

Registered number: 10926063

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020



MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED
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COMPANY INFORMATION

Directors	E Perry (appointed 29 March 2021) T Dinkelman
Registered number	10926063
Registered office	77 New Cavendish Street London, England W1W 6XB
Independent auditor	KPMG LLP Chartered Accountants & Statutory Auditor 58 Clarendon Road Watford Hertfordshire WD17 1DE

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 2020**

The directors present 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 2020.

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 Group also holds an associated investment in Circle Health Holdings Limited, the largest independent hospital group in the UK. Circle Health Holdings Limited provides an extensive range of general and specialized medical care services to privately insured, self-pay, and NHS funded patients.

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 2020

The Group provides a range of primary care services that have been established to deliver patient care, providing solutions to increase patient choice and service quality. The Group's strategy is centered on continued innovation and service development in partnership with NHS commissioners.

During the year to 31 December 2020, 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.

2020 continued with a view to improve quality and financial performance through sharing of knowledge and resources across our portfolio, and strengthening our core business. The second half of 2020 also saw the mobilization of 5 new Surgery contracts, leading to an increase in revenue of £1.1m from the prior period.

Position at 31 December 2020 and future developments

The Company and its parent undertaking have continued significant investment in its UK operations, with growth of the group's senior leadership team continuing through 2020 and 2021, 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 and 2021 will lead to 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 2020 and has continued into 2021. This period of rationalization has seen the group exit the Birmingham Women's and Children's NHS Foundation Trust FTB contract, in order to ensure continued focus on our core business.

The focus on continued growth in the Group is evidenced by the mobilization of 5 new Surgery contracts for The Practice Surgeries Limited: Kinghurst Surgery on 1st April 2020, Broad Oak Surgery on 1st July 2020, and Kirkby Primary Care Centre, Balderton Practice and Southglade Surgery on 1st October 2020. The Group also entered into a subcontracting agreement to operate a GMS contract in partnership with the Camerose Gillies and Hackwood Partnership surgeries on 1 December 2020.

This continued commitment to investment in growth is supported, as noted within the Directors' Report, by continued parent company support, which has resulted in an additional £8.0m of funding received from the Company's parent undertaking during 2021.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	24,837	23,766
EBITDA	(18,707)	(14,729)
Loss before tax	(19,055)	(15,286)

Principal risks and uncertainties

The directors have 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 2020 to service a property mortgage and lease purchase agreements. As of 31 December 2020, 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 associated undertaking. A significant change in the nature or market of these investments could lead to impairment in the carrying value of these investments.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 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, UK-based companies could be negatively impacted by restrictions on tariff-free 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 progresses. 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.

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. There has been no significant impact to date.

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 that the impact on the company's ability to generate revenues and manage costs is minimised, 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 2020**

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 explains how the directors 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 others, 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 directors' duties

The directors have 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 directors understand the business and the evolving environment in which we operate. In 2020, to help achieve our strategic ambitions, the Board continued to develop a strategy to deliver improved patient choice and service quality.

The directors recognise 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 directors have taken the decisions believed to best support the Company's strategic ambitions.

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

The directors recognise 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 directors factor the implications of decisions on employees and the wider workforce, where relevant and feasible.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 directors engage 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 directors review 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 directors are 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 directors consider 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.

The Group is a low energy user under the SECR guidance and therefore environmental disclosures have not been presented.

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



E Perry
Director

27th September 2021

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED
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**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2020**

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

Results and dividends

The loss for the year, after taxation, amounted to £19,097k (2019: £15,390k).

The directors do not recommend the payment of a dividend in respect of the year (2019: nil).

Directors

The directors who served during the year and up to the date of approval of the financial statements were: .

E Perry (appointed 29 March 2021)

T Dinkelman

S Jones (appointed on 14 January 2021 and resigned on 30 March 2021)

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 directors 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.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

Disclosure of information to auditor

The directors at the time when this Directors' Report is approved have confirmed that:

- so far as they are aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- they have taken all the steps that ought to have been taken as directors 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

To date in 2021, Operose Health Limited has received £6 million and Operose Health (Group) Limited has received £2 million of cash fundings from Centene Corporation for operational cash needs.

On 11th February 2021, 99% of the ownership of AT Medics Holdings LLP and its subsidiaries was transferred to Operose Health Limited, a subsidiary company of MH Services International Holdings (UK) Limited. On the same date, the remaining 1% of the ownership of AT Medics Holdings LLP and its subsidiaries was transferred to MH Services International (UK) Limited. The transaction resulted in MH Services International Holdings (UK) Limited assuming 100% control of the AT Medics Holdings LLP group of companies. These companies are Technology, Learning and Primary Care businesses. The transaction is estimated to increase future annual turnover of MH Services International Holdings (UK) Limited by approximately £57 million, based on the draft audited group accounts for AT Medics Holdings LLP and its subsidiaries for the annual period ending 31 March 2021. Non-financial benefits anticipated from the transaction include an increased ability to support practices to utilise technology to provide better care and access for patients. Management expects to combine the best clinical practice, ways of thinking, and the most innovative global health technology to improve the quality, value, and accessibility of NHS health care so that all patients can share the opportunity to live healthier lives. The investment in AT Medics Holdings LLP will be fully consolidated in the accounts of MH Services International Holdings (UK) Limited for the year ended 31 December 2021, as the company has 100% control over the investment.

On 1st July 2021, the remaining ownership of Circle Health Holdings Limited and its subsidiaries was transferred to MH Services International (UK) Limited for consideration of approximately £509 million. This transaction resulted in MH Services International Holdings (UK) Limited assuming 100% control of the Circle Health Holdings Limited group of companies, which represent the largest independent hospital group in the UK. The transaction is estimated to increase future annual turnover of MH Services International Holdings (UK) Limited by approximately £995 million, based on the draft audited group accounts for Circle Health Holdings Limited and its subsidiaries for the annual period ending 31 December 2020. The investment in Circle Health Holdings Limited will be fully consolidated in the accounts of MH Services International Holdings (UK) Limited for the year ended 31 December 2021, as the company has 100% control over the investment.

On 10th February 2021, the Company issued a share to the immediate parent entity in return for approximately £55 million of funds received.

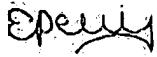
MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2020**

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.



E Perry

Director

27th September 2021

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED
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**DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the Group and Parent Company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the Group and Parent 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 directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of the Group's profit or loss for that period. In preparing each of the Group and Parent Company financial statements, the directors are 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 Parent 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 Parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent 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.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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

Opinion

We have audited the financial statements of MH Services International Holdings (UK) Limited ("the Company") for the year ended 31 December 2020 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 2020 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 directors have 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").

In our evaluation of the directors' 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.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

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 above conclusions are not a guarantee that the Group or the Company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors as to the Group's high-level policies and procedures to prevent and detect fraud, as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that GP Surgeries Revenue where income is estimated at the month end is recorded in the wrong period and the risk that Group management may be in a position to make inappropriate accounting entries.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included revenue and cash journals made to unrelated accounts, unbalanced journals and journals containing specific words.
- Testing a sample of revenue transactions to supporting documentation to assess whether revenue had been recorded in the correct period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

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

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations (continued)

Secondly, the Company is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's license to operate. We identified the following areas as those most likely to have such an effect: NHS regulations, health and safety, employment law and data protection. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Strategic Report and Directors' Report

The directors are responsible for the Strategic Report and the Directors' 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 Directors' 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 Directors' 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 directors' 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.

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

Directors' responsibilities

As explained more fully in their statement set out on page 9, the directors are 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.

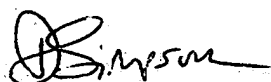
Auditor's responsibilities

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.

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
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Hertfordshire
WD17 1DE

30th September 2021

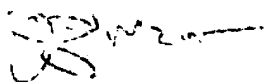
30th September 2014

MD11 DE
Henricdshire
Waltham
28 Clarendon Road

Chartered Accountants

КРМБЕ ГГБ' Статutory Auditor
for and on behalf of

David Simpson (Senior Statutory Auditor)



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

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

auditors' responsibilities.

A further description of our responsibilities is provided on the FRC's website at www.frc.org.uk

expected to influence the economic decisions of users taken on the basis of the financial statements.

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

Auditors' responsibilities

have no realistic alternative but to do so.

accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations' or doing concern' disclosing' as appropriate' matters related to doing concern' and using the doing concern basis of misstatement' whether due to fraud or error. assessing the Group and Parent Company's ability to continue as a determine is necessary to enable the preparation of financial statements that are free from material the financial statements and for being satisfied that they give a true and fair view' such internal control as they As explained more fully in their statement set out on page 3' the directors are responsible for the preparation of

Directors' responsibilities

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

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Turnover	4	24,837	23,766
Cost of sales		<u>(22,123)</u>	<u>(22,575)</u>
Gross profit		2,714	1,191
Administrative expenses		<u>(13,830)</u>	<u>(12,549)</u>
Operating loss	5	(11,116)	(11,358)
Earnings/(losses) from associated undertaking	13	(7,918)	(3,908)
Foreign exchange gain/(loss) and other income/(expense)		(13)	(15)
Interest receivable and similar income	8	13	16
Interest payable and similar expenses	9	(4)	(21)
Earnings/(loss) on sale of assets		<u>(17)</u>	<u>—</u>
Loss before taxation		(19,055)	(15,286)
Tax credit/(charge) on loss	10	<u>(106)</u>	<u>(34)</u>
Loss for the financial year		<u>(19,161)</u>	<u>(15,320)</u>
Actuarial gain/(loss) on defined benefit pension scheme	25	64	(70)
Other comprehensive gain/(loss) for the year		64	(70)
Total comprehensive loss for the year		<u>(19,097)</u>	<u>(15,390)</u>

The notes on pages 20 to 43 form part of these financial statements.

The notes on pages 20 to 43 form part of these financial statements.

Total comprehensive loss for the year		(10'001)	(12'300)
Other comprehensive gain/(loss) for the year		84	(10)
Actuarial gain/(loss) on defined benefit pension scheme	52	84	(10)
Loss for the financial year		(10'181)	(12'350)
Tax credit/(charge) on loss	10	(100)	(34)
Loss before taxation		(10'082)	(12'380)
Earnings/(loss) on sale of assets		(11)	—
Interest payable and similar expenses	2	(4)	(51)
Interest receivable and similar income	8	13	10
Foreign exchange gain/(loss) and other income/(expense)		(13)	(12)
Earnings/(losses) from associated undertaking	13	(1'018)	(3'008)
Operating loss	2	(11'110)	(11'350)
Administrative expenses		(13'830)	(15'240)
Gross profit		5'114	1'101
Cost of sales		(55'153)	(55'212)
Turnover	4	54'031	53'100
	Note	£000	£000
		2020	2019

FOR THE YEAR ENDED 31 DECEMBER 2020
CONSOLIDATED PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

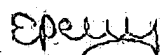
MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**CONSOLIDATED BALANCE SHEET
AS AT 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Fixed and intangible assets			
Intangible assets	11	1,421	1,033
Tangible assets	12	1,352	940
Investments	13	74,603	13,623
		<u>77,376</u>	<u>15,596</u>
Current assets			
Stocks	14	105	135
Debtors: amounts falling due after more than one year	15	632	542
Debtors: amounts falling due within one year	15	3,383	2,798
Cash at bank and in hand	16	2,139	1,027
		<u>6,259</u>	<u>4,502</u>
Creditors: amounts falling due within one year	17	(131,588)	(48,999)
Net current liabilities		<u>(125,329)</u>	<u>(44,497)</u>
Total assets less current liabilities		<u>(47,953)</u>	<u>(28,901)</u>
Creditors: amounts falling due after more than one year	18	(217)	(264)
Provisions for liabilities			
Other provisions	21	(1,035)	(943)
		<u>(1,035)</u>	<u>(943)</u>
Net liabilities		<u>(49,205)</u>	<u>(30,108)</u>
Capital and reserves			
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	(68,437)	(49,340)
		<u>(49,205)</u>	<u>(30,108)</u>

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



E Perry
Director

27th September 2021

The notes on pages 20 to 43 form part of these financial statements.

The notes on pages 20 to 43 form part of these financial statements.

25th September 2021

Director

E Berry

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

		(£'000)	(£'000)
Profit and loss account	53	(48,502)	(30,108)
Other reserves	53	(68,431)	(48,340)
Share premium account	53	(5,884)	(5,884)
Called up share capital	55	55,113	55,113
Capital and reserves		—	—
Net liabilities		(48,502)	(30,108)
Other provisions	54	(1,032)	(843)
Provisions for liabilities		(1,032)	(843)
Creditors: amounts falling due after more than one year	18	(311)	(304)
Total assets less current liabilities		(41,823)	(58,801)
Net current liabilities		(152,350)	(44,481)
Creditors: amounts falling due within one year	11	(134,288)	(48,888)
Cash at bank and in hand	10	0,520	4,205
Debtors: amounts falling due within one year	12	5,138	1,051
Debtors: amounts falling due after more than one year	12	3,383	5,188
Stocks	14	835	245
Current assets		102	132
Investments		11,310	12,288
Tangible assets	13	14,803	13,853
Intangible assets	15	1,325	840
Fixed and intangible assets	11	15,128	14,693
	Note	£000	£000
		2020	2019

AS AT 31 DECEMBER 2020
CONSOLIDATED BALANCE SHEET

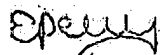
MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**COMPANY BALANCE SHEET
AS AT 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Investments	13	—	—
Creditors: amounts falling due within one year	17	(117,663)	(37,387)
Net current liabilities		(117,663)	(37,387)
Total assets less current liabilities		(117,663)	(37,387)
Net liabilities		(117,663)	(37,387)
Capital and reserves			
Called up share capital	22	—	—
Share premium account	23	22,113	22,113
Profit and loss account	23	(139,776)	(59,500)
		(117,663)	(37,387)

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 £80,276k (2019: £24,735k).

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



E Perry

Director

27th September 2021

The notes on pages 20 to 43 form part of these financial statements.

The notes on pages 50 to 43 form part of these financial statements.

Signed September 2015

Director
E. Berry

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:
after tax of the Company for the financial year was £80,326K (2014: £54,132K)
and has not been audited by the independent auditor in these financial statements. The loss
The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006

Profit and loss account	53	<u>(111,003)</u>	<u>(31,381)</u>
Share premium account	53	<u>(136,116)</u>	<u>(20,200)</u>
Called up share capital	53	<u>55,143</u>	<u>55,143</u>
Capital and reserves	55	<u>--</u>	<u>--</u>
Net liabilities		<u>(111,003)</u>	<u>(31,381)</u>
Total assets less current liabilities		<u>(111,003)</u>	<u>(31,381)</u>
Net current liabilities		<u>(111,003)</u>	<u>(31,381)</u>
Creations: amounts paid and due from investments	13	<u>--</u>	<u>--</u>

AS AT 31 DECEMBER 2015
COMPANY BALANCE SHEET

Note	£000	£000
5050	5010	

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share premium account £000	Other reserves £000	Profit and loss account £000	Total equity £000
At 1 January 2019	22,113	(2,881)	(33,950)	(14,718)
Comprehensive income/(loss) for the year				
Loss for the year	—	—	(15,320)	(15,320)
Actuarial gains/(losses) on pension scheme	—	—	(70)	(70)
At 1 January 2020	22,113	(2,881)	(49,340)	(30,108)
Comprehensive income/(loss) for the year				
Loss for the year	—	—	(19,161)	(19,161)
Actuarial gains/(losses) on pension scheme			64	64
At 31 December 2020	22,113	(2,881)	(68,437)	(49,205)

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2019	22,113	(34,765)	(12,652)
Comprehensive income/(loss) for the year			
Loss for the year	—	(24,735)	(24,735)
At 1 January 2020	22,113	(59,500)	(37,387)
Comprehensive income/(loss) for the year			
Loss for the year	—	(80,276)	(80,276)
At 31 December 2020	22,113	(139,776)	(117,663)

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020**

	Note	2020 £000	2019 £000
Cash flows from operating activities			
Loss for the financial year		(19,097)	(15,390)
Adjustments for:			
Amortisation of intangible assets	11	251	490
Depreciation of tangible assets	12	88	62
Loss on disposal of tangible and intangible assets	11	17	134
Losses from associated undertakings	13	7,918	3,908
Taxation charge/(credit)	10	106	34
(Increase)/decrease in stocks		30	(56)
(Increase)/decrease in debtors		(823)	2,778
Increase/(decrease) in creditors		839	336
Net cash used in operating activities		<u>(10,671)</u>	<u>(7,704)</u>
Cash flows from investing activities			
Purchase of investments	13	(68,898)	(17,531)
Purchase of intangible assets	11	(656)	(808)
Purchase of tangible assets	12	(500)	(118)
Net cash used in investing activities		<u>(70,054)</u>	<u>(18,457)</u>
Cash flows from financing activities			
New intercompany loans		81,898	24,431
Repayment of loans		(45)	(36)
Repayment of finance leases		(16)	(30)
Net cash from financing activities		<u>81,837</u>	<u>24,365</u>
Net increase/(decrease) in cash and cash equivalents		<u>1,112</u>	<u>(1,796)</u>
Cash and cash equivalents at beginning of year	16	1,027	2,823
Cash and cash equivalents at the end of year	16	<u>2,139</u>	<u>1,027</u>
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand	16	<u>2,139</u>	<u>1,027</u>

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

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 is the UK parent of a group of companies, which are detailed in note 13.

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:

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.

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 directors consider 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**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 £125,329k as at 31 December 2020, a total comprehensive loss for the year then ended of £19,097k, and net operating cash outflows for the year of £10,671k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons:

The directors and associated management team have prepared cash flow forecasts for the period to December 2022 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, through funding through its parent, 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 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 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. This is forecast to continue for the foreseeable future including throughout the forecast period.

Those forecasts are dependent on Centene Corporation not seeking repayment of the amounts currently due to the Group by the Company, which at 31 December 2020 amounted to £117.6 million, and providing additional financial support during that period. Centene Corporation provided funding to the Company of £80.3 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 owed by the Company 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 directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company and Group 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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)

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.

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
Medical equipment	5 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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2.13 Pensions (continued)**Defined benefit pension plan (continued)**

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.

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

2. Accounting policies (continued)**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 2020**

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 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.

ii. Defined benefit pension scheme (note 25)

The defined benefit obligation and fair value of plan assets within the defined benefit pension scheme involves estimation based on a number of assumptions. The Group use actuarial specialists to assist with estimating these assumptions and the calculation of these balances.

4. Turnover

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

For the year ended 31 December 2020, total turnover for the Group also included £1.9 million of other income relating to investment arrangement and underwriting services provided (2019: nil).

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 behavioural health services to the NHS.

All turnover arose within the United Kingdom.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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5. Operating loss

The operating loss is stated after charging:

	2020	2019
	£000	£000
Depreciation of tangible fixed assets	88	62
Losses on disposal of tangible and intangible fixed assets	17	134
Amortisation of intangible fixed assets	251	490
Fees payable to the Group's auditor for the audit of the Group's annual financial statements	103	99
Other operating lease rentals	2,839	2,836
Defined contribution pension cost	<u>981</u>	<u>860</u>

6. Employees

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

	2020	2019
	£000	£000
Wages and salaries	13,025	12,831
Social security costs	1,246	1,256
Cost of defined contribution scheme	981	860
Other benefits	44	839
	<u>15,296</u>	<u>15,786</u>

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

	2020	2019
	No.	No.
Administrative	429	319
Clinical	<u>248</u>	<u>298</u>
	<u>677</u>	<u>617</u>

The Company has no employees (2019: *nil*).

7. Key management personnel

The Group's key management personnel is its executive team. Total compensation to key management personnel was £1,910k (2019: £2,217k).

The directors did not receive any remuneration for their services to the Company or Group (2019: *nil*). The notional cost of the services provided by the directors 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.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
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8. Interest receivable and similar income

	2020	2019
	£000	£000
Interest receivable on financial assets	<u>13</u>	<u>16</u>
	<u>13</u>	<u>16</u>

9. Interest payable and similar expenses

	2020	2019
	£000	£000
Interest payable on financial liabilities	<u>4</u>	<u>21</u>
	<u>4</u>	<u>21</u>

10. Taxation

	2020	2019
	£000	£000
Current tax		
Current tax on profits for the year	—	—
Adjustments in respect of previous periods	<u>—</u>	<u>—</u>
Total current tax charge (credit)	<u>—</u>	<u>—</u>
Deferred tax		
Origination and reversal of timing differences	118	34
Adjustments in respect of prior periods	—	—
Effect of tax rate change on opening balance	<u>(12)</u>	<u>—</u>
Total deferred tax charge (credit)	<u>106</u>	<u>34</u>
Total tax charge (credit)	<u>106</u>	<u>34</u>

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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10. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2019: *higher than*) the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

	2020 £000	2019 £000
Loss on ordinary activities before tax	<u>(19,055)</u>	<u>(15,286)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2019: 19%)	(3,620)	(2,904)
Effects of:		
Fixed asset differences	6	3
Expenses not deductible for tax purposes	2,017	838
Income not taxable for tax purposes	(11)	(110)
Adjustments to brought forward values	14	—
Adjustment in respect of STRGL or otherwise transferred	12	(7)
Other permanent differences	—	(6)
Adjustments to deferred tax previously recognised	—	56
Remeasurement of deferred tax for changes in tax rates	(934)	214
Deferred tax not recognized	<u>2,622</u>	<u>1,950</u>
Total tax charge (credit) for the year	<u>106</u>	<u>34</u>

Both the current year and prior 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.

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. Deferred tax assets and liabilities on all timing differences have been calculated at 19% as at 31 December 2020. The impact of the announced future rate change on the financial statements is not considered material.

Factors that may affect future tax charges

At 31 December 2020, there were trading losses of £53,631k (2019: £44,505k) 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

	Customer relationships £000	Computer software £000	Goodwill £000	Total £000
Cost				
At 1 January 2020	6,221	2,239	13,301	21,761
Additions	—	656	—	656
Disposals	—	(131)	—	(131)
At 31 December 2020	<u>6,221</u>	<u>2,764</u>	<u>13,301</u>	<u>22,286</u>
Amortisation and impairment				
At 1 January 2020	6,221	1,206	13,301	20,728
Amortisation for the year	—	251	—	251
Disposals	—	(114)	—	(114)
At 31 December 2020	<u>6,221</u>	<u>1,343</u>	<u>13,301</u>	<u>20,865</u>
Net book value				
At 31 December 2020	<u>—</u>	<u>1,421</u>	<u>—</u>	<u>1,421</u>
At 31 December 2019	<u>—</u>	<u>1,033</u>	<u>—</u>	<u>1,033</u>

During 2020, the Group did not recognise any impairment charges or reversals of subsequent impairments of intangible assets or goodwill (2019: nil).

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

12. Tangible fixed assets

Group

	Land £000	Freehold property £000	Leasehold property £000	Leased equipment £000	Office and computer equipment £000	Medical equipment £000	Total £000
Cost							
At 1 January 2020	246	574	39	84	118	—	1,061
Additions	—	—	—	—	273	227	500
At 31 December 2020	246	574	39	84	391	227	1,561
Depreciation							
At 1 January 2020	—	14	15	69	23	—	121
Depreciation for the year	—	15	13	15	41	4	88
At 31 December 2020	—	29	28	84	64	4	209
Net book value							
At 31 December 2020	246	545	11	—	327	223	1,352
At 31 December 2019	246	560	24	15	95	—	940

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

	2020 £000	2019 £000
Land	246	246
Freehold property	545	560
Leasehold property	11	24
	802	830

Leased assets

The net book value of assets held under finance leases or hire purchase contracts, included above as 'Leased equipment,' is nil (2019: £15k).

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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13. Investments

Group

	Investments in associated undertakings £000	Preference share holdings in associated undertakings £000	Total investments £000
Cost			
At 1 January 2020	3,338	14,193	17,531
Additions	2,562	66,336	68,898
At 31 December 2020	5,900	80,529	86,429
Share of post acquisition reserves			
At 1 January 2020	(3,338)	(570)	(3,908)
Retained profits less losses	(2,562)	(5,356)	(7,918)
At 31 December 2020	(5,900)	(5,926)	(11,826)
Net book value			
At 31 December 2020	—	74,603	74,603
At 31 December 2019	—	13,623	13,623

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.

During January 2020, MH Services International (UK) Limited acquired an additional 20.1% of voting shares, bringing the Group's total voting interest to 40%, as well as an additional acquisition of preference shares for a combined investment of approximately £68,898k, including capitalized transaction costs amounting to £15k. 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 UK 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 had significant influence but did not control this investment at 31 December 2020.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. Investments (continued)

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 January 2020	22,113
Additions	—
At 31 December 2020	<u>22,113</u>
Impairment	
At 1 January 2020	22,113
Charge for the period	—
At 31 December 2020	<u>22,113</u>
Net book value	
At 31 December 2020	<u>—</u>
At 31 December 2019	<u>—</u>

The following were subsidiary undertakings of the Company and Group as of 31 December 2020:

Name	Principal activity	Class of shares	Holding
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

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

13. Investments (continued)

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

	2020	2019
	£000	£000
Finished goods and goods for resale	105	135
	<u>105</u>	<u>135</u>

15. Debtors

	2020	2019
	£000	£000
Due after more than one year		
Other debtors	632	542
	<u>632</u>	<u>542</u>
Due within one year		
Trade debtors	715	1,431
Other debtors	427	282
Accrued income	1,130	694
Prepayments	1,089	286
Tax recoverable	21	—
Deferred taxation	—	105
Amounts owed from group undertakings	1	—
	<u>3,383</u>	<u>2,798</u>
Total Debtors	<u>4,015</u>	<u>3,340</u>

Other debtors due after more than one year include a net defined benefit pension scheme asset of £565k (2019: £483k). For more details on the defined benefit pension scheme see note 25.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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16. Cash and cash equivalents

	2020	2019
	£000	£000
Cash at bank and in hand	2,139	1,027
	2,139	1,027

17. Creditors: Amounts falling due within one year

	Group	Group	Company	Company
	2020	2019	2020	2019
	£000	£000	£000	£000
Bank loans	39	37	—	—
Trade creditors	2,758	1,880	—	—
Amounts owed to group undertakings	117,600	37,756	117,415	37,227
Other taxation and social security	553	436	—	—
Obligations under finance lease	—	10	—	—
Other creditors	1,105	966	—	—
Accruals and deferred income	9,533	7,914	248	160
	131,588	48,999	117,663	37,387

During the period, new on demand loans amounting to £80.3 million (2019: £24.4 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 investment in Circle Health Holdings Limited. 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

	Group	Group
	2020	2019
	£000	£000
Bank loans	217	264
	217	264

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

19. Financial instruments

	Group 2020 £000	Group 2019 £000	Company 2020 £000	Company 2019 £000
Financial assets				
Financial assets measured at fair value through profit or loss	2,139	1,027	—	—
Financial assets that are debt instruments measured at amortised cost	2,906	2,949	—	—
	<u>5,045</u>	<u>3,976</u>	<u>—</u>	<u>—</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(13,651)</u>	<u>(11,071)</u>	<u>(249)</u>	<u>(160)</u>

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, other creditors, accruals and deferred income, obligations under finance leases and bank loans.

20. Deferred taxation

	2020 £000	2019 £000
At beginning of year	105	139
Credited/(charged) to profit or loss	(105)	(34)
At end of year	<u>—</u>	<u>105</u>

The deferred tax asset is made up as follows:

	2020 £000	2019 £000
Fixed asset timing differences	—	22
Short term timing differences	—	66
Tax losses carried forward and other deductions	—	17
	<u>—</u>	<u>105</u>

In addition to the net deferred tax asset position detailed above, the Group has additional unrecognised gross tax losses of £53,631k as of 31 December 2020 (2019: £44,505k) 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.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

21. Provisions

	Onerous contract provision £000	Legal provision £000	Dilapidations provision £000	Onerous property leases provision £000	Total £000
At 1 January 2020	76	512	260	95	943
(Credited)/charged to profit or loss	(76)	(12)	180	—	92
At 31 December 2020	—	500	440	95	1,035

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 remaining provision was realised during 2020 in line with the contractual term.

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

	2020 £	2019 £
Allotted, called up and fully paid		
200 Ordinary shares of £0.7262 each	<u>145</u>	<u>145</u>

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.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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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. Pension commitments

Defined benefit pension scheme

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

	2020	2019	2018
	£000	£000	£000
Defined benefit obligation	(2,474)	(2,181)	(1,871)
Fair value of plan assets	3,040	2,664	2,377
Net defined benefit (liability)/asset	566	483	506
Restriction on asset recognised	—	—	—
Net amount recognised at year end (before any adjustment for deferred tax)	566	483	506

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.

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

	2020	2019
	£000	£000
Service cost:		
Administration expenses	5	3
Net interest expense/(credit)	(10)	(14)
Charge/(credit) recognised in profit or loss	(5)	(11)
Remeasurements of the net liability:		
Return on scheme assets (excluding amount included in net interest expense)	(315)	(222)
Actuarial (gains)/losses	251	259
Charge/(credit) recorded in other comprehensive income	(64)	37
Total defined benefit cost/(credit)	(69)	26

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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

Defined benefit pension scheme (continued)

The principal actuarial assumptions used were:

	2020	2019	2018
Liability discount rate	1.40 %	2.00 %	2.75 %
Inflation assumption - RPI	2.7% pre 2030, 2.4% post 2030	2.70 %	2.95 %
Revaluation of deferred pensions	2.7% pre 2030, 2.4% post 2030	2.70 %	2.95 %
Increases for pensions in payment:			
RPI max 6%	2.7% pre 2030, 2.4% post 2030	2.70 %	2.95 %
RPI	2.7% pre 2030, 2.4% post 2030	2.70 %	2.95 %
Proportion of employees opting for early retirement	0.00 %	0.00 %	0.00 %
Proportion of employees commuting pension for cash	0.00 %	0.00 %	0.00 %
Expected age at death of current pensioner at age 65:			
Male aged 65 at year end:	87.3	87.8	87.1
Female aged 65 at year end:	89.6	89.9	89.0
Expected age at death of future pensioner at age 65:			
Male aged 45 at year end:	88.9	89.4	88.8
Female aged 45 at year end:	91.3	91.5	90.9

Reconciliation of scheme assets and liabilities:

	Assets £000	Liabilities £000	Total £000
At start of period 1 January 2020	2,664	(2,181)	483
Administration expenses	(5)	—	(5)
Contributions from the employer	13	—	13
Interest income / (expense)	53	(43)	10
Return on assets (excluding amount included in net interest)	315	—	315
Actuarial gains/(losses)	—	(251)	(251)
At end of period 31 December 2020	<u>3,040</u>	<u>(2,474)</u>	<u>566</u>

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

25. Pension commitments (continued)

Defined benefit pension scheme (continued)

The return on plan assets was:

	2020	2019
	£000	£000
Interest income	53	65
Return on plan assets (excluding amount included in net interest expense)	315	222
Total return on plan assets	<u>368</u>	<u>287</u>

The major categories of scheme assets are as follows:

	2020	2019
	£000	£000
Corporates	1,622	1,398
Index linked	1,418	1,263
Cash	—	3
Total market value of assets	<u>3,040</u>	<u>2,664</u>

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

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.

	2020	2019
	£000	£000
Defined contribution pension scheme contributions paid during the year	981	860
Defined contribution pension scheme pension contributions payable at year-end	2,280	1,784

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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26. Commitments under operating leases

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

	2020	2019
	£000	£000
Amounts due within 1 year	2,204	1,431
Amounts due within 2-5 years	4,876	3,148
Amounts due later than 5 years	2,368	1,363
	<u>9,448</u>	<u>5,942</u>

27. Post Balance Sheet events

To date in 2021, Operose Health Limited has received £6 million and Operose Health (Group) Limited has received £2 million of cash fundings from Centene Corporation for operational cash needs.

On 11th February 2021, 99% of the ownership of AT Medics Holdings LLP and its subsidiaries was transferred to Operose Health Limited, a subsidiary company of MH Services International Holdings (UK) Limited. On the same date, the remaining 1% of the ownership of AT Medics Holdings LLP and its subsidiaries was transferred to MH Services International (UK) Limited. The transaction resulted in MH Services International Holdings (UK) Limited assuming 100% control of the AT Medics Holdings LLP group of companies. These companies are Technology, Learning and Primary Care businesses. The transaction is estimated to increase future annual turnover of MH Services International Holdings (UK) Limited by approximately £57 million, based on the draft audited group accounts for AT Medics Holdings LLP and its subsidiaries for the annual period ending 31 March 2021. Non-financial benefits anticipated from the transaction include an increased ability to support practices to utilise technology to provide better care and access for patients. Management expects to combine the best clinical practice, ways of thinking, and the most innovative global health technology to improve the quality, value, and accessibility of NHS health care so that all patients can share the opportunity to live healthier lives. The investment in AT Medics Holdings LLP will be fully consolidated in the accounts of MH Services International Holdings (UK) Limited for the year ended 31 December 2021, as the company has 100% control over the investment.

On 1st July 2021, the remaining ownership of Circle Health Holdings Limited and its subsidiaries was transferred to MH Services International (UK) Limited for consideration of approximately £509 million. This transaction resulted in MH Services International Holdings (UK) Limited assuming 100% control of the Circle Health Holdings Limited group of companies, which represent the largest independent hospital group in the UK. The transaction is estimated to increase future annual turnover of MH Services International Holdings (UK) Limited by approximately £995 million, based on the draft audited group accounts for Circle Health Holdings Limited and its subsidiaries for the annual period ending 31 December 2020. The investment in Circle Health Holdings Limited will be fully consolidated in the accounts of MH Services International Holdings (UK) Limited for the year ended 31 December 2021, as the company has 100% control over the investment.

On 10th February 2021, the Company issued a share to the immediate parent entity in return for approximately £55 million of funds received.

MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
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28. 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.

29. 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)