

Company Registration No. 04930417 (England and Wales)

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

FRIDAY



ABDSIGXL
A10 23/09/2022 #264
COMPANIES HOUSE

Cygnnet

CYGNET HOSPITALS HOLDINGS LIMITED

COMPANY INFORMATION

Directors	Dr Antonio Romero Mr Mark Ground Mr Thomas Day
Secretary	Ms Katie Bowen
Company number	04930417
Registered office	Nepicar House London Road Wrotham Heath Sevenoaks Kent England TN15 7RS
Accountants	PricewaterhouseCoopers LLP 1 Embankment Place London WC2N 6RH

CYGNET HOSPITALS HOLDINGS LIMITED

CONTENTS

	Page(s)
Strategic report	1 - 6
Directors' report	7 - 9
Income statement	10
Statement of financial position	11 - 12
Statement of changes in equity	13
Notes to the financial statements	14 - 22

CYGNET HOSPITALS HOLDINGS LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal Activities

Cygnet Hospital Holdings Limited (Cygnet Hospital Holdings) leases properties to other group companies providing behavioural health services.

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

Business Review

The results for the year ended 31 December 2021 and 31 December 2020 are set out in the Income Statement on page 10.

Profit before tax for the year was £0.2m (2020: £0.2m).

Net current assets have increased to £1.3m (2020: £1.1m). This was driven by an increase in amounts owed by other group companies.

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

	2021	2020
	£m	£m
Profit before tax	0.2	0.2
Total assets	71.8	68.3
Total liabilities	65.8	62.5
Net assets	6.0	5.8

CYGNET HOSPITALS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Future prospects

At Cygnet Hospital Holdings we support the Group's ambitions 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.

Cygnet Group'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.

Environmental, Social and Governance (ESG) commitments

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

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

CYGNET HOSPITALS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Our commitment to our people

Cygnnet Hospital Holdings 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 Hospital Holdings 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 Hospital Holdings 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.

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 Hospital Holdings 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.

CYGNET HOSPITALS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

Where possible we use local produce, resources and suppliers at our facilities to support the local economy and community infrastructure. We support our staff in their local community endeavours including building relationships with local businesses, schools, charities, community groups and other residential care services. We actively encourage our staff to play a proactive role in the communities where they work and are proud supporters and sponsors of numerous community initiatives, clubs and groups.

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

Key Performance Indicators ('KPIs')

Cygnnet Hospital Holdings 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.

Non-financial

These include the monitoring of our reputation to ensure the continuation of the demand for our services.

Key risks and uncertainties

Cygnnet Hospital Holdings 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.

CYGNET HOSPITALS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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 Hospital Holdings 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 Hospital Holdings 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 Hospital Holdings 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.

Inflationary Risk

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

Security and Cyber threats

Cygnnet Hospital Holdings has again achieved the Cyber Essentials PLUS certification illustrating our commitment to staying on top of current Cyber awareness.

We have invested heavily in the latest Cyber Security prevention platforms and education solutions designed specifically to deal with the evolving Cyber threat landscape. Daily external penetration tests and quarterly internal penetration tests are scheduled and remediated. We have now collaborated with UHS and have implemented a 24/7 SOC (Security Operating Centre) utilising Cysiv a World Class Security monitoring platform.

Anti- Bribery and Corruption

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

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

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

Modern Slavery Act 2015

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

CYGNET HOSPITALS HOLDINGS LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021


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 above)
- Foster relationships with our suppliers, customers and others; (see our commitment to community section above)
- Have a positive impact on the community and environment; (see environmental and our commitment to community sections above)
- Attribute importance to behaving as a responsible business; (see environmental section above) and
- Act fairly between members of the Company (see our commitment to our people section above).

The Board of Directors of Cygnet Hospital Holdings 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.

On behalf of the board


.....
Dr Antonio Romero
Director
3 August 2022.


.....
Mr Mark Ground
Director
3 August 2022.

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

CYGNET HOSPITALS HOLDINGS LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2021

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

Principal activities

The principal activity of the company continued to be that of a holding company.

