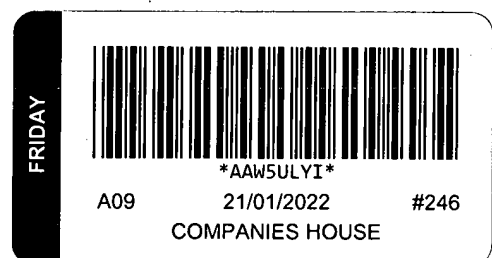


Company registered number: 10543098

Circle Health Holdings Limited

**Annual Report and Financial Statements
for the year ended 31 December 2020**



Circle Health Holdings Limited

Annual Report and Financial Statements Contents

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Company Information

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Brent Layton
Paolo Pieri
Peter Sullivan
Henry Davies
Paul Manning

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Shane Cobb

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**Strategic report
for the year ended 31 December 2020**

The directors present their Strategic report on the affairs of the Group for the year ended 31 December 2020. The Group financial statements consolidate the financial statements of Circle Health Holdings Limited (the 'Company') and its subsidiary undertakings ('subsidiaries') drawn up to 31 December 2020. Together these make up 'Circle' or the 'Group'.

On 24 December 2019, the Company entered into share purchase agreements to acquire GHG Holdings Limited, the holding company of the BMI Healthcare group ('BMI') (the 'Transaction'). The Transaction formally completed on 8 January 2020; therefore, prior to 8 January 2020 the Group was comprised of Circle Health Holdings Limited and its subsidiaries as listed in the 2019 financial year statutory accounts ('Pre Transaction Group').

From the 8 January 2020 the Competition and Markets Authority (CMA) had issued an Initial Enforcement Order, requiring the business to continue to operate separately ('Transitional Phase'), until the order was released on the 23 June 2020. From the 8 January 2020 the Group was then comprised of Pre Transaction Group and BMI ('Post Transaction Group').

The Company was incorporated in the United Kingdom on 30 December 2016 and is a holding company within the Group structure.

Principal activities

The Group is a provider of healthcare services in the UK, treating privately insured, self-pay and NHS-funded patients at hospitals across the UK. The Group also runs fully integrated care systems. The Group's business strategy is founded on the belief that the best way to deliver great patient care is to empower the doctors, nurses and all other staff who work in our hospitals and clinics to put patients' needs first.

Change in Group composition

As a result of the Transaction the CMA issued an Initial Enforcement Order (the 'Order'), requiring the operational businesses of Circle and BMI to remain separate until the CMA had reviewed the Transaction. On 23 June 2020 the Order was released as an undertaking by the Circle Group to divest two hospitals was accepted by the CMA, requiring the Group to divest Circle Bath Hospital (which was sold by the Group in June 2021 to Royal United Hospitals Bath NHS Foundation Trust) and Circle Birmingham Hospital (the sale of which has not happened as at the date of this report).

As part of the Transaction, the Group entered into new senior lending facilities. The new senior facilities agreement ('SFA') requires the Group to comply with certain financial covenants. Further details are given in the going concern assessment elsewhere in the report.

The SFA includes a senior term loan of £178 million, and a super senior term loan of £20 million, revolving credit facility of £30 million (the 'RCF') and a capex facility of £50 million, of which £20 million was drawn as part of the Circle Transaction. Further details are provided in note 19.

Strategic report
for the year ended 31 December 2020 (continued)

Review of operating and business performance and key performance indicators (KPIs)

The principal financial KPIs for the Group are hospital caseload (activity), revenue and profit before tax.

Operating performance and the Covid-19 pandemic

The operating performance of the Group in the period was influenced highly by the context of the Covid-19 pandemic, with the activity of the Group adapting to the emerging needs of the UK health system during the period as it, alongside others in the independent sector, worked closely with the NHS.

The Group's hospitals remained open through the period and worked with the NHS in England, Scotland and Wales to support the provision of healthcare to patients in all three nations. In the initial phase of the pandemic, this included treatment of Covid-positive patients at some hospitals and providing continuing care for patients requiring urgent treatment, including complex cancer surgery requiring the use of intensive care facilities, chemotherapy, cardiac care and diagnostic imaging services.

At the Group's hospital in Nottingham, for example, the capacity was more than double to support cancer surgery that could no longer be carried out at local NHS facilities, and in Brighton NHS use of ITU quadrupled. More than 5,000 dermatology and haematology surgeries were carried out at the Group's hospital in Windsor.

In the next phase, the Group committed the majority of its hospital capacity to supporting the return to elective surgical and other cases to support the NHS in addressing the waiting lists that had grown during the pandemic period, alongside opening up capacity to treat privately insured and self-pay patients requiring treatment. To increase the Group's support for the NHS, the Group undertook rapid re-training of staff to provide the required services, enabling thousands of NHS patients facing delays and cancellations to access treatment for urgent, life-saving surgery and treatment during the pandemic. The Group entered into contracts directly with NHS England and the NHS in Wales (both as part of industry wide arrangements) and the NHS in Scotland through the period under review to allow it to provide these services.

Given the change in the Group structure over the year ended 31 December 2020, from the Pre Transaction Group, through the Transitional Group to the Post Transaction Group, and the consequent difficulty in presenting meaningful data, change in caseload volumes from the comparative year to the year ending 31 December 2020 is not disclosed. Overall caseload volumes during the period were affected by the Covid-19 pandemic, including the reprioritisation of activity during different phases and the necessary clinical restrictions on certain activity at different times. Caseload in the year to 31 December 2020 was 202,310; however, in total over 400,000 NHS patients attended Circle Group's hospitals (including the Company's) during the Covid period.

Financial performance

Revenue was £985 million for the year to 31 December 2020 (2019: £103 million).

Exceptional items of £41.1 million (2019: £14.6 million) recorded within operating profit/(loss) relate to the following items:

- The Group incurred £2.8 million of costs in relation to the integration of BMI.
- The Group incurred £1.7 million of legal and professional fees related to the Circle Transaction as described elsewhere in the Strategic Report.
- The Group incurred £36.6 million of impairment charges following the assessment of asset impairment.

The loss before tax was £63.2 million (2019: loss of £23.9 million).

The tax credit for the year was £2.9 million (2019: credit of £0.3 million). The resulting net loss after tax for the period before discontinued operations was £60.4 million (2019: net loss of £23.6 million).

