

Company Registration No. 02141256 (England and Wales)

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

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**Cygnnet**  
Healthcare Limited

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# **CYGNET HEALTH CARE LIMITED**

## **COMPANY INFORMATION**

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<b>Directors</b>	Dr Antonio Romero Mr Mark Ground Mr Michael McQuaid Mr Thomas Day
<b>Secretary</b>	Mr Mark Ground
<b>Company number</b>	02141256
<b>Registered office</b>	Nepicar House London Road Wrotham Heath Sevenoaks Kent England TN15 7RS
<b>Independent auditors</b>	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

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# **CYGNET HEALTH CARE LIMITED**

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# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

#### **Principal Activities**

Cygnet Health Care Limited (Cygnet Health Care) 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 including Blackheath, Ealing, Harrow and Maidstone. Cygnet Health Care provides a broad coverage of the behavioural health spectrum from Secure, PICU / Acute, Personality Disorder, and Mental Health.

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

Cygnet Health Care 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 Health Care 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 Health Care 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 22.

Company Revenue for the year was £160.8m (2020: £148.3m), an increase of £12.5m. Occupancy has increased by 7.0% as a result of re-tooled sites providing higher bed capacity.

Operating loss for the year was £5.0m (2020: £10.2m) and the loss before tax was £30.6m (2020: £35.3m). Operating margin has increased to -3.1% (2020: -6.9%). Cygnet Health Care is responsible for the head office functions of the wider Cygnet group and this is reflected by the negative operating margin.

Net assets have decreased to £59.3m (2020: £95.0m). This was mostly due to the loss for the year being £32.6m and a fall in the valuation of the properties held by Cygnet Health Care.

Cygnet Health Care 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 £7.0m (2020: £8.6m) on capital expenditure.

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

	<b>2021</b>	<b>2020</b>
	<b>£m</b>	<b>£m</b>
Revenue	160.8	148.3
Operating Loss	5.0	10.2
Loss before tax	30.6	35.3
Total assets	1,248.5	1,217.3
Total liabilities	(1,189.2)	(1,122.2)
Net assets	59.3	95.0

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# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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Cygnnet Health Care operated 818 beds in 2021 (2020: 816) spread over a portfolio of over 19 sites and employed an average of 2,003 Clinical staff (2020: 1,851) and 836 Non-Clinical staff (2020: 780).

#### Future prospects

At Cygnnet Health Care 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 Health Care'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.

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

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

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

The Board of Directors of Cygnnet Health Care consider, both individually and together, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021.

#### Environmental, Social and Governance (ESG) commitments

Cygnnet Health Care 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.

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### Our commitment to our people

Cygnnet Health Care 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 Health Care 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 Health Care 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 Health Care 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.

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.

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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Cygnnet Health Care 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 Health Care 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 Health Care'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 ('KPIs')

Cygnnet Health Care 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.

#### 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.

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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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 Health Care 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.

#### **Competition**

Cygnnet Health Care 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 Health Care 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 Health Care 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.



# **CYGNET HEALTH CARE LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### Regulatory risk

Regulatory risk is the risk arising from adverse regulatory inspections, or employees failing to adhere to Cygnet Health Care'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 Cygnet Group engages in clinical audit, internal audit of systems, controls and continuous monitoring of performance of employees and customer and service user satisfaction

Cygnet Health Care 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

Cygnet Health Care 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 Cygnet is working with suppliers to fix prices where possible in order to give certainty over future costs.

#### Security and Cyber threats

Cygnet Health Care 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

Cygnet Health Care 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

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

#### Modern Slavery Act 2015

Cygnet Health Care has a Slavery and Human Trafficking statement available on the company website. This states that Cygnet 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, Cygnet Health Care has a number of procedures in place that contribute to ensuring modern slavery does not occur in our business or supply chains.

#### **Stakeholder Relationship and Engagement**

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

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

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

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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

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

Cygnet 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.

Every new supplier is carefully vetted to ensure they meet our business requirements and that they operate in line with Cygnet values. With key suppliers we hold regular review meetings to share service levels and seek opportunities for continuous improvement.

More information can be found in the Section 172(1) of the Companies Act 2006 section above.

#### Governance

##### Cygnet's Governance Structure

Cygnet is committed to providing high quality care through a robust governance framework that is transparent, accountable and inclusive. Clinical excellence and governance are the foundation of our business meaning we can provide high quality, safe, sustainable services and ensure learning opportunities to constantly improve and excel. Cygnet apply the broad principles of UK corporate governance best practice, drawing on the Wates principles as outlined below.

##### **Purpose, Leadership and Board Composition**

Our central service functions provide support to our operational and clinical colleagues and provide the organisation with external mechanisms to gain assurance and identify where further support is required. This includes fortnightly virtual meeting of the Senior Management team.

