

Company Registration No. 06494808 (England and Wales)

**CYGNET PROPCO HOLDCO II LIMITED**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2020**



# **CYGNET PROPCO HOLDCO II LIMITED**

## **COMPANY INFORMATION**

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### **Directors**

Dr Antonio Romero  
Mr Mark Ground  
Mr Thomas Day

### **Secretary**

Mr Anthony Coleman

### **Company number**

06494808

### **Registered office**

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

### **Accountants**

PricewaterhouseCoopers LLP  
1 Embankment Place  
London  
WC2N 6RH

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# **CYGNET PROPCO HOLDCO II LIMITED**

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# CYGNET PROPCO HOLDCO II LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2020

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The strategic report set out below is the Cygnet Propco Holdco II Limited strategic report for the year ended 31 December 2020.

#### Principal Activities

The principal activity of the company continued to be that of a holding company. The company did not trade during the current and previous year.

During the prior and current year, Cygnet Propco Holdco II Limited had no employees (2019: nil).

Cygnet Propco Holdco II Limited is a wholly owned subsidiary of Cygnet Health UK Limited and the results of Cygnet Propco Holdco II Limited are included in the consolidated financial statements of Cygnet Health UK Limited.

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

#### Cygnet Health UK Limited Group ("the Group")

Cygnet is a leading UK provider of behavioural health services, focusing on delivering a diverse range of services to optimise the service user experience through its network of sites. Cygnet provides a broad coverage of the behavioural health spectrum from Secure, PICU / Acute, Mental Health Rehabilitation and Recovery, Personality Disorder, Children and Adolescents, Eating Disorder, Learning Disabilities, Autism Spectrum Disorder, Neuropsychiatric, Older Adults, Deafness and Mental Health. Cygnet operates across health and social care. During 2020, Cygnet has further developed its specialist services and supported living portfolios, in addition to opening new services working collaboratively with our customers to meet their changing needs.

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

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

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

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

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

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

# **CYGNET PROPCO HOLDCO II LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

### **Business Review**

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

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

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

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

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

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

\*Separately reported items in 2020 include:

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

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

	<b>2020</b>	<b>2019</b>
NHS	214	257
Local authorities	143	169
<b>Total</b>	<b>357</b>	<b>426</b>

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.

# **CYGNET PROPCO HOLDCO II LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

In 2020, Cygnet has been able to extend its delivery of health and social care services through organic development with various extensions and including the opening of new beds.

### **Section 172(1) of the Companies Act 2006**

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

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

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

### **COVID 19 Infection Control Measures**

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

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

# CYGNET PROPCO HOLDCO II LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### Our Corporate strategic priorities

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

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

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

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

Our Strategic priorities are:

