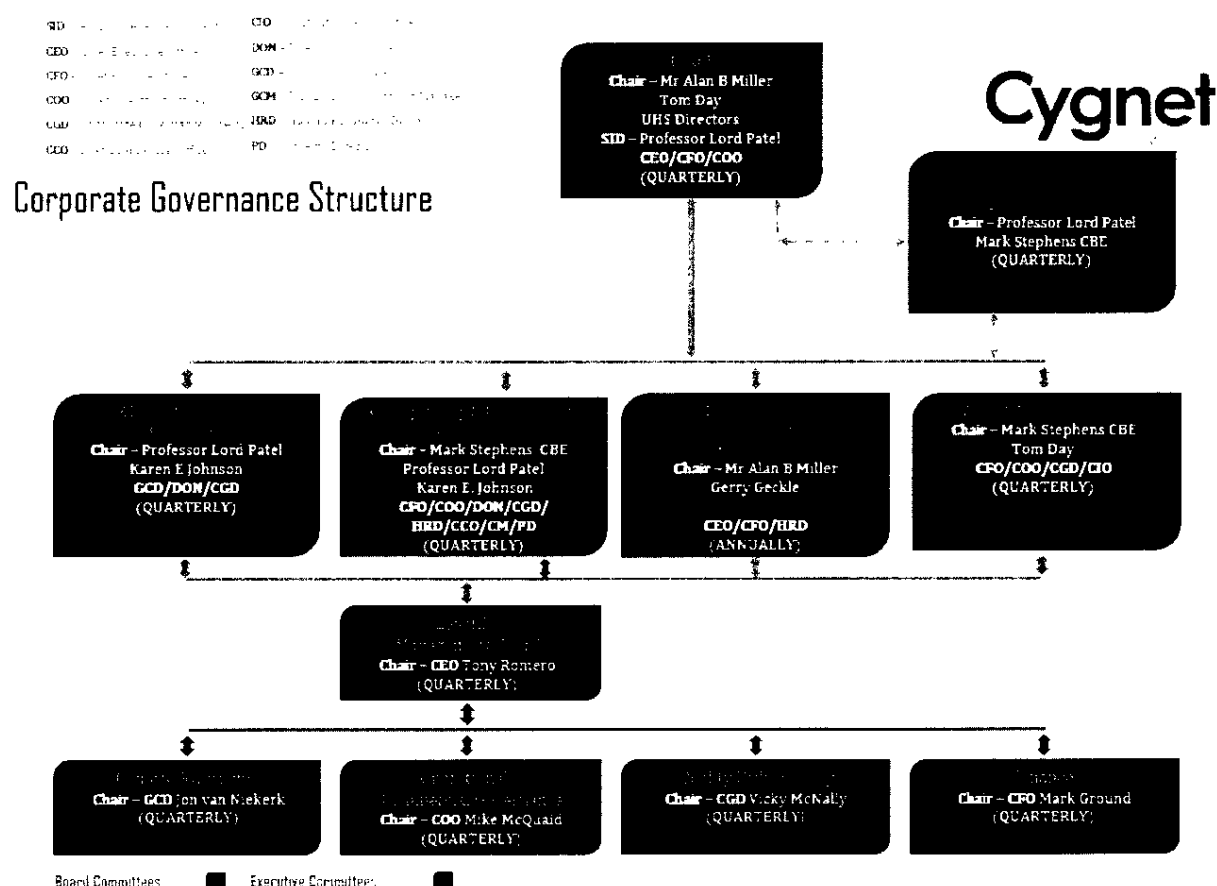
Cygnets has an Advisory Board, with members having senior experience and expertise to support the Board's Committees. Advisory Board Members are independent and hold non-executive positions, this is chaired by Cygnets Senior Independent non-statutory Director, Professor Lord Patel OBE, and attended by Mark Stephens CBE, Stephen Finn OBE and Dame Clare Gerada MBE. The Cygnets 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 non-statutory Director. The Main Board is chaired by Mr Alan B Miller, chairman of UHS. Mr Miller also chairs the Remuneration, Nomination and Leadership Committee.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

This structure can be seen in the chart below.



At the end of 2021, a Board Secretary was appointed to provide advice, support and development of the Executive Management Board. This newly created role reports into Cygnnet’s CEO and the UHS Main Board and will support communication between the Board and its stakeholders. All Cygnnet companies are governed by a set of board protocols initially agreed between UHS and the Cygnnet directors.

Directors Responsibilities’

The board makes use of committees, as detailed above, to help with the consideration of matters such as financial reporting, risk, remuneration and quality. Each committee is conducted through its own terms of reference which are reviewed regularly. The board retains responsibility for any final decisions.

Opportunity and Risk

Quality and safety are at the forefront of everything we do and we continually monitor and review our services through our internal Quality Assurance, Safeguarding, Compliance and specialist teams. Our processes and systems give us visibility to manage performance, hear feedback, learn lessons and regulate the quality of care provided. In 2021 we appointed a new Director of Risk to oversee risk and safety issues across the organisation through effective management systems, transparent reporting processes and collaboration with external agencies as required.

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.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Remuneration

Cygnets remuneration committee helps to ensure appropriate and fair levels of remuneration help to secure and retain high-quality directors, managers and clinical and non-clinical staff.

Stakeholder Relationship and Engagement

We operate openly and transparently with our external regulators and stakeholders to improve, progress and innovate. We believe this drive for service excellence sets us apart as sector-leaders, attaining high standards that are reflected in our regulatory ratings, accreditations and outcomes for those who use our services.

Our service user voice is integral to our governance processes. Our People's Councils and advocacy provision allow us to hear directly from those we look after so that we can act, and react, in a way that is responsive to their needs and views.

We believe good governance is everyone's responsibility and strive to foster a culture of openness. At Cygnets, speaking up is viewed as a positive action, and one that is encouraged and supported. Enabling our staff to speak up and share information in a prompt way allows us to identify risks, agree next steps, share lessons learnt and assess our performance.

Our Freedom to Speak Up Guardian operates independently, impartially and objectively. They:

- Seek guidance and where appropriate escalate matters to bodies outside of the organisation
- Have open, honest conversations with leaders in Cygnets to promote change
- Support staff who speak up and agree next steps with them collaboratively
- Support the right to confidentiality wherever possible whilst also taking concerns forward
- Work closely with Freedom to Speak Up Ambassadors at sites, supporting them to influence change

Cygnets promotes strong relationships with its network of suppliers which are actively consistently managed by our procurement team. This ensures group-wide policies and consistent quality is provided and the robust supplier on boarding process helps manage any third party risk.

Cygnets approach to Clinical Governance

The Clinical and Nursing Directorate are jointly responsible for the oversight and implementation of Clinical Governance across Cygnets. Our Clinical Governance structure provides a framework of responsibility and accountability that continuously measures, monitors and improves the safety and quality of all our clinical services, and promotes optimal service user health outcomes and clinical excellence.

Our aim is to provide the highest quality care to our patients and residents at all times, wherever they are on their care pathway.

Our Clinical Governance structure is supported by:

- Ensuring that risk management systems and processes are incorporated into everyday practice;
- Building and promoting an open and fair safety culture;
- Encouraging staff, individuals and stakeholders to actively participate in improving the quality of service delivery;
- Learning from mistakes, sharing knowledge, implementing solutions and monitoring success;
- Promoting methods of assessing clinical effectiveness and quality of service delivery; and
- Continuously looking at innovative and effective ways of delivering the national clinical governance agenda.

Our Clinical Governance structure ensures the implementation and monitoring of clinical performance indicators to measure clinical effectiveness within Cygnets, oversees trend analysis and compliance with clinical interventions and identifies emerging risks.

The three Regional Medical Directors each chair quarterly Regional Clinical Governance meetings with representation from each unit and specialist professionals from our Multi-Disciplinary Teams. Information gathered at local level is analysed in the Regional Clinical Governance meetings to identify trends, themes and lessons learnt in each region. Unresolved or significant issues are escalated to the national Clinical Governance meeting that is chaired by the Group Clinical Director. Lessons learnt and best practice are disseminated to individual units and across the organisation to ensure we constantly reflect, adapt and improve the quality of our provision.

We have set up a Quality Improvement (QI) team and our Clinical Quality Strategy is led by our Director of Nursing.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

We have established Clinical Steering Groups for all service lines within Cygnet who are responsible for overseeing and embedding best practice in accordance with the most up to date professional and industry standards.

We have a comprehensive suite of policies which are regularly updated to ensure they comply with legislative and best practice recommendations.

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:

- **Service users first:** Putting individuals at the heart of all we do in the delivery of safe, high quality care.
- **Support and help more people:** Providing the right care, at the right time in settings that best meet individual needs.
- **Deliver service excellence:** To be seen as a provider of choice for the delivery of high quality, evidence-based, specialist care.
- **Value and develop our staff:** To recruit and retain talented people who exemplify our values and feel proud to work in a culture that promotes excellence, delivers person-centred care and provides opportunities for everyone to be their best.
- **Innovation for the future:** Showcase innovation and vision, harness technology, deliver our sustainability targets, be a force for good in the communities we serve.

