

Registered number: 10926063

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## **MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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### **ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**COMPANY INFORMATION**

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|----------------------------|--|
| <b>Director</b>            | T Dinkelman  |
| <b>Registered number</b>   | 10926063   |
| <b>Registered office</b>   | 77 New Cavendish Street<br>London, England<br>W1W 6XB  |
| <b>Independent auditor</b> | KPMG LLP<br>Chartered Accountants & Statutory Auditor<br>58 Clarendon Road<br>Watford<br>Hertfordshire<br>WD17 1DE |

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The director presents the Group Strategic Report for MH Services International Holdings (UK) Limited (the "Company") and its subsidiaries and associated companies ("the Group") for the year ended 31 December 2019.

#### Introduction

The principal activities of the Group comprise the provision of a range of primary healthcare services, healthcare integration consultancy services, and behavioural health services to NHS clinical commissioning groups and other NHS commissioning bodies.

The Company's principal activity is to act as an investment holding company with expense being incurred to further grow the UK Group and seek out additional investments.

#### Business review

##### *Review of the year ended 31 December 2019*

The Group provides a range of primary care services that have been established to provide solutions to current challenges for our NHS commissioners and to increase patient choice and service quality. The Group's strategy is centred on continued innovation and service development in partnership with NHS commissioners.

During the year to 31 December 2019, the directors have continued to be focused on further developing a profitable and sustainable business model as a strategic partner to the NHS that delivers first class care for the patient.

Revenue was £10.2m lower in 2019 than in the prior period. 2018 represented a period of consolidation of our operational contracts, including strategic decisions to exit a number of unprofitable contracts during the year. This was done with a view to improving our financial position, in order to strengthen our core business and enable us to take advantage of future strategic development opportunities. As a result, this has led to a reduction in turnover compared to prior year of 30%, however the Group's net profit has improved by £8,377k (35%). It should be noted however that the 2018 result included an impairment in the value of the Group investment in its subsidiaries of £8,825k. Notwithstanding the impact of this, the strategic exit of certain loss-making elements of our business has allowed the group to consolidate its contract base without compromising on profitability.

This consolidation of our operational activities also included a re-organisation of our NHS contracts between our group trading entities, intended to drive operational and structural efficiency across our business through simplification of our legal entity and operating structure. It is expected that this will lead to cost reductions and drive improved profitability, which we have started to see during the year.

##### *Position at 31 December 2019 and future developments*

The Company and its parent undertaking have continued significant investment in its UK operations, with growth of the groups senior leadership team continuing through 2020, complimented by a number of strategic investments. This investment is intended to lay the foundations for the Group's longer-term growth, and it is expected that the investments made through 2020 will lead to significantly improved financial performance of the Group in future years.

Rationalisation of our business activities and ongoing challenge as to how we can improve from within has been a key feature of our strategy through 2019 and has continued into 2020, as the business seeks to divest of activities that have not met profitability targets. As a result, on 31 March 2019, Operose Health Limited exited the Surrey Borders Partnership NHS Trust CAHMS contract, on 30 June 2019 Operose Health Limited exited the Surrey Borders Partnership NHS Trust CFHS contract, and on 1 July 2019, Operose Health (Group) UK Limited divested its complex care service division, including the contracts and related assets.

This continued commitment to investment in growth is supported, as noted within the Director's Report, by continued parent company support, which has resulted in an additional £13,000k of funding received from the Company's parent undertaking during 2020.

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Financial key performance indicators

The Group's strategy is entirely consistent with the widely documented need for the NHS to achieve efficiencies, adopt new ways of working and partner with innovative organisations (both public and independent sector organisations) to achieve the NHS strategy set out in its 'Five Year Forward View'.

#### Key performance indicators

|                 | Year ended<br>31 December<br>2019<br>£'000 | Year ended<br>31 December<br>2018<br>£'000 |
|-----------------|--|--|
| Revenue         | 23,766                                     | 33,960                                     |
| EBITDA          | (14,729)                                   | (16,697)                                   |
| Loss before tax | (15,286)                                   | (23,709)                                   |

#### Principal risks and uncertainties

The director has overall responsibility for the Group's approach to assessing and managing risk, with the Group's management teams being responsible for the implementation of policies on risk control and compliance with such policies. The Group central support centre offers compliance support, such as compliance audit, financial review, clinical governance and health and safety, which work to manage, reduce and, where possible, eliminate risk and uncertainties. The following key risks and uncertainties are key considerations in the Group's risk management activities:

##### Price risk

The Group is exposed to price risk due to normal inflationary increases in costs related to the running of its business. However, these costs have been relatively stable and this is expected to continue. Revenue for services are at contracted rates for the duration of contract periods for most of the Group's contracts. Contract rates are typically either fixed, subject to inflationary uplifts or adjusted by reference to NHS tariffs. The Group has no exposure to equity securities price risk, as it holds no listed or other equity investments.

##### Credit risk

The Group's customer base is predominantly NHS entities and secure institutions which are ultimately funded by central government and thus any credit exposure is minimal.

##### Liquidity risk

The Group monitors its liquidity position on a regular basis and leverages resources within the Group and from parent company support.

Interest was paid during the year ended 31 December 2019 to service property mortgage and lease purchase agreements. As of 31 December 2019, there is no interest payable on affiliate loans, group loans or third party loans and financings.

##### Impairment of investments

The Group holds investments in its subsidiaries as well as an investment in an affiliated undertaking. A significant change in the nature or market of these investments could lead to impairment in the carrying value of these investments.

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Principal risks and uncertainties (continued)

##### *Going Concern*

The financial statements have been presented on a going concern basis. For more details see note 2.3 of the financial statements.

##### *Political and Regulatory risk*

Current and potential new NHS legislation is monitored by the Board and executive management to ensure the Group's product offerings are relevant to the UK healthcare market.

##### *Brexit*

The Group faces risks associated with the potential uncertainty and disruptions that may lead up to and follow Brexit, including potential material changes to the regulatory regime applicable to the Group's operations in the UK. Brexit could adversely affect European or worldwide political, regulatory, economic, or market conditions and could contribute to instability in global political institutions, regulatory agencies, and financial markets. For example, depending on the terms of Brexit, the UK could also lose access to the single EU market and to the global trade deals negotiated by the EU on behalf of its members. Any of these effects of Brexit and others the Group cannot anticipate or that may evolve over time could adversely affect the Group's business, results of operations, and financial condition.

Management continue to monitor the political and economic impact of Brexit, and carry out appropriate scenario planning to make assessments of the likely future impact to our business as the UK transition out of the EU gets underway. As the company's income is predominantly derived wholly within the UK from public sector organisations, and the company does not conduct significant volumes of trade with EU member states, the direct impact of Brexit on the company's ability to generate revenues is considered low.

The primary risks identified by management related to Brexit are therefore regulatory changes, recruitment of labour, and supply chain management. In addition, in planning for the different outcomes, management has noted a number of challenges, including a lack of clarity from the UK government on the preferred Brexit deal, the number of possible scenarios, and the lack of information from the government through technical notices.

Management continues to closely monitor the risks associated with each of these areas, and to develop and implement controls and planning to mitigate the risks identified.

##### *COVID-19*

The impact to the company of the ongoing coronavirus pandemic continues to be closely monitored by management, with a range of preparedness and impact mitigation measures having been implemented to ensure we minimise the impact on the company's ability to generate revenues and manage costs, whilst prioritising the safety and well-being of our employees and patients.

NHS central guidance has been adhered to throughout the pandemic, with income protection assurances received from NHS England that have acted to minimise the impact on revenues. Management has conducted a comprehensive impact assessment across the business, which continues to be revised and adapted as needed to cope with the evolving clinical environment during the pandemic. Management has also implemented resilience and risk management plans, and policy and incident management measures, to ensure the company continues to be well placed to react quickly and efficiently to changes in the clinical landscape, as well as to mitigate any risks of staff absenteeism and to customer safety and well-being.

As a result, management believe the appropriate measures have been delivered to ensure that the company is well placed to cope with the challenges that lie ahead, and to continue to operate a profitable and sustainable business model as a strategic partner to the NHS that delivers first class care for the patient.

**GROUP STRATEGIC REPORT (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

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**Section 172(1) Statement**

The revised UK Corporate Governance Code ('2018 Code') was published in July 2018 and applies to accounting periods beginning on or after January 1, 2019. The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company. The Board welcomes the direction of the UK Financial Reporting Council (the 'FRC'). This S172 statement, which is reported for the first time, explains how the director of the Company:

- engaged with employees, suppliers, customers and others; and
- regarded employee interests, the need to foster the Company's business relationships with suppliers, customers and other, and the effect of that regards, including on the principal decisions taken by the Company during the financial year.

The S172 statement focuses on matters of strategic importance to the company, and the level of information disclosed is consistent with the size and the complexity of the business.

**General confirmation of director's duties**

The director has a clear framework for determining the matters within its remit and has approved Terms of Reference for the matters delegated to its Committees. Certain financial and strategic thresholds have been determined to identify matters requiring Board consideration and approval. The Delegation of Authority framework sets out the delegation and approval process across the broader business.

When making decisions, each director ensures that he/she acts in the way he/she considers, in good faith, would most likely promote the Company's success for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

*S172(1) (A) The likely consequences of any decision in the long term*

The director understands the business and the evolving environment in which we operate. In 2019, to help achieve our strategic ambitions, the Board continued to develop a strategy to deliver improved patient choice and service quality.

The director recognises how our operations are viewed by our stakeholders, and the ever-increasing challenge of making decisions that align with all stakeholder interests. Given the complexity of the current healthcare environment, the director has taken the decisions believed to best support the Company's strategic ambitions.

*S172(1) (B) The interests of the Company's employees*

The director recognises that the Company's employees are fundamental and core to our business and delivery of our strategic ambitions. The success of our business depends on attracting, retaining and motivating employees. From ensuring that we remain a responsible employer, from pay and benefits to our health, safety and workplace environment, the director factors the implications of decisions on employees and the wider workforce, where relevant and feasible.

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### GROUP STRATEGIC REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Section 172(1) Statement (continued)

##### *S172(1) (C) The need to foster the Company's business relationships with suppliers, customers and others*

Delivering our strategy requires strong mutually beneficial relationships with suppliers, customers and governments. The Company seeks the promotion and application of certain general principles in such relationships. The ability to promote these principles effectively is an important factor in the decision to enter into or remain in such relationships. The Company continuously assesses the priorities related to customers and those with whom we do business, and the director engages with the senior management team on these topics, for example, within the context of business strategy updates and investment proposals.

##### *S172(1) (D) The impact of the Company's operations on the community and the environment*

The director reviews information on these topics to inform specific Board decisions related to specific strategic initiatives, including investment or divestment proposals and business strategy reviews, and to provide regular updates to the Company's senior management team.

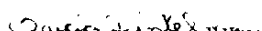
##### *S172(1) (E) The desirability of the Company maintaining a reputation for high standards of business conduct*

The senior management team regularly reviews and approves clear frameworks, business principles, code of conduct, ethics & compliance manuals, and modern slavery statements, and all other group-wide policies, to ensure that the highest standards are maintained both within the Company and the relationships with our stakeholders. This, complemented by the ways the director is informed and monitor compliance with relevant governance standards, help assure that the Company acts in ways that promote high standards of business conduct.

##### *S172(1) (F) The need to act fairly as between members of the Company*

After weighing up all relevant factors, the director considers which course of action best enables delivery of the long-term strategy, taking into consideration the impact on stakeholders and ensuring fairness between members as far as can reasonably be achieved.

This report was approved by the board and signed on its behalf.



**T Dinkelman**

Director

16th December 2020



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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### DIRECTOR'S REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

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The director presents her report and the financial statements for the year ended 31 December 2019.

#### Results and dividends

The loss for the year, after taxation and minority interests, amounted to £15,390k (2018: £22,728k).

The director does not recommend the payment of a dividend in respect of the year (2018: nil).

#### Director

The director who served during the year and up to the date of approval of the financial statements was:

T Dinkelman

#### Employee engagement

The Group's human resources team and human resources systems and processes include provision for the gathering of employee feedback on matters of interest and concern to the Group's employees. Local site locations are overseen by business managers who provide a communications link to and from the senior management team. There are a range of internal communications tools, including e-mail notices, newsletters, staff surveys and briefings in order to keep employees informed of the progress of the business and the market environment.

#### Employment of disabled persons

The Group is committed to promoting equality of opportunity for all staff and job applicants. The Group has established an environment in which all individuals are able to make best use of their skills, free from discrimination or harassment, and in which all decisions are based on merit. The Group considers the employment needs of disabled people and complies with current legislation with regard to their employment. Where possible, the Group will continue to employ and promote the careers of existing employees who become disabled and will consider disabled persons for employment, subsequent training, career development and promotion on the basis of their aptitudes and abilities.

#### Qualifying third party indemnity provisions

Qualifying third party indemnity provisions for the benefit of the director and officers was in force during the financial year.

#### Creditor policy

The Group seeks to follow best practice guidelines laid down by the Department of Business, Innovation and Skills to pay suppliers in line with their agreed payment terms subject to suppliers meeting their contractual obligations. The Group continually reviews its supply chain with a view to maximising the strength of relationships with its preferred suppliers and obtain best prices.

#### Matters covered in the Group Strategic Report

Where necessary, disclosures relating to principal risks and uncertainties have been made in the Group Strategic Report and have not been repeated here in accordance with Section 414C of the Companies Act 2006.

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### DIRECTOR'S REPORT (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2019

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#### Disclosure of information to auditor

The director at the time when this Director's Report is approved has confirmed that:

- so far as she is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- she has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

#### Post Balance Sheet events

During January 2020, there was a change in shareholder control for Group subsidiaries, Chilvers & McCreagh Limited, The Practice Surgeries Limited, The Practice U Surgeries Limited, and Operose Health Corporate Management Limited. For each of these subsidiaries, Dr. N Harding replaced Dr. J Rose as the direct shareholder. See note 13 for additional details regarding the Group's control of these subsidiaries.

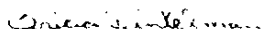
To date in 2020, Operose Health Limited has received £9,500k and Operose Health (Group) Limited has received £3,500k of cash fundings from Centene Corporation for operational cash needs.

Centene Corporation provided additional funds during January 2020 via an on demand loan to the Company and its subsidiary, MH Services International (UK) Limited, for an additional investment in Circle Health Holdings Limited. This investment in Circle Health Holdings Limited was effective 8 January 2020 for an additional 20.1% of voting shares, bringing the Group's total voting interest to 40%, as well as for an additional acquisition of preference shares for a combined investment of approximately £67,300k. As part of this additional investment in Circle Health Holdings Limited, the Company also became invested in GHG Healthcare Holdings Limited, which operates under the name BMI Healthcare, as Circle Health Holdings Limited simultaneously acquired 100% of GHG Healthcare Holdings Limited at the time of the Group's additional investment. BMI Healthcare is the largest operator of private hospitals in the U.K. with a core portfolio of approximately 50 hospitals. The investment in Circle Health Holdings Limited continues to be accounted for as an investment in an associated undertaking and is accounted for under equity method accounting since the Group has significant influence but does not control this investment.

#### Auditor

The auditor, KPMG LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



**T Dinkelman**  
Director

16th December 2020

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## **MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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### **DIRECTOR'S RESPONSIBILITIES STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019**

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The director is responsible for preparing the Group Strategic Report, the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The director is 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 its financial statements comply with the Companies Act 2006. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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#### Opinion

We have audited the financial statements of MH Services International Holdings (UK) Limited ("the Company") for the year ended 31 December 2019 which comprise the Consolidated Profit and Loss Account and Other Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Cash Flow Statement and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2019 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and\
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the group in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

#### Going concern

The director has prepared the financial statements on the going concern basis as they do not intend to liquidate the Group or the Company or to cease their operations, and as they have concluded that the Group and the Company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the financial statements. In our evaluation of the director's conclusions, we considered the inherent risks to the Group's business model, and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group or the company will continue in operation.

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## **MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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#### **Strategic Report and Director's Report**

The director is responsible for the Strategic Report and the Director's Report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

Our responsibility is to read the Strategic Report and the Director's Report and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Strategic Report and the Director's Report;
- in our opinion the information given in those reports for the financial year is consistent with the financial statements; and
- in our opinion those reports have been prepared in accordance with the Companies Act 2006.

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in these respects.

#### **Director's responsibilities**

As explained more fully in their statement set out on page 8, the director is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; 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; assessing the Group and parent 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 they either intend to liquidate the Group or the parent company or to cease operations, or have no realistic alternative but to do so.

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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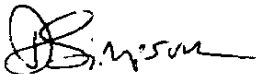
**Auditor's responsibilities**

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities).

**The purpose of our audit work and to whom we owe our responsibilities**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



David Simpson (Senior Statutory Auditor)

for and on behalf of

**KPMG LLP, Statutory Auditor**

Chartered Accountants

58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE  
18th December 2020

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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|   | Note | 2019<br>£000    | 2018<br>£000    |
|---|------|-----------------|-----------------|
| Turnover  | 4    | 23,766          | 33,960          |
| Cost of sales   |      | <u>(22,575)</u> | <u>(28,244)</u> |
| <b>Gross profit</b>                                     |      | 1,191           | 5,716           |
| Administrative expenses                                 |      | <u>(12,549)</u> | <u>(20,472)</u> |
| <b>Operating loss</b>                                   | 5    | (11,358)        | (14,756)        |
| Losses from associated undertaking                      | 13   | (3,908)         | —               |
| Amounts written off goodwill and intangible assets      | 11   | —               | (8,825)         |
| Foreign exchange gain/(loss) and other income/(expense) |      | (15)            | (35)            |
| Interest receivable and similar income                  | 8    | 16              | —               |
| Interest payable and similar expenses                   | 9    | <u>(21)</u>     | <u>(93)</u>     |
| <b>Loss before taxation</b>                             |      | (15,286)        | (23,709)        |
| Tax credit/(charge) on loss                             | 10   | <u>(34)</u>     | <u>12</u>       |
| <b>Loss for the financial year</b>                      |      | <u>(15,320)</u> | <u>(23,697)</u> |
| Actuarial gain/(loss) on defined benefit pension scheme | 26   | (70)            | 100             |
| Movement on NCI reserve                                 | 23   | —               | (3,707)         |
| <b>Other comprehensive loss for the year</b>            |      | <u>(70)</u>     | <u>(3,607)</u>  |
| <b>Total comprehensive loss for the year</b>            |      | <u>(15,390)</u> | <u>(27,304)</u> |
| <b>Loss for the year attributable to:</b>               |      |                 |                 |
| Non-controlling interests                               |      | —               | (969)           |
| Owners of the parent company                            |      | <u>(15,390)</u> | <u>(22,728)</u> |
|   |      | <u>(15,390)</u> | <u>(23,697)</u> |

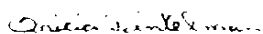
The notes on pages 18 to 41 form part of these financial statements.

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 31 DECEMBER 2019**

|   | Note | 2019<br>£000    | 2018<br>£000    |
|---|------|-----------------|-----------------|
| <b>Fixed and intangible assets</b>                      |      |                 |                 |
| Intangible assets                                       | 11   | 1,033           | 804             |
| Tangible assets   | 12   | 940             | 929             |
| Investments   | 13   | 13,623          | —               |
|   |      | <u>15,596</u>   | <u>1,733</u>    |
| <b>Current assets</b>                                   |      |                 |                 |
| Stocks  | 14   | 135             | 79              |
| Debtors: amounts falling due after more than one year   | 15   | 542             | 524             |
| Debtors: amounts falling due within one year            | 15   | 2,798           | 5,369           |
| Cash at bank and in hand                                | 16   | 1,027           | 2,823           |
|   |      | <u>4,502</u>    | <u>8,795</u>    |
| Creditors: amounts falling due within one year          | 17   | (48,999)        | (24,071)        |
| <b>Net current liabilities</b>                          |      | <u>(44,497)</u> | <u>(15,276)</u> |
| <b>Total assets less current liabilities</b>            |      | <u>(28,901)</u> | <u>(13,543)</u> |
| Creditors: amounts falling due after more than one year | 18   | (264)           | (316)           |
| <b>Provisions for liabilities</b>                       |      |                 |                 |
| Other provisions  | 21   | (943)           | (859)           |
|   |      | <u>(943)</u>    | <u>(859)</u>    |
| <b>Net liabilities</b>                                  |      | <u>(30,108)</u> | <u>(14,718)</u> |
| <b>Capital and reserves</b>                             |      |                 |                 |
| Called up share capital                                 | 22   | —               | —               |
| Share premium account                                   | 23   | 22,113          | 22,113          |
| Other reserves  | 23   | (2,881)         | (2,881)         |
| Profit and loss account                                 | 23   | (49,340)        | (33,950)        |
|   |      | <u>(30,108)</u> | <u>(14,718)</u> |

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**T Dinkelman**  
Director

16th December 2020

The notes on pages 18 to 41 form part of these financial statements.



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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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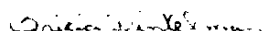
**COMPANY BALANCE SHEET  
AS AT 31 DECEMBER 2019**

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|  | Note | 2019<br>£000    | 2018<br>£000    |
|--|------|-----------------|-----------------|
| Investments                                    | 13   | —               | —               |
|  |      | —               | —               |
| Creditors: amounts falling due within one year | 17   | (37,387)        | (12,652)        |
| <b>Net current liabilities</b>                 |      | <b>(37,387)</b> | <b>(12,652)</b> |
| <b>Total assets less current liabilities</b>   |      | <b>(37,387)</b> | <b>(12,652)</b> |
| <b>Net liabilities</b>                         |      | <b>(37,387)</b> | <b>(12,652)</b> |
| <b>Capital and reserves</b>                    |      |                 |                 |
| Called up share capital                        | 22   | —               | —               |
| Share premium account                          | 23   | 22,113          | 22,113          |
| Profit and loss account                        | 23   | (59,500)        | (34,765)        |
|  |      | <b>(37,387)</b> | <b>(12,652)</b> |

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Company for the financial year was £24,735k (2018: £34,761k).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**T Dinkelman**

Director

16th December 2020

The notes on pages 18 to 41 form part of these financial statements.

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

|   | Share<br>premium<br>account<br>£000 | Other<br>reserves<br>£000 | Profit and<br>loss account<br>£000 | Equity<br>attributable<br>to owners of<br>parent<br>company<br>£000 | Non-<br>controlling<br>interests<br>£000 | Total equity<br>£000 |
|---|-------------------------------------|---------------------------|------------------------------------|---|--|----------------------|
| <b>At 1 January 2018</b>                                | —                                   | —                         | (11,322)                           | (11,322)  | 1,795                                    | (9,527)              |
| <b>Comprehensive<br/>income (loss) for the<br/>year</b> |                                     |                           |                                    |   |  |                      |
| Loss for the year                                       | —                                   | —                         | (22,728)                           | (22,728)  | (969)                                    | (23,697)             |
| Actuarial gains (losses)<br>on pension scheme           | —                                   | —                         | 100                                | 100   | —  | 100                  |
| Movement on NCI<br>reserve                              | —                                   | (2,881)                   | —                                  | (2,881)   | (826)                                    | (3,707)              |
| Shares issued during<br>the year                        | 22,113                              | —                         | —                                  | 22,113  | —  | 22,113               |
| <b>At 1 January 2019</b>                                | 22,113                              | (2,881)                   | (33,950)                           | (14,718)  | —  | (14,718)             |
| <b>Comprehensive<br/>income (loss) for the<br/>year</b> |                                     |                           |                                    |   |  |                      |
| Loss for the year                                       | —                                   | —                         | (15,320)                           | (15,320)  | —  | (15,320)             |
| Actuarial gains (losses)<br>on pension scheme           | —                                   | —                         | (70)                               | (70)  | —  | (70)                 |
| <b>At 31 December 2019</b>                              | <b>22,113</b>                       | <b>(2,881)</b>            | <b>(49,340)</b>                    | <b>(30,108)</b>   | <b>—</b>                                 | <b>(30,108)</b>      |

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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|   | Share<br>premium<br>account<br>£000 | Profit and<br>loss<br>account<br>£000 | Total equity<br>£000 |
|---|-------------------------------------|---------------------------------------|----------------------|
| <b>At 1 January 2018</b>                        | —                                   | (4)                                   | (4)                  |
| <b>Comprehensive income (loss) for the year</b> |                                     |                                       |                      |
| Loss for the year                               | —                                   | (34,761)                              | (34,761)             |
| <b>At 1 January 2019</b>                        | 22,113                              | (34,765)                              | (12,652)             |
| <b>Comprehensive income (loss) for the year</b> |                                     |                                       |                      |
| Loss for the year                               | —                                   | (24,735)                              | (24,735)             |
| <b>At 31 December 2019</b>                      | <u>22,113</u>                       | <u>(59,500)</u>                       | <u>(37,387)</u>      |

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2019**

|   | Note | 2019<br>£000        | 2018<br>£000        |
|---|------|---------------------|---------------------|
| <b>Cash flows from operating activities</b>                   |      |                     |                     |
| Loss for the financial year                                   |      | (15,390)            | (23,697)            |
| <b>Adjustments for:</b>                                       |      |                     |                     |
| Amortisation of intangible assets                             | 11   | 490                 | 6,651               |
| Depreciation of tangible assets                               | 12   | 62                  | 268                 |
| Loss on disposal of tangible and intangible assets            |      | 134                 | 290                 |
| Impairments of intangible assets                              |      | —                   | 8,825               |
| Losses from associated undertakings                           | 13   | 3,908               | —                   |
| Interest paid   |      | —                   | 93                  |
| Taxation charge/(credit)                                      | 10   | 34                  | (12)                |
| (Increase) in stocks  |      | (56)                | (17)                |
| Decrease in debtors   |      | 2,778               | 927                 |
| Increase/(Decrease) in creditors                              |      | 336                 | (5,574)             |
| (Decrease)/increase in provisions                             |      | —                   | —                   |
| Corporation tax received/(paid)                               |      | —                   | 178                 |
| <b>Net cash from (used in) operating activities</b>           |      | <u>(7,704)</u>      | <u>(12,068)</u>     |
| <b>Cash flows from investing activities</b>                   |      |                     |                     |
| Purchase of investments                                       | 13   | (17,531)            | —                   |
| Purchase of intangible fixed assets                           | 11   | (808)               | (171)               |
| Purchase of tangible fixed assets                             | 12   | (118)               | (69)                |
| <b>Net cash used in investing activities</b>                  |      | <u>(18,457)</u>     | <u>(240)</u>        |
| <b>Cash flows from financing activities</b>                   |      |                     |                     |
| Issue of ordinary shares and share premium                    |      | —                   | 6,218               |
| New intercompany loans  |      | 24,431              | 7,200               |
| Repayment of loans  |      | (36)                | (37)                |
| Repayment of finance leases                                   |      | (30)                | (69)                |
| Interest paid   |      | —                   | (93)                |
| <b>Net cash from financing activities</b>                     |      | <u>24,365</u>       | <u>13,219</u>       |
| <b>Net (decrease)/ increase in cash and cash equivalents</b>  |      | <u>(1,796)</u>      | <u>911</u>          |
| Cash and cash equivalents at beginning of year                | 16   | <u>2,823</u>        | <u>1,912</u>        |
| <b>Cash and cash equivalents at the end of year</b>           | 16   | <u><u>1,027</u></u> | <u><u>2,823</u></u> |
| <b>Cash and cash equivalents at the end of year comprise:</b> |      |                     |                     |
| Cash at bank and in hand                                      | 16   | <u><u>1,027</u></u> | <u><u>2,823</u></u> |

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## **MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019**

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#### **1. General Information**

MH Services International Holdings (UK) Limited is a private company, limited by shares, domiciled and incorporated in England and Wales. The registered office address is 77 New Cavendish Street, London, England, W1W 6XB and its registered number is 10926063.

MH Services International Holdings (UK) Limited and MH Services International (UK) Limited were incorporated in August 2017 with MH Services International Holdings (UK) Limited being the direct parent of MH Services International (UK) Limited. In March 2018, MH Services International (UK) Limited became the new parent undertaking of Operose Health Limited, who owned a 75% controlling interest in Operose Health (Group) Limited. Also, in March 2018, MH Services International (UK) Limited acquired the remaining shares in Operose Health (Group) Limited and was also loaned the initial 75% ownership in Operose Health (Group) Limited from Operose Health Limited, making MH Services International (UK) Limited the single direct parent of Operose Health (Group) Limited. As of 31 December 2019, Operose Health Limited and Operose Health (Group) Limited, including its controlled subsidiaries, were wholly owned subsidiaries of MH Services International (UK) Limited, and MH Services International (UK) Limited remained a wholly owned subsidiary of MH Services International Holdings (UK) Limited.

#### **2. Accounting policies**

##### **2.1 Basis of preparation of financial statements**

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgement in applying the Group's accounting policies (see note 3).

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. In preparing the consolidated financial statements, the disclosure exemption in FRS102 relating to the provisions of preparing a parent company Statement of Cash Flows has been taken. The parent company figures are included in the Consolidated Statement of Cash Flows.

The Company's functional and presentational currency is GBP.

The following principal accounting policies have been applied:

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 2. Accounting policies (continued)

##### 2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

Non-controlling interests are disclosed to show the equity in a consolidated subsidiary not attributable, directly or indirectly, to the parent. Non-controlling interests in the Group were eliminated as of the 2018 reporting period and are no longer applicable for the Group presentation.

The consolidated financial statements present the results of MH Services International Holdings (UK) Limited for 2018 as a group reconstruction effected using a newly formed parent company. Accordingly, the acquisition of its subsidiaries is accounted for using merger accounting. The director considers the merger accounting method of consolidation appropriate on the grounds that nothing of substance has changed through the insertion of the new parent company into the Group. Therefore, the Group consolidated accounts are presented as a continuation of Operose Health (Group) Limited's, using the book values previously recorded in Operose Health (Group) Limited's consolidated accounts. These accounts also consolidate the results of Operose Health Limited.

##### 2.3 Going concern

The Group's business activities are described in the Group Strategic Report on page 1 and Directors' Report on page 6.

Notwithstanding net current liabilities of £44,497k as at 31 December 2019, a loss for the year then ended of £15,320k, and net operating cash outflows for the year of £7.7 million, the financial statements have been prepared on a going concern basis which the director considers to be appropriate for the following reasons:

The director and associated management team have prepared cash flow forecasts for the 12 month period to December 2021 which indicate that, taking account of reasonably plausible downside scenarios and the anticipated impact of COVID-19 on the operations and its financial resources the Company has sufficient funds to meet its liabilities as they fall due in the forecast period.

The Group's principal activities comprise the provision of a range of primary healthcare services, healthcare integration consultancy services, and behavioural health services to NHS clinical commissioning groups and other NHS commissioning bodies. The parent company's principal activity is to act as an investment holding company with expenses being incurred to further grow the UK Group and seek out additional investments. The ability of the Group to continue as a going concern is therefore dependant on the operating Group entities continuing to provide services to NHS.

Those forecasts are dependent on Centene Corporation not seeking repayment of the amounts currently due to the Group, which at 31 December 2019 amounted to £37.8 million, and providing additional financial support during that period. Centene Corporation provided funding of £13 million during 2020 and has indicated its intention to continue to make available such funds as are needed by the Company, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts.

As with any company placing reliance on other group entities for financial support, the director acknowledges 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.

Consequently, the director is confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.4 Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

**Rendering of services**

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

**2.5 Intangible assets and goodwill**

**Goodwill**

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the profit and loss account over its useful economic life of 7 years.

**Customer relationships**

Customer relationships have been acquired as intangible assets as part of business combinations. They are initially recognised at fair value at the date of acquisition, representing the cost to acquire those assets, and are subsequently stated at cost less accumulated amortisation and accumulated impairment losses. Customer relationships are amortised on a straight line basis to the profit and loss account over its useful economic life of 7 years.

**Other intangible assets - computer software**

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses. Computer software is amortised on a straight line basis to the profit and loss account over its useful economic life of 3-5 years.

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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## 2. Accounting policies (continued)

### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Land is not depreciated. Depreciation on other assets is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

|                               |  |
|-------------------------------|--|
| Freehold property             | 40 years straight-line                     |
| Leasehold property            | straight-line over the length of the lease |
| Leased equipment              | 4 years straight-line                      |
| Office and computer equipment | 3 years straight-line                      |

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the profit and loss account.

### 2.7 Impairment of intangible assets and goodwill

Assets that are subject to depreciation or amortisation are assessed at each balance sheet date to determine whether there is any indication that the assets are impaired. Where there is any indication that an asset may be impaired, the carrying value of the asset (or cash-generating unit to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets that have been previously impaired are reviewed at each balance sheet date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

### 2.8 Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in associates are accounted for using the equity method of accounting.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the Group holds a long-term interest and where the Group has significant influence. The Group considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Any subsidiary undertakings or associates sold or acquired during the year are included up to, or from, the dates of change of control or change of significant influence, respectively.



NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.9 Stocks**

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the profit and loss account.

**2.10 Operating leases: the Group as a lessee**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease.

**2.11 Finance leases: the Group as a lessee**

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

**2.12 Financial instruments**

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade and other debtors and creditors are classified as basic financial instruments and measured at initial recognition at transaction price. Debtors and creditors are subsequently measured at amortised cost using the effective interest rate method. A provision is established when there is objective evidence that the Group will not be able to collect all amounts due.

Cash and cash equivalents are classified as basic financial instruments and comprise cash in hand and at bank, short-term bank deposits with an original maturity of three months or less and bank overdrafts which are an integral part of the Group's cash management.

Financial liabilities and equity instruments issued by the Group are classified in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Interest bearing bank loans, overdrafts and other loans which meet the criteria to be classified as basic financial instruments are initially recorded at the present value of cash payable to the bank, which is ordinarily equal to the proceeds received net of direct issue costs. These liabilities are subsequently measured at amortised cost, using the effective interest rate method.

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019

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**2. Accounting policies (continued)**

**2.13 Pensions**

**Defined contribution pension plan**

The Group operates defined contribution plans for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognized as an expense in the profit and loss account when they fall due. Amounts not paid are shown in accruals as a liability in the balance sheet. The assets of the plan are held separately from the Group in independently administered funds.

**Defined benefit pension plan**

The Group operates a defined benefit plan for certain employees. A defined benefit plan defines the pension benefit that the employee will receive on retirement, usually dependent upon several factors including but not limited to age, length of service and remuneration. A defined benefit plan is a pension plan that is not a defined contribution plan.

The liability recognised in the balance sheet in respect of the defined benefit plan is the present value of the defined benefit obligation at the end of the balance sheet date less the fair value of plan assets at the balance sheet date (if any) out of which the obligations are to be settled.

The defined benefit obligation is calculated using the projected unit credit method. Annually the Group engages independent actuaries to calculate the obligation. The present value is determined by discounting the estimated future payments using market yields on high quality corporate bonds that are denominated in sterling and that have terms approximating to the estimated period of the future payments ('discount rate').

The fair value of plan assets is measured in accordance with the FRS 102 fair value hierarchy and in accordance with the Group's policy for similarly held assets. This includes the use of appropriate valuation techniques.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to other comprehensive income. These amounts together with the return on plan assets, less amounts included in net interest, are disclosed as 'Remeasurement of net defined benefit liability'.

The cost of the defined benefit plan, recognised in the profit and loss account as employee costs, except where included in the cost of an asset, comprises:

- (a) the increase in net pension benefit liability arising from employee service during the period; and
- (b) the cost of plan introductions, benefit changes, curtailments and settlements.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the profit and loss account as an 'Administrative expense'.

**2.14 Interest receivable and interest payable**

Interest receivable and similar income includes interest receivable from bank accounts and other deposits.

Interest payable and similar expenses include interest payable and finance expenses associated with finance leases and a mortgage loan recognized in profit and loss using the effective interest method. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**2. Accounting policies (continued)**

**2.15 Foreign currency**

Transactions in foreign currencies are translated to the Group's functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined. Foreign exchange differences arising on translation are recognised in the profit and loss account.

**2.16 Current and deferred taxation**

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit and loss, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

**2.17 Provisions for liabilities**

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the profit and loss account in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**3. Judgements in applying accounting policies and key sources of estimation uncertainty**

In the application of the Group's accounting policies, which are described in note 2, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. 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 the revision and future periods if the revision affects both current and future periods.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below.

**i. Impairment of investments (note 13)**

The Company considers whether investments in subsidiaries are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of cash generating units (CGUs). This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

The Group considers whether investments in associated undertakings are impaired. Where an indication of impairment is identified the estimation of recoverable value requires estimation of the recoverable value of CGUs. This requires estimation of the future cash flows from the CGUs and also selection of appropriate discount rates in order to calculate the net present value of those cash flows.

**4. Turnover**

The total turnover of the Group for the period has been derived from its principal activity.

The Group generates its revenue from:

- (i) General practice surgeries operated under contracts with the NHS.
- (ii) Community based healthcare services operated under contracts with the NHS.
- (iii) Home based healthcare services under contract with individual, Local Authorities and the NHS.
- (iv) Provision of healthcare integration consultancy and behavioural health services to the NHS.

All turnover arose within the United Kingdom.

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**5. Operating loss**

The operating loss is stated after charging:

|  | <b>2019</b>       | <i>2018</i>         |
|--|-------------------|---------------------|
|  | <b>£000</b>       | <i>£000</i>         |
| Depreciation of tangible fixed assets  | <b>62</b>         | <i>268</i>          |
| Losses on disposal of tangible and intangible fixed assets                                   | <b>134</b>        | <i>290</i>          |
| Amortisation of intangible fixed assets  | <b>490</b>        | <i>6,651</i>        |
| Fees payable to the Group's auditor for the audit of the Group's annual financial statements | <b>99</b>         | <i>92</i>           |
| Other operating lease rentals  | <b>2,836</b>      | <i>1,224</i>        |
| Defined contribution pension cost  | <b>860</b>        | <i>1,091</i>        |
|  | <b><u>860</u></b> | <i><u>1,091</u></i> |

The decrease in amortisation of intangible fixed assets is attributable to an impairment of intangible assets and goodwill during 2018, bringing the net book value of customer relationship intangibles and goodwill to nil.

**6. Employees**

Staff costs, including director's remuneration, were as follows:

|                                     | <b>2019</b>          | <i>2018</i>          |
|-------------------------------------|----------------------|----------------------|
|                                     | <b>£000</b>          | <i>£000</i>          |
| Wages and salaries                  | <b>12,831</b>        | <i>16,916</i>        |
| Social security costs               | <b>1,256</b>         | <i>1,504</i>         |
| Cost of defined contribution scheme | <b>860</b>           | <i>1,091</i>         |
| Other benefits                      | <b>839</b>           | <i>41</i>            |
|                                     | <b><u>15,786</u></b> | <i><u>19,552</u></i> |

The average number of persons employed by the Group during the year, analysed by category, was as follows:

|                | <b>2019</b>       | <i>2018</i>       |
|----------------|-------------------|-------------------|
|                | <b>No.</b>        | <i>No.</i>        |
| Administrative | <b>319</b>        | <i>358</i>        |
| Clinical       | <b>298</b>        | <i>322</i>        |
|                | <b><u>617</u></b> | <i><u>680</u></i> |

The Company has no employees (2018: *nil*).

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**7. Key management personnel**

The Group's key management personnel is its executive team. Total compensation to key management personnel was £2,217k (2018: £1,072k).

The director did not receive any remuneration for her services to the Company or Group (2018: nil). The notional cost of the services provided by the director to this group but borne by another affiliate company, has been considered and is not deemed to be significant in the current or prior period.

**8. Interest receivable and similar income**

|   | 2019      | 2018     |
|---|-----------|----------|
|   | £000      | £000     |
| Interest receivable on financial assets | 16        | —        |
|   | <u>16</u> | <u>—</u> |

**9. Interest payable and similar expenses**

|   | 2019      | 2018      |
|---|-----------|-----------|
|   | £000      | £000      |
| Interest payable on financial liabilities | 21        | 93        |
|   | <u>21</u> | <u>93</u> |

**10. Taxation**

|  | 2019      | 2018        |
|--|-----------|-------------|
|  | £000      | £000        |
| <b>Current tax</b>                             |           |             |
| Current tax on profits for the year            | —         | 2           |
| Adjustments in respect of previous periods     | —         | —           |
| Total current tax charge (credit)              | <u>—</u>  | <u>2</u>    |
| <b>Deferred tax</b>                            |           |             |
| Origination and reversal of timing differences | 34        | (29)        |
| Adjustments in respect of prior periods        | —         | 15          |
| Total deferred tax charge (credit)             | <u>34</u> | <u>(14)</u> |
| <b>Total tax charge (credit)</b>               | <u>34</u> | <u>(12)</u> |

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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**10. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2018: *higher than*) the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

|   | 2019<br>£000     | 2018<br>£000       |
|---|------------------|--------------------|
| Loss on ordinary activities before tax  | <u>(15,286)</u>  | <u>(23,709)</u>    |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018: 19%) | (2,904)          | (4,505)            |
| <b>Effects of:</b>  |                  |                    |
| Fixed asset differences   | 3                | 15                 |
| Expenses not deductible for tax purposes  | 838              | 3,024              |
| Income not taxable for tax purposes   | (110)            | —                  |
| Adjustment in respect of STRGL or otherwise transferred   | (7)              | —                  |
| Other permanent differences   | (6)              | —                  |
| Adjustments to deferred tax previously recognised   | 56               | 87                 |
| Adjust closing deferred tax to average rate   | 932              | 147                |
| Adjust opening deferred tax to average rate   | (718)            | —                  |
| Deferred tax not recognized   | 1,950            | 1,220              |
| <b>Total tax charge (credit) for the year</b>   | <u><u>34</u></u> | <u><u>(12)</u></u> |

The current year 'expenses not deductible for tax purposes' primarily represent the equity method accounting for the Group's investment in an associated undertaking, which is a consolidation adjustment for the Group. The prior year 'expenses not deductible for tax purposes' primarily represent the goodwill and customer relationships intangible amortisation and the goodwill and intangible asset impairment charges, which represent consolidation adjustments for the Group.

**Factors that may affect future tax charges**

At 31 December 2019, there were trading losses of £44,505k (2018: £35,101k) to be used against future trading profits.

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**11. Intangible assets**

**Group and Company**

|                                    | <b>Customer<br/>relationships<br/>£000</b> | <b>Computer<br/>software<br/>£000</b> | <b>Goodwill<br/>£000</b> | <b>Total<br/>£000</b> |
|------------------------------------|--|---------------------------------------|--------------------------|-----------------------|
| <b>Cost</b>                        |  |                                       |                          |                       |
| At 1 January 2019                  | 6,221                                      | 1,620                                 | 13,301                   | 21,142                |
| Additions                          | —  | 808                                   | —                        | 808                   |
| Disposals                          | —  | (189)                                 | —                        | (189)                 |
| At 31 December 2019                | <u>6,221</u>                               | <u>2,239</u>                          | <u>13,301</u>            | <u>21,761</u>         |
| <b>Amortisation and impairment</b> |  |                                       |                          |                       |
| At 1 January 2019                  | 6,221                                      | 816                                   | 13,301                   | 20,338                |
| Amortisation for the year          | —  | 490                                   | —                        | 490                   |
| Disposals                          | —  | (100)                                 | —                        | (100)                 |
| At 31 December 2019                | <u>6,221</u>                               | <u>1,206</u>                          | <u>13,301</u>            | <u>20,728</u>         |
| <b>Net book value</b>              |  |                                       |                          |                       |
| At 31 December 2019                | <u>—</u>                                   | <u>1,033</u>                          | <u>—</u>                 | <u>1,033</u>          |
| At 31 December 2018                | <u>—</u>                                   | <u>804</u>                            | <u>—</u>                 | <u>804</u>            |

During 2019, the Group did not recognise any impairment charges or reversals of subsequent impairments of intangible assets or goodwill. During 2018, the Group recognised an impairment charge of £1,969k in relation to customer relationships acquired in Operose Health (Group) Limited. This 2018 impairment charge resulted in a customer relationships value of nil as of the 2018 reporting period, which continues to be consistent for the 2019 reporting period. During 2018, the Group also recognised an impairment charge of £6,856k on goodwill. This 2018 impairment charge resulted in a goodwill value of nil as of the 2018 reporting period, which continues to be consistent for the 2019 reporting period.



**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**12. Tangible fixed assets**

**Group**

|                           | Land<br>£000 | Freehold<br>property<br>£000 | Leasehold<br>property<br>£000 | Leased<br>equipment<br>£000 | Office<br>equipment<br>£000 | Computer<br>equipment<br>£000 | Total<br>£000 |
|---------------------------|--------------|------------------------------|-------------------------------|-----------------------------|-----------------------------|-------------------------------|---------------|
| <b>Cost</b>               |              |                              |                               |                             |                             |                               |               |
| At 1 January 2019         | 246          | 574                          | 42                            | 139                         | 10                          | —                             | 1,011         |
| Additions                 | —            | —                            | 10                            | —                           | —                           | 108                           | 118           |
| Disposals                 | —            | —                            | (13)                          | (55)                        | —                           | —                             | (68)          |
| At 31 December 2019       | <u>246</u>   | <u>574</u>                   | <u>39</u>                     | <u>84</u>                   | <u>10</u>                   | <u>108</u>                    | <u>1,061</u>  |
| <b>Depreciation</b>       |              |                              |                               |                             |                             |                               |               |
| At 1 January 2019         | —            | —                            | 1                             | 72                          | 9                           | —                             | 82            |
| Depreciation for the year | —            | 14                           | 14                            | 20                          | 1                           | 13                            | 62            |
| Disposals                 | —            | —                            | —                             | (23)                        | —                           | —                             | (23)          |
| At 31 December 2019       | <u>—</u>     | <u>14</u>                    | <u>15</u>                     | <u>69</u>                   | <u>10</u>                   | <u>13</u>                     | <u>121</u>    |
| <b>Net book value</b>     |              |                              |                               |                             |                             |                               |               |
| At 31 December 2019       | <u>246</u>   | <u>560</u>                   | <u>24</u>                     | <u>15</u>                   | <u>—</u>                    | <u>95</u>                     | <u>940</u>    |
| At 31 December 2018       | <u>246</u>   | <u>574</u>                   | <u>41</u>                     | <u>67</u>                   | <u>1</u>                    | <u>—</u>                      | <u>929</u>    |

The net book value of land and buildings may be further analysed as follows:

|                    | 2019<br>£000 | 2018<br>£000 |
|--------------------|--------------|--------------|
| Land               | 246          | 246          |
| Freehold property  | 560          | 574          |
| Leasehold property | <u>24</u>    | <u>41</u>    |
|                    | <u>830</u>   | <u>861</u>   |

**Leased assets**

The net book value of assets held under finance leases or hire purchase contracts, included above as 'Leased equipment,' is £15k (2018: £49k).

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**13. Investments**

**Group**

|   | Investments in<br>associated<br>undertakings<br>£000 | Preference share<br>holdings in associated<br>undertakings<br>£000 | Total<br>investments<br>£000 |
|---|--|--|------------------------------|
| <b>Cost</b>                               |  |  |                              |
| At 1 January 2019                         | —  | —  | —                            |
| Additions                                 | 3,338  | 14,193   | 17,531                       |
| At 31 December 2019                       | 3,338  | 14,193   | 17,531                       |
| <b>Share of post acquisition reserves</b> |  |  |                              |
| At 1 January 2019                         | —  | —  | —                            |
| Retained profits less losses              | (3,338)  | (570)  | (3,908)                      |
| At 31 December 2019                       | (3,338)  | (570)  | (3,908)                      |
| <b>Net book value</b>                     |  |  |                              |
| At 31 December 2019                       | —  | 13,623   | 13,623                       |
| At 31 December 2018                       | —  | —  | —                            |

During June 2019, MH Services International (UK) Limited acquired 19.9% of the voting shares as well as additional preference shares of Circle Health Holdings Limited for a total investment of £17,531k, including capitalized transaction costs amounting to £815k. For the 2019 reporting period, the Group valued this initial investment at cost and applied equity method accounting for this investment recognizing its share of 19.9% of the profits and losses of Circle Health Holdings Limited over the period of ownership.

**Company**

|                          | Investments in<br>subsidiary companies<br>£000 |
|--------------------------|--|
| <b>Cost or valuation</b> |  |
| At 1 January 2019        | 22,113   |
| Additions                | —  |
| At 31 December 2019      | 22,113   |
| <b>Impairment</b>        |  |
| At 1 January 2019        | 22,113   |
| Charge for the period    | —  |
| At 31 December 2019      | 22,113   |
| <b>Net book value</b>    |  |
| At 31 December 2019      | —  |
| At 31 December 2018      | —  |

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**13. Investments (continued)**

The following were subsidiary undertakings of the Company and Group as of 31 December 2019:

| <b>Name</b>                            | <b>Principal activity</b>   | <b>Class of shares</b> | <b>Holding</b> |
|--|---|------------------------|----------------|
| MH Services International (UK) Limited | Investment holding company  | Ordinary               | 100 %          |
| Operose Health Limited*                | Provision of Health Care Integration Consultancy and Behavioural Health Services to the NHS | Ordinary               | 100 %          |
| Operose Health (Group) Limited*        | Provision of healthcare services  | Ordinary               | 100 %          |
| The Practice Properties Limited*       | Owning and renting property   | Ordinary               | 100 %          |
| Operose Health (Group) UK Limited*     | Provision of medical related services   | Ordinary               | 100 %          |
| The Practice Surgeries Limited*        | Provision of healthcare services  | None                   | 0 %            |
| Chilvers & McCrea Limited*             | Provision of medical related services   | None                   | 0 %            |
| The Practice U Surgeries Limited*      | Provision of healthcare services  | None                   | 0 %            |
| Operose Health Corporate Management*   | Administrative support for other group companies  | None                   | 0 %            |
| Phoenix Primary Care Limited*          | Provision of medical related services   | None                   | 0 %            |
| Phoenix Primary Care (South) Limited*  | Provision of medical related services   | None                   | 0 %            |

\*indirect subsidiary

The Practice Surgeries Limited, Chilvers & McCrea Limited, The Practice U Surgeries Limited, and Operose Health Corporate Management Limited are consolidated by virtue of control being exercised as set out in section 1162(2)(4) and schedule 7 of the Companies Act 2006. Phoenix Primary Care Limited is 100% owned by The Practice Surgeries Limited. Phoenix Primary Care (South) Limited is 100% owned by Phoenix Primary Care Limited.

The registered office of MH Services International (UK) Limited and Operose Health Limited is 77 New Cavendish Street, London, England, W1W 6XB.

The registered office of the other subsidiaries is Rose House Bell Lane, Office Village, Bell Lane, Little Chalfont, Amersham, Buckinghamshire, England, HP6 6FA.

**14. Stocks**

|                                     | <b>2019</b> | <i>2018</i> |
|-------------------------------------|-------------|-------------|
|                                     | <b>£000</b> | <i>£000</i> |
| Finished goods and goods for resale | <b>135</b>  | <i>79</i>   |
|                                     | <b>135</b>  | <i>79</i>   |

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**15. Debtors**

|                                     | <b>2019</b>  | <b>2018</b>  |
|-------------------------------------|--------------|--------------|
|                                     | <b>£000</b>  | <b>£000</b>  |
| <b>Due after more than one year</b> |              |              |
| Other debtors                       | <b>542</b>   | <b>524</b>   |
|                                     | <b>542</b>   | <b>524</b>   |
| <b>Due within one year</b>          |              |              |
| Trade debtors                       | <b>1,431</b> | <b>4,262</b> |
| Other debtors                       | <b>282</b>   | <b>55</b>    |
| Accrued income                      | <b>694</b>   | <b>736</b>   |
| Prepayments                         | <b>286</b>   | <b>—</b>     |
| Tax recoverable                     | <b>—</b>     | <b>68</b>    |
| Deferred taxation                   | <b>105</b>   | <b>139</b>   |
| Grants receivable                   | <b>—</b>     | <b>109</b>   |
|                                     | <b>2,798</b> | <b>5,369</b> |
| <b>Total Debtors</b>                | <b>3,340</b> | <b>5,893</b> |

Other debtors due after more than one year include a net defined benefit pension scheme asset of £483k (2018: £506k). For more details on the defined benefit pension scheme see note 26.

**16. Cash and cash equivalents**

|                          | <b>2019</b>  | <b>2018</b>  |
|--------------------------|--------------|--------------|
|                          | <b>£000</b>  | <b>£000</b>  |
| Cash at bank and in hand | <b>1,027</b> | <b>2,823</b> |
|                          | <b>1,027</b> | <b>2,823</b> |

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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FOR THE YEAR ENDED 31 DECEMBER 2019**

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**17. Creditors: Amounts falling due within one year**

|                                    | <b>Group</b>  | <i>Group</i>  | <b>Company</b> | <i>Company</i> |
|------------------------------------|---------------|---------------|----------------|----------------|
|                                    | <b>2019</b>   | <i>2018</i>   | <b>2019</b>    | <i>2018</i>    |
|                                    | <b>£000</b>   | <i>£000</i>   | <b>£000</b>    | <i>£000</i>    |
| Bank loans                         | 37            | 36            | —              | —              |
| Trade creditors                    | 1,880         | 7,194         | —              | —              |
| Amounts owed to group undertakings | 37,756        | 12,902        | 37,227         | 12,630         |
| Other taxation and social security | 436           | 485           | —              | —              |
| Obligations under finance lease    | 10            | 24            | —              | —              |
| Other creditors                    | 966           | 1,640         | —              | —              |
| Accruals and deferred income       | 7,914         | 1,790         | 160            | 22             |
|                                    | <u>48,999</u> | <u>24,071</u> | <u>37,387</u>  | <u>12,652</u>  |

During the period, new on demand loans amounting to £24.4 million (2018: £7.2 million) were provided by Centene Corporation via its wholly owned affiliate MHS Consulting International, Inc. to the Group for operational cash needs as well as for the current period investment in Circle Health. Other movements in 'Amounts owed to group undertakings' relate to non cash transactions with U.S. affiliates. Amounts owed to group undertakings are repayable on demand, unsecured and carry no interest charge.

**18. Creditors: Amounts falling due after more than one year**

|                                  | <b>Group</b> | <i>Group</i> |
|----------------------------------|--------------|--------------|
|                                  | <b>2019</b>  | <i>2018</i>  |
|                                  | <b>£000</b>  | <i>£000</i>  |
| Bank loans                       | 264          | 300          |
| Obligations under finance leases | —            | 16           |
|                                  | <u>264</u>   | <u>316</u>   |

Bank loans represent a mortgage loan on the property owned by The Practice Properties Limited. This mortgage loan will reach maturity during August 2027 and is subject to legal changes in favour of The Royal Bank of Scotland Plc. This mortgage loan is secured by a debenture granted by Operose Health (Group) Limited and an inter-company guarantee between Operose Health (Group) Limited and the following associated companies: The Practice Surgeries Limited, The Practice U Surgeries Limited, Chilvers & McCrea Limited, The Practice Properties Limited and Operose Health (Group) UK Limited.

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**19. Financial instruments**

|   | <b>Group</b>    | <i>Group</i>    | <b>Company</b> | <i>Company</i>  |
|---|-----------------|-----------------|----------------|-----------------|
|   | <b>2019</b>     | <i>2018</i>     | <b>2019</b>    | <i>2018</i>     |
|   | <b>£000</b>     | <i>£000</i>     | <b>£000</b>    | <i>£000</i>     |
| <b>Financial assets</b>   |                 |                 |                |                 |
| Financial assets measured at fair value through profit or loss        | <b>1,027</b>    | <i>2,823</i>    | <b>—</b>       | <i>—</i>        |
| Financial assets that are debt instruments measured at amortised cost | <b>2,949</b>    | <i>5,577</i>    | <b>—</b>       | <i>—</i>        |
|   | <b>3,976</b>    | <i>8,400</i>    | <b>—</b>       | <i>—</i>        |
| <b>Financial liabilities</b>  |                 |                 |                |                 |
| Financial liabilities measured at amortised cost                      | <b>(11,071)</b> | <i>(23,902)</i> | <b>(160)</b>   | <i>(12,652)</i> |

Financial assets measured at fair value through profit or loss comprise cash and cash equivalents.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors, and accrued income.

Financial liabilities measured at amortised cost comprise trade creditors, amounts owed to group undertakings, other creditors, accruals and deferred income, obligations under finance leases and bank loans.

**20. Deferred taxation**

|                                      | <b>2019</b> | <i>2018</i> |
|--------------------------------------|-------------|-------------|
|                                      | <b>£000</b> | <i>£000</i> |
| At beginning of year                 | <b>139</b>  | <i>125</i>  |
| Credited/(charged) to profit or loss | <b>(34)</b> | <i>14</i>   |
| At end of year                       | <b>105</b>  | <i>139</i>  |

The deferred tax asset is made up as follows:

|   | <b>2019</b> | <i>2018</i> |
|---|-------------|-------------|
|   | <b>£000</b> | <i>£000</i> |
| Fixed asset timing differences                  | <b>22</b>   | <i>43</i>   |
| Short term timing differences                   | <b>66</b>   | <i>96</i>   |
| Tax losses carried forward and other deductions | <b>17</b>   | <i>—</i>    |
|   | <b>105</b>  | <i>139</i>  |

In addition to the net deferred tax asset position detailed above, the Group has additional unrecognised gross tax losses of £44,505k as of 31 December 2019 (2018: £35,101k) to be used against future trading profits. Since these carry forward trading losses are not yet recoverable, these balances have not been factored into the Group's deferred tax asset position.

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**21. Provisions**

|                                      | Onerous<br>contract<br>provision<br>£000 | Legal<br>provision<br>£000 | Dilapidations<br>provision<br>£000 | Onerous<br>property<br>leases<br>provision<br>£000 | Total<br>£000 |
|--------------------------------------|--|----------------------------|------------------------------------|--|---------------|
| At 1 January 2019                    | 373                                      | 270                        | 121                                | 95   | 859           |
| (Credited)/charged to profit or loss | (297)                                    | 242                        | 139                                | —  | 84            |
| <b>At 31 December 2019</b>           | <b>76</b>                                | <b>512</b>                 | <b>260</b>                         | <b>95</b>  | <b>943</b>    |

The onerous contract provision represents the Group's best estimate of the probable foreseeable losses arising from onerous contracts which were acquired in 2017. The provision is expected to be realised over the course of the next accounting period in line with the current contractual term. The provision has not been discounted and will be reviewed by management over the course of the contract.

The legal provision represents the Group's best estimate of the expected cost of settling liabilities, which it expects to arise in the settlement of on-going legal disputes. The timing for realising this provision is not known given the uncertainty of the outcomes and timing of these legal claims, but is expected to be in the next 2 years.

The dilapidations provision represents the Group's best estimate of its obligations under operating leases to make good any dilapidations on its leased properties. This provision is expected to be realised in line with the remaining terms of the Group's operating leases which range from 1 to 10 years.

The onerous property leases provision arises in respect of those operating leases which are no longer fully occupied by the Group and represents the amounts for which it is liable in excess of any income arising from sub letting these properties over the next 5 years, in line with current expiration date of this onerous lease.

**22. Share capital**

|   | 2019<br>£  | 2018<br>£  |
|---|------------|------------|
| <b>Allotted, called up and fully paid</b> |            |            |
| 200 Ordinary shares of £0.7262 each       | <u>145</u> | <u>145</u> |

On 13 March 2018, the Company issued 100 ordinary shares of £0.7262 each for consideration of £22,113k to MHS Consulting International, Inc. of which £6,218k of the consideration was settled in cash and the remainder was offset against amounts owed to group undertakings.

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**23. Reserves**

**Share premium account**

The share premium account arises on the excess of the consideration paid for ordinary shares between the amount paid per share and its nominal value.

**Other reserves**

Other reserves consist of the loss on the non-controlling interest buy-out of Operose Health (Group) Limited during March 2018.

**Profit and loss account**

This reserve records the cumulative retained earnings of the Group, less amounts distributed to shareholders.

**24. Related party transactions**

The Group has taken advantage of the exemption in FRS 102 Section 33 to not disclose transactions with wholly owned group entities.

**25. Share based payments**

During 2018, the Operose Health (Group) Limited had two share based payment arrangements in place, an EMI Scheme and Unapproved Share Option Scheme. Both schemes expired during 2018 as a result of the non-controlling interest buy out of Operose Health (Group) Limited during March 2018.

No payments, replacement share options or other consideration was paid, or is payable, to former option holders upon expiry of the schemes. No charge has been recognised in relation to the share option expiry as no costs were incurred by the Group.

**26. Pension commitments**

**Defined benefit pension scheme**

*The amounts recognised in the Consolidated Balance Sheet are as follows:*

|  | 2019    | 2018    | 2017    |
|--|---------|---------|---------|
|  | £000    | £000    | £000    |
| Defined benefit obligation   | (2,181) | (1,871) | (2,057) |
| Fair value of plan assets  | 2,664   | 2,377   | 2,456   |
| Net defined benefit (liability)/asset                                      | 483     | 506     | 399     |
| Restriction on asset recognised  | —       | —       | —       |
| Net amount recognised at year end (before any adjustment for deferred tax) | 483     | 506     | 399     |

The current and past service costs, settlements and curtailments, together with the net interest expense for the period are included in profit or loss. Remeasurements of the net defined benefit liability are included in other comprehensive income.



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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
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**26. Pension commitments (continued)**

**Defined benefit pension scheme (continued)**

The amounts recognised in Consolidated Profit and Loss Account and Other Comprehensive Income are as follows:

|   | <b>2019</b> | <b>2018</b>  |
|---|-------------|--------------|
|   | <b>£000</b> | <b>£000</b>  |
| Service cost:   |             |              |
| Administration expenses   | 3           | 26           |
| Net interest expense/(credit)   | (14)        | (10)         |
| Charge/(credit) recognised in profit or loss                                | <u>(11)</u> | <u>16</u>    |
| Remeasurements of the net liability:  |             |              |
| Return on scheme assets (excluding amount included in net interest expense) | (222)       | 133          |
| Actuarial (gains)/losses  | 259         | (233)        |
| Charge/(credit) recorded in other comprehensive income                      | <u>37</u>   | <u>(100)</u> |
| Total defined benefit cost/(credit)   | <u>26</u>   | <u>(84)</u>  |

The principal actuarial assumptions used were:

|   | <b>2019</b>   | <b>2018</b> | <b>2017</b> |
|---|---------------|-------------|-------------|
| Liability discount rate                               | <b>2.00 %</b> | 2.75 %      | 2.35 %      |
| Inflation assumption - RPI                            | <b>2.70 %</b> | 2.95 %      | 2.95 %      |
| Revaluation of deferred pensions                      | <b>2.70 %</b> | 2.95 %      | 2.95 %      |
| Increases for pensions in payment:                    |               |             |             |
| RPI max 6%  | <b>2.70 %</b> | 2.95 %      | 2.95 %      |
| RPI   | <b>2.70 %</b> | 2.95 %      | 2.95 %      |
| Proportion of employees opting for early retirement   | <b>0.00 %</b> | 0.00 %      | 0.00 %      |
| Proportion of employees commuting pension for cash    | <b>0.00 %</b> | 0.00 %      | 0.00 %      |
| Expected age at death of current pensioner at age 65: |               |             |             |
| Male aged 65 at year end:                             | <b>87.8</b>   | 87.1        | 87.2        |
| Female aged 65 at year end:                           | <b>89.9</b>   | 89.0        | 89.1        |
| Expected age at death of future pensioner at age 65:  |               |             |             |
| Male aged 45 at year end:                             | <b>89.4</b>   | 88.8        | 89.0        |
| Female aged 45 at year end:                           | <b>91.5</b>   | 90.9        | 91.0        |

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**26. Pension commitments (continued)**

**Defined benefit pension scheme (continued)**

Reconciliation of scheme assets and liabilities:

|  | <b>Assets</b> | <b>Liabilities</b> | <b>Total</b> |
|--|---------------|--------------------|--------------|
|  | <b>£000</b>   | <b>£000</b>        | <b>£000</b>  |
| At start of period 1 January 2019                            | 2,377         | (1,871)            | 506          |
| Administration expenses                                      | (3)           | —                  | (3)          |
| Contributions from the employer                              | 3             | —                  | 3            |
| Interest income / (expense)                                  | 65            | (51)               | 14           |
| Return on assets (excluding amount included in net interest) | 222           | —                  | 222          |
| Actuarial gains/(losses)                                     | —             | (259)              | (259)        |
| At end of period 31 December 2019                            | <u>2,664</u>  | <u>(2,181)</u>     | <u>483</u>   |

The return on plan assets was:

|   | <b>2019</b> | <b>2018</b> |
|---|-------------|-------------|
|   | <b>£000</b> | <b>£000</b> |
| Interest income   | 65          | 58          |
| Return on plan assets (excluding amount included in net interest expense) | 222         | (133)       |
| Total return on plan assets   | <u>287</u>  | <u>(75)</u> |

The major categories of scheme assets are as follows:

|                              | <b>2019</b>  | <b>2018</b>  |
|------------------------------|--------------|--------------|
|                              | <b>£000</b>  | <b>£000</b>  |
| Corporates                   | 1,398        | 1,182        |
| Index linked                 | 1,263        | 1,186        |
| Annuities                    | —            | 9            |
| Cash                         | 3            | —            |
| Total market value of assets | <u>2,664</u> | <u>2,377</u> |

The defined benefit pension scheme has no investments in the Group or Company or in property occupied by the Group or Company.

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**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2019**

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**26. Pension commitments (continued)****Defined contribution pension scheme**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The below table outlines the pension cost charge, which represents the contributions payable by the Group to the fund, as well as the contribution amount payable at the reporting date.

|   | 2019  | 2018  |
|---|-------|-------|
|   | £000  | £000  |
| Defined contribution pension scheme contributions paid during the year        | 860   | 1,091 |
| Defined contribution pension scheme pension contributions payable at year-end | 1,784 | 1,660 |

**27. Commitments under operating leases**

The Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

|                                | 2019         | 2018         |
|--------------------------------|--------------|--------------|
|                                | £000         | £000         |
| Amounts due within 1 year      | 1,431        | 1,762        |
| Amounts due within 2-5 years   | 3,148        | 3,371        |
| Amounts due later than 5 years | 1,363        | 1,778        |
|                                | <u>5,942</u> | <u>6,911</u> |

**28. Post Balance Sheet events**

During January 2020, there was a change in shareholder control for Group subsidiaries, Chilvers & McCrea Limited, The Practice Surgeries Limited, The Practice U Surgeries Limited, and Operose Health Corporate Management Limited. For each of these subsidiaries, Dr. N Harding replaced Dr. J Rose as the direct shareholder. See note 13 for additional details regarding the Group's control of these subsidiaries.

To date in 2020, Operose Health Limited has received £9,500k and Operose Health (Group) Limited has received £3,500k of cash fundings from Centene Corporation for operational cash needs.

Centene Corporation provided additional funds during January 2020 via an on demand loan to the Company and its subsidiary, MH Services International (UK) Limited, for an additional investment in Circle Health Holdings Limited. This investment in Circle Health Holdings Limited was effective 8 January 2020 for an additional 20.1% of voting shares, bringing the Group's total voting interest to 40%, as well as for an additional acquisition of preference shares for a combined investment of approximately £67,300k. As part of this additional investment in Circle Health Holdings Limited, the Company also became invested in GHG Healthcare Holdings Limited, which operates under the name BMI Healthcare, as Circle Health Holdings Limited simultaneously acquired 100% of GHG Healthcare Holdings Limited at the time of the Group's additional investment. BMI Healthcare is the largest operator of private hospitals in the U.K. with a core portfolio of approximately 50 hospitals. The investment in Circle Health Holdings Limited continues to be accounted for as an investment in an associated undertaking and is accounted for under equity method accounting since the Group has significant influence but does not control this investment.

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## MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

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#### 29. Controlling party

The immediate parent entity is MHS Consulting International, Inc.

The name of the parent of the smallest and largest group of which MH Services International Holdings (UK) Limited is a member and for which group financial statements are prepared is Centene Corporation.

Centene Corporation is a publicly traded company incorporated in the United States of America. Centene Corporation's address is 7700 Forsyth Blvd., St. Louis, MO 63105.

#### 30. Subsidiary company guarantee

The following subsidiaries included in these consolidated accounts have taken advantage of the audit exemptions conferred by guarantees supplied by MH Services International Holdings (UK) Limited in line with S479A of the Companies Act:

|   |                            |
|---|----------------------------|
| MH Services International (UK) Limited      | (Company number: 10926787) |
| Operose Health Limited                      | (Company number: 10014577) |
| Operose Health (Group) Limited              | (Company number: 05685937) |
| The Practice Properties Limited             | (Company number: 05483424) |
| Operose Health (Group) UK Limited           | (Company number: 05555460) |
| Chilvers & McCrea Limited                   | (Company number: 06545745) |
| The Practice Surgeries Limited              | (Company number: 04149500) |
| The Practice U Surgeries Limited            | (Company number: 05770108) |
| Operose Health Corporate Management Limited | (Company number: 07666277) |
| Phoenix Primary Care Limited                | (Company number: 06280242) |
| Phoenix Primary Care (South) Limited        | (Company number: 07470273) |