**Strategic report
for the year ended 31 December 2020 (continued)**

Financial position

The Group's balance sheet as at 31 December 2020 showed equity of £96.0 million, compared with equity of £28.3 million as at 31 December 2019. This increase includes the effect of the issue of share capital of £127.0 million at the time of the Transaction.

Outlook

The outlook for the Group's operational and financial performance continues to be influenced considerably by the effects of the Covid-19 pandemic.

The Group's large hospital network, capacity and geographical footprint, including its intensive care facilities, means that the Group is well placed to serve diagnostic, surgical and other treatment demand from patients, on NHS and private pay pathways. This demand may however be disrupted in the event of resurgence of the pandemic, including amongst other things through higher levels of patient cancellations.

The cost of providing care has increased as a result of the pandemic, however, with considerable pressure on clinical staffing availability and cost, as well as additional costs for protective equipment and Covid-secure pathways in hospitals.

Capital projects

The Group invested significant amounts in capital projects. Total capital investment in the year was £58.3 million (£4.1 million for the year ended 31 December 2019). The Company undertook a balanced portfolio of projects, focusing on improving and/or extending clinical services, improving hospital infrastructure, growing the diagnostic capabilities of the Group and renewing medical equipment across the estate. This included £24.7 million across a large number of projects to improve the hospital infrastructure, including a number of hospital refurbishment projects. The Group invested £16.2 million in updating and improving clinical, and diagnostic imaging equipment.

Financing and treasury transactions

As part of the Transaction, the Group entered into new senior lending facilities. The new senior facilities agreement ('SFA') requires the Group to comply with certain financial covenants. Further details are given in the Going Concern assessment elsewhere in the report.

The SFA includes a senior term loan of £178 million, and a super senior term loan of £20 million, revolving credit facility of £30 million (the 'RCF') and a capex facility of £50 million, of which £20 million was drawn as part of the Circle Transaction. Further details are given in the Going Concern assessment elsewhere in this report.

In March 2021, there was syndication of the debt facilities, resulting in a lower interest rate applicable on the super senior term loan (rates are given in note 19).

**Strategic report
for the year ended 31 December 2020 (continued)**

Principal risks and uncertainties

The Companies Act 2006 requires all companies to disclose and discuss the principal risks and uncertainties that they face which, in most cases, are normal business risks. The Group manages risks through its committee structure, including governance committees, and through the use of a regularly updated and reviewed risk register, and risk mitigation across all levels is discussed and actioned on a regular basis by the directors.

The Group's approach to management of risk evolved during the Pre Transaction, Transitional Phase, and Post Transaction periods, reflecting management and governance arrangements required to be in place in these phases.

The Group's activities expose it to a number of non-financial risks including political risk, reputational risk and cyber risk. The Group's activities also expose it to a number of financial risks, including interest rate risk, credit risk, cash flow risk and liquidity risk. Any use of financial derivatives to manage these risks is governed by the group's policies approved by the board of directors, which provide written principles on the use of financial derivatives to manage these risks. The Group does not use derivative financial instruments for speculative purposes.

Enterprise risk identification and management

The Group has an effective system of risk management in terms of identifying risks and monitoring actions to manage these risks.

Risk is an unavoidable element of doing business. The Group's risk management systems aim to provide assurance to the Board of directors regarding the effectiveness of the Group's ability to manage risk. This is managed via the Governance and Assurance Framework, under which matters of significance and impact are discussed by the Integrated Governance Committee ("IGC"), Operations Board, Audit and Risk Committee.

The following provides an overview of the principal business risk factors facing the Group, along with a description, where relevant, of the mitigating actions in place.

Exit from the European Union risk

On 31 January 2020 the UK exited the European Union and entered into a transition agreement that was in place until 31 December 2020. There is continuing risk to the Group's supply chain (including medicines and PPE) from disruption to imports in to the UK in the short term.

Covid impact

The potential effect of ongoing prevalence of the Covid-19 virus on the healthcare sector presents an ongoing risk to the group, through potential disruption to the activities and increases in the costs of the Group or the healthcare sector more generally.

Government policy and regulatory risk

The provision and regulation of healthcare in the UK, including that by the independent sector, is the subject of periodic review by government and regulatory bodies. New regulations, and funding arrangements, may be introduced in the future which could have adverse effect on demand for the Group's services (from different payor groups), its operational costs and the nature and cost of regulatory compliance.

**Strategic report
for the year ended 31 December 2020 (continued)**

Principal risks and uncertainties (continued)

Contract and price risk

Private medical insurance: the Group carries out considerable activity under a small number of contracts with the major private medical insurers, which are subject to periodic renegotiation as to the access of insurers' members to the Group's facilities and to the price of services. Changes to or the ending of any of these contracts, or to pricing within them, could affect the levels of activity or profitability of the Group. To mitigate these risks, the Group seeks to maintain good relationships with the private medical insurers, to contract on medium-term arrangements and to agree pricing which takes into account potential increases in the Group's own cost base over time.

NHS: the Group carries out work for the NHS in England under standard contracts with clinical commissioning groups (using the electronic referral service), local contracts with NHS Trusts and occasionally (as during the pandemic in 2020 and early 2021) directly with central NHS organisations. The nature of these contracts and the consequent access of NHS patients to the Group's facilities may be subject to change in the future. In general, the Group is paid the standard NHS tariff for the work it carries out, so is subject to the uncertainty of future tariff changes which are determined centrally by the NHS. The Group aims to mitigate these risks by acting as a reliable partner to NHS commissioners and consistently providing high quality services to NHS patients in a cost-effective manner.

Clinical risk

As with all hospital providers, clinical quality risk is a major consideration. The Group has an integrated clinical governance structure which is managed by the Chief Medical Officer who sits on the Board. This structure includes senior staff across the operational, clinical and central support teams. Each hospital site has its own local governance structure, while a team of clinical care quality specialists is dedicated to developing up to date and consistent clinical and operational policies across all sites. Local governance committees work to a rigorous assurance framework, manage day to day clinical risks through a risk register, provide appropriate training to staff and consultants, and report their findings to the Group's Integrated Governance Committee (IGC) which is chaired by the Group's Clinical Chairman and an independent Board Director. The IGC in turn provides risk assurance reports to the boards of the relevant Group companies including the Company.

Reputational risk

Reputational risk associated with poor clinical outcomes or patient satisfaction is mitigated by the focus on providing high quality care at the Group's facilities and constantly seeking to improve clinical services through the activities of the IGC and related assurance reviews.