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

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

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

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

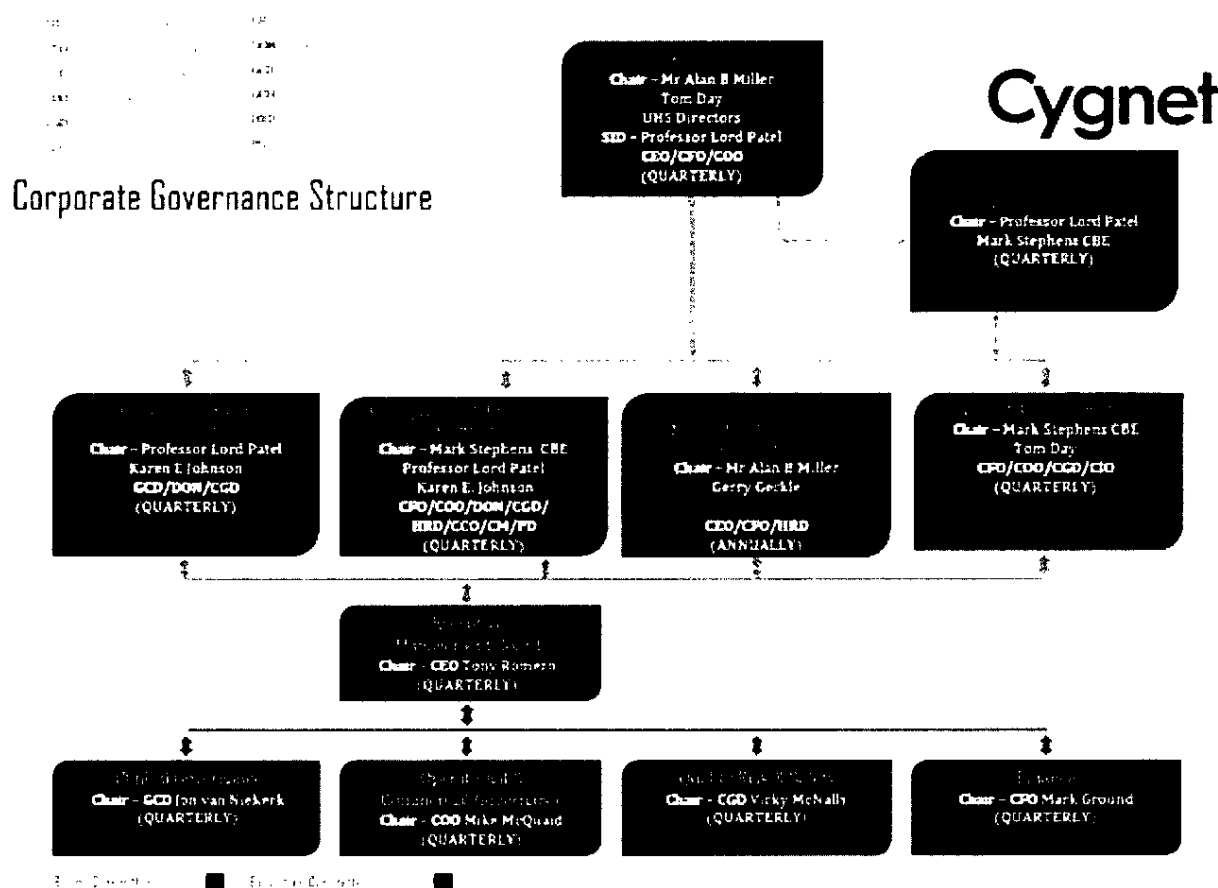
Cygnet has an Advisory Board, with members having senior experience and expertise to support the Board's Committees. Advisory Board Members are independent and hold non-executive positions, this is chaired by Cygnet's Senior Independent non-statutory Director, Professor Lord Patel OBE, and attended by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

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

This structure can be seen in the chart below.



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

### Directors Responsibilities'

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

### Opportunity and Risk

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

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

### Remuneration

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

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### Cygnets approach to Clinical Governance

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

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

Our Clinical Governance structure is supported by:

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

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

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

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

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

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

### Our Corporate strategic priorities

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

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

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

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

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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Our Strategic priorities are:

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

#### Our Commitment to Service Users

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

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

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

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

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

#### **Expert by Experience**

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

#### Our Commitment to Quality

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

# **CYGNET HEALTH CARE LIMITED**

## **STRATEGIC REPORT (CONTINUED)**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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

#### **Cygnet Clinical Strategy 2021-2022**

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

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

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

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

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

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

#### **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 — delivering safe, high quality care. This includes a persistent focus on treating individuals with respect, operating with integrity, building trust, empowering our teams and in providing a superior quality care.

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

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

At 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.

# CYGNET HEALTH CARE LIMITED

## STRATEGIC REPORT (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

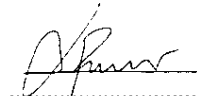
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Our regulatory ratings have continued to improve compared with 31/12/2020 our overall regulatory ratings have improved from 79% 'Outstanding' and 'Good' in 2020 to 81% 'Outstanding' and 'Good' in 2021. Numbers of 'Requires Improvements' have reduced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

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

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

On behalf of the board



Dr Antonio Romero  
Director

Date: 27 June 2022



Mr Thomas Day  
Director

Date: 27 June 2022

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

# **CYGNET HEALTH CARE LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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

#### **Principal activities**

The principal activity of Cygnet Health Care Limited ("the Company") is the operation of psychiatric and elderly healthcare facilities. The company is able to continue to carry out this trade as it operates out of hospitals either directly owned, owned by direct subsidiaries or leased from related undertakings. Three of the sites are leased from third parties.

#### **Results and dividends**

The results for the year are set out on page 22.

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. Risks are managed on a group basis:

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

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

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

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

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

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



# **CYGNET HEALTH CARE LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### ***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.