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

### Cygnets Governance Structure

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

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

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

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

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

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

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

# CYGNET PROPCO HOLDCO II LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

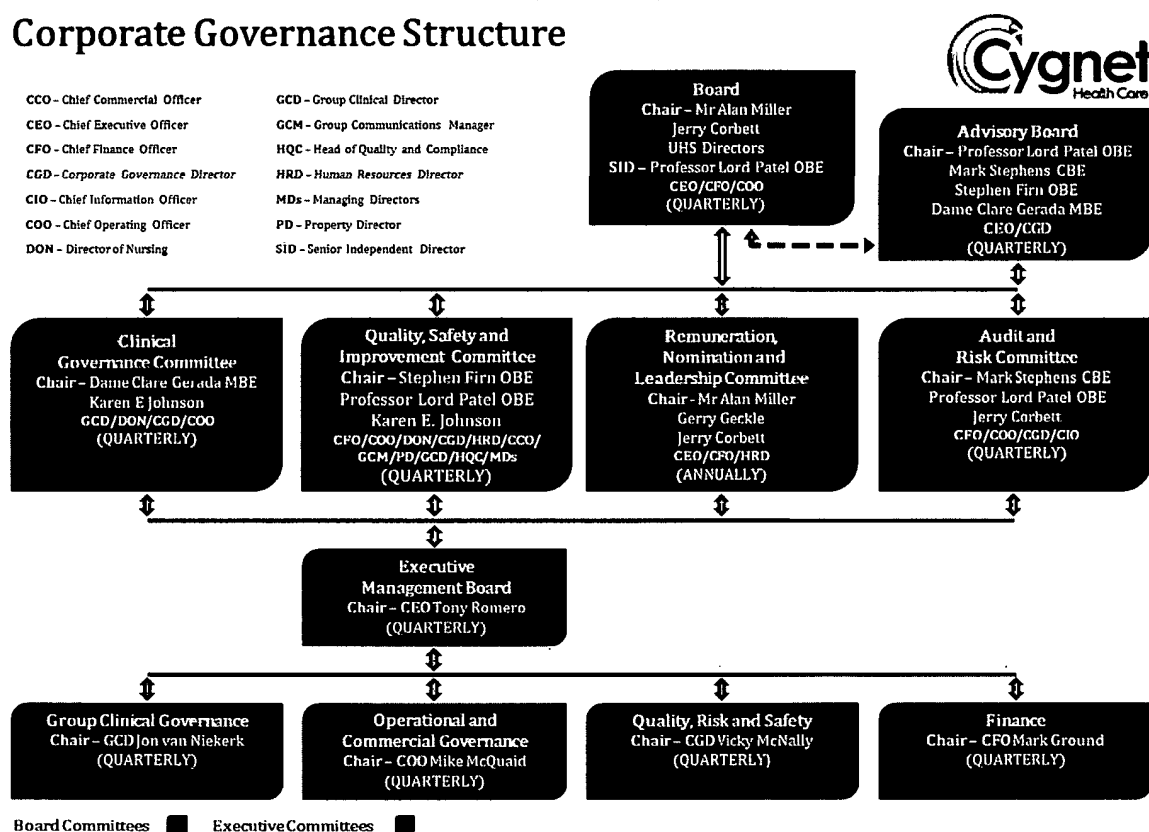
- Clinical Governance Committee;
- Remuneration, Nomination and Leadership Committee;
- Audit and Risk Committee; and
- Quality Safety and Improvement Committee.

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

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

This structure can be seen in the chart below.

## Corporate Governance Structure



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

We continue to work with our regulators aiming to be the market leader in our sector in delivery of clinical quality. We are pleased to report 100% compliance with ("CQUIN") in 2019/20 in line with the relevant NHS financial year.



# **CYGNET PROPCO HOLDCO II LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Cygnets approach to Clinical Governance**

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

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

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

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

Examples include:

- Recruitment, Selection and Appointment of Staff Policy – to consolidate our safer recruitment guidelines. Additionally the HR team provide appropriate tools to the business such as License to recruit training; individual recruitment plans and clearly defined processes;
- Freedom to Speak Up (Whistleblowing) Policy – as well as our independently run Whistleblowing line, we have also introduced a Freedom to Speak Up Guardian (FTSUG). As well as reviewing all concerns raised, the FTSUG is responsible for nurturing a culture of openness. This role sits outside the management structure and reports directly to the Executive Management Board. The Executive lead for the freedom to speak up service is the Director of Nursing; and
- Staff Retention and Leaving the Company Policy – retention of our people is one of our key strategic goals. Ongoing monitoring of staff surveys is undertaken to understand our teams, improve benefits and identify concerns. Turnover is monitored by tenure, and highlights that we have higher turnover of colleagues with shorter tenure. Work continues to improve candidates on boarding experience, support colleagues with selection as well as improved induction processes.