Results and dividends

The results for the year are set out on page 10.

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 Gerald Corbett

(Resigned 19 July 2021)

Mr Thomas Day

(Appointed 30 July 2021)

Qualifying third party indemnity provisions

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

Financial and business risk management

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

Market and external risks

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

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

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

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

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

CYGNET HOSPITALS HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

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.

Parent guarantee

In accordance with section 476 the members have not required the company to obtain an audit of its accounts for the year ended 31 December 2021. This is due to its ultimate parent company, Universal Health Services Inc. providing a parent company guarantee over the company. The directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and preparation of accounts.

Going concern

The 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 is in a net current asset and net asset position.

The directors have received a letter from Cygnnet 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

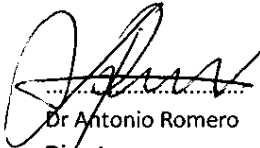
Future developments of the group are covered in the strategic report.

CYGNET HOSPITALS HOLDINGS LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

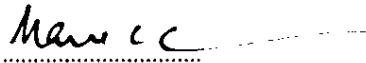
The directors' report was approved by the Board of Directors on 3 August 2022 and signed on its behalf by



Dr Antonio Romero

Director

Date: 3 August 2022



Mr Mark Ground

Director

Date: 3 August 2022

Nepicar House
London Road
Wrotham Heath
Sevenoaks
Kent
TN15 7RS

CYGNET HOSPITALS HOLDINGS LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Interest receivable and similar income	3	3,536	3,342
Interest payable and similar expenses	4	(3,332)	(3,155)
		<hr/>	<hr/>
Profit before taxation		204	187
Tax on profit	5	-	-
		<hr/>	<hr/>
Profit for the financial year		204	187
		<hr/>	<hr/>

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

The accompanying notes on pages 14 to 22 form part of the financial statements.

There is no other comprehensive income for the year.

CYGNET HOSPITALS HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	2021 £'000	2020 £'000
Fixed assets			
Investments	6	4,739	4,739
Current assets			
Trade and other receivables	8	67,067	63,531
Current liabilities			
Trade and other payables	9	(65,787)	(62,455)
Net current assets		1,280	1,076
Total assets less current liabilities		6,019	5,815
Net assets		6,019	5,815
Equity			
Called up share capital	10	4,810	4,810
Share premium account		231	231
Retained earnings		978	774
Total equity		6,019	5,815

For the financial year ended 31 December 2021 the company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

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

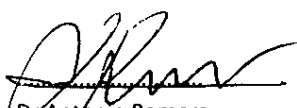
The members have not required the company to obtain an audit of its financial statements for the year in question in accordance with section 476.

CYGNET HOSPITALS HOLDINGS LIMITED

STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2021

The financial statements on pages 10 to 22 were approved by the Board of Directors on 3 August 2022 and signed on its behalf by:


Dr Antonio Romero
Director


Mr Mark Ground
Director

Company Registration No. 04930417

The accompanying notes on pages 14 to 22 form part of the financial statements.

CYGNET HOSPITALS HOLDINGS LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Share capital	Share premium account	Retained earnings	Total equity
	£'000	£'000	£'000	£'000
Balance at 1 January 2020	4,810	231	587	5,628
Year ended 31 December 2020:				
Profit for the year	-	-	187	187
Balances at 31 December 2020	4,810	231	774	5,815
Year ended 31 December 2021:				
Profit for the year	-	-	204	204
Balances at 31 December 2021	4,810	231	978	6,019

The accompanying notes on pages 14 to 22 form part of the financial statements.

CYGNET HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

Company information

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

1.1 Accounting convention

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

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

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

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

- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64 (o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations. Equivalent disclosures are included in the consolidated financial statements of Cygnnet Health UK Limited in which the entity is consolidated;
- the requirements of paragraphs 10(d), 10(f), 16, 38A to 38D, 39 to 40 ,111 and 134-136 of IAS 1 Presentation of Financial Statements;
- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group financial statements of Cygnnet Health UK Limited. The group financial statements of Cygnnet Health UK Limited are available to the public and can be obtained as set out in note 11.