#### **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.

#### **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.

# **CYGNET HEALTH CARE LIMITED**

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

### **FOR THE YEAR ENDED 31 DECEMBER 2021**

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#### **Energy and carbon report**

The Cygnet group had a Streamlined Energy and Carbon Report (SECR) prepared by Sustainable Advantage which covers the reporting period 1st January 2021 to 31st December 2021. The report can be seen in the Cygnet Health UK Limited's consolidated accounts.

Information on how the directors have complied with the Wates principles and how the company engages with suppliers, customers and others in a business relationship can be found in the Strategic Report.

#### **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 HEALTH CARE LIMITED

## DIRECTORS' REPORT (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### Going concern

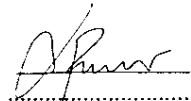
The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. The Company has net current liabilities of £314m (2020: £289m), of which £897m (2020: £836m) relates to amounts due to related group undertakings.

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 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.

On behalf of the board



Dr Antonio Romero  
Director



Mr Thomas Day  
Director

Date: 27 June 2022  
.....

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Cygnet Health Care 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: statement of financial position as at 31 December 2021; the income statement, the statement of comprehensive income 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.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

We have provided no non-audit services to the company or its controlled undertakings in the period under audit.

## **Report on the audit of the financial statements**

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### **Conclusions relating to going concern**

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- Reviewing the letter of support received from the company's parent Cygnet Health UK Limited and considering the financial health of this company and the group as a whole;
- Assessing the reasonableness of the cash flow forecasts of the group headed by Cygnet Health UK Limited by comparing estimated growth rates to the company's and its subsidiaries' historical growth rates;
- Reviewing the directors' reasonably possible downside scenario and considering its reasonableness, including whether it incorporates the impact of relevant principal risks identified by the directors. We also performed our own sensitivity analysis on this downside to understand the changes required to key assumptions to use all of the company's availability liquidity;
- Validating the liquidity available to the company's parent and its subsidiaries at 31 December 2021 by obtaining confirmation of cash balances held at bank and reviewing the loan agreement with the company's parent; and
- Assessing performance subsequent to 31 December 2021 compared to that forecasted.

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.

### **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.

## **Report on the audit of the financial statements**

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### ***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.

## **Report on the audit of the financial statements**

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### ***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 loss 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 loss;
- Reviewing minutes of meetings of the Board of directors;
- Challenging assumptions and judgements made by management in determining significant accounting estimates, in particular in relation to the valuation of property, plant and equipment, and
- 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CYGNET HEALTH CARE LIMITED**

### **Report on the audit of the financial statements**

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#### ***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.



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

Chartered Accountants and Statutory Auditors  
London

28 June 2022



# **CYGNET HEALTH CARE LIMITED**

## **STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

		2021		2020			
		Before separately reported items	Separately reported items*	Total	Before separately reported items	Separately reported items*	Total
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Revenue		160,787	-	160,787	148,328	-	148,328
Operating expenses		(163,368)	-	(163,368)	(158,023)	-	(158,023)
Net impairment (losses)/gains on financial assets		(638)	-	(638)	(536)	-	(536)
Operating loss	3	(3,219)	-	(3,219)	(10,231)	-	(10,231)
Finance income	7	17,136	-	17,136	16,244	-	16,244
Finance expenses	8	(42,800)	-	(42,800)	(41,352)	-	(41,352)
Other gains and losses		-	102	102	-	(4)	(4)
Loss before taxation		(28,883)	102	(28,781)	(35,339)	(4)	(35,343)
Tax on loss	9	(2,015)	(19)	(2,034)	(199)	1	(198)
Loss for the financial year		(30,898)	83	(30,815)	(35,538)	(3)	(35,541)

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

\*separately reported items have been deemed as non-recurring expenses which are not part of the core operating activities of the group and relate to:

- Revaluation of land and buildings of £102k being reversals of previous impairments (2020: £Nil)
- Impairment of land and buildings of £Nil (2020: £4,000)

The accompanying notes on pages 28 to 51 form part of the financial statements.

# CYGNET HEALTH CARE LIMITED

## STATEMENT OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
<b>Loss for the financial year</b>	<b>(30,815)</b>	<b>(35,541)</b>
	<u>          </u>	<u>          </u>
<b>Other comprehensive expense:</b>		
<b>Items that will not be reclassified to profit or loss</b>		
Revaluation of property, plant and equipment	(3,564)	(3,031)
Deferred tax movement on revaluation	(2,071)	(555)
	<u>          </u>	<u>          </u>
<b>Total items that will not be reclassified to profit or loss</b>	<b>(5,635)</b>	<b>(3,586)</b>
	<u>          </u>	<u>          </u>
<b>Total comprehensive expense for the year</b>	<b>(36,450)</b>	<b>(39,127)</b>
	<u>          </u>	<u>          </u>

The accompanying notes on pages 28 to 51 form part of the financial statements.