Data protection and cyber risk

The Company is subject to data protection and cyber risk from cybercrime, IT systems failure and threats to data protection, including data theft. The Group manages these risks through regular meetings of its Information Governance Committee, which has accountability for quality and safety of information and technology systems, assessing risk and performance, making improvement recommendations and advising the Governance Committee and boards of BMI Healthcare and Circle. The Group also employs data protection and information security officers to oversee relevant risks, and carries out periodic testing of certain risks as part of its overall assurance programme. Further the Group has in place cyber insurance cover, covering a number of the first-party and third-party financial and reputational costs.

**Strategic report
for the year ended 31 December 2020 (continued)**

Principal risks and uncertainties (continued)

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of cash flows.

Cash flow and liquidity risk

In the ordinary course of business, in order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses a mixture of long-term and short-term debt facilities. The Group manages liquidity risk by monitoring forecast and actual cash flows, and ensuring that adequate unutilised borrowing facilities are maintained to cover any short-term liquidity requirements.

The maturity of the debt facilities existing as at 31 December 2020 are detailed in note 19.

Corporate Governance Statement (Section 172(1))

Under section 172 of the Companies Act 2006, directors of a company have a duty to promote the success of the company. Specifically, it requires the director of a company to act in the way he or she considers, in good faith, would most likely promote the success of the company for the benefit of its members as a whole. In performing their duties under section 172, the directors of the Company have had regard to the matters set out in section 172(1) as follows:

a) the likely consequences of any decision in the long term;

The Board has set long term strategic objectives for the Company focused on:

- clinical quality, patient experience and market leading reputation;
- attracting and retaining the best people;
- investment in infrastructure by improving the environment and capabilities;
- digital transformation to enable improved patient pathways, propositions and efficiency; and
- growth.

These pillars form the basis of a five-year plan which is monitored and update periodically. The strategy and plan supports decision making around capital investment and allows the board to forecast funding requirements, debt capacity and financing options that are required to deliver this. As described elsewhere in this report, in January 2020 the Group put in place new facilities, with maturities in 2026 and 2027 as part of the Transaction, which will support the Company's investment plans.

In developing the strategy, the Directors also consider external factors such as the political, economic, regulatory, and competitive environment.

b) the interests of the company's employees

The Directors understand the importance of the Group's employees to quality of care provided to patients, and so the long-term success of the business.

There is regular engagement with employees through a National Employee Engagement Forum, weekly staff newsletters, and annual staff surveys. Pay and benefits are assessed against the wider healthcare sector and in 2020 a salary benchmarking and pay review exercise was undertaken to allow clinical and other staff to be paid at competitive levels in the market.

Strategic report
for the year ended 31 December 2020 (continued)

Corporate Governance Statement (Section 172(1)) (continued)

c) the need to foster the company's business relationships with suppliers, customers and others;

The Board regularly reviews how the Group maintains positive relationships with all of its stakeholders including patients, consultants, suppliers and others.

The Group's patient satisfaction surveys are run by an independent third party and show that 98 percent would recommend our hospitals to their friends and family and 96 percent rated the overall quality of care as 'very good' or 'excellent'. The Group also undertakes consultant surveys to gauge the views of the surgeons and other medical consultants practicing in our hospitals. The Board reviews the results of these surveys. Supplier relationships are managed through the Group's procurement team with longstanding relationships key suppliers.

The Group's principal risks and uncertainties set out risks that can impact the long-term success of the Group and how these risks interact with our stakeholders. The Directors actively seek information on the interaction with stakeholders to ensure that they have sufficient information to reach appropriate conclusions about the risks faced by the Group and how these are reflected within the long-term plans.

d) the impact of the company's operations on the community and the environment;

The Group has an ongoing capital investment programme to improve the hospital estate and bring new medical and diagnostic equipment into the hospitals. The capital project process considers the environmental impact and energy efficiency of programmes of work to monitor and improve this over time.

e) the desirability of the company maintaining a reputation for high standards of business conduct

As a healthcare provider, the Directors believe that maintaining the reputation of the Group is critical for the future success. Clinical quality and governance is at the heart of the culture of the Group and receives significant focus at Board level.

The Board is committed to high standards of business conduct and details of the governance structures are set out in the Annual Quality Account, available on the Circle Healthcare website.

Circle has launched a new tiered approach to the provision of care for Children and Young People which enables the Group to provide effective support for teams delivering care and appropriately high quality care for patients.

f) the need to act fairly as between members of the company

Following the Transaction, the Post Transaction Group has held monthly meetings with all shareholders represented. Shareholders have worked effectively together to agree the course for the long term future of the Group.

The Company and its board of directors ('the Board') is committed to and has applied the principles of corporate governance contained in the Wates Corporate Governance Principles for large private companies for the year ended 31 December 2020. Further explanation of how each principle has been applied is set out in the Statement of corporate governance arrangements.

**Strategic report
for the year ended 31 December 2020 (continued)**

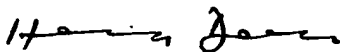
Going concern

Management of the Circle Group has prepared covenant and liquidity forecasts for the purpose of the going concern review and has also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Circle Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Circle Group has sufficient facilities to provide liquidity through the review period. Sensitivity analysis performed demonstrates that the likelihood of a liquidity or facility concerns are remote.

After making enquiries, including reviewing the forecasts and sensitivities, the directors have concluded that they have a reasonable expectation that the Circle Group and the Company have adequate resources available to them, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Further details regarding the adoption of the going concern basis can be found in the Statement of accounting policies in the financial statements.

Approved by the Board of Directors and signed on behalf of the Board.



**Henry Davies
Chief Financial Officer**

14 January 2022

**Statement of corporate governance arrangements
for the year ended 31 December 2020**

The Company and its board of directors ('the Board') is committed to and has applied the principles of corporate governance contained in the Wates Corporate Governance Principles for large private companies for the year ended 31 December 2020. Further explanation of how each principle has been applied is set out below.

As described elsewhere in the Strategic Report, Circle Health Group acquired BMI on 8 January 2020 and, as a result of this and subsequent events, the Group's governance arrangements changed during the year. From 1 January 2020 the Pre Transaction Group was part of the governance arrangements governed by a shareholders agreement that provided the Circle Group with delegated authorities. From 8 January 2020 to the 23 June 2020 the Pre Transaction Group continued its previous arrangements; BMI operated under the delegated authorities as set out in the Order issued by the CMA. From 23 June 2020 new governance arrangements were put in place for the Post Transaction Group. The disclosures below focus on the governance arrangements within the Group that were continually in place during the year, except where noted by exception.