### **Anti- Bribery and Corruption**

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

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

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

### **Cyber**

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

### **Modern Slavery Act 2015**

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

# **CYGNET PROPCO HOLDCO II LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Our commitment to Service Users**

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

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

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

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

### **Expert by Experience**

Cygnat 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. Cygnat has entered into a service level agreement with Choice Support who manage the contracts with Expert by Experience. This ensures there is a robust governance around experts by experience and that they are looked after and all references and DBS checks are performed on all those who we use as experts by experience.

### **Our Commitment to Quality**

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

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

### **Our Quality Improvement Goals**

**Goal 1:** Delivering Excellence in Safe and Effective Care.

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

**Goal 3:** Ensuring our staff have time to care.

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

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

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

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

# CYGNET PROPCO HOLDCO II LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### Our Quality Achievements

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

#### Service user experience

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

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

#### Clinical effectiveness

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

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

#### Service user safety

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

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

**CYGNET PROPCO HOLDCO II LIMITED**  
**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

**Met**

**Commissioning for Quality and Innovation (CQUIN)**

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

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

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

**Our commitment to operational excellence**

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

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

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.

## **CYGNET PROPCO HOLDCO II LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

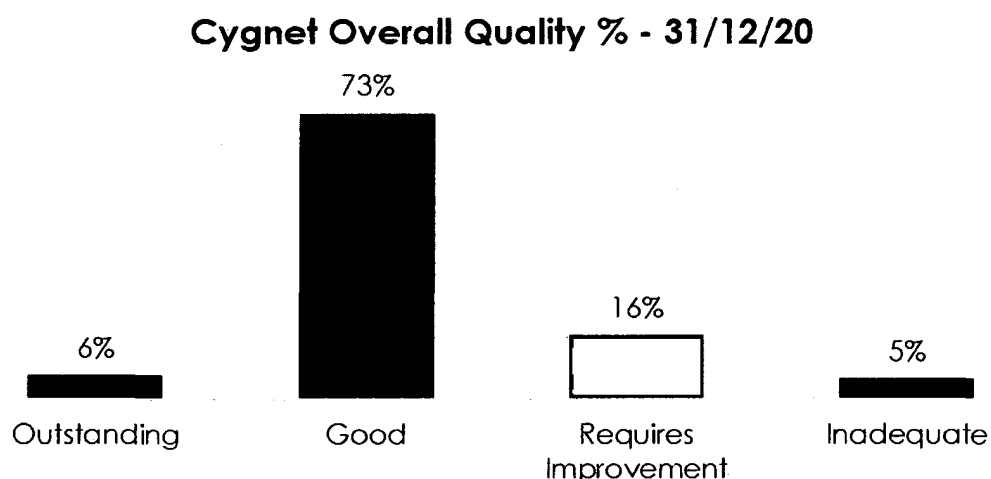
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Using our existing governance structures, we put data in the hands of leaders and key member of staff across the business who are able to communicate real improvements for our service users.

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

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

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



#### **Our commitment to community and the environment**

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

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

#### **Streamlined Energy and Carbon Reporting**

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

**CYGNET PROPCO HOLDCO II LIMITED**  
**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

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

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<b>Scope 2 emissions in metric tonnes CO<sub>2</sub>e</b>	
Purchased electricity	4,088
<b>Total gross emissions in metric tonnes CO<sub>2</sub>e</b>	12,569

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<b>Gross intensity ratio - tonnes CO<sub>2</sub>e per £million(revenue)</b>	27.55
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Through the purchase of zero-carbon electricity, Cygnet Health UK Limited was able to reduce its total emissions by 5.1%.

<b>Emission reductions in metric tonnes CO<sub>2</sub>e</b>	
Electricity purchased on zero-carbon contracts	-644.93
<b>Total net emissions in metric tonnes CO<sub>2</sub>e</b>	11,924
<b>Net intensity ratio - tonnes CO<sub>2</sub>e per £million(revenue)</b>	26.13

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The following standards are used in the calculation the above disclosures:

- 2019 HM Government Environmental Reporting Guidelines
  - GHG Reporting Protocol – Corporate Standard
  - 2020 UK Government's Conversion Factors for Company Reporting
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## **CYGNET PROPCO HOLDCO II LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **Energy Efficiency Action**

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

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

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

#### **Waste**

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

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

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

#### **Our commitment to our people**

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

Cygnet has introduced a new HR strategy which includes:

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

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

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

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

## **CYGNET PROPCO HOLDCO II LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

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

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

Cygnnet has further expanded its apprenticeships programmes including Trainee Nurse Associate and Leadership and Management. In 2020 we had 359 staff on apprenticeships. Cygnnet also regularly reviews its induction processes.

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

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

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

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

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

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

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

#### **People with disabilities**

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

#### **Key Performance Indicators ('KPIs')**

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

#### **Financial**

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

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

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# **CYGNET PROPCO HOLDCO II LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **Non-financial**

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

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

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

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

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

### **Future prospects**

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

- putting service users and residents at the centre of everything we do;
- looking after our staff;
- improving CQC ratings and CQUINS;
- integration of policies and procedures;
- furthering geographical coverage;
- developing and broadening of current service lines;
- extending service lines and care pathways;
- reacting to the changing dynamics of our market and customers, in particular developing strategic partnerships with the NHS; and
- providing an environment and culture which promotes excellence in what we do and a fulfilling place for staff to pursue their careers.

### **Key risks and uncertainties**

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

### **COVID-19**

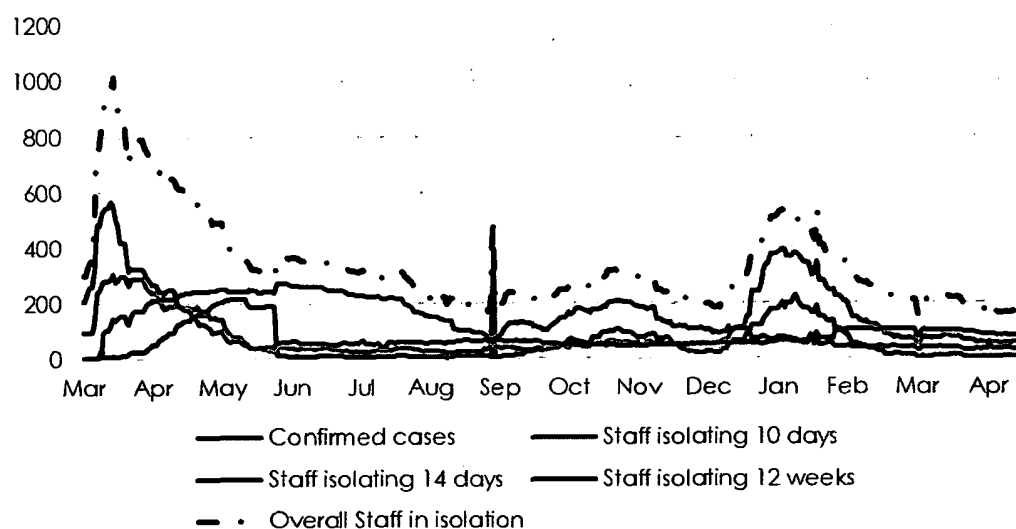
At Cygnets as the effects of COVID-19 are clear our focus continues to be keeping those in our care, and our staff as protected and safe as possible. We have very dedicated teams who are closely tracking the situation and its recovery. Our teams meet every day, from Ward to Board, to help ensure business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

## CYGNET PROPCO HOLDCO II LIMITED STRATEGIC REPORT (CONTINUED)

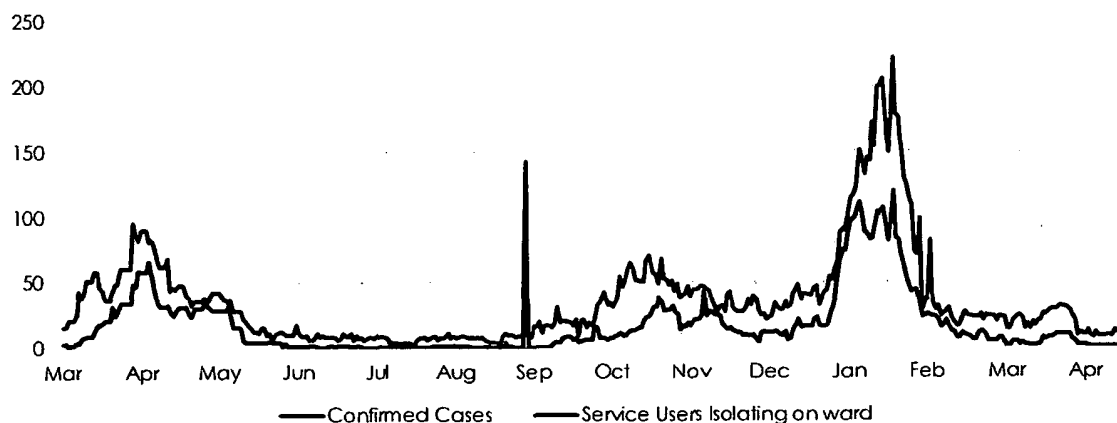
**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

### Staff isolations



### Service Users cases and isolation



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

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

## **CYGNET PROPCO HOLDCO II LIMITED**

### **STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

#### **Loss of funding**

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

#### **Competition**

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

#### **Brexit**

The United Kingdom left the European Union on 1<sup>st</sup> January 2021. The Trade and Cooperation Agreement ensures tariff free movement of goods between the European Union and the United Kingdom.

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

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

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

#### **Reputational risk**

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

#### **Regulatory risk**

Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnnet's policies and procedures. All themes and trends arising from CQC inspection reports are disseminated and action planning for improvements is shared across the group for learning purposes and to confirm Board Assurance. Health and Safety regulations are reviewed and internal policies, procedures and training updated in line with those regulations.

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

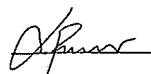
Cygnnet has an external whistleblowing phone line to ensure that any concerns felt by staff can be assured of a full hearing and action as a consequence this is in addition to having a Freedom to Speak Up Guardian (FTSU).

**CYGNET PROPCO HOLDCO II LIMITED**  
**STRATEGIC REPORT (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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On behalf of the board.



.....  
**Dr Antonio Romero**  
**Director**

30 July 2021

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



.....  
**Mr Mark Ground**  
**Director**

30 July 2021

# **CYGNET PROPCO HOLDCO II LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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

#### **Principal activities**

The principal activity of the company continued to be that of a holding company. Cygnet Propco Holdco II Limited did not trade during the current and previous year.

#### **Results and dividends**

The results for the year are set out on page 21.

No ordinary dividends were paid during the current period (2019: £nil). The directors do not recommend payment of a final dividend (2019: £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 Gerald Corbett

Mr Thomas Day

(Resigned 19 July 2021)

(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:

# **CYGNET PROPCO HOLDCO II LIMITED**

## **DIRECTORS' REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### ***Market and external risks***

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

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

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

There are also other external risks that Cygnnet is exposed to, for example the effects of Brexit. By working with our key suppliers and storing additional inventory of high risk items Cygnnet's supply of essential products have remained readily available. Also, whilst only a small proportion of Cygnnet's workforce are from the European Union, the end of free movement between the European Union and the United Kingdom may cause a tightening of the labour market.

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

#### ***Liquidity risk***

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

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

#### ***Interest rate risk***

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

#### ***Credit risk***

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

#### ***Data risk***

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

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

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

# CYGNET PROPCO HOLDCO II LIMITED

## DIRECTORS' REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### Parent guarantee

In accordance with section 476 the members have not required the company to obtain an audit of its accounts for the year ended 31 December 2020. This is due to its ultimate parent company, Universal Health Services Inc. providing a parent company guarantee over the company. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

#### Going concern

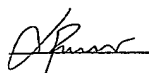
The Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has net current liabilities of £74k (2019: £74k), of which £74k (2019: £74k) relates to amounts due to related group undertakings.

The directors have received a letter from Cygnet Health UK Limited indicating their intention to: (1) continue to provide the financial resources necessary to support the company in meeting its liabilities as and when they fall due for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2020; and (2) not to require settlement of outstanding intercompany balances to the extent that money is not, at the relevant settlement date, otherwise available to the company to meet such liabilities for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2020. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so and they have reviewed the consolidated group cash flow forecasts for the entity providing the letter of support extending 12 months from signing date and have concluded there are adequate resources to support the company as a going concern as well as all other subsidiaries to whom support is being provided for this period.

#### Future developments

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

The directors' report was approved by the Board of Directors on 30 July 2021 and signed on its behalf by



Dr Antonio Romero  
**Director**  
30 July 2021



Mr Mark Ground  
**Director**  
30 July 2021

Nepicar House  
London Road  
Wrotham Heath  
Sevenoaks  
Kent  
TN15 7RS

## **CYGNET PROPCO HOLDCO II LIMITED**

### **INCOME STATEMENT**

***FOR THE YEAR ENDED 31 DECEMBER 2020***

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During the current and preceding year, the company did not trade and received no income and incurred no expenditure, therefore the company made neither a profit nor a loss.

The accompanying notes on pages 24 to 29 form part of the financial statements.

There is no other comprehensive income for the year.



# CYGNET PROPCO HOLDCO II LIMITED

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
<b>Fixed assets</b>			
Investments	4	74	74
		<u>          </u>	<u>          </u>
<b>Current liabilities</b>			
Trade and other payables	6	(74)	(74)
		<u>          </u>	<u>          </u>
<b>Net current liabilities</b>		<u>(74)</u>	<u>(74)</u>
<b>Total assets less current liabilities</b>		<u>-</u>	<u>-</u>
<b>Net assets</b>		<u>-</u>	<u>-</u>
<b>Equity</b>			
Called up share capital	7	-	-
Retained earnings		-	-
		<u>          </u>	<u>          </u>
<b>Total equity</b>		<u>-</u>	<u>-</u>

For the financial year ended 31 December 2020 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

The directors acknowledge their responsibilities for complying with the requirements of the Companies Act 2006 with respect to accounting records and the preparation of financial statements.

The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

The financial statements on pages 21 to 29 were approved by the Board of Directors on 30 July 2021 and signed on its behalf by:

Dr Antonio Romero  
Director

Mr Mark Ground  
Director

Company Registration No. 06494808

The accompanying notes on pages 24 to 29 form part of the financial statements.

## **CYGNET PROPCO HOLDCO II LIMITED**

### **STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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	Share capital	Retained earnings	Total equity
	£'000	£'000	£'000
<b>Balance at 1 January 2019</b>	-	-	-
<b>Year ended 31 December 2019:</b>			
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2019</b>	-	-	-
<b>Year ended 31 December 2020:</b>			
Result for the year	-	-	-
	<hr/>	<hr/>	<hr/>
<b>Balance at 31 December 2020</b>	-	-	-
	<hr/>	<hr/>	<hr/>

The accompanying notes on pages 24 to 29 form part of the financial statements.

# CYGNET PROPCO HOLDCO II LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

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#### 1 Accounting policies

##### Company information

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

#### 1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

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

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

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Cygnnet Health UK Limited in which the entity is consolidated;
- the requirements of paragraphs 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 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.

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 8.

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.

Cygnnet Propco Holdco II Limited is a wholly owned subsidiary of Cygnnet Health UK Limited and the results of Cygnnet Propco Holdco II Limited are included in the consolidated financial statements of Cygnnet Health UK Limited which are available from Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS.

# **CYGNET PROPCO HOLDCO II LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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### **1 Accounting policies**

**(Continued)**

#### **1.2 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 a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The company has net current liabilities of £74k (2019: £74k), of which £74k (2019: £74k) relates to amounts due to related group undertakings.

The directors have received a letter from Cygnet Health UK Limited indicating their intention to: (1) continue to provide the financial resources necessary to support the company in meeting its liabilities as and when they fall due for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2020; and (2) not to require settlement of outstanding intercompany balances to the extent that money is not, at the relevant settlement date, otherwise available to the company to meet such liabilities for a period of at least one year from the date of signing of the company's financial statements for the year ended 31 December 2020. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so and they have reviewed the consolidated group cash flow forecasts for the entity providing the letter of support extending 12 months from signing date and have concluded there are adequate resources to support the company as a going concern as well as all other subsidiaries to whom support is being provided for this period.

#### **1.3 Non-current investments**

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. 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.

# CYGNET PROPCO HOLDCO II LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 1 Accounting policies

(Continued)

#### 1.4 Financial assets

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

##### *Initial measurement of financial assets*

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

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

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

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

##### *Loans and receivables*

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

##### *Impairment of financial assets*

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

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

##### *Derecognition of financial assets*

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

#### 1.5 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 believe there have been judgements or estimates made by management in the application of preparation on a going concern basis.

#### 1.6 New standards

There are no new accounting standards or amendments to existing accounting standards or IFRIC interpretations that are effective for the year ended 31 December 2020 that have had a material impact on the company's financial statements.

## CYGNET PROPCO HOLDCO II LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

#### 2 Employees

The Company does not directly employ any individuals, other than the directors and hence does not incur any payroll costs (2019: £nil).

The UK directors received remuneration for services to Cygnet Health Care Limited of which Cygnet Propco Holdco II Limited is a fellow subsidiary undertaking, however, the directors do not receive emoluments for their services to this company which are deemed to be of negligible value. No directors remunerations or headcount are included in the above.

#### 3 Auditors' remuneration

	2020	2019
	£'000	£'000
Fees payable to the company's auditors:		
For audit services		
Audit of the financial statements of the company	-	1
	<u>          </u>	<u>          </u>

Cygnet Propco Holdco II Limited is exempt from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies using a parent company guarantee, as such no audit fees were charged to Cygnet Propco Holdco II Limited in the current year.

#### 4 Investments

##### Movements in investments

	Shares in group undertakings £'000
Cost	
At 1 January 2020 & 31 December 2020	74
	<u>          </u>
Carrying amount	
At 31 December 2020	74
	<u>          </u>
At 31 December 2019	74
	<u>          </u>

# CYGNET PROPCO HOLDCO II LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2020

### 5 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Cygnnet Propco II Limited	United Kingdom	100	100	Investment property
Stac Healthcare Limited	United Kingdom	100	100	Investment property

These companies have its registered office at Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS.

### 6 Trade and other payables

	2020 £'000	2019 £'000
Amounts owed to fellow group undertakings	74	74

Amounts are repayable on demand (and hence are included within current liabilities) but are not expected to be recalled within the next year. No interest is payable on these amounts.

7 Called up share capital	2020 £	2019 £
<i>Authorised, allotted, fully paid and called up</i>		
100 - Ordinary shares (2019: 100) of £1 each	100	100

### 8 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 Cygnnet Health UK Limited. The consolidated financial statements of these groups are available to the public. Universal Health Services Inc. financial statements may be obtained from <http://www.uhsinc.com/> and Cygnnet Health UK Limited financial statements may be obtained from:

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

## **CYGNET PROPCO HOLDCO II LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

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#### **9 Related party transactions**

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

##### *Identity of related parties*

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

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

##### *Other related party transactions*

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