Our Commitment to Service Users

The views of the people who use our services, as well as their families and carers, are all extremely important to Cygnet. We work together with service users and their families to make sure that we are meeting individual needs and providing the treatment, care and support that people rightly expect and deserve.

Cygnet remains committed to ensuring that our Service Users receive the highest standards of care across each of our sites. 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 care to ensure we are 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, which are made available in the most appropriate format for each individual's own needs. We also gather views of families and carers and use all 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.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Expert by Experience

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

Our Commitment to Quality

Providing the highest standards of safe, quality care to our Service Users is our priority. Our Quality Strategy sets out our quality priorities along with our quality targets. Our Quality Strategy is the plan through which we focus on the quality of care 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 drive the overall direction of our work and that our service users are at the centre of what we do as a business.

In 2021 we expanded our Quality Improvement (QI) team to help our services operationalise our Quality Improvement plans and provide teams with the support and infrastructure required to deliver their Quality Improvement goals. We introduced Life QI, an electronic system that houses all our QI projects across Cygnnet and an Improvement Hub to share learning and outcomes from QI projects and showcase our improvement work across the organisation.

Cygnnet Clinical Strategy 2021-2022

At the start of 2021 we launched, in consultation with service users, staff and external stakeholders (including NHS commissioners) an updated Clinical Strategy for Cygnnet. Our shared commitment remains to provide all individuals with the best possible care and ensure that we deliver the right care, at the right time, in the right location. Our clinical strategy is a blueprint of how we will ensure the delivery of high-quality, sustained person-centred care, support learning and innovation, and promote an open and fair culture.

Priority 1: Safe, effective and high quality person-centred care for all.

Priority 2: Foster an environment which is outward looking, open and fair.

Priority 3: Measurable outcomes and improvements that are meaningful through co-production with individuals, their friends, families and carers.

Priority 4: Recruitment and retention of high quality staff aligned with Cygnnet values.

Priority 5: We will support a culture that promotes continuous quality improvement and high quality research.

Our Commitment to Operational Excellence

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

We remain committed to our top priority — delivering safe, high quality care. 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.

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 members of staff across the business who are able to communicate real improvements for our service users.

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

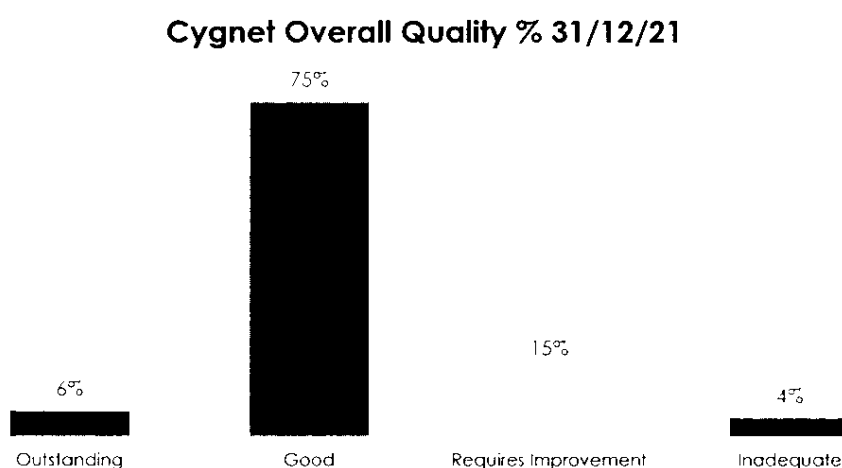
CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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, and show 81% (2020: 79%) of sites are rated Good or Outstanding, or equivalent.



Our regulatory ratings have continued to improve compared with 31/12/2020 our overall regulatory ratings have improved from 79% 'Outstanding' and 'Good' in 2020 to 81% 'Outstanding' and 'Good' in 2021. Numbers of 'Requires Improvements' have reduced from 16% in 2020 to 15%. Similarly the number of 'Inadequate' have reduced from 5% in 2020 to 4% in 2021. Our regulatory ratings continues to improve in the 2022, with the number of inadequate rated services at 2%.

We have an electronic dashboard Regulatory Inspection Service Improvement Plan (RISIP) which includes any actions identified by our regulators, we use this to monitor timely compliance with any required improvements and enables us to remediate identified actions. Lessons learnt from our inspections and themes identified are shared through our governance arrangements. Local services and Operations Directors are accountable for implementing and embedding improvements.

We have developed an electronic dashboard Quality Inspection Service Improvement Plan (QISIP) to collate any actions identified by our Quality Assurance Managers as part of their assessment programme, this provides Cygnnet with its' own electronic internal early warning system to help identify where services may require further support. The dashboard enables Cygnnet to closely monitor compliance with outstanding actions and intervene proactively. Results from the RISIP and QISIP are reviewed as part of Cygnnet's governance arrangements.

Key Performance Indicators ('KPIs')

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

Financial

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

Non-financial

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

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Staffing KPI's include recruitment of staff, retention of staff, training compliance and levels of agency.

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

Since the start of the pandemic our focus has always been on keeping those in our care and our staff as protected and safe as possible.

Our dedicated teams have closely tracked the COVID-19 situation from the outset, monitoring number of cases, isolation and staff sickness, through daily reports and via regular meetings from ward to Board and vice versa.

Although the current state of the COVID-19 pandemic continues to improve we have not yet transitioned to an endemic state, which is when the virus is considered to be at a steadier or more predictable level.

Therefore as we move forward in living with COVID-19 we continue to review and update our COVID-19 PPE policies and procedures to reflect national guidance. We provide all staff with access to the appropriate PPE, LFDs and PCR testing as required. In addition we provide COVID-19 testing to all patients / residents in accordance with guidance.

Whilst COVID-19 remains an uncertainty we do have the infrastructure and expertise in place to be able to respond, report and provide care effectively should another spike arise. We also have local Business Continuity Plans by site. Our Infection Prevention and Control (IPC) lead proactively shares latest guidance and best practice according to industry standards which we continue to share with Operational and Clinical staff, as well as our Corporate Support teams.

From May 2022, COVID-19 will be covered in the "Seasonal Respiratory Infections Policy", which also includes other respiratory infections.

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Loss of funding

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

As a provider with a national footprint across England, Wales and Scotland, and subsequently do business each year with most of the CCGs (soon to be ICBs), NHS Provider Collaboratives and NHS England, NHS Trusts, Health Boards, and Local Authorities – across England, Scotland, Wales, Channel Islands, Isle of Man and Northern Ireland. Each commissioning entity is responsible for its own budget and commissioning strategy, which affords Cygnnet protection if revenues from a particular commissioning entity reduces.

Competition

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

Reputational risk

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

Regulatory risk

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

Inflationary Risk

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

Data risk

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

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

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

CYGNET HEALTH UK LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

Security and Cyber threats

Cygnnet 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. We have now collaborated with UHS and have implemented a 24/7 SOC (Security Operating Centre) utilising Cysiv a World Class Security monitoring platform.

Anti- Bribery and Corruption

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

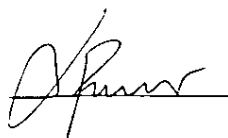
Data Protection Act (DPA) 2018 including General Data Protection Regulations (GDPR) 2016

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

Modern Slavery Act 2015

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

On behalf of the board.



Dr Antonio Romero
Director

27th June 2022

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



Mr Thomas Day
Director

27th June 2022

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The directors present their annual report and audited financial statements for the year ended 31 December 2021.

Principal activities

The principal activity of Cygnet Health UK Limited ("the Company") is that of a holding company to subsidiaries that own and operate psychiatric and elderly healthcare facilities.

Results and dividends

The results for the year are set out on page 24.

Ordinary dividends were paid amounting to £30,000k (2020: £24,000k). The directors do not recommend payment of a further 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 Mark Ground

Mr Michael McQuaid

Mr Gerald Corbett

(Resigned 19 July 2021)

Mr Thomas Day

(Appointed 30 July 2021)

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.

Financial and business risk management

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.

Cygnet 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.

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

At Cygnet, 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 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.

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Cygnnet 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 their first vaccination.

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.

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

The Group has limited 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.

Employee involvement

The Directors recognise the importance of Human Resources. The Cygnnet Health UK Limited Group ("Group") policy is to encourage active involvement of employees in the management of its facilities and in matters affecting employees' interests. Facilities have a Staff Relations Group ('SRG').

The elected chairperson of the SRG attends 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 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.

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.

Political and charitable contributions

The Group made charitable contributions during the year of £5,000 (2020: £5,000).

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Energy and carbon report

This report presents the results of Streamlined Energy and Carbon Reporting (SECR) for Cygnet Health UK Limited and the Cygnet group as a whole. Data has been assessed and the report provided by Sustainable Advantage and covers the reporting period 1st January 2021 to 31st December 2021.