Purpose and leadership

During the Pre Transaction period, there was continuous dialogue between the Circle Group and the shareholders with regular board meetings, audit and risk committee meetings and engagement with the Company's board of directors. Subsequent to this period, while the CMA's Order was in place, the communication between BMI and the Company's shareholders was necessarily limited and carried out through the derogations issued pursuant to the Order. This was lifted from 23 June 2020, when the CMA Order had been released and arrangements for the Post Transaction Group were put in place as described below.

The Board and Company have regular communications with stakeholders and this is different case by case. The key stakeholders and the specific forum for engagement are listed below:

- Patients – patient feedback forms, complaints management policies, provision of information to Private Healthcare Information Network (PHIN) whose role it is to provide independent information to patients about private healthcare providers
- Regulators – frequent relationship meetings with CQC, HIS and HIW and communication via Independent Healthcare Provider Network (IHPN)
- Employees – National Employee Engagement Forum (NEEF) and annual staff survey
- Consultants – Medical advisory committees within each hospital (MAC) chaired by a Hospital Clinical Chair
- NHS – local relationships with Trusts and CCGs
- Insurers – relationships and regular engagement with the commercial team
- Suppliers – relationships and regular engagement with the procurement team

**Statement of corporate governance arrangements
for the year ended 31 December 2020 (continued)**

Purpose and leadership (continued)

Following the Transaction, the Group announced a shared and unified philosophy for the Post Transaction Group. The Directors established a purpose statement for the Group “To provide the high quality, safe and compassionate care our patients need and expect.” supported by the principles of:

- “we believe that patients come first”;
- “we believe in our people”;
- “we believe that ‘good enough’ never is”; and
- “we believe in being open-minded and innovative”.

and also supported by the following values:

- “we value people who are selfless and compassionate”;
- “we value people who are collaborative and committed”;
- “we value people who are agile and brave”; and
- “we value people who are tenacious and creative”.

The Company is committed to building a culture which encourages staff to speak up safely. During 2018 we relaunched our “Raising Concerns at Work” policy and established the role of “Freedom to Speak Up Guardian”. “Freedom to Speak Up” leads were appointed in each hospital and have the support of their local management teams, the Group’s guardian and our Medical Director who has Executive responsibility as our “Freedom to Speak Up” lead.

The Company has various policies to mitigate the risk of conflicts of interest including the conflicts of interest and anti-bribery and corruption policies supported by a mandatory training programme. In addition all healthcare professionals have ethical requirements under their individual professional registrations to conduct themselves in an ethical manner and in the best interests of patients. Where the Group has relationships with medical consultants these are disclosed on the BMI Healthcare website.

There are examples of how the directors have considered their duties in relation to s172 b), in the manner in which it engages with employees.

Board composition

The Circle Health Holdings Limited Board, has changed over the course of the period covered by these accounts as a result of the Transaction and the Transitional Phase arising from the CMA Order. All directors who have served during the period have healthcare experience. Details of directors who have served over the period are included in the Directors’ Report.

**Statement of corporate governance arrangements
for the year ended 31 December 2020 (continued)**

Directors' responsibilities

The manner in which the directors have discharged their responsibilities changed during the period, as described elsewhere in this report. From 23 June 2020, the Post Transaction Group had a clearly defined governance framework, based on Board and Governance Assurance Frameworks, and Committee structures. The Board was supported by the Integrated Governance Committee, which had primary responsibility for the oversight of clinical governance and risk, and the Audit and Risk Committee, which had primary responsibility for the oversight of other governance and risks in the Group, together with a series of operational and governance boards, committees and sub-committees, with established terms of reference.

Opportunity and risk

The Company continually seeks opportunity to create value for stakeholders from growth in activity and improvement in financial result, using the existing assets of the Company and through investment in new facilities, equipment and technology. The risks that threaten these opportunities have been described earlier in this risk, and are under active management through the Company's risk management systems.

Remuneration

On any new appointment the board considers the market and remuneration packages that are commensurate to the role. Short term incentive arrangements are based on the quality and performance of business. The market conditions are reviewed on a regular basis. The Group's Gender Pay Report 2020 is available on the website.

Stakeholder relationship and engagement

There are various mechanisms for information to be collected to inform the Board's view of their impact on stakeholders. Information about patients is obtained from various clinical indicators and patient reported outcome measures (PROMS). The Group monitors its impact on the environment through review of the carbon emissions reporting (see further information on this elsewhere in the Directors' Report). Other stakeholder engagement mechanisms are set out in the first principle above around Purpose and Leadership.

**Directors' report
for the year ended 31 December 2020**

The directors present their report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 31 December 2020.

Details of events affecting the Company since the financial period end, an indication of likely future developments in the business, details of financial risk management, engagement with employees, suppliers and customers and a statement on going concern have been included in the Strategic report and therefore form part of this Directors' report by reference.

Principal activity

Circle Health Holdings Limited ('the Company') was incorporated in the United Kingdom on 30 December 2016. It carries on the business of a private hospital group and clinical services, providing an extensive range of general and specialised medical care services to privately insured, self-pay and National Health Service (NHS) funded patients.

Dividends

The directors do not propose a dividend for the year.

Directors

The directors who served throughout the year, except as noted, and subsequently are as shown below:

Lord Hutton
Brent Layton
Paolo Pieri
Peter Sullivan
Ashley Lewis (resigned 1 July 2021)
Torquil Macnaughton (resigned 1 July 2021)
Benjamin Lloyd (resigned 21 August 2020)
Dr. Massoud Keyvan-Fouladi (resigned 21 August 2020)

The following are directors who were appointed during the year ended 31 December 2020 and served up to the date of this report:

Henry Davies (appointed 21 August 2020)
Paul Manning (appointed 21 August 2020)

Supplier payment policy

The Company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction. Trade creditors of the Company were equivalent to 52 (2019: 25) days' purchases, based on the average daily amount invoiced by suppliers during the period.

Directors' and officers' insurance

The Company has procured qualifying third party indemnity insurance for all Directors and Officers of the Company and all Group companies. The Company has directors' and officers' insurance for the benefit of, amongst others, the directors of the Company, which is in place at the date of this report.

Directors' report
for the year ended 31 December 2020 (continued)

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate training is arranged. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Employee consultation

The Company places considerable value on the involvement of its employees, and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the company. This is achieved through formal and informal meetings, the company newsletter, and regular emails. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests and a staff survey is completed and reported on each year.