# CYGNET HEALTH CARE LIMITED

## STATEMENT OF FINANCIAL POSITION

**AS AT 31 DECEMBER 2021**

	Note	2021 £'000	2020 £'000
<b>Fixed assets</b>			
Intangible assets	10	2,687	2,687
Property, plant and equipment	11	321,546	348,570
Investments	12	292,436	292,436
		<u>616,669</u>	<u>643,693</u>
<b>Current assets</b>			
Inventories	13	289	832
Trade and other receivables	15	597,624	551,638
Current tax recoverable		10,208	12,144
Cash and cash equivalents		13,767	8,833
Taxation and social security		-	127
		<u>621,888</u>	<u>573,574</u>
<b>Current liabilities</b>			
Trade and other payables	16	910,358	853,067
Taxation and social security		2,681	-
Lease liabilities	17	10,242	9,468
Deferred income		428	463
		<u>923,709</u>	<u>862,998</u>
<b>Net current liabilities</b>		<u>(301,821)</u>	<u>(289,424)</u>
<b>Total assets less current liabilities</b>		<u>314,848</u>	<u>354,269</u>
<b>Non-current liabilities</b>			
Lease liabilities	17	243,974	253,557
<b>Provisions for liabilities</b>			
Deferred tax liabilities	18	9,801	5,670
<b>Net assets</b>		<u><u>61,073</u></u>	<u><u>95,042</u></u>

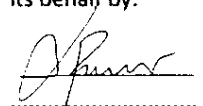
# CYGNET HEALTH CARE LIMITED

## STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
<b>Equity</b>			
Called up share capital	20	715	715
Share premium account		178	178
Revaluation reserve		26,892	33,072
Capital redemption reserve		4,839	4,839
Capital contribution reserve		1,832	-
Retained earnings		26,617	56,238
<b>Total equity</b>		<b>61,073</b>	<b>95,042</b>

The financial statements on pages 22 to 51 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

The accompanying notes on pages 28 to 51 form part of the financial statements.

Company Registration No. 02141256

# CYGNET HEALTH CARE LIMITED

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Called up share capital	Share premium account	Revaluation reserve	Capital redemption reserve	Capital contribution reserve	Retained earnings	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2020</b>	715	178	35,019	4,839	-	91,879	132,630
<b>Year ended 31 December 2020:</b>							
Loss for the financial year	-	-	-	-	-	(35,541)	(35,541)
Total other comprehensive (expense)/income:							
Revaluation of property, plant and equipment	-	-	(3,031)	-	-	-	(3,031)
Tax relating to other comprehensive expense	-	-	(555)	-	-	-	(555)
Total comprehensive expense for the year	-	-	(3,586)	-	-	(35,541)	(39,127)
Credit to equity for equity settled share-based payments	-	-	-	-	-	1,539	1,539
Other movements*	-	-	1,639	-	-	(1,639)	-
<b>Balance at 31 December 2020</b>	715	178	33,072	4,839	-	56,238	95,042

\* Other movements relate to a transfer from the revaluation reserve to retained earnings to reflect the difference between depreciation on a historic cost basis and revaluation basis.

# **CYGNET HEALTH CARE LIMITED**

## **STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Capital redemption reserve £'000	Capital contribution reserve £'000	Retained earnings £'000	Total equity £'000
<b>Balance as at 1 January 2021</b>		715	178	33,072	4,839	-	56,238	95,042
<b>Year ended 31 December 2021:</b>								
Loss for the financial year		-	-	-	-	-	(30,815)	(30,815)
Total other comprehensive expense:								
Revaluation of property, plant and equipment		-	-	(3,564)	-	-	-	(3,564)
Tax relating to other comprehensive expense		-	-	(2,071)	-	-	-	(2,071)
Total comprehensive expense for the year		-	-	(5,635)	-	-	(30,815)	(36,450)
Credit to equity in respect of share based payments		-	-	-	-	1,832	649	2,481
Other movements*		-	-	(545)	-	-	545	-
<b>Balance at 31 December 2021</b>		715	178	26,892	4,839	1,832	26,617	61,073

\* Other movements relate to a transfer from the revaluation reserve to retained earnings to reflect the difference between depreciation on a historical cost basis and revaluation basis.

The accompanying notes on pages 28 to 51 form part of the financial statements.

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

##### Company information

Cygnnet Health Care 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, except for the revaluation of property. 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 45(b) and 46-52 of IFRS 2 Share based Payment;
- 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 23.

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 Health Care Limited is a wholly owned subsidiary of Cygnnet Health UK Limited and the results of Cygnnet Health Care 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 HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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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 £314m (2020: £289m), of which £897m (2020: £836m) 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 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 and nursing homes.

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

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

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

##### 1.4 Goodwill

Goodwill represents the excess cost of acquisition over the fair value of net assets acquired. It is initially recognised as an asset at cost and it subsequently measured at cost less impairment losses.

The gain on a bargain purchase is recognised in the income statement in the period of the acquisition. Goodwill is considered to have an indefinite useful life.

For the purpose of impairment testing, goodwill is allocated to the cash-generating units expected to benefit from the acquisition. Cash-generating units to which goodwill has been allocated are tested for impairment at least annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.



# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.5 Intangible assets other than goodwill

Expenditure on internally generated goodwill and brands is recognised in the income statement as an expense as incurred.

Other intangible assets that are acquired by the company are stated at cost less accumulated amortisation and impairment losses.

#### 1.6 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.

Properties are initially recorded at cost and are subsequently revalued at their fair value less accumulated depreciation and impairment losses. If there is an upward revaluation of property then accumulated depreciation is reversed up to the amount of the increase in valuation.

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

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

Depreciation is charged to the income statement to write off the cost less the estimated residual value on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Historically the residual value for freehold buildings has been zero but in 2020 this was revised to be the indexed base cost of the property. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term. The estimated useful lives are as follows:

Freehold & Leasehold buildings	40 years
Plant and equipment	10 years
Motor vehicles	5 years
IFRS 16 - ROU Land and Building	Over remaining life of the lease
Land	Not depreciated

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

#### 1.7 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 HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### 1.8 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.9 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.

#### 1.10 Fair value measurement

IFRS 13 establishes a single source of guidance for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The company is exempt under FRS 101 from the disclosure requirements of IFRS 13.

#### 1.11 Cash and cash equivalents

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

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 1 Accounting policies

(Continued)

##### 1.12 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.

The company assesses on a forward-looking basis the expected credit loss associated with its financial assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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### 1 Accounting policies

(Continued)

#### 1.13 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments.

##### *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.

#### 1.14 Equity instruments

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

#### 1.15 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.

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **1 Accounting policies**

**(Continued)**

#### **1.16 Employee benefits**

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

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

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

##### ***Defined contribution plans***

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

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

#### **1.17 Share-based payments**

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes option pricing model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

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

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

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 1 Accounting policies

(Continued)

#### 1.18 Leases

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

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

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

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

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

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

#### 1.19 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.

#### 1.20 Separately reported items

Separately reported items have been deemed as non-recurring expenses which are not part of the core operating activities of the group. During the current and prior year, separately reported items include the impairment of land and buildings, and reversal of previous impairment of land and buildings.

Operating expenses include central costs relating to the provision of support services to the wider Cygnet portfolio. The allocation of central costs means that the company has recurring losses.

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 2 Significant 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.

#### *Key sources of estimation uncertainty*

Freehold and leasehold buildings are revalued annually. The valuation was determined this year by a directors' valuation. In 2019 the valuation was conducted by Knight Frank LLP. Both valuations were determined by estimating a fair maintainable operating profit ("FMOP") for each site and applying an appropriate rate of return (Years Purchase "YP") that reflects the risk and rewards of the property and its trading potential. Clearly both of these elements are a source of estimation uncertainty. The YP is determined on a site -by-site basis and in 2021 has a range of 0 to 9 (2020: 4 to 9) depending on the future earnings expectations of the property. In determining the FMOP, the Directors consider the long-term operating profit potential for the site by reference to the latest budgets and forecasts and investment cases. The average FMOP per site is £1,964k (2020: £2,088k). As these factors are unobservable inputs the estimate is level 3 in the IFRS 13: Fair value hierarchy. Changes to FMOP or YP can result in material movements to the fair value of properties each reporting period. Where there are revaluations upwards, they are accounted for in other comprehensive income. Where revaluations are downwards to the base cost they are taken as a charge in the income statement. An increase/decrease in the YP by a factor of 1.0 would increase/decrease the property valuation by £8,040k. A 5% increase/decrease in the FMOP would increase/decrease the property valuation by £3,250k.

#### *Key accounting judgements in applying the Group's accounting policies*

There is a key judgement whether there are potential indicators on whether the investments held by the Company are impaired. The Directors have assessed this by reference of the carrying value of the net assets of the Company's subsidiaries which exceed the carrying value of the investment and have therefore concluded that no indicators are present. The directors do not believe there are any indicators of impairment and thus the value of the investments remains at the same value as the prior year.

### 3 Operating loss

	2021	2020
	£'000	£'000
Operating loss for the year is stated after charging:		
Depreciation of property, plant and equipment	19,709	22,216
Low value and short term lease expenses	6	8
Net impairment losses on financial and contract assets	638	536
Share-based payments	2,481	1,539
	<u>24,834</u>	<u>24,299</u>

# CYGNET HEALTH CARE 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 Number	2020 Number
Clinical	2,003	1,851
Non-Clinical	836	780
	<u>2,839</u>	<u>2,631</u>

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	102,415	87,839
Social security costs	10,574	9,122
Other pension costs	2,292	2,116
Share based payments	2,481	1,539
	<u>117,762</u>	<u>100,616</u>

The non-UK directors did not receive emoluments for their services directly from this company which are deemed to be of negligible value (2020: £nil).

#### 5 Directors' remuneration

	2021 £'000	2020 £'000
Remuneration for qualifying services	2,568	1,727
Company pension contributions to defined contribution schemes	20	20
	<u>2,588</u>	<u>1,747</u>

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

	2021 £'000	2020 £'000
Remuneration for qualifying services	1,229	839
Company pension contributions to defined contribution schemes	10	10
	<u>1,239</u>	<u>849</u>



# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 5 Directors' remuneration (Continued)

The above directors remuneration relates to remuneration received by UK directors only.

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

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

#### 6 Auditors' remuneration

	2021 £'000	2020 £'000
Fees payable to the company's auditors:		
Audit of the financial statements of the company	147	151

Cygnnet Health Care Limited meets the cost of the audit fees for all subsidiaries.

#### 7 Finance income

	2021 £'000	2020 £'000
<b>Interest income</b>		
Interest on bank deposits	1	20
Interest receivable from group companies	17,135	16,224
<b>Total income</b>	<b>17,136</b>	<b>16,244</b>

Interest receivable from group companies is accrued at a rate of 5.1% per annum above LIBOR on intercompany balances.

At 31 December 2021 the interest rate benchmark LIBOR was transitioned to SONIA as a result of IBOR reform. There was no accounting impact on the accounts for the year ended 31 December 2021.

#### 8 Finance expenses

	2021 £'000	2020 £'000
<b>Interest on financial liabilities measured at amortised cost:</b>		
Interest payable to group undertakings	33,474	31,763
<b>Interest on other financial liabilities:</b>		
Interest on lease liabilities	9,326	9,589
<b>Total interest expense</b>	<b>42,800</b>	<b>41,352</b>

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 9 Tax on loss

	2021 £'000	2020 £'000
<b>Current tax</b>		
Other taxes	-	903
Adjustments in respect of prior period	(27)	446
<b>Total UK current tax</b>	<b>(27)</b>	<b>1,349</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	1,188	(1,173)
Adjustments in respect of prior periods	(39)	22
Effect of changes in tax rate	912	-
	<b>2,061</b>	<b>(1,151)</b>
<b>Total tax charge</b>	<b>2,034</b>	<b>198</b>

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.

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

	2021 £'000	2020 £'000
Loss before taxation	(28,781)	(35,343)
Expected tax credit based on a corporation tax rate of 19.00% (2020: 19.00%)	(5,468)	(6,715)
Effect of expenses not deductible in determining taxable profit	630	(2,048)
Income not taxable	(19)	-
Adjustment in respect of prior years	(27)	446
Group relief	7,173	7,936
Other permanent differences	(491)	-
Deferred tax adjustments in respect of prior years	(39)	22
Corporate interest restriction	524	443
Transfer pricing adjustment	(1,676)	-
Remeasurement of deferred tax changes in tax rate	912	(704)
Depreciation in excess of capital allowances	230	818
Deferred tax movement for change in tax rate	285	-
<b>Taxation charge for the year</b>	<b>2,034</b>	<b>198</b>

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### 9 Tax on loss

**(Continued)**

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

	<b>2021</b>	<b>2020</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax arising on:		
Revaluation of property	2,071	555
	<u>2,071</u>	<u>555</u>

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 10 Intangible assets

	Goodwill	Customer contracts and trademarks	Total
	£'000	£'000	£'000
<b>Cost</b>			
At 1 January 2021	6,216	1,030	7,246
At 31 December 2021	6,216	1,030	7,246
<b>Accumulated amortisation and impairment</b>			
At 1 January 2021	3,529	1,030	4,559
At 31 December 2021	3,529	1,030	4,559
<b>Carrying amount</b>			
At 31 December 2021	2,687	-	2,687
At 31 December 2020	2,687	-	2,687

#### Impairment tests for cash generating units containing goodwill

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

The goodwill has arisen from two acquisitions (Stac Healthcare Limited and Orchard Portman House Limited). The carrying value of goodwill split by as follows:

	2021 £'000	2020 £'000
Stac Healthcare Limited	937	937
Orchard Portman House Limited	1,750	1,750
	2,687	2,687

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

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 11 Property, plant and equipment

	Freehold & Leasehold buildings	Assets under construction	Plant and equipment	Motor vehicles	IFRS 16 - ROU Land and Building	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 31 December 2020	94,421	3,202	36,252	1,207	263,467	398,549
Additions	414	1,272	4,967	257	72	6,982
Remeasurement	-	-	-	-	895	895
Disposals	-	-	(3)	(31)	-	(34)
Revaluation	(3,509)	-	-	-	-	(3,509)
Transfer	772	(1,043)	271	-	-	-
IFRS 16 Transfer	-	-	-	-	(11,727)	(11,727)
At 31 December 2021	92,098	3,431	41,487	1,433	252,707	391,156
<b>Accumulated depreciation</b>						
At 1 January 2021	2,469	-	17,484	612	29,414	49,979
Charge for the year	545	-	5,688	255	13,221	19,709
Eliminated on disposal	-	-	-	(31)	-	(31)
Eliminated on revaluation	(47)	-	-	-	-	(47)
At 31 December 2021	2,967	-	23,172	836	42,635	69,610
<b>Carrying amount</b>						
At 31 December 2021	89,131	3,431	18,315	597	210,072	321,546
At 31 December 2020	91,952	3,202	18,768	595	234,053	348,570

For the year ended 31 December 2021, the Directors have performed the valuation analysis informed by the previous external valuations performed by Knight Frank LLP. The valuation is performed on a property by property basis and estimates the value that could be realised on a sale. This is based on a transaction multiple applied against the fair maintainable operating profit of the sites. The fair maintainable operating profit is the level of sustainable profits a site could earn in its current condition at maturity and is based on Board approved budget for 2022 with adjustments to arrive at a maintainable level. In making their estimates of the fair maintainable operating profit, the Directors have considered the potential impact of climate change on future profits. In line with external forecasts, the Directors have assumed that energy costs will increase by 25% over base levels as the cost of reaching net zero are passed on. This has been incorporated into the valuation.

All property revaluations are Level 3 fair value measurements in line with IFRS 13, there are no Level 1 or 2 fair values. The total Level 3 fair value measurement for 2021 was £89,131k (2020: £91,952k).

At 31 December 2021, had the leasehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £8,358k (2020: £8,195k). At 31 December 2021, had the freehold land and buildings been measured using the cost model (historical cost less accumulated depreciation and impairment losses) their carrying value would be £36,504k (2020: £36,393k).