The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 implement the government's latest policy on SECR. SECR replaced the Carbon Reduction Commitment Energy Efficiency Scheme (CRC) in April 2019. This new framework aims to simplify the carbon and energy reporting requirements while still ensuring that companies have the information required to understand and reduce their emissions and energy costs.

Energy Consumption

	2021 kWh	2020 kWh
Aggregate of energy consumption in the year		
Gas combustion	34,382,335	37,181,201
Electricity purchased	17,117,205	17,536,623
Fuel consumed for transport	6,506,643	4,434,907
	<u>58,006,183</u>	<u>59,152,731</u>

Emissions of CO2 equivalent

	2021 metric tonnes	2020 metric tonnes
Scope 1 – direct emissions		
Gas combustion	6,297.50	6,424.00
Fuel consumed for owned transport	1,330.80	1,450.40
	<u>7,628.30</u>	<u>7,874.40</u>
Scope 2 – indirect emissions		
Electricity purchased	3,624.50	4,088.00
Scope 3 – Other indirect emissions		
Fuel consumed for transport not owned by the company	622.90	606.70
Renewable Electricity	(3,634.5)	(644.93)
	<u>8,251.20</u>	<u>11,924.10</u>
Intensity Ratio - Net Scope 1 and 2 tCO2e/£M turnover	<u>15.22</u>	<u>24.80</u>

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Quantification and reporting methodology

The UK Government's environmental reporting guidance on how to measure and report greenhouse gas emissions has been used, along with the provided greenhouse gas reporting figures for the relevant year. The financial control approach has been used to define the scope boundary.

A base year of 1st January 2020 to 31st December 2020 has been used, as this is the earliest year for which reliable data was recorded and measured. The base year is used as the benchmark for emission data and consumption changes, and the changes between this reporting period and the base year have been recorded and detailed. The recalculation policy is to recalculate the base year emissions only for relevant significant changes which meet the threshold of affecting 5% of base year emissions.

Scope 1, 2 and 3 emissions have been included within this report. Cygnet owned various properties where electricity and gas are the primary and only utilities. Cygnet owned company vehicles and had staff mileage claims. All activities are based within the UK.

Scope 1 emissions consist of natural gas usage within the building.

Scope 2 consist of electricity usage within the building.

Scope 3 emissions have been included.

Intensity measurement

An overall intensity ratio of gross Scope 1, 2 and 3 emissions per £M turnover has been calculated. This will allow comparison and benchmarking with similar sites and organisations and still drives energy reduction goals. Although building electricity is sourced through renewable energy contracts the location-based grid average emissions have been used to calculate intensity ratios.

The previous reduction target was to reduce gross Scope 1, 2 and 3 emissions by 5% from FY 2020 to FY 2021. This has been achieved though emissions may have been affected by the COVID -19 pandemic, this will therefore be reviewed in the next financial year. The chosen emissions reduction target for this financial year is to reduce the overall business intensity ratio by 5% from FY 2021 to FY 2022. The target is based upon the intensity ratio to improve performance, rather than allow for spurious improvements due to changes in operations. If the turnover theoretically remains the same across the current and upcoming reporting periods, predicted gross emissions are 7,481.6 tCO₂e. the table below shows the intensity ratio of 15.22 used and the target for the business, with comparison to the base year.

Overall intensity ratio, target, and predicted tCO₂e, with comparison to the base year. Intensity ratios are presented as net Scope 1 and 2 tCO₂e/£M turnover.

Base Year FY 2020		FY 2021		FY 2022	
tCO ₂ e	Intensity ratio	tCO ₂ e	Intensity ratio	tCO ₂ e	Intensity ratio
11,317.47	24.80	7,618.30	15.22	7,481.60	14.87

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Measures taken to improve energy efficiency

Cygnnet did not meet the criteria to comply with ESOS Phase 2. Cygnnet are, however, committed to sustainability and becoming as energy efficient as possible, the following energy-efficient actions have been taken to work towards the goal of becoming as sustainable as possible:

- Electricity is sourced from third-party renewable electricity contracts, meaning there are no actual carbon emissions from site

Carbon offsets and Electricity

Electricity purchased for own use or consumption: 17,117,205 kWh.

Of which renewable electricity: 17,117,205 kWh.

Cygnnet recognise that the company's primary responsibility is to reduce emissions as far as possible. However, as Cygnnet work towards responsible consumption practices, to mitigate any impact, a green tariff for 100% renewable electricity has been purchased. Every unit of renewable energy purchased comes with its own Renewable Energy Guarantee of Origin (REGO) certificate. This means there are no associated carbon emissions from electricity, reducing the carbon footprint by 3,634.5 tCO₂e, however location-based grid average emissions have been used to report the emissions figure.

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 group financial statements in accordance with UK-adopted international accounting standards and the company 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 group and company and of the profit or loss of the group 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 UK-adopted international accounting standards have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101 have been followed for the company financial statements, 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 group and company will continue in business.

The directors are responsible for safeguarding the assets of the group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

CYGNET HEALTH UK LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Directors' confirmations

In the case of each director in office at the date the directors' report is approved:

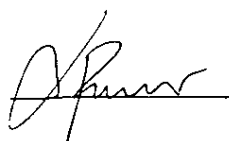
- so far as the director is aware, there is no relevant audit information of which the group's and company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the group's and company's auditors are aware of that information.

Going Concern

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

As part of the going concern review, the directors have considered the impact of Covid-19 as discussed in the strategic report. The Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has net assets of £1,056,399k (2020: £1,063,275). The Company has net assets of £876,775k (2020: £866,782k).

The directors' report was approved by the Board of Directors on 27th June 2022 and signed on its behalf by



Dr Antonio Romero
Director



Mr Thomas Day
Director

CYGNET HEALTH UK LIMITED

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF CYGNET HEALTH UK LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

In our opinion:

- Cygnet Health UK Limited's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2021 and of the group's profit and the group's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the company financial statements 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
- the financial statements 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 group and company statement of financial position as at 31 December 2021; the group income statement, the group statement of comprehensive income, the group and company statement of changes in equity and group statement of cash flows 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 group 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 group's and 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 group's and the company's ability to continue as a going concern.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

CYGNET HEALTH UK LIMITED

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF CYGNET HEALTH UK LIMITED

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 2021 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 group and company and their 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 group's and 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 group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

CYGNET HEALTH UK LIMITED

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF CYGNET HEALTH UK LIMITED

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to General Data Protection Regulation (GDPR) and Care Quality Commission standards, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial reporting through the use of journals impacting revenue and 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 the valuation of property, plant and equipment and the recoverability of goodwill; and
- Assessment of the company's whistleblowing facility and matters reported through the facility.

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

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

28 June 2022

CYGNET HEALTH UK LIMITED

GROUP INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

		Year ended 31 December 2021			Year ended 31 December 2020		
	Note	Before separately reported items £'000	Separately reported items* £'000	Total £'000	Before separately reported items £'000	Separately reported items* £'000	Total £'000
Revenue		500,565	-	500,565	456,311	-	456,311
Operating expenses		(453,834)	-	(453,834)	(412,639)	-	(412,639)
Net impairment losses on financial assets		(8)	-	(8)	(536)	-	(536)
Operating profit	2	46,723	-	46,723	43,136	-	43,136
Finance income	6	1	-	1	20	-	20
Finance costs	7	(229)	-	(229)	(218)	-	(218)
Other gains and losses	8	-	(4,658)	(4,658)	-	(3,329)	(3,329)
Profit before taxation		46,495	(4,658)	41,837	42,938	(3,329)	39,609
Income tax expense	9	(16,448)	885	(15,563)	(6,922)	633	(6,289)
Profit for the year		30,047	(3,773)	26,274	36,016	(2,696)	33,320

*Separately reported items relate to items outside our general trading operations but do form part of our statutory profit, the following are not considered part of our core trading business:

- Impairment of freehold land and buildings of £4,969k (2020: £14,941k)
- Reversal of previous impairment of freehold land and buildings of £10,412k (2020: £11,600k)
- Impairment of goodwill £10,154k (2020: Nil)
- Sale of an asset resulting in loss on disposal of £53k (2020: £12k).

Profit for the financial year is all attributable to the owners of the parent company. The accompanying notes on pages 31 - 62 form part of the financial statements.

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	£'000	£'000
Profit for the year	26,274	33,320
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
Revaluation of property, plant and equipment	20,052	71,098
Tax relating to items not reclassified	(25,683)	(18,758)
Total items that will not be reclassified to profit or loss	(5,631)	52,340
Total comprehensive income for the year	20,643	85,660

Total comprehensive income for the year is all attributable to the owners of the parent company.

The accompanying notes on pages 31 -62 form part of the financial statements.

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	12	76,705	87,423
Property, plant and equipment	13	1,022,220	1,004,156
Deferred tax asset	18	996	984
		<u>1,099,921</u>	<u>1,092,563</u>
Current assets			
Inventories		741	1,350
Trade and other receivables	15	71,736	65,748
Current tax recoverable		1,204	4,877
Cash and cash equivalents		65,294	36,216
Assets held for sale	31	726	-
		<u>139,701</u>	<u>108,191</u>
Current liabilities			
Trade and other payables	16	60,244	49,907
Lease liabilities	17	1,575	1,603
Deferred revenue	19	428	463
		<u>62,247</u>	<u>51,973</u>
Net current assets		<u>77,454</u>	<u>56,218</u>
Non-current liabilities			
Lease liabilities	17	4,203	5,238
Deferred tax liabilities	18	116,773	80,268
		<u>120,976</u>	<u>85,506</u>
Net assets		<u>1,056,399</u>	<u>1,063,275</u>
Equity			
Called up share capital	22	6,989	6,989
Share premium account		691,475	691,475
Revaluation reserve		278,051	294,748
Merger reserve		3,166	3,166
Capital redemption reserve		(210,042)	(210,042)
Retained earnings		286,760	276,939
Total equity		<u>1,056,399</u>	<u>1,063,275</u>

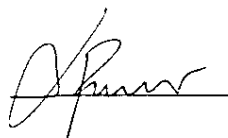
CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The accompanying notes on pages 31 - 62 form part of the financial statements.

The financial statements were approved by the board of directors and authorised for issue on 27th June 2022 and are signed on its behalf by:



Dr Antonio Romero
Director



Mr Thomas Day
Director

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Merger reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2021	6,989	691,475	294,748	(210,042)	3,166	276,939	1,063,275
Year ended 31 December 2021:							
Profit for the year	-	-	-	-	-	26,274	26,274
Other comprehensive income:							
Revaluation of property, plant and equipment	-	-	20,052	-	-	-	20,052
Tax relating to other comprehensive income	-	-	(25,683)	-	-	-	(25,683)
Total comprehensive income for the year	-	-	(5,631)	-	-	26,274	20,643
Dividends	-	-	-	-	-	(30,000)	(30,000)
Credit to equity in respect of share-based payments	-	-	-	-	-	2,481	2,481
Other movements *	-	-	(11,066)	-	-	11,066	-
Balance at 31 December 2021	6,989	691,475	278,051	(210,042)	3,166	286,760	1,056,399

The accompanying notes on pages 31 - 62 form part of the financial statements.

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Share capital £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2020		6,989	691,475	243,824	(210,042)	3,166	264,664	1,000,076
Year ended 31 December 2020:								
Profit for the year		-	-	-	-	-	33,320	33,320
Other comprehensive income:								
Revaluation of property, plant and equipment		-	-	71,098	-	-	-	71,098
Tax relating to other comprehensive income		-	-	(18,758)	-	-	-	(18,758)
Total comprehensive income for the year		-	-	52,340	-	-	33,320	85,660
Dividends	10	-	-	-	-	-	(24,000)	(24,000)
Credit to equity for equity settled share-based payments	21	-	-	-	-	-	1,539	1,539
Other movements *		-	-	(1,416)	-	-	1,416	-
Balance at 31 December 2020		6,989	691,475	294,748	(210,042)	3,166	276,939	1,063,275

The accompanying notes on pages 31 - 62 form part of the financial statements.

* Other movements relates to the transfer of the increase in depreciation incurred as a result of the upward revaluation of fixed assets.

CYGNET HEALTH UK LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021		2020	
	Note	£'000	£'000	£'000	£'000
Cash flows from operating activities					
Cash generated from operations	26		81,900		73,541
Interest on lease liabilities			(229)		(218)
Tax paid			(1,080)		(7,435)
Net cash inflow from operating activities			80,591		65,888
Investing activities					
Purchase of property, plant and equipment		(19,510)		(28,494)	
Proceeds on disposal of property, plant and equipment		129		35	
Interest received		1		20	
Net cash used in investing activities			(19,380)		(28,439)
Financing activities					
Capital element of lease liabilities		(2,133)		(1,643)	
Dividends paid to equity shareholders		(30,000)		(24,000)	
Net cash used in financing activities			(32,133)		(25,643)
Net increase in cash and cash equivalents			29,078		11,806
Cash and cash equivalents at the beginning of year			36,216		24,410
Cash and cash equivalents at the end of year			65,294		36,216

The accompanying notes on pages 31 - 62 form part of the financial statements.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

Cygnnet Health UK Limited (the "Company") is a company incorporated and domiciled in the UK. The Company's registered number is 06464637 and is a private company limited by shares.

The address of the Company's registered office is:

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

The Group financial statements consolidate those of the Company, and its subsidiaries as at 31 December 2021. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The Group's primary activity is the ownership and operation of psychiatric hospitals and residential facilities.

1.1 Accounting convention

The group financial statements have been prepared in accordance with UK adopted International Accounting Standards (IAS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under UK adopted IAS.

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

The Company financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with the applicable accounting standards and Companies Act 2006.

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

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

Under section s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own profit and loss account.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

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;
- 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 include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share Based Payment;
- the requirements of IFRS7 Financial Instruments: Disclosures; and
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement.

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

1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

1.3 Basis of consolidation

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are currently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.4 Going concern

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

The Directors have reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has net current assets of £77,454k (2020: £56,218k) and net assets of £1,056,399k (2020: £1,063,275k). The Company has net current assets of £876,194k (2020: £866,201k) and net assets of £876,775k (2020: £866,782k). In making this assessment, the Directors forecast cash flows and available liquidity until December 2023 and modelled a downside scenario with 2% lower occupancy and 0.2% lower price increases. Under either of these scenarios, the Group has sufficient liquidity to meet its obligations as they fall due.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group has a strong asset based and cash generation forecasts. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

1.5 Revenue

Revenue relates to income received from operating psychiatric facilities, rehabilitation facilities, residential homes, nursing homes, supported living services and specialist day services.

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 Group provides an integrated package of services to service users on their behalf. Revenue is recognised through the provision of contracted services, and is recognised in the accounting period in which the service is provided. This is usually when the service user has received services from the Company which is typically provided on a daily basis.

The Group works closely with the NHS with quarterly monitoring in place to ensure that targets are met. Since the NHS mostly pays monthly in advance, non-payment is unlikely and the amounts received are rarely different to the contract price. The Group never receives income more than a year in advance.

1.6 Classification of financial instruments

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholder's funds) only to the extent that they meet the following conditions:

- They include no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or liabilities with another party under conditions that are potentially unfavourable to the Group;
- Where the instruments will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or it's a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments; and
- To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as dividends and recorded directly in equity.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.7 Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Goodwill	Indefinite life
Software	5 years

1.8 Property, plant and equipment

Property, plant and equipment are initially recorded at cost and are subsequently revalued at their fair value less accumulated depreciation and impairment losses. The revaluation takes place annually and where there are gains on revaluation these are taken other comprehensive income except where this offsets any prior years' losses or any current year depreciation taken to the income statement. Where there are losses on revaluation these are first recorded in other comprehensive income then any proportion which would reduce the value to less than the asset's historical cost is taken to the income statement.

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

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

Depreciation is charged to the income statement to write off the cost less the estimated residual value on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Historically the residual value for freehold buildings has been zero but in 2020 this was 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. Where assets have been revalued the useful life of the asset is reset to the original term.

Freehold buildings	40 years
Short leasehold buildings	Over the life of the lease
Long leasehold buildings	Over the life of the lease
Fixtures, fittings and equipment	3 to 10 years
Motor vehicles	4 to 5 years
Assets in course of construction	Not depreciated
Freehold Land	Not depreciated

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

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.9 Investment in subsidiaries

Investment in subsidiaries are carried at cost less impairment.

1.10 Impairment

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

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. Impairment losses recognised in respect to cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis. A cash generating unit is the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

Reversal of impairment

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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.

1.11 Net financing costs

Net financing costs comprise interest payable, interest receivable in funds invested and dividend income.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement in the date the entity's right to receive payment is established.

1.12 Cash and cash equivalents

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

1.13 Financial liabilities

The group does not have any financial liabilities.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.14 Taxation

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

Current tax

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

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary 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 when the group has 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.

1.15 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 inventories or 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 group 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 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.

1.16 Financial assets

Financial assets comprise trade and other receivables, cash and cash equivalents and are recognised initially at fair value then subsequently recognised at amortised cost using the effective interest rate method.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.17 Share-based payments

The fair value of the amount payable to employees in respect of share options in the ultimate parent, Universal Health Services Inc., which will be equity settled, are recognised as an expense with a corresponding increase in equity. The fair value of options is measured at grant date, with any charge being spread over the vesting period. Further details are set out in note 21.

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

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

The fair value of amounts payable to employees in respect of the long term incentive plan is taken to the income statement spread over the vesting period. Further details are set out in Note 21.

1.18 Leases

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

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

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

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

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

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

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

1.19 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

1.20 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.

Transactions with key management personnel

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

Other related party transactions

Other than the payment of a dividend to the UK ultimate parent there were no other related party transactions during the current or preceding year.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

1.21 Critical accounting estimates and judgements

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

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

Key sources of estimation uncertainty

Goodwill arises upon business combinations and is considered to have an indefinite useful life. As a result it is tested for impairment on an annual basis. The key assumptions include the discount rate, the long term growth rate and the forecasted cash flows. Clearly these are a source of estimation uncertainty. Further information can be found in Note 12.

Freehold and leasehold buildings are revalued annually. The valuation was determined this year by a directors' valuation. In 2019 the valuation was conducted by Knight Frank LLP. Both valuations were determined by estimating a fair maintainable operating profit ("FMOP") for each site and applying an appropriate rate of return (Years Purchase "YP") that reflects the risk and rewards of the property and its trading potential. Clearly both of these elements are a source of estimation uncertainty. The YP is determined on a site-by-site basis and in 2021 has a range of 0 to 10 (2020: 0 to 10) depending on the future earnings expectations of the property. In determining the FMOP, the Directors consider the long-term operating profit potential for the site by reference to the latest budgets and forecasts and investment cases. The average FMOP per site is £903k (2020: £957k). As these factors are unobservable inputs the estimate is level 3 in the IFRS 13: Fair value hierarchy. Changes to FMOP or YP can result in material movements to the fair value of properties each reporting period. Where there are revaluations upwards, they are accounted for in other comprehensive income. Where revaluations are downwards to the base cost they are taken as a charge in the income statement. An increase/decrease in the YP by a factor of 1.0 would increase/decrease the property valuation by £137m. A 5% increase/decrease in the FMOP would increase/decrease the property valuation by £49m.

Critical accounting judgements in applying the Group's accounting policies

There have been no critical accounting judgements in applying the Group's accounting policies.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

2 Operating profit

	2021	2020
	£'000	£'000
Operating profit for the year is stated after charging / (crediting):		
Depreciation of property, plant and equipment	26,906	24,177
Loss on disposal of property, plant and equipment	53	12
Impairment of goodwill	10,154	-
Impairment of freehold land and buildings	4,969	14,941
Reversal of previous impairment of freehold land and buildings	(10,412)	(11,600)
Amortisation of intangible assets (included within administrative expenses)	564	1,052
Short term and low value leases	17	224
Share-based payments	2,481	1,539

3 Auditors' remuneration

	2021	2020
	£'000	£'000
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the group and company	91	91
Audit of the financial statements of the company's subsidiaries	488	552
	<u>579</u>	<u>643</u>

The audit of the Company was paid for by Cygnet Health Care Limited of which the Company shares the same ultimate parent undertaking.

4 Employees

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

	2021	2020
	Number	Number
Clinical staff	7,945	7,534
Non-clinical staff	2,067	1,957
Total	<u>10,012</u>	<u>9,491</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	267,604	237,637
Share based payments	2,481	1,539
Social security costs	24,945	21,843
Other pension costs	5,848	5,242
	<u>300,878</u>	<u>266,261</u>

5 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration (salary, bonus and other benefits)	2,568	1,727
Company pension contributions to defined contribution schemes	20	20
	<u>2,588</u>	<u>1,747</u>

Post-retirement benefits are accruing for 2 directors (2020: 2) under a money purchase scheme.

3 Directors, including the highest paid director, (2020: 3) exercised share options in the year.

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

	2021 £'000	2020 £'000
Remuneration (salary, bonus and other benefits)	1,229	839
Company pension contributions to defined contribution schemes	10	10
	<u>1,239</u>	<u>849</u>

6 Finance income

	2021 £'000	2020 £'000
Interest income		
Financial instruments measured at amortised cost:		
Bank deposits	<u>1</u>	<u>20</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Finance costs

	2021 £'000	2020 £'000
Interest on lease liabilities	229	218
Total interest expense	229	218

8 Other gains and losses

	2021 £'000	2020 £'000
Impairment of freehold land and buildings	10,412	11,600
Reversal of previous impairment of freehold land and buildings	(4,969)	(14,941)
Impairment of goodwill	(10,154)	-
Other gains and losses	53	12
	(4,658)	(3,329)

Where there are gains on revaluation of property, plant and equipment these are taken other comprehensive income to the extent that this offsets any prior years' losses or any current year depreciation taken to the income statement. Where there are losses on revaluation these are first recorded in other comprehensive then any proportion which would reduce the value to less than the asset's historical cost is taken to the income statement.

9 Income tax expense

	2021 £'000	2020 £'000
Current tax		
UK corporation tax on profits for the current period	4,688	4,888
Adjustment in respect of prior periods	64	(563)
Total UK current tax	4,780	4,325
Deferred tax		
Origination and reversal of temporary differences	5,074	1,551
Adjustment in respect of prior periods	465	413
Effect of rate change on opening liability	5,272	-
	10,811	1,964
Total tax charge	15,563	6,289

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Income tax expense

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

	2021 £'000	2020 £'000
Profit before taxation	41,837	39,609
Expected tax charge based on a corporation tax rate of 19% (2020: 19%)	7,949	7,526
Effect of expenses not deductible in determining taxable profit	4,114	2,348
Adjustment in respect of prior years	529	(150)
Effect of change in UK corporation tax rate on prior year	5,272	666
Effect of change in UK corporation tax rate on current year	649	-
Group relief	(4,061)	(4,104)
Income not taxable	(19)	-
Deferred tax not recognised	1,130	3
Taxation charge for the year	15,563	6,289

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

	2021 £'000	2020 £'000
Deferred tax arising on:		
Revaluation of property	25,683	18,758
Share based payments	30	-
	25,713	18,758

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

10 Dividends

	2021 per share p	2020 per share p	2021 Total £'000	2020 Total £'000
Amounts recognised as distributions:	0.0429	0.0343	(30,000)	(24,000)

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

11 Impairments

Impairment tests have been carried out where appropriate and the following impairment losses have been recognised in profit or loss:

	2021 £'000	2020 £'000
In respect of:		
Property, plant and equipment	4,969	14,941
Property, plant and equipment (reversal of previous impairments)	(10,412)	(11,600)
Goodwill	10,154	-
	<u>4,711</u>	<u>3,341</u>
Recognised in:		
Other gains and losses	<u>4,711</u>	<u>3,341</u>

The group undertakes an annual revaluation of freehold and leasehold buildings. Where there are losses on revaluation these are first recorded in other comprehensive income then any proportion which would reduce the value to less than the asset's historical cost is taken to the income statement. All property revaluations are Level 3 fair value measurements in line with IFRS 13. The valuations are determined by estimating a FMOP for each site and applying an appropriate rate of return that reflects the risk and rewards of the property and its trading potential.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Intangible assets

	Goodwill	Software	Customer contracts and trademarks	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 January 2020	93,460	2,770	1,030	97,260
At 31 December 2020	93,460	2,770	1,030	97,260
At 31 December 2021	93,460	2,770	1,030	97,260
Accumulated amortisation and impairment				
At 1 January 2020	6,601	1,154	1,030	8,785
Charge for the year	-	1,052	-	1,052
At 31 December 2020	6,601	2,206	1,030	9,837
Charge for the year	-	564	-	564
Impairment	10,154	-	-	10,154
At 31 December 2021	16,755	2,770	1,030	20,555
Carrying amount				
At 31 December 2021	76,705	-	-	76,705
At 31 December 2020	86,859	564	-	87,423
At 31 December 2019	86,859	1,616	-	88,475

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Intangible assets

Goodwill is considered to have an indefinite life. It is tested at least annually for impairment in accordance with IAS 36 'Impairment of assets' and IAS 38 'Intangible assets'. Software is amortised over 5 years.

Impairment testing for cash-generating units containing goodwill

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

The Group splits goodwill between three CGUs for the annual impairment testing, Secure, Non-Secure and Recent Acquisitions. The carrying value of goodwill split by these three CGUs is as follows:

	2021 £'000	2020 £'000
Secure	13,264	23,418
Non-Secure	60,606	60,606
Recent Acquisitions	2,835	2,835
	<u>76,705</u>	<u>86,859</u>

The Group has carried out a review of the recoverable amount of goodwill. This was judged to be its value-in-use. This was calculated using a cash flow projection based on the Board approved budget and the 3 year plan. These are then extrapolated using a long term growth rate of 2.1% (2020: 2.5%). These projections are then discounted at a post-tax rate of 7% (2020: 7%), equivalent to a pre-tax rate of 10% (2020: 9%). Using these assumptions it was determined that no impairment to goodwill was required for the non-secure and recent acquisitions CGU.

During the year there was an impairment of goodwill in the Secure CGU for £10,154k. The recoverable value of this CGU is £506,274k. The impairment has mainly arisen as a result of increased corporation tax rates leading to a reduction in future expected cashflows.

The recoverable values for the CGUs exceeds the carrying value of the CGUs by £Nil for Secure, £123m for Non-Secure and £77m for Recent Acquisitions. The change required in these CGUs to eliminate all the headroom is:

	Discount rate change	Long term growth rate change
Secure	N/A	N/A
Non-Secure	Increase of 1.3 percentage points	Decrease of 1.4 percentage points
Recent Acquisitions	Increase of 6.0 percentage points	Decrease of 4.4 percentage points

For the Secure CGU it would take an increase of 0.1 percentage points in the discount rate of a decrease of 0.1 percentage points in the long term growth rate change to cause a further impairment of £10,154k.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13	Property, plant and equipment								
		Freehold land and buildings £'000	Leasehold improvements £'000	Assets under construction £'000	Fixtures and fittings £'000	Motor vehicles £'000	Right of use assets £'000	Total £'000	
	Cost								
	At 1 January 2020	1,085,228	36,625	23,351	54,493	5,566	9,446	1,214,709	
	Additions	2,223	473	11,842	12,485	1,185	285	28,493	
	Disposals	-	-	(3)	(8)	(161)	-	(172)	
	Remeasurement of IFRS16 asset	-	-	-	-	-	(3)	(3)	
	Revaluation	71,354	(256)	-	-	-	-	71,098	
	Transfers	26,837	2	(24,705)	(2,163)	29	-	-	
	At 31 December 2020	1,185,642	36,844	10,485	64,807	6,619	9,728	1,314,125	
	Additions	1,451	3	6,855	10,470	657	73	19,509	
	Disposals	-	-	(15)	(2)	(157)	-	(174)	
	Reclassification to assets held for sale	(881)	-	-	(183)	-	-	(1,064)	
	Remeasurement of IFRS16 asset	-	-	-	-	-	768	768	
	Revaluation	21,379	(1,327)	-	-	-	-	20,052	
	Transfers	5,352	159	(6,134)	623	-	-	-	
	At 31 December 2021	1,212,943	35,679	11,191	75,715	7,119	10,569	1,353,216	

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

13 Property, plant and equipment	Freehold land and buildings £'000	Leasehold improvements £'000	Assets under construction £'000	Fixtures and fittings £'000	Motor vehicles £'000	Right of use assets £'000	Total £'000
Accumulated depreciation and impairment							
At 1 January 2020	236,555	22,954	1,890	17,923	1,708	1,570	282,600
Charge for the year	10,778	23	-	10,304	1,423	1,649	24,177
Eliminated on disposal	-	-	-	(2)	(147)	-	(149)
Impairment	14,937	4	-	-	-	-	14,941
Reversal of previous impairment	(11,600)	-	-	-	-	-	(11,600)
At 31 December 2020	250,670	22,981	1,890	28,225	2,984	3,219	309,969
Charge for the year	12,305	26	-	11,245	1,448	1,882	26,906
Eliminated on disposal	-	-	-	(2)	(96)	-	(98)
Reclassification to assets held for sale	(165)	-	-	(173)	-	-	(338)
Impairment	4,969	-	-	-	-	-	4,969
Reversal of previous impairment	(10,384)	(28)	-	-	-	-	(10,412)
At 31 December 2021	257,395	22,979	1,890	39,295	4,336	5,101	330,996
At 31 December 2020	934,972	13,863	8,595	36,582	3,635	6,509	1,004,156
At 31 December 2021	955,548	12,700	9,301	36,420	2,783	5,468	1,022,220

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

13 Property, plant and equipment

Revaluation

Freehold and leasehold land and buildings are measured using the revaluation model.

For the year ended 31 December 2021, the Directors have performed the valuation analysis informed by the previous external valuations performed by Knight Frank LLP. The valuation is performed on a property by property basis and estimates the value that could be realised on a sale. This is based on a transaction multiple applied against the fair maintainable operating profit of the sites. The fair maintainable operating profit is the level of sustainable profits a site could earn in its current condition at maturity and is based on Board approved budget for 2021 with adjustments to arrive at a maintainable level. In making their estimates of the fair maintainable operating profit, the Directors have considered the potential impact of climate change on future profits. In line with external forecasts, the Directors have assumed that energy costs will increase by 25% over base levels as the cost of reaching net zero are passed on. This has been incorporated into the valuation.

All property revaluations are Level 3 fair value measurements in line with IFRS 13, there are no Level 1 or 2 fair values. The total Level 3 fair value measurement for 2021 was £996,895k (2020: £978,262k).

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.

At 31 December 2021, had the freehold land and building been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £591,270k (2020: £588,149k).

As 31 December 2021, had the leasehold land and building been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £8,35k (2020: £8,195k).

Leased land and buildings

The net book value of leasehold land and buildings comprises long leasehold of £2,436k (2020: £2,371k) and leasehold improvements of £10,264k (2020: £11,492k).

Land

Freehold land and buildings includes £83,257k (2020: £83,257k) in respect of land which is not depreciated.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

14 Subsidiaries

Details of the company's subsidiaries at 31 December 2021 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Cygnnet Inter-Holdings Limited*^	United Kingdom	100	100	Holding company
Cygnnet 2002 Limited^	United Kingdom	100	100	Holding company
Cygnnet Health Properties Limited*^	United Kingdom	100	100	Property holding
Cygnnet Health Developments Limited*^	United Kingdom	100	100	Development company
Cygnnet 2000 Limited^	United Kingdom	100	100	Holding company
Cygnnet Trustees Limited^	United Kingdom	100	100	Employee benefit trust
Cygnnet Supported Living Limited^	United Kingdom	100	100	Holding company
Cygnnet PropCo HoldCo II Limited^	United Kingdom	100	100	Holding company
Stac Healthcare Limited^	United Kingdom	100	100	Property holding
Cygnnet PropCo II Limited^	United Kingdom	100	100	Property holding
Cygnnet PropCo HoldCo Ltd^	United Kingdom	100	100	Holding company
Cygnnet PropCo Limited^	United Kingdom	100	100	Property holding
Orchard Portman House Limited^	United Kingdom	100	100	Holding company
Orchard Portman Hospital Limited^	United Kingdom	100	100	Property holding
Taunton Hospital Limited^	United Kingdom	100	100	Property holding
Cygnnet Hospital Holdings Limited^	United Kingdom	100	100	Holding company
Cygnnet Surrey Limited	United Kingdom	100	100	Psychiatric healthcare
Cygnnet NW Limited	United Kingdom	100	100	Psychiatric healthcare
Cygnnet Aspirations Developments Limited^	United Kingdom	100	100	Holding company
Safe Spaces Limited	United Kingdom	100	100	Non trading
Cygnnet Care Services Limited	United Kingdom	100	100	Residential care facilities
Cygnnet Behavioural Health Limited	United Kingdom	100	100	Psychiatric healthcare
Cygnnet Learning Disabilities Midlands Limited	United Kingdom	100	100	Residential care facilities
CAS Learning Disabilities Services Limited^	United Kingdom	100	100	Non trading
Isand Limited^	United Kingdom	100	100	Residential care facilities
Isand (Domiciliary Care) Limited^	United Kingdom	100	100	Residential care facilities
Cygnnet Learning Disabilities Limited^	United Kingdom	100	100	Residential care facilities
CAS Aspirations Properties Limited^	United Kingdom	100	100	Investment company
CAS St Paul's Limited^	United Kingdom	100	100	Investment property
CAS Aspirations Properties V Limited	Jersey	100	100	Non trading
Short Ground Limited^	United Kingdom	100	100	Residential care facilities
Relativeto Limited^	United Kingdom	100	100	Residential care facilities
Caireach Limited^	United Kingdom	100	100	Residential care facilities
Cygnnet Clifton Limited	United Kingdom	100	100	Residential care facilities
CAS Clifton Healthcare Limited	United Kingdom	100	100	Non trading
CAS Healthcare Properties Limited^	United Kingdom	100	100	Investment property
CAS Aspirations Properties Limited	Jersey	100	100	Non trading
CAS Aspirations Properties III Limited	Jersey	100	100	Non trading
Cygnnet D Holdings Limited	Guernsey	100	100	Holding company
Cygnnet DHG Limited	Guernsey	100	100	Holding company
Cygnnet (DM) LLP	United Kingdom	100	100	Support services
Cygnnet (OE) Limited	United Kingdom	100	100	Residential care facilities
Cygnnet (DH) Limited	United Kingdom	100	100	Residential care facilities
Everycorner Limited^	United Kingdom	100	100	Residential care facilities

*indicates direct holdings. Remaining subsidiaries acquired through direct acquisitions

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

14 Subsidiaries

^ Taking an exemption from audit under 479A of the Companies Act 2006.

All subsidiaries are included in the Group consolidated financial statements.

Unless otherwise stated all of the companies listed above, are registered and incorporated in England and Wales. All entities have the same registered office as Cygnet Health Care Limited Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS with the exception of the Jersey and Guernsey entities. The Jersey entities have a registered office of 9 Burrard Street, St Helier, Jersey, JE4 5UE and the Guernsey entities have a registered office of Redwood House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA.

The year end of the above companies is 31 December, the same as the parent company.

15 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	72,916	68,967
Expected credit loss	(8,511)	(8,503)
	<u>64,405</u>	<u>60,464</u>
Other receivables	5,177	3,644
Prepayments	2,154	1,640
	<u>71,736</u>	<u>65,748</u>

The Group regularly reviews the ageing profile of the trade receivables and actively seeks to collect any amounts that have fallen outside of the defined credit terms.

As at 31 December 2021

	Trade receivables £'000	Loss allowance £'000	% Expected Loss Rate
Current	39,334	(34)	0.1%
Past due more than 1 month but less than two months	8,153	(52)	0.6%
Past due more than 2 months	<u>25,429</u>	<u>(8,425)</u>	<u>33.1%</u>
Total	<u>72,916</u>	<u>(8,511)</u>	<u>11.7%</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

15 Trade and other receivables

As at 31 December 2020

	Trade receivables £'000	Loss allowance £'000	% Expected Loss Rate
Current	26,983	(946)	3.5%
Past due more than 1 month but less than two months	8,007	(281)	3.5%
Past due more than 2 months	33,977	(7,276)	21.4%
Total	68,967	(8,503)	12.3%

16 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	12,615	9,818
Amounts owed to fellow group undertakings	251	252
Accruals	20,392	19,376
Social security and other taxation	6,542	6,490
Payroll	18,876	12,871
Other payables	1,568	1,100
	60,244	49,907

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

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

17 Lease liabilities

	2021	2020
	£'000	£'000
Maturity analysis		
Within one year	1,722	1,777
In two to five years	4,171	4,760
In over five years	780	1,327
Total undiscounted liabilities	6,673	7,864
Effect of discounting	(895)	(1,023)
Total discounted liabilities	5,778	6,841

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

	2021	2020
	£'000	£'000
Current liabilities	1,575	1,603
Non-current liabilities	4,203	5,238
	5,778	6,841

	2021	2020
	£'000	£'000
Amounts recognised in profit or loss include the following:		
Interest on lease liabilities	229	218

Other leasing information is included in note 23.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

18 Deferred taxation

	2021 £'000	2020 £'000
Deferred tax liabilities	116,773	80,268
Deferred tax assets	(996)	(984)
	<u>115,777</u>	<u>79,284</u>

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

	ACAs £'000	Tax losses £'000	Revaluations £'000	Capital £'000	Total £'000
Deferred tax liability at 1 January 2020	3,525	-	26,346	29,947	59,818
Deferred tax asset at 1 January 2020	-	(1,091)	-	-	(1,091)
Deferred tax movements in prior year					
Charge / (credit) to profit or loss	2,090	386	984	(1,661)	1,799
Credit to other comprehensive income	-	-	18,758	-	18,758
Deferred tax liability at 31 December 2020	5,615	279	46,088	28,286	80,268
Deferred tax asset at 31 December 2020	-	(984)	-	-	(984)
Deferred tax movements in current year					
Charge / (credit) to profit or loss	2,613	(291)	2,131	10,620	10,811
Credit to other comprehensive income	30	-	25,653	-	25,683
Deferred tax liability at 31 December 2021	8,258	-	69,610	38,906	116,774
Deferred tax asset at 31 December 2021	-	(996)	-	-	(996)

19 Deferred revenue

	2021 £'000	2020 £'000
Deferred revenue	<u>428</u>	<u>463</u>

All deferred revenues are expected to be settled within 12 months from the reporting date.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

20 Retirement benefit schemes

Defined contribution schemes

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

The total costs charged to income in respect of defined contribution plans is £5,848k (2020: £4,771k).

21 Share-based payment transactions

Universal Health Services Inc. scheme

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

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

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

Grant Date	Expiry date	Exercise Price	Fair value of option	Granted	Cancelled/forfeit	Exercised	Outstanding
18 March 2015	18 March 2020	\$117.29	\$21.277	55,000	(17,500)	(37,500)	-
23 March 2016	23 March 2021	\$118.62	\$23.770	71,000	(33,750)	(37,500)	-
29 March 2017	28 March 2022	\$124.56	\$27.029	146,500	(46,750)	(88,750)	11,000
20 March 2018	20 March 2023	\$119.64	\$28.169	102,000	(26,254)	(49,856)	25,890
20 March 2019	20 March 2024	\$132.02	\$30.435	83,250	(21,000)	(19,689)	42,561
20 March 2020	20 March 2025	\$67.69	\$69.810	99,000	(14,250)	(15,019)	69,731
17 March 2021	17 March 2026	\$138.80	\$40.420	112,500	(7,500)	-	105,000

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

Long term incentive plan

Certain employees of the Group participate in a long term incentive plan operated by Universal Health Services Inc., the ultimate parent undertaking. During 2021, the participants have purchased 200 class D Ordinary Shares in Cygnet Health UK Limited and were granted options to sell the shares to UK Acquisitions No.6 Limited.

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

For the year ended 31 December 2021 a charge of £1,832k (2020: £nil) has been recognised by the Group along with an associated capital contribution of £1,832k (2020: £nil) in relation to these D shares. This reflects the estimated contribution that UK Acquisition No.6 Limited has given its subsidiaries through granting the option to the Group's employees.

The valuation is categorised within Level 3 of the fair value hierarchy. The valuation has been derived by estimating the expected settlement of the options based on the Monte-Carlo model to simulate the financial targets. The value has been adjusted for expected leavers and these adjusted payments have been discounted using a risk free interest rate of 0.545%.

In order to estimate the outcome of the financial targets of the Group for the Monte-Carlo model they have been subjected to an expected volatility, which has been estimated to be 35% for the Group. This has been calculated using historical annualised volatility percentages for the ultimate parent undertaking and similar companies in the same industry, based on the 1 year preceding the valuation date.

21 Share-based payment transactions

Expenses

	2021 £'000	2020 £'000
Related to equity settled share based payments	2,481	1,539

22 Share capital

	2021 Number	2020 Number	2021 £'000	2020 £'000
Ordinary share capital				
Authorised, Issued and fully paid				
A Ordinary shares of £0.0001 each	16,622,710,320	16,622,710,320	1,662	1,662
B Ordinary shares of £0.0001 each	53,265,848,000	53,265,848,000	5,327	5,327
C Ordinary shares of £0.0001 each	200	200	-	-
D Ordinary shares of £0.0001 each	200	-	-	-
			6,989	6,989

Holders of Class A and B Ordinary shares have equal entitlement to participate in dividends, and to share in the proceeds of winding up the company in proportion to the numbers of and amounts paid on the shares held. Every holder of Class A and B Ordinary shares are entitled to vote at a meeting of shareholders with each share entitled to one vote. Holders of Class C Ordinary shares do not have the right to participate in dividends or vote at meetings.

During the year 200 class D ordinary shares were issued. Holders of class D ordinary shares do not have the right to participate in dividends or vote at meetings.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

23 Other leasing information

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2021 £'000	2020 £'000
Expense relating to short-term leases	17	224

Set out below are the future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:

	2021 £'000	2020 £'000
Operating leases apart from land and buildings		
Within one year	19	7
Between two and five years	-	-
In over five years	-	-

Information relating to lease liabilities is included in note 17.

24 Capital commitments

	2021 £'000	2020 £'000
At 31 December 2021 the group had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	889	2,479

25 Capital risk management

The group is not subject to any externally imposed capital requirements.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

26 Cash generated from operations

	2021 £'000	2020 £'000
Profit for the year after tax	26,274	33,320
Adjustments for:		
Finance costs	229	218
Finance income	(1)	(20)
Gain on disposal of property, plant and equipment	(53)	(12)
Amortisation and impairment of intangible assets	564	1,052
Depreciation and impairment of property, plant and equipment	26,906	24,177
Impairment of goodwill	10,154	-
Impairment of revalued properties	4,969	14,941
Reversal of previous impairments of revalued properties	(10,412)	(11,600)
Equity settled share based payment expense	2,481	1,539
Taxation	15,563	6,289
Movements in working capital:		
(Increase)/decrease in inventories	609	(648)
(Increase)/decrease in trade and other receivables	(5,988)	1,374
Increase in trade and other payables	10,640	2,574
Increase/(decrease) in deferred revenue	(35)	337
Cash generated from operations	81,900	73,541

27 Parent and ultimate parent company

The Company is a subsidiary undertaking of Universal Health Services Inc. The registered office is 367 South Gulph Road, King of Prussia, PA 19406.

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 consolidated financial statements of the group are available to the public and may be obtained from the below website.

<http://www.uhsinc.com/>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

28 Related parties - Group

Identity of related parties with which the Group has transacted

The immediate parent of the Group is UK Acquisitions No. 6 Limited. At the yearend £251,000 (2020: £252,000) was owed to UK Acquisitions No. 6 Limited.