Energy and carbon reporting

The data reported on below include all sources of Green House Gas (GHG) emissions and energy usage as required under The Large and Medium-Sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended. This has been compiled in line with the 'Environmental Reporting Guidelines: Including streamlined energy and carbon reporting guidance 2020'.

Circle emissions and energy usage

For Circle Health Group GHG emissions and energy usage date for period 1 January 2020 to 31 December 2020*	
	Tonnes of CO ₂ e
Gas consumption (Scope 1)	9,160
Emissions from combustion of fuel for transport purposes (Scope 1)	175
Emissions from electricity purchased for own use, including for the purposes of	9,198
Coal (industrial) (scope 1)	612
Other petroleum gas (Calor) (scope 1)	6
Fuel oil (generator fuel) (scope 1)	181
Emissions from business travel in employee-owned vehicles where company pays	153
Total	19,485
Energy consumption used to calculate emissions (kWh)	90,018,377
Revenue (£'m)	995.6
Tonnes of CO₂e per revenue (per £'m)	19.6

*Comparative information is not available as this is the first year disclosure is required

**Directors' report
for the year ended 31 December 2020 (continued)**

Energy and carbon reporting (continued)

During the financial year the Company continued to develop its systems and management approach to reduce its environmental impact. The Health Safety and Environment committee regularly reviews and evaluates opportunities to reduce our environmental impact and related costs. The continued focus remains on the major utilities of electricity, gas, water and wastewater along with the material commodities of both healthcare and general waste management and recycling.

The Environmental management process is broken down into two key management areas: Waste Management (including recycling) and Utilities Management.

Waste management, including recycling elements, are covered and monitored by the Regional Health and Safety managers in cooperation with local site Waste Officers; Utilities management elements are managed by the Regional Engineering Managers with local support from environment officers and site engineers. This delegation of responsibilities makes best use of the skillset within the teams.

We have followed the 2020 UK Government environmental reporting guidance and used the GHG Protocol Corporate Accounting and Reporting Standard (revised edition) and emission factors from the UK Government's GHG Conversion Factors for Company Reporting 2020 to calculate these disclosures.

Disclosure of information to the auditor

Each of the persons who is a director at the date of approval of this report confirms that:

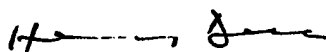
- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that she or he ought to have taken as a director in order to make herself or himself aware of any relevant audit information and to establish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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Auditor

Deloitte LLP have expressed their willingness to continue in office as auditor of the Company and appropriate arrangements are being made for them to be deemed reappointed in the absence of an Annual General Meeting.

Approved by the Board of Directors and signed on behalf of the Board.



Director: Henry Davies

14 January 2022

**Directors' responsibilities statement
for the year ended 31 December 2020**

Statement of Directors' responsibilities in respect of the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. The directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS), and Article 4 of the IAS regulation, and have elected to prepare the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

In preparing the Group financial statements, IAS 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the Company's ability to continue as a going concern.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**Independent auditor's report
to the members of Circle Health Holdings Limited**

Report on the audit of the financial statements

Opinion

In our opinion:

- the financial statements of Circle Health Holdings Limited (the 'parent company') and its subsidiaries (the 'group') 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;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the consolidated statement of comprehensive income;
- the consolidated statement of financial position and parent company balance sheets;
- the consolidated and parent company statements of changes in equity;
- the consolidated cash flow statement;
- the related notes 1 to 35; and
- the related notes to the parent company financial statements 1 to 12.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independent auditor's report
to the members of Circle Health Holdings Limited (continued)**

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

- reviewing the model used to prepare the forecasts, testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management;
- challenging the assumptions used in the forecasts by reference to market data;
- an assessment of the headroom in the forecasts with reference to the financial covenants in place; and
- recalculation of management's sensitivity analysis and assessment of mitigating actions available.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the 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 the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report
to the members of Circle Health Holdings Limited (continued)

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the group's industry and its control environment, and reviewed the group's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and those charged with governance about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the group operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation, employment law, Health and Social Care Act Regulations and Care Quality Commission Regulations; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included General Data Protection Regulation (GDPR), anti-bribery legislation and anti-money laundering regulations.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our specific procedures performed to address it are described below:

- determination of qualifying operating costs under the NHS COVID-19 contract: we tested the key assumptions relating to the costs identified as qualifying operating costs and reconciled these to the underlying accounting and payroll records; we reviewed evidence of challenges from the NHS's advisors and obtained confirmation from the NHS's advisors of the final adjustment amounts in respect of the contract.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

**Independent auditor's report
to the members of Circle Health Holdings Limited (continued)**

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and external legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and of the parent company and their environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

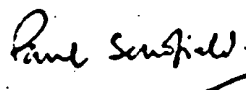
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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 respect of these matters.

Use of our report

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.



Paul Schofield FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

Date: 14 January 2022

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020**

	Notes	2020 £'000	2019 £'000
Revenue	4	984,876	102,894
Cost of sales		(772,492)	(72,059)
Gross profit		212,384	30,835
Administrative expenses		(98,470)	(34,933)
Operating profit/(loss) before exceptional items		113,914	(4,098)
Exceptional administrative expenses	6	(41,124)	(14,588)
Operating profit/(loss)	5	72,790	(18,686)
Finance income	8	481	2
Finance costs	9	(136,515)	(5,190)
Loss before tax		(63,244)	(23,874)
Corporation tax credit	10	2,868	274
Loss for the year from continuing operations		(60,376)	(23,600)
Profit from discontinued operations		-	2,767
Loss for the year		(60,376)	(20,833)
(Loss)/profit attributable to:			
Owners of the parent		(61,022)	(20,538)
Non-controlling interests		646	(295)
		(60,376)	(20,833)

Detail of exceptional items can be found in note 6.

The notes on pages 27 to 59 form part of these financial statements.

**Consolidated Statement of Comprehensive Income
for the year ended 31 December 2020 (continued)**

	31 December 2020 £'000	31 December 2019 £'000
Loss for the year	(60,376)	(20,833)
Items that will not subsequently be reclassified to profit or loss (all net of tax):		
Actuarial loss on scheme obligations	(20,198)	-
Actuarial gain on scheme assets	10,887	-
Adjustments for restrictions on the defined benefit asset	8,418	-
Actuarial gain on defined benefit pension schemes	(893)	-
Net effect in reserves arising from movements on future scheme commitment	893	-
Income tax relating to items that will not be reclassified	-	-
Other comprehensive income for the year	-	-
Total comprehensive expense for the year	<u>(60,376)</u>	<u>(20,833)</u>

The accompanying notes are an integral part of the statement of other comprehensive income.