The IFRS 16 Transfer represents amounts previously accrued that should be deducted from the right of use asset under the application of IFRS 16: Leases. This adjustment is not material and therefore has been made in the current year.

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 12 Investments

	2021 £'000	2020 £'000
Investments in subsidiaries	292,436	292,436

#### Movements in investments

	Shares in group undertakings £'000
<b>Cost</b>	
At 1 January 2021 & 31 December 2021	298,294
<b>Accumulated impairment</b>	
At 1 January 2021 & 31 December 2021	(5,858)
<b>Carrying amount</b>	
At 31 December 2021	292,436
At 31 December 2020	292,436

#### 13 Inventories

	2021 £'000	2020 £'000
Raw materials	289	832

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Investments

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
Orchard Portman House Limited*	United Kingdom	100	100	Holding company
Orchard Portman Hospital Limited	United Kingdom	100	100	Property holding
Taunton Hospital Limited	United Kingdom	100	100	Property holding
Cygnnet Hospital Holdings Limited*	United Kingdom	100	100	Holding company
Cygnnet Surrey Limited	United Kingdom	100	100	Psychiatric healthcare facilities
Cygnnet NW Limited	United Kingdom	100	100	Psychiatric healthcare facilities
Cygnnet Aspirations Developments Limited*	United Kingdom	100	100	Holding company
Safe Spaces Limited	United Kingdom	100	100	Non trading
Cygnnet Care Services Limited*	United Kingdom	100	100	Residential care facilities
Cygnnet Behavioural Health Limited*	United Kingdom	100	100	Psychiatric healthcare facilities
Cygnnet Learning Disabilities Midlands Limited	United Kingdom	100	100	Residential care facilities
CAS Learning Disabilities Services Limited	United Kingdom	100	100	Non trading
Isand Limited	United Kingdom	100	100	Residential care facilities
Isand (Domiciliary Care) Limited	United Kingdom	100	100	Residential care facilities
Cygnnet Learning Disabilities Limited	United Kingdom	100	100	Residential care facilities
CAS Aspirations Properties Limited	United Kingdom	100	100	Investment company
CAS St Paul's Limited	United Kingdom	100	100	Investment property
CAS Aspirations Properties V Limited	Jersey	100	100	Non trading
Short Ground Limited	United Kingdom	100	100	Residential care facilities
Relativeto Limited	United Kingdom	100	100	Residential care facilities
Caireach Limited	United Kingdom	100	100	Residential care facilities
Cygnnet Clifton Limited	United Kingdom	100	100	Residential care facilities
CAS Clifton Healthcare Limited	United Kingdom	100	100	Non trading
CAS Healthcare Properties Limited	United Kingdom	100	100	Investment property
CAS Aspirations Properties Limited	Jersey	100	100	Non trading
CAS Aspirations Properties III Limited	Jersey	100	100	Non trading
Cygnnet D Holdings Limited*	Guernsey	100	100	Holding company
Cygnnet DHG Limited	Guernsey	100	100	Holding company
Cygnnet (DM) LLP*	United Kingdom	98	98	Support services

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14 Investments

(Continued)

Cygnat (OE) Limited	United Kingdom	100	100	Residential care facilities
Cygnat (DH) Limited	United Kingdom	100	100	Residential care facilities
Everycorner	United Kingdom	100	100	Residential care facilities

\*indicates direct holdings. Remaining subsidiaries acquired through direct acquisitions

All entities have the same registered office as Cygnat Health Care Limited Nepicar House, London Road, Wrotham Heath, Sevenoaks, Kent, TN15 7RS with the exception of the Jersey and Guernsey entities. The Jersey entities have a registered office of 9 Burrard Street, St Helier, Jersey, JE4 5UE and the Guernsey entities have a registered office of 18-20 Le Pollet, St Peter Port, Guernsey, GY1 1WH.

The year end of the above companies is 31 December.

### 15 Trade and other receivables

	2021 £'000	2020 £'000
Trade receivables	23,891	23,240
Expected credit loss	(1,841)	(1,203)
	<u>22,050</u>	<u>22,037</u>
Amounts owed by fellow group undertakings	570,511	526,069
Other receivables	3,301	2,300
Prepayments and accrued income	1,762	1,232
	<u>597,624</u>	<u>551,638</u>

Of the Amounts due from fellow group undertakings, £338,291k (2020: £321,156k) incurs interest of 5.1% + LIBOR, the remainder of the balance £232,220k (2020: £204,913k) has no interest applied.

At 31 December 2021 the interest rate benchmark LIBOR was transitioned to SONIA as a result of IBOR reform. There was no accounting impact on the accounts for the year ended 31 December 2021.

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.



# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 16 Trade and other payables

	2021 £'000	2020 £'000
Trade payables	4,949	2,942
Amounts owed to fellow group undertakings	885,529	835,620
Accruals and deferred income	19,110	14,029
Other payables	770	476
	<u>910,358</u>	<u>853,067</u>

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

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

Amounts owed to group undertakings totalling £693,306k (2020: £659,833k) are charged interest at a rate of 4.85% per annum above LIBOR. The remainder of the balance £203,950k (2020: £175,787k) is interest free.

At 31 December 2021 the interest rate benchmark LIBOR was transitioned to SONIA as a result of IBO R reform. There was no accounting impact on the accounts for the year ended 31 December 2021.

#### 17 Lease liabilities - IFRS 16

	2021 £'000	2020 £'000
<b>Maturity analysis</b>		
Within one year	19,188	18,741
In two to five years	77,601	76,627
In over five years	243,680	263,131
<b>Total undiscounted liabilities</b>	<u>340,469</u>	<u>358,499</u>
Effect of discounting	(86,253)	(95,474)
<b>Total discounted liabilities</b>	<u>254,216</u>	<u>263,025</u>

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

	2021 £'000	2020 £'000
Current liabilities	10,242	9,468
Non-current liabilities	243,974	253,557
	<u>254,216</u>	<u>263,025</u>

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 17 Lease liabilities - IFRS 16

(Continued)

The fair value of the company's lease obligations is approximately equal to their carrying amount.

Other leasing information is included in note 21.

#### 18 Deferred tax liabilities

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

	Other £'000	Short term timing differences £'000	Property, plant and equipment £'000	Capital gains £'000	Total £'000
Deferred tax liability at 1 January 2020	(299)	(162)	5,826	-	5,365
<b>Deferred tax movements in prior year</b>					
Credit to profit or loss	(83)	(129)	(3,007)	2,969	(250)
Charge direct to equity	-	-	555	-	555
Deferred tax liability at 31 December 2020	(382)	(291)	3,374	2,969	5,670
<b>Deferred tax movements in current year</b>					
Charge/(credit) to profit or loss	90	(131)	1,189	-	1,148
Charge/(credit) to other comprehensive income	41	-	(47)	530	524
Effect of change in tax rate - profit or loss	(35)	(104)	1,051	-	912
Effect of change in tax rate - other comprehensive income	(86)	-	-	1,633	1,547
Deferred tax (asset)/liability at 31 December 2021	(372)	(526)	5,567	5,132	9,801

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

	2021 £'000	2020 £'000
Deferred tax liabilities	9,801	5,670

As at 31 December 2021, there was a carried forward Corporate Interest Restriction disallowance of £13,117k (2020: £10,361k), and we have not recognised a deferred tax impact of this.

## CYGNET HEALTH CARE LIMITED

### NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

#### FOR THE YEAR ENDED 31 DECEMBER 2021

#### 19 Share-based payment transactions

##### *Universal Health Services Inc. scheme*

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

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

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

Grant Date	Expiry date	Exercise Price	Fair value of option	Granted	Cancelled/ forfeit	Exercised	Outstanding
18 March 2015	18 March 2020	\$117.29	\$21.277	55,000	(17,500)	(37,500)	-
23 March 2016	23 March 2021	\$118.62	\$23.770	71,000	(33,750)	(37,250)	-
29 March 2017	28 March 2022	\$124.56	\$27.029	145,500	(46,750)	(88,750)	10,000
20 March 2018	20 March 2023	\$119.64	\$28.169	102,000	(26,254)	(49,856)	25,890
20 March 2019	20 March 2024	\$134.02	\$30.435	84,000	(21,000)	(19,689)	43,311
20 March 2020	20 March 2025	\$67.69	\$69.81	99,000	(14,250)	(15,019)	69,731
17 March 2021	17 March 2026	\$138.80	\$40.42	112,500	(7,500)	-	105,000

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

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#### 19 Share-based payment transactions

(Continued)

Total expenses of £2,481,000 related to equity settled share based payment transactions were recognised in the year. (2020: £1,539,000).

##### *Long term incentive plan*

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

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

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

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

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

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### FOR THE YEAR ENDED 31 DECEMBER 2021

20	Called up share capital	2021 £'000	2020 £'000
	<b>Ordinary share capital</b>		
	<i>Authorised</i>		
	2,787,125,000 Ordinary shares (2020: 2,787,125,000) of 1p each	27,871	27,871
	<i>Issued and fully paid</i>		
	11,499,359 Ordinary shares (2020: 11,499,359) of 1p each	115	115
	<b>Preference share capital</b>		
	<i>Authorised</i>		
	800,000 Irredeemable preference shares (2020: 800,000) of £1 each	800	800
	<i>Issued and fully paid</i>		
	600,000 Irredeemable preference shares (2020: 600,000) of £1 each	600	600

Holders of Ordinary shares have equal entitlement to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held. Every holder of Ordinary shares are entitled to vote at a meeting of shareholders with each share entitled to one vote.

Preference shares are disclosed in equity as there is no contractual obligation to deliver dividends or interest payments.

## 21 Other leasing information

### Lessee

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

	2021 £'000	2020 £'000
<b>Operating leases apart from land and buildings</b>		
Within one year	-	6

Information relating to lease liabilities is included in note 17.

## 22 Capital commitments

	2021 £'000	2020 £'000
At 31 December the company had capital commitments as follows:		
Contracted for but not provided in the financial statements:		
Acquisition of property, plant and equipment	31	625

# CYGNET HEALTH CARE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

**FOR THE YEAR ENDED 31 DECEMBER 2021**

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### **23 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

### **24 Related party transactions**

The ultimate controlling party of the Company is Universal Health Services Inc., the immediate parent company is Cygnet 2002 Limited and the UK ultimate parent is UK Acquisitions No.6 Limited. The registered office of the ultimate controlling party is 367 South Gulph Road, King of Prussia, PA 19406.

#### *Identity of related parties*

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

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

#### *Transactions with key management personnel*

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

#### *Other related party transactions*

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