The ultimate controlling party of the Group is Universal Health Services Inc. Transactions between Cygnet Health UK Limited and its subsidiaries, which are related parties of the Company, have been eliminated on consolidated and are not disclosed in this note.

Transactions with key management personnel

The compensation of key management personnel (the Directors) is as follows:

	2021	2020
	£'000	£'000
Key management emoluments including social security costs	2,568	1,727
Share based payments	1,678	-
Company contributions to money purchased pension plans	<u>20</u>	<u>20</u>
	4,266	1,747

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

29 Financial instruments

The Group has exposure (or had exposure for at least part of the year) to the following financial risks from its normal course of business:

- Capital risk management;
- Credit risk;
- Liquidity risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Board of Directors oversees the adequacy of the financial risk management framework in relation to the risks faced by the Group.

Capital risk management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence to sustain future development of the business.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the customer base, including the default risk of the industry and country in which the customers domicile has less of an influence on credit risk. Cygnet did business with 357 NHS and Local Authority purchasing bodies. Cygnet maintains an active dialogue with all of its customers in order to meet their needs and reduce individual reliance on them.

Geographically there is no concentration of credit risk. Any potential credit risk arises on UK customers.

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain predetermined amount. The Group's privately funded customers are required to pay for services in advance unless covered by insurance in which case pre-authorisation is required from the insurer. The NHS purchasing bodies are invoiced monthly in arrears but charges are pre-authorised at the point of admission except for emergencies where these are completed within 48 hours of admission.

At the statement of financial position date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group uses financial instruments, comprising various items including trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. Short-term flexibility can be achieved using overdraft facilities.

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

29 Financial instruments

The following tables detail the Group's remaining contractual maturity in respect of income earning financial assets and interest bearing financial liabilities:

As at 31 December 2021:

	Total	Less than 1 year	1-2 years	2-5 years	5 years +
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	65,294	65,294	-	-	-
Trade and other receivables (excluding prepayments)	69,582	69,582	-	-	-
Trade and other payables	(53,451)	(53,451)	-	-	-
Lease liabilities	(5,778)	(1,575)	(1,253)	(2,672)	(278)
Amounts owed to group undertakings	(251)	(251)	-	-	-

As at 31 December 2020:

	Total	Less than 1 year	1-2 years	2-5 years	5 years +
	£'000	£'000	£'000	£'000	£'000
Cash and cash equivalents	36,216	36,216	-	-	-
Trade and other receivables (excluding prepayments)	64,108	64,108	-	-	-
Trade and other payables	(43,165)	(43,165)	-	-	-
Lease liabilities	(6,841)	(1,603)	(1,452)	(2,979)	(807)
Amounts owed to group undertakings	(252)	(252)	-	-	-

Fair value

The estimated fair value of the Group's financial instruments is set out below:

Financial assets	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade and other receivables	69,582	69,582	64,108	64,108
Cash at bank	65,294	65,294	36,216	36,216
	<u>134,876</u>	<u>134,876</u>	<u>100,324</u>	<u>100,324</u>
Financial liabilities	31 December 2021		31 December 2020	
	Carrying amount	Fair value	Carrying amount	Fair value
	£'000	£'000	£'000	£'000
Trade and other payables	(53,451)	(53,451)	(43,165)	(43,165)
Lease liabilities	(5,778)	(5,778)	(6,841)	(6,841)
Amounts owed to group undertakings	(251)	(251)	(252)	(252)
	<u>(59,480)</u>	<u>(59,480)</u>	<u>(50,258)</u>	<u>(50,258)</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE GROUP FINANCIAL STATEMENTS (CONTINUED)

AS AT 31 DECEMBER 2021

30 Cash flow from financing liabilities

	31 December 2021 £'000	31 December 2020 £'000
Cash and cash equivalents	65,294	36,216
Lease liabilities	(5,778)	(6,841)
Net debt	<u>59,516</u>	<u>29,375</u>

	Leases £'000	Cash £'000	Total £'000
Net debt as at 1 January 2020	(8,202)	24,410	16,208
Interest	(218)	-	(218)
Additions	(285)	-	(285)
Remeasurement of leases	3	-	3
Cash flow	1,861	11,806	13,667
Net debt as at 31 December 2020	<u>(6,841)</u>	<u>36,216</u>	<u>29,375</u>
Interest	(229)	-	(229)
Additions	(72)	-	(72)
Remeasurement of leases	(768)	-	(768)
Cash flow	<u>2,132</u>	<u>29,078</u>	<u>31,210</u>
Net debt as at 31 December 2021	<u>(5,778)</u>	<u>65,294</u>	<u>59,516</u>

31 Post balance sheet events

After the year end, the Company sold its Whorlton Hall property which at 31 December 2021 had a net book value of £726k for proceeds of £650k generating a loss on sale of £76k.

CYGNET HEALTH UK LIMITED

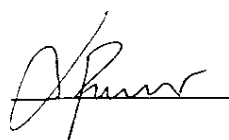
COMPANY STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

		2021	2020
	Notes	£'000	£'000
Non-current assets			
Investments	34	581	581
Current assets			
Trade and other receivables	35	192	192
Cash and cash equivalents		11	11
Amounts owed by group undertakings		890,095	878,162
		<u>890,298</u>	<u>878,365</u>
Current liabilities	36	(14,104)	(12,164)
Net current assets		<u>876,194</u>	<u>866,201</u>
Total assets less current liabilities		<u>876,775</u>	<u>866,782</u>
Equity			
Called up share capital	38	6,989	6,989
Share premium account		691,475	691,475
Own shares		3,166	3,166
Retained earnings		<u>175,145</u>	<u>165,152</u>
Total equity		<u>876,775</u>	<u>866,782</u>

As permitted by s408 Companies Act 2006, the company has not presented its own income statement and related notes. The company's profit for the year was £39,993k (2020 £38,563k).

The financial statements were approved by the board of directors and authorised for issue on 27th June 2022 and are signed on its behalf by:



Dr Antonio Romero
Director



Mr Thomas Day
Director

Company Registration No. 06464637

CYGNET HEALTH UK LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Own shares	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2020	6,989	691,475	3,166	150,589	852,219
Year ended 31 December 2020:					
Profit and total comprehensive income for the year	-	-	-	38,563	38,563
Dividends	-	-	-	(24,000)	(24,000)
Balance at 31 December 2020	<u>6,989</u>	<u>691,475</u>	<u>3,166</u>	<u>165,152</u>	<u>866,782</u>
Year ended 31 December 2021:					
Profit and total comprehensive income for the year	-	-	-	39,993	39,993
Dividends	-	-	-	(30,000)	(30,000)
Balance at 31 December 2021	<u>6,989</u>	<u>691,475</u>	<u>3,166</u>	<u>175,145</u>	<u>876,775</u>

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

32 Accounting policies

Company information

Cygnnet Health UK 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.

32.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) with international accounting standards in conformity with the requirements of the Companies Act 2006.

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

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

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

- the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share based Payment;
- the requirements of paragraphs 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 ; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered
- the requirements of IFRS 7 Financial Instruments: Disclosures.

The company applies accounting policies consistent with those applied by the group except as set out below.

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

32 Accounting policies

32.2 Net financing costs

Net financing costs comprise interest payable, interest receivable on funds invested and dividend income.

Interest income and interest payable is recognised in the income statement as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established.

Non - derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowing and trade and other payables. Non-derivative financial instruments are recognised initially at fair value.

32.3 Investment in subsidiaries

Investment in subsidiaries are carried at cost less impairment.

The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

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

Classification of financial instruments issued by the Group

Following the adoption of IAS 32, financial instruments issued by the Group are treated as equity (i.e.. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they included no contractual obligations upon the Group to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Group; and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are treated as dividends and are recorded directly in equity.

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

32 Accounting policies

32.4 Critical accounting estimates and judgements

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

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

The directors do not believe there are any critical estimates or judgements

33 Employees

There were no persons employed by the company during the year (2020: Nil).

34 Investments

	2021 £'000	2020 £'000
Investments in subsidiaries	581	581

Investment in subsidiary undertakings

Details of the company's principal operating subsidiaries are included in Note 14.

Movements in non-current investments

	Shares in subsidiaries £'000
Cost or valuation	
At 1 January 2021 & 31 December 2021	581
Carrying amount	
At 31 December 2021	581
At 31 December 2020	581

CYGNET HEALTH UK LIMITED

NOTES TO THE COMPANY FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

35 Trade and other receivables

	2021 £'000	2020 £'000
Other receivables	192	192
	<u>192</u>	<u>192</u>

36 Current liabilities

	2021 £'000	2020 £'000
Trade and other payables	405	405
Amounts owed to group undertakings	4,695	4,490
Current tax liabilities	9,004	7,269
	<u>14,104</u>	<u>12,164</u>

37 Trade and other payables

	2021 £'000	2020 £'000
Accruals	400	400
Other payables	5	5
	<u>405</u>	<u>405</u>

38 Called up share capital

Refer to note 22 of the group financial statements.