Consolidated Statement of Financial Position
as at 31 December 2020


	Notes	2020 £'000	2019 £'000
Non-current assets			
Intangible assets	11	56,652	15,616
Goodwill	12	147,478	30,013
Property, plant and equipment	13	1,765,684	100,998
Investments	15	3,407	160
Trade and other receivables	18	-	2,500
		<u>1,973,221</u>	<u>149,287</u>
Current assets			
Inventories	16	16,884	1,207
Trade and other receivables	18	76,515	15,830
Cash and cash equivalents		<u>115,857</u>	<u>11,134</u>
		<u>209,256</u>	<u>28,171</u>
Assets classified as held for sale	31	<u>29,575</u>	<u>-</u>
Total assets		<u>2,212,052</u>	<u>177,458</u>
Current liabilities			
Trade and other payables	21	(178,453)	(37,711)
Provisions	22	(18,142)	-
Lease liabilities	17	<u>(7,117)</u>	<u>(5,160)</u>
		<u>(203,712)</u>	<u>(42,871)</u>
Liabilities directly associated with assets classified as held for sale	31	<u>(25,398)</u>	<u>-</u>
Non-current liabilities			
Provisions	22	(154)	-
Loans and other borrowings	19	(211,885)	(1,848)
Deferred tax liability	20	(9,240)	(2,589)
Lease liabilities	17	<u>(1,665,687)</u>	<u>(101,827)</u>
		<u>(1,886,966)</u>	<u>(106,264)</u>
Total liabilities		<u>(2,116,077)</u>	<u>(149,135)</u>
Net assets		<u>95,975</u>	<u>28,323</u>
Share capital	24	21	21
Share premium	24	201,476	75,391
Accumulated losses		<u>(107,107)</u>	<u>(46,084)</u>
Equity attributable to owners of the parent		<u>94,390</u>	<u>29,328</u>
Equity attributable to non-controlling interests	25	<u>1,585</u>	<u>(1,005)</u>
Total equity		<u>95,975</u>	<u>28,323</u>

Circle Health Holdings Limited

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Consolidated Statement of Financial Position (continued)
as at 31 December 2020

The financial statements of Circle Health Holdings Limited were approved by the board of directors and authorised for issue on ~~14~~ January 2022. They were signed on its behalf by:



Name: Henry Davies
Director

The accompanying notes form part of these financial statements.

The company's registered number is 10543098.

The company's registered address is 1st Floor, 30 Cannon Street, London EC4M 6XH, England.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	Share capital £'000	Share premium £'000	Accumulated deficit £'000	Total £'000	Non- controlling interest £'000	Total equity £'000
Balance as at 31 December 2018	20	71,847	(25,546)	46,321	(710)	45,611
Shares issued	1	3,544	-	3,545	-	3,545
Loss and total comprehensive loss for the year	-	-	(20,538)	(20,538)	(295)	(20,833)
Balance as at 31 December 2019	21	75,391	(46,084)	29,328	(1,005)	28,323
Issue of shares (note 24)	-	126,085	-	126,085	-	126,085
Acquisition of non-controlling interests	-	-	-	-	2,738	2,738
Dividends paid	-	-	-	-	(794)	(794)
(Loss)/profit for the year	-	-	(61,022)	(61,022)	646	(60,376)
Other comprehensive loss for the year	-	-	-	-	-	-
Balance as at 31 December 2020	21	201,476	(107,107)	94,390	1,585	95,975

The notes on pages 27 to 59 form part of these financial statements.

Circle Health Holdings Limited

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**Consolidated Statement of Cash Flows
for the year ended 31 December 2020**

	2020	2019
	£'000	£'000
Cash flows from operating activities		
Net cash flow from operating activities	204,380	8,274
Interest paid	(10,580)	(5,154)
Net cash inflows from operating activities	193,800	3,120
Cash flows from investing activities		
Purchase of computer software	(4,374)	(415)
Purchase of property, plant and equipment	(34,966)	(4,088)
Proceeds on sale of fixed assets	5,226	2,133
Acquisition of subsidiary net of cash acquired	(228,689)	-
Net cash outflows from investing activities	(262,803)	(2,370)
Repayment of lease liabilities	(119,796)	(7,909)
Issuing of new finance lease	8,730	-
Interest received	481	2
Net proceeds from loans and borrowings	158,226	853
Shares issued	126,085	3,405
Net cash inflow/(outflow) from financing activities	173,726	(3,649)
Net increase/(decrease) in cash and cash equivalents	104,723	(2,899)
Cash and cash equivalents at the beginning of the year	11,134	14,033
Cash and cash equivalents at the end of the year	<u>115,857</u>	<u>11,134</u>
Cash and cash equivalents consist of:		
Cash at bank and in hand	115,857	11,134
Cash at bank and in hand	<u>115,857</u>	<u>11,134</u>

**Notes to the financial statements
for the year ended 31 December 2020**

1. General information

Circle Health Holdings Limited (the 'Company' or 'Group') is a private company limited by shares that is incorporated, registered and domiciled in the United Kingdom under the Companies Act 2006. The registered office is 1st Floor 30 Cannon Street, London, EC4M 6XH. The nature of the company's operations and its principal activities are set out in the Strategic Report on pages 2 to 9. The financial statements are for the year ended 31 December 2020.

2. Significant accounting policies

Basis of preparation

The Group financial statements consolidate those of the parent company and its subsidiaries. The parent company financial statements present information about the Company as a separate entity and not about its Group.

The consolidated financial statements have been prepared in accordance with IFRS, IFRS Interpretations Committee (IFRS IC) and Companies Act 2006 applicable to companies reporting under IFRS.

The consolidated financial statements have been prepared under the historical cost convention.

Items included in the results of each of the Group's subsidiaries are measured using the functional currency, which in all instances is Pounds (GBP). The Group's consolidated financial statements and parent company statements are presented in Pounds. This is the functional currency of the Group as this is the main currency in which the Group operates in. All financial information has been rounded to the nearest thousand.

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

These are presented on pages 58 to 64.

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements:

- IAS 7, 'Statement of cash flows' and paragraph 10(d) of IAS 1 (statement of cash flows)
- The requirement in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group
- The requirements of IFRS 7 Financial Instruments: Disclosures
- The requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1.

The principal accounting policies for the Group and Company are set out below:

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

New and amended IFRS Standards that are effective for the current year

Impact of the initial application of other new and amended IFRS Standards that are effective for the current year

In the current year, the Group has applied the below amendments to IFRS Standards and Interpretations issued by the Board that are effective for an annual period that begins on or after 1 January 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to References to the Conceptual Framework in IFRS Standards

The Group has adopted the amendments included in Amendments to References to the Conceptual Framework in IFRS Standards for the first time in the current year. The amendments include consequential amendments to affected Standards so that they refer to the new Framework. Not all amendments, however, update those pronouncements with regard to references to and quotes from the Framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the Framework they are referencing to (the IASB Framework adopted by the IASB in 2001, the IASB Framework of 2010, or the new revised Framework of 2018) or to indicate that definitions in the Standard have not been updated with the new definitions developed in the revised Conceptual Framework.

The Standard which are amended are IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32.

Amendments to IFRS 3 Definition of a business

The Group has adopted the amendments to IFRS 3 for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

The amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

The amendments are applied prospectively to all business combinations and asset acquisitions for which the acquisition date is on or after 1 January 2020.

Amendments to IAS 1 and IAS 8 Definition of material

The Group has adopted the amendments to IAS 1 and IAS 8 for the first time in the current year. The amendments make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. The concept of 'obscuring' material information with immaterial information has been included as part of the new definition.

The threshold for materiality influencing users has been changed from 'could influence' to 'could reasonably be expected to influence'.

The definition of material in IAS 8 has been replaced by a reference to the definition of material in IAS 1. In addition, the IASB amended other Standards and the Conceptual Framework that contain a definition of 'material' or refer to the term 'material' to ensure consistency.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 17	<i>Insurance Contracts</i>
IFRS 10 and IAS 28 (amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current</i>
Amendments to IFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to IAS 16	<i>Property, Plant and Equipment—Proceeds before Intended Use</i>
Amendments to IAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to IFRS Standards 2018-2020 Cycle	<i>Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture</i>

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Group in future periods, except as noted below:

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The amendments to IAS 1 affect only the presentation of liabilities as current or non-current in the statement of financial position and not the amount or timing of recognition of any asset, liability, income or expenses, or the information disclosed about those items.

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for annual periods beginning on or after 1 January 2023, with early application permitted.

Amendments to IFRS 3 – Reference to the Conceptual Framework

The amendments update IFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework. They also add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date.

Finally, the amendments add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The amendments are effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated Conceptual Framework) at the same time or earlier.

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use, i.e. proceeds while bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Consequently, an entity recognises such sales proceeds and related costs in profit or loss. The entity measures the cost of those items in accordance with IAS 2 Inventories.

The amendments also clarify the meaning of 'testing whether an asset is functioning properly'. IAS 16 now specifies this as assessing whether the technical and physical performance of the asset is such that it is capable of being used in the production or supply of goods or services, for rental to others, or for administrative purposes.

If not presented separately in the statement of comprehensive income, the financial statements shall disclose the amounts of proceeds and cost included in profit or loss that relate to items produced that are not an output of the entity's ordinary activities, and which line item(s) in the statement of comprehensive income include(s) such proceeds and cost.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

New and revised IFRS Standards in issue but not yet effective (continued)

Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use (continued)

The amendments are applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments.

The entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Amendments to IAS 37 – Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (examples would be direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments apply to contracts for which the entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which the entity first applies the amendments. Comparatives are not restated. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The amendments are effective for annual periods beginning on or after 1 January 2022, with early application permitted.

Annual Improvements to IFRS Standards 2018-2020 – Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

The Annual Improvements include amendments to two Standards that could be applicable to the Company.

IFRS 9 Financial Instruments

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied prospectively to modifications and exchanges that occur on or after the date the entity first applies the amendment.

The amendment is effective for annual periods beginning on or after 1 January 2022, with early application permitted.

IFRS 16 Leases

The amendment removes the illustration of the reimbursement of leasehold improvements.

As the amendment to IFRS 16 only regards an illustrative example, no effective date is stated.

Going concern

Management of the Circle Group has prepared covenant and liquidity forecasts for the purpose of the going concern review and has also applied various sensitivities. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Circle Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Circle Group has sufficient facilities to provide liquidity through the review period. The sensitivities showed that the risk of the Group having insufficient facilities or liquidity was remote.

After making enquiries, including reviewing the forecasts and sensitivities, the directors have concluded that they have a reasonable expectation that the Group and the Company have adequate resources available to them, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

New standards, amendments and interpretations not yet adopted

No new standards or interpretations, or amendments thereto which have been issued but are not yet effective, are expected to have a material impact on the group or parent company financial statements.

Consolidation

A subsidiary is an entity controlled, directly or indirectly. Control is regarded as the power to govern the financial and operating policies of the subsidiary so as to benefit from its activities. The financial results of subsidiaries are consolidated from the date control is obtained until the date that control ceases. All intra Group transactions are eliminated as part of the consolidation process.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

Business combinations

Under the requirements of IFRS 3 (revised), all business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the business and the equity interests issued by the Group. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. Acquisition related costs are expensed as incurred. An intangible asset, such as a brand, is recognised if it meets the definition of an intangible asset under IAS 38 'Intangible assets'. The excess of the cost of the acquisition over the fair value of the Group's share of the net assets acquired is recorded as goodwill.

Goodwill and other intangible assets

Goodwill arising on acquisitions is capitalised, held on the balance sheet indefinitely and subject to an impairment review, both annually and when there is an indication that the carrying value may not be recoverable. At the date of acquisition, goodwill is allocated at the lowest levels for which there are separate identifiable cash flows for the purpose of impairment testing. Assets, excluding goodwill, which have suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Acquired contracts are separately identified from goodwill acquired as part of a business combination and are initially stated at fair value as at the acquisition date. The fair value attributable is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital appropriate to that intangible asset. The assets are amortised on a straight line basis over their estimated useful lives which range from 9 to 15 years.

Acquired computer software (defined as software that is not considered an integral part of the hardware equipment) is capitalised on the basis of the costs incurred to acquire and bring to use the specific asset (estimated useful life not exceeding three years).

Brand is separately identified from goodwill acquired as part of a business combination and are initially stated at fair value as at the acquisition date. The fair value attributable is determined by discounting the expected future cash flows to be generated from that asset at the risk adjusted weighted average cost of capital appropriate to that intangible asset. The assets are amortised on a straight line basis over their estimated useful lives which range from 15 years.

Goodwill is the intangible assets with an indefinite life in both the current year and prior period.

Revenue

The Group generates revenue from the provision of medical services to privately insured, self-pay and NHS-funded patients at facilities located across UK. Management is required to take all relevant factors and circumstances into account when determining the revenue recognition methods that appropriately depict the transfer of control of goods or services to the customer for each performance obligation. This requires management to make certain judgements, including: the determination of the performance obligations in the contract; the estimate of any variable consideration in determining the contract price; the allocation of the price to the performance obligations inherent in the contract; and an appropriate method of recognising revenue.

In determining the appropriate method of recognising revenue, management are required to make judgements as to whether performance obligations are satisfied over a period of time or at a point in time. For performance obligations that are satisfied over a period of time, judgements are made as to whether the output method or the input method is more appropriate to measure progress towards complete satisfaction of the performance obligation. If performance obligations are not satisfied over time, the Group recognises revenue at a point in time.

Revenue, which is measured as the fair value of consideration received for the activity performed, represents the total amounts derived primarily from the provision of healthcare services in the UK, after deducting value added tax (where services provided are not exempt).

Management has undertaken a detailed assessment of all revenue streams using the five-step approach specified by IFRS 15:

- Identify the contract(s) with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) a performance obligation is satisfied

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

Revenue can be broken down into the following categories:

NHS Hospital Provision (any qualified provider and direct contracting)

Any provider who is able to provide a specific service that meets the required minimum standards can be listed as a possible provider to deliver healthcare on behalf of the NHS at national tariff. Patients choose their preferred provider under the national e-referral system (formerly the Choose and Book system).

Following the patients' treatment and subsequent discharge from hospital, the Group will invoice the relevant Clinical Commissioning Group (CCG) directly at tariff for the medical procedure performed and recognise the applicable revenue. The performance of the treatment is the sole performance obligation (representing that this is when the service is transferred), and so the whole tariff price is allocated to that performance obligation. No provider is guaranteed any volume or exclusivity. In addition to any qualified provider revenue, some revenue is earned from contracts with the NHS Trusts, with performance of treatments being the sole performance obligation. During the current period, the Group also earned revenue from central NHS bodies and local health schemes in England, Scotland and Wales under contracts put in place to allow the independent sector to support the NHS during the Covid-19 Pandemic.

NHS Contracts with guaranteed payments

Integrated Care contracts have a term, usually, of five years. The contract involves a 'prime provider' (Circle) who takes responsibility for coordinating and managing the delivery of services across a local health system. Circle's main contracting parties are the local commissioner (CCG) and local care providers. The contract revenue is recognised to the extent that the Group obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration received for activity performed (in accordance with IFRS 15).

The annual revenue relates to the year beginning 1 April and ends on the 31 March in the following year. The revenue is determined at the beginning of the year, in respect of the contract and any demographic growth in the local health system. The annual revenue is spread monthly across the year in a manner that reflects the proportion of total annual cost anticipated to be borne in that month. This is to reflect the contracts' main performance obligation of coordinating and managing the delivery of services to patients, with the cost of these services incurred reflecting the completion of the performance obligation.

Private and self-pay

Revenue is recognised based on procedures performed either at contractually agreed insurance prices or self-pay rates. These are determined by the specific procedure undertaken. The completion of the medical procedure is the sole performance obligation, and so the whole price is allocated to that performance obligation. In the case of Private Medical Insurer revenue, the insurance companies pay the consultants directly and Circle recognises revenue for use of the hospital, consumables and other clinical services which are recognised as provided.

For self-pay patients, Circle recognises revenue when the performance obligation has been satisfied.

In accordance with IFRS 15, the Company's revenue represents management fee income earned in the ordinary course of business for services rendered in the support of Group operating companies providing healthcare services. The Company recognises revenue when performance obligations have been satisfied and for the Company this is when the services have been provided to the Group operating companies.

Revenue is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration received for activity performed.

Expenses

All costs that can be attributed to any service provided to patients are categorised as costs of sale. All other costs that are incurred to provide services to patients but which cannot wholly be allocated to any identifiable service provided to patients are categorised as administrative expenses.

Exceptional administrative expenses

The Group presents certain material exceptional items and fair value adjustments separately in the income statement, if they are material because of their size or their nature. The Directors consider that the separate reporting provides a clearer understanding of the Group's underlying performance.

Finance costs

Finance costs are recognised on an effective interest rate basis in the period in which they are incurred, except where they are directly attributable to the acquisition or production of a qualifying asset which takes a substantial period of time to get ready for intended use, such as the construction of a hospital. In such cases, borrowing costs are capitalised as part of the cost of that asset from the first date on which expenditure is incurred for the asset, provided the asset is determined to be economically viable. Capitalisation ceases when all the activities that are necessary to prepare the asset for use are complete.

Finance income

The Group sponsors a funded defined benefit pension plan for qualifying UK employees, General Healthcare Group Limited Pension and Life Assurance Plan. The Plan is administered by GHG (DB) Pension Trustees Limited, an independent trustee. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy for the assets and the day-to-day administration of the benefits.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

Investments

Investments in subsidiaries are valued at cost less provision for impairment. The carrying value of fixed asset investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises all amounts directly attributable to making assets capable of operating as intended, including development costs and borrowing costs where relevant.

Depreciation is provided on all categories of property, plant and equipment with the exception of freehold land and assets under construction. Depreciation is based on cost less estimated residual value and is provided on a straight line basis over the estimated useful life of the asset as follows:

- Leasehold improvements – shorter of lease life or expected useful life (5-30 years)
- Clinical equipment – 3 to 5 years
- Furniture, fittings and office equipment, (including commissioning costs) – 3 to 10 years

Residual values and useful lives are reviewed at the end of each reporting period. The expected useful lives of the assets to the business are reassessed periodically in the light of experience. The carrying values of property, plant and equipment are reviewed for impairment when events or changes of circumstances indicate the carrying value may not be recoverable.

Assets under construction

Development costs which are directly attributable to the development of property are capitalised as part of the cost of the property. The commencement of capitalisation begins when development costs for the property are being incurred and activities that are necessary to prepare the asset ready for use are in progress. Capitalisation ceases when all the activities that are necessary to prepare the asset for use are complete.

Commissioning costs comprise staff, property, consultancy and operational costs directly related to the commissioning of new build hospitