

Company Registration No. 06486927 (England and Wales)

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

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CYGNET CLIFTON LIMITED

COMPANY INFORMATION

Directors

Dr Antonio Romero
Mr Mark Ground
Mr Michael McQuaid
Mr Thomas Day

Secretary

Ms Katie Bowen

Company number

06486927

Registered office

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

Independent auditors

PricewaterhouseCoopers LLP
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London
WC2N 6RH

CYGNET CLIFTON LIMITED

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CYGNET CLIFTON LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

The strategic report set out below is the Cygnet Clifton Limited report for the year ended 31 December 2021.

Principal Activities

Cygnet Clifton Limited (Cygnet Clifton) is a leading UK provider of behavioural health services, focusing on delivering a diverse range of services to optimise the service user experience through its sites such as Acer Clinic, Clifton and Alders. Cygnet Clifton provides a broad coverage of the behavioural health spectrum from PICU / Acute to Personality Disorder.

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

Cygnet Clifton 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 Clifton 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 Clifton in the delivery of person-centred care.

Business Review

The results for the year ended 31 December 2021 and 31 December 2020 are set out in the Income Statement on page 16.

Company Revenue for the year was £12.5m (2020: £11.7m), an increase of £0.8m. Occupancy has increased by 3.1% following the retooling of a site. The remainder of the rent increase is due to a change in patient mix.

Operating profits for the year was £2.1m (2020: £2.1m). Operating profit margin has decreased to 16.5% (2020: 18.3%) due to staff changes.

Net assets have increased to £15.6m (2020: £13.4m). This was due to the profit for the year of £2.1m.

Cygnet Clifton continued to invest its cash flow to fund capital expenditure to maintain its existing sites, to invest in the operational infrastructure, its IT and systems infrastructure, and to develop further capacity. During the period the company spent £0.5m (2020: £0.2m) on capital expenditure.

CYGNET CLIFTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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

	2021	2020
	£m	£m
Revenue	12.5	11.7
Operating profit	2.1	2.1
Total assets	30.9	26.7
Total liabilities	(15.3)	(13.2)
Net Assets	15.6	13.4

Cygnnet Clifton operated 72 beds in 2021 (2020: 72) spread over three sites and employed an average of 149 clinical (2020: 144) and 31 non-clinical (2020: 33) staff.

Future prospects

At Cygnnet Clifton 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.

Cygnnet Clifton's 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.

CYGNET CLIFTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Environmental, Social and Governance (ESG) commitments

Cygnnet Clifton is committed to making our business more environmentally and socially sustainable. More information on the Cygnnet group's ESG commitments can be found in the Cygnnet Health UK Limited consolidated accounts.

Our commitment to our people

Cygnnet Clifton 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.

Cygnnet Clifton 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.

Cygnnet Clifton 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.

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

Our Strategic Plan 2022-2027 sets out our ambitions and our priorities which are aligned to the Cygnnet Values. We are committed to hearing our staff voice and ensuring everyone is treated equally, fairly and with respect. Our aim is to continually improve so that we can be even more proud of the care we provide as we move forward over the next five years.

Some specific examples include:

- 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
- Cygnnet 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.

Our commitment to community

Cygnnet Clifton genuinely values good relationships with people in the local communities where we have services. The Cygnnet group has 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.

CYGNET CLIFTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

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.

Cygnnet Clifton 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.

Environmental

Cygnnet Clifton services are proactive in the communities where we provide care and we are committed to having a positive impact on the environment.

We take our responsibility to contribute to a greener society very seriously and our Sustainability Strategy clearly 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 2045

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.

Cygnnet Clifton's Streamlined Energy and Carbon Reporting information can be found in the consolidated accounts of Cygnnet Health UK Limited.

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 'Cygnnet in Schools' initiative with the Education team from our CAMHS units.
- In partnership with local sports teams, further enhance the Cygnnet 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.
- Cygnnet-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.

Key Performance Indicators

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

Financial

These include EBITDA, which reflects the earnings before interest and tax, depreciation and amortisation. Adjusted margins are also considered and reflect the causes for changes in EBITDA, such as changes in occupancy rates. Other financial related KPI's include revenue levels.

CYGNET CLIFTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Non-financial

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

A monthly Quality Dashboard by region is produced which summarises performance by unit, this includes published Regulatory Ratings as well as the Internal Quality Assurance Manager Rating of the service. The Dashboard includes Audit Submissions as well as identifying underperforming audit compliance ratings, Resuscitation Simulations, surveys and results of Medication Audits.

We 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.

Other non-financial related KPI's include occupancy levels, debtor days and agency rates.

Key risks and uncertainties

Cygnnet Clifton will face many risks and uncertainties from external factors. The following are the most significant risks and uncertainties facing the company:

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 CLIFTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Competition

Cygnnet Clifton monitors competition closely to ensure that it remains competitive in the market place. It 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 Clifton 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 Clifton 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 Clifton'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 Cygnnet Group engages in clinical audit, internal audit of systems, controls and continuous monitoring of performance of employees and customer and service user satisfaction.

Cygnnet Clifton 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 Clifton 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.

Security and Cyber threats

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

Modern Slavery Act 2015

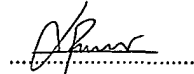
Cygnnet Clifton has a Slavery and Human Trafficking statement available on the company website. This states that Cygnnet has zero tolerance to slavery, human trafficking and violation of slavery law. Modern slavery is recognised as a category of abuse within our safeguarding policies. In regards our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

CYGNET CLIFTON LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

On behalf of the board



Dr Antonio Romero

Director

27 June 2022

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



Mr Thomas Day

Director

27 June 2022

CYGNET CLIFTON 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.

Results and dividends

The results for the year are set out on page 16.

No ordinary dividends were paid during the year (2020: £nil). The directors do not recommend payment of a final dividend (2020: £nil).

Directors

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

Dr Antonio Romero

Mr Mark Ground

Mr Michael McQuaid

Mr Gerald Corbett

(Resigned 19 July 2021)

Mr Thomas Day

(Appointed 30 July 2021)

Qualifying third party indemnity provisions

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the reporting date.

Financial and business risk management

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

Market and external risks

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

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

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

At Cygnnet 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.

Cygnnet 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 CLIFTON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Liquidity risk

Cygnnet Clifton 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 Clifton is supported by its long-term strategic partner Universal Health Services Inc. ("UHS"), the leading provider of behavioural health care in the USA.

Interest rate risk

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

Credit risk

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

Data risk

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

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

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment within the company's continues and that the appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee involvement

The directors recognise the importance of human resources. The Cygnnet Health UK Limited Group's ("Group") policy is to encourage active involvement of employees in the management of its facilities and in matters affecting employees' interests. Each facility has a Staff Relations Group ("SRG").

The elected chairperson of the SRG attends the twice yearly Board meetings at their facility and serves as a conduit for interaction between the Board and employees. The SRG also takes an active role in quality assurance and the accreditation process which all the Group's facilities embrace. In addition, the Group encourages personal career development for all employees through providing access to training and actively developing promotional opportunities. In order to obtain staff feedback, an annual staff engagement survey is carried out and reported on and exit interviews are collated independently.

A new Employee Assistance Programme has been introduced enabling staff to seek support on work or home/life issues, with the aim of the Company offering improved support to staff working in challenging environments.

CYGNET CLIFTON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Independent auditors

In accordance with section 487 of the Companies Act 2006, a resolution proposing that PricewaterhouseCoopers LLP be reappointed as auditors of the company will be put at the next Annual General Meeting.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

Directors' confirmations

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

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

CYGNET CLIFTON LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Going concern

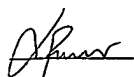
The financial statements have been prepared on a going concern basis which the Directors to be appropriate for the reasons set out below. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is in a net current asset and net asset position.

The directors have received a letter from Cygnet Health UK Limited indicating their intention to: (1) continue to provide the financial resources necessary to support the company in meeting its liabilities as and when they fall due for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2021; and (2) not to require settlement of outstanding intercompany balances to the extent that money is not, at the relevant settlement date, otherwise available to the company to meet such liabilities for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2021. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so and they have reviewed the consolidated group cash flow forecasts for the entity providing the letter of support extending 12 months from signing date and have concluded there are adequate resources to support the company as a going concern as well as all other subsidiaries to whom support is being provided for this period.

Future developments

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

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



Dr Antonio Romero

Director

Date: 27 June 2022



Mr Thomas Day

Director

Date: 27 June 2022

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent
TN15 7RS

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET CLIFTON LIMITED

Report on the audit of the financial statements

Opinion

In our opinion, Cygnet Clifton Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: statement of financial position as at 31 December 2021; the income statement, and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET CLIFTON LIMITED

Report on the audit of the financial statements

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 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 company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET CLIFTON LIMITED

Report on the audit of the financial statements

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to General Data Protection Regulation (GDPR) and Care Quality Commission standards, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006 (CA06) and taxation legislation. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the manipulation of financial reporting through the use of journals impacting revenue and profit and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries with management and those charged with governance, including consideration of any known or suspected instances of non-compliance with laws and regulations and fraud;
- Identifying and testing unusual journal entries, in particular journal entries posted with an unusual account combinations impacting revenue or profit;
- Reviewing minutes of meetings of the Board of directors;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, in particular in relation to whether there is an indicator of impairment for property plant and equipment; and
- Assessment of the company's whistleblowing facility and matters reported through the facility.

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET CLIFTON LIMITED

Report on the audit of the financial statements

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.



.....
Nigel Reynolds (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors
London

28 June 2022

CYGNET CLIFTON LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Revenue		12,546	11,713
Operating expenses		(10,462)	(9,534)
Net impairment losses on financial assets		(11)	(33)
Operating profit	3	2,073	2,146
Tax on profit	5	61	46
Profit for the financial year		2,134	2,192

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

The accompanying notes on pages 20 to 32 form part of the financial statements.

There is no other comprehensive income for the year (2020:nil).

CYGNET CLIFTON LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

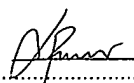
	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	6	-	2
Property, plant and equipment	7	5,938	5,615
		<u>5,938</u>	<u>5,617</u>
Current assets			
Inventories		22	25
Trade and other receivables	8	22,644	18,598
Deferred tax asset	9	494	433
Cash and cash equivalents		1,783	1,992
		<u>24,943</u>	<u>21,048</u>
Current liabilities			
Trade and other payables	10	15,193	13,124
Taxation and social security		109	96
		<u>15,302</u>	<u>13,220</u>
Net current assets		<u>9,641</u>	<u>7,828</u>
Total assets less current liabilities		<u>15,579</u>	<u>13,445</u>
Net assets		<u>15,579</u>	<u>13,445</u>
Equity			
Called up share capital	13	2,525	2,525
Share premium account		4,224	4,224
Retained earnings		8,830	6,696
Total equity		<u>15,579</u>	<u>13,445</u>

CYGNET CLIFTON LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements on pages 16 to 32 were approved by the Board of Directors on 27 June 2022 and signed on its behalf by:



Dr Antonio Romero
Director



Mr Thomas Day
Director

Company Registration No. 06486927

The accompanying notes on pages 20 to 32 form part of the financial statements.

CYGNET CLIFTON LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	2,525	4,224	4,504	11,253
Year ended 31 December 2020:				
Profit for the financial year	-	-	2,192	2,192
Balances at 31 December 2020	<u>2,525</u>	<u>4,224</u>	<u>6,696</u>	<u>13,445</u>
Year ended 31 December 2021:				
Profit for the financial year	-	-	2,134	2,134
Balances at 31 December 2021	<u>2,525</u>	<u>4,224</u>	<u>8,830</u>	<u>15,579</u>

The accompanying notes on pages 20 to 32 form part of the financial statements.

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

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

1.1 Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006 as applicable to companies using Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

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

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Cygnnet Health UK Limited in which the entity is consolidated;
- the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement;
- the requirement in paragraph 38 of IAS 1 'Presentation of Financial Statements' to present comparative information in respect of: (i) paragraph 79(a) (iv) of IAS 1, (ii) paragraph 73(e) of IAS 16 Property Plant and Equipment (iii) paragraph 118 (e) of IAS 38 Intangibles Assets, (iv) paragraphs 76 and 79(d) of IAS 40 Investment Property and (v) paragraph 50 of IAS 41 Agriculture;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member ;
- the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36 Impairment of Assets; and
- the requirements of IFRS 7 Financial Instruments: Disclosures.

Where required, equivalent disclosures are given in the group financial statements of Cygnnet Health UK Limited. The group financial statements of Cygnnet Health UK Limited are available to the public and can be obtained as set out in note 14.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated financial statement. The financial statements present information about the company as an individual entity and not about its group.

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors to be appropriate for the reasons set out below. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company is in a net current asset and net asset position.

The directors have received a letter from Cygnet Health UK Limited indicating their intention to: (1) continue to provide the financial resources necessary to support the company in meeting its liabilities as and when they fall due for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2021; and (2) not to require settlement of outstanding intercompany balances to the extent that money is not, at the relevant settlement date, otherwise available to the company to meet such liabilities for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2021. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so and they have reviewed the consolidated group cash flow forecasts for the entity providing the letter of support extending 12 months from signing date and have concluded there are adequate resources to support the company as a going concern as well as all other subsidiaries to whom support is being provided for this period.

1.3 Revenue

Revenue relates to income received from operating psychiatric facilities.

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

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

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

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.4 Property, plant and equipment

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

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

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of the property, plant and equipment and are recognised net within 'other operating income' in the income statement.

Depreciation is charged to the income statement to write off the cost less the estimated residual value on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Historically the residual value for freehold buildings has been zero but in 2020 this 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. The estimated useful lives are as follows:

Freehold buildings	40 years
Plant and equipment	5-10 years
Motor vehicles	5 years

1.5 Impairment of tangible and intangible assets

At each reporting period end date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Intangible asset with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in the profit or loss.

1.6 Inventories

Inventories are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition.

Inventories held for distribution at no or nominal consideration are measured at the lower of cost and replacement cost, adjusted where applicable for any loss of service potential.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.7 Cash and cash equivalents

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

1.8 Financial assets

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument.

Initial measurement of financial assets

Under IFRS 9 financial assets are initially classified and measured at fair value, with any changes in fair value going through the profit or loss as they arise (FVTPL), unless criteria are met that allows the instrument to be classified and measured at either amortised costs or fair value through other comprehensive income (FVOCI). Financial assets not classified as FVTPL are initially measured at fair value plus transaction costs.

Financial assets are classified and measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets are classified and measured at FVOCI if they are held in a business model whose objectives are achieved by collection contractual cash flows and selling financial assets.

Financial assets measured at amortised cost

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

Impairment of financial assets

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

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

The company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets are grouped based on shared credit risk characteristics and the days past due.

When a trade receivable is considered unrecoverable it is written off against the provision. Subsequent recoveries of amounts previously written off are credited against the provision. Changes in the carrying amount of the provisions are recognised in the profit and loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.9 Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.10 Equity instruments

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

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.11 Taxation

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

Current tax

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

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

1.12 Employee benefits

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

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

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

Defined contribution plans

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

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

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.13 Significant accounting policies and accounting estimates and judgements

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

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

The directors do not believe there are any critical estimates.

The directors believe there has been a key judgement whether there is an indicator for impairment for property plant and equipment. In making the judgement whether there is an indicator of impairment for property, plant and equipment, the directors consider the site-by-site valuation performed by one of the company's parent entity which holds property at their fair value. This fair value assessment utilises assumptions based on the fair, maintainable operating profit of the site and valuation multiples. Since the estimated fair value is above the carrying value, the directors have not identified an indicator of impairment at 31 December 2021.

1.14 New standards

There are no new accounting standards or amendments to existing accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2021 that have had a material impact on the company's financial statements.

2 Auditors' remuneration

	2021	2020
	£'000	£'000
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the company	13	12
	<u>13</u>	<u>12</u>

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

3 Operating profit

	2021	2020
	£'000	£'000
Operating profit for the year is stated after charging/ (crediting):		
Fees payable to the company's auditors for the audit of the company's financial statements	13	12
Depreciation of property, plant and equipment	207	181
Profit on disposal of property, plant and equipment	(1)	-
Amortisation of intangible assets	2	2
	<u>221</u>	<u>195</u>

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Employees

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

	2021	2020
	Number	Number
Clinical	149	144
Non-Clinical	31	33
	<hr/>	<hr/>
Total	180	177
	<hr/>	<hr/>

Their aggregate remuneration comprised:

	2021	2020
	£'000	£'000
Wages and salaries	6,504	5,996
Social security costs	589	507
Other pension costs	167	144
	<hr/>	<hr/>
	7,260	6,647
	<hr/>	<hr/>

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

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

5 Tax on profit

	2021 £'000	2020 £'000
Deferred tax		
Origination and reversal of temporary differences	43	(2)
Adjustment in respect of prior periods	15	1
Effect of changes in tax rates	(119)	(45)
	<u>(61)</u>	<u>(46)</u>

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

	2021 £'000	2020 £'000
Profit before taxation	2,073	2,146
Expected tax charge based on a corporation tax rate of 19.00% (2020: 19.00%)	394	408
Group relief	(527)	(534)
Deferred tax adjustments in respect of prior years	15	1
Depreciation in excess of capital allowances	25	7
Transfer pricing adjustment	151	117
Remeasurement of deferred tax for changes in tax rates	(119)	(45)
Total taxation credit for the year	<u>(61)</u>	<u>(46)</u>

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

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

6 Intangible assets

	Software £'000
Cost	
At 1 January 2021	12
At 31 December 2021	12
Accumulated amortisation	
At 1 January 2021	10
Charge for the year	2
At 31 December 2021	12
Carrying amount	
At 31 December 2021	-
At 31 December 2020	2

7 Property, plant and equipment

	Freehold land and buildings £'000	Assets under construction £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 January 2021	5,350	-	1,516	125	6,991
Additions	-	252	278	-	530
Transfers	252	(252)	-	-	-
At 31 December 2021	5,602	-	1,794	125	7,521
Accumulated depreciation					
At 1 January 2021	654	-	661	61	1,376
Charge for the year	-	-	182	25	207
At 31 December 2021	654	-	843	86	1,583
Carrying amount					
At 31 December 2021	4,948	-	951	39	5,938
At 31 December 2020	4,696	-	855	64	5,615

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

8 Trade and other receivables

	Current		Non-current	
	2021	2020	2021	2020
	£'000	£'000	£'000	£'000
Trade receivables	1,405	1,099	-	-
Expected credit loss provision	(96)	(85)	-	-
	<u>1,309</u>	<u>1,014</u>	<u>-</u>	<u>-</u>
Amounts owed by fellow group undertakings	21,189	17,526	-	-
Other receivables	128	37	-	-
Prepayments and accrued income	18	21	-	-
	<u>22,644</u>	<u>18,598</u>	<u>-</u>	<u>-</u>
Deferred tax asset	-	-	494	433
	<u>22,644</u>	<u>18,598</u>	<u>494</u>	<u>433</u>

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

The Directors have considered the credit risk associated with amounts owed by fellow group undertakings including incorporating the letter of support received from the counterparties parent and considered the potential method of recovery. As a result, no expected credit loss provision is required.

9 Deferred tax asset

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

	Short term tax difference	Tax losses	Fixed asset difference	Total
	£'000	£'000	£'000	£'000
Deferred tax asset at 1 January 2020	(2)	(424)	39	(387)
Deferred tax movements in prior year				
Charge/(credit) to profit or loss	(6)	(49)	9	(46)
Deferred tax asset at 31 December 2020	<u>(8)</u>	<u>(473)</u>	<u>48</u>	<u>(433)</u>
Deferred tax movements in current year				
Charge/(credit) to profit or loss	6	-	52	58
Effect of change in tax rate - profit or loss	(1)	(150)	32	(119)
Deferred tax asset at 31 December 2021	<u>(3)</u>	<u>(623)</u>	<u>132</u>	<u>(494)</u>

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Deferred tax asset

(Continued)

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

10 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	118	9
Amounts owed to fellow group undertakings	14,253	12,347
Accruals	813	761
Other payables	9	7
	<u>15,193</u>	<u>13,124</u>

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

11 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
CAS Clifton Healthcare Limited	United Kingdom	100	100	Non-trading

12 Retirement benefit schemes

	2021 £'000	2020 £'000
Defined contribution schemes		
Charge to profit or loss in respect of defined contribution schemes	167	144
	<u>167</u>	<u>144</u>

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

13 Called up share capital

	2021 £'000	2020 £'000
Ordinary share capital		
<i>Authorised, issued and fully paid</i>		
2,525,001 Ordinary Shares (2020: 2,525,001) of £1 each	2,525	2,525
	<u>2,525</u>	<u>2,525</u>

CYGNET CLIFTON LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

14 Controlling party

The largest group in which the results of the Company are consolidated is that headed by Universal Health Services Inc., a company incorporated in the US. The smallest in which they are consolidated is headed by Cygnet Health UK Limited. The consolidated financial statements of these groups are available to the public. Universal Health Services Inc. financial statements may be obtained from <http://www.uhsinc.com/> and Cygnet Health UK Limited financial statements may be obtained from:

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

15 Related party transactions

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

Identity of related parties

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

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

Other related party transactions

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