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 Hospitals Holdings Limited is a wholly owned subsidiary of Cygnnet Health UK Limited and the results of Cygnnet Hospitals Holdings 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 HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.2 Going concern

The financial statements have been prepared on a going concern basis which the Directors 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 is in a net current asset and net asset position.

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

1.3 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.

1.4 Cash and cash equivalents

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

1.5 Financial assets

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

CYGNET HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

Initial measurement of financial assets

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

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

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

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

Financial assets held at amortised cost

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

Impairment of financial assets

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

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

The company 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 HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.6 Financial liabilities

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

Derecognition of financial liabilities

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

CYGNET HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

1 Accounting policies

(Continued)

1.7 Taxation

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

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.

1.8 Significant accounting policies and accounting estimates and judgements

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

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

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

1.9 New standards

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

2 Employees

The company does not directly employ any individuals, other than the directors, and hence does not incur any payroll costs (2020 : £nil).

The directors received remuneration for services to Cygnet Health Care Limited of which Cygnet Hospitals Holdings Limited is a fellow subsidiary undertaking. The directors received no emoluments for their services to this company which are deemed to be of negligible value.

3 Interest receivable and similar income

	2021 £'000	2020 £'000
Interest receivable from group companies	3,536	3,342

Interest in the year relates to interest receivable on amounts owed by group undertakings. Interest is accrued at a rate of 5.35% above LIBOR.

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.

CYGNET HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

4 Interest payable and similar expenses

	2021	2020
	£'000	£'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	3,332	3,155

Interest in the year relates to interest payable on amounts owed to group undertakings. Interest is accrued at a rate of 5.1% per annum above LIBOR.

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.

5 Income tax expense

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

	2021	2020
	£'000	£'000
Profit before taxation	204	187
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	39	36
Group relief	(39)	(36)
Taxation charge for the year	-	-

The Spring Budget 2021 announced that the UK corporation tax rate will increase to 25% from 1 April 2023.

6 Investments

	2021	2020
	£'000	£'000
Investments in subsidiaries	4,739	4,739

CYGNET HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

7 Subsidiaries

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

Name of undertaking	Registered office	Ownership interest (%)	Voting power held (%)	Nature of business
Cygnat Surrey Limited	United Kingdom	100	100	Psychiatric healthcare facilities

The company also has indirect holdings in the following companies through the above subsidiary:

Name	Class of shares	Holding	Nature of business
Cygnat NW Limited	Ordinary	100%	Psychiatric healthcare facilities
Safe Spaces Limited	Ordinary	100%	Non trading

Unless otherwise stated, all of the companies listed above, are registered and incorporated in England and Wales. All entities have the same registered office as Nepicar House, London Road, Sevenoaks, Kent, TN15 7RS.

8 Trade and other receivables

	2021 £'000	2020 £'000
Amounts owed by fellow group undertakings	67,067	63,531

The amounts are legally repayable on demand (and hence are disclosed as current assets), however, it is not expected that a demand for the these amounts will be made within the next year. No interest is charged on intercompany balances.

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 HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

9 Trade and other payables

	2021	2020
	£'000	£'000
Amounts owed to fellow group undertakings	65,784	62,452
Accruals	3	3
	<u>65,787</u>	<u>62,455</u>

The amounts owed to group undertakings 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.

Notional loans included in amounts due to group undertakings totalling £65,784k (2020: £62,452k) attract interest of 5.1% per annum above LIBOR (2020: 5.1%).

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.

10 Called up share capital

	2021	2020
	£'000	£'000
Ordinary share capital		
<i>Authorised, issued and fully paid</i>		
4,809,775 Ordinary shares (2020: 4,809,775) of £1 each	<u>4,810</u>	<u>4,810</u>

11 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

CYGNET HOSPITALS HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2021

12 Related party transactions

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

Identity of related parties

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

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

Other related party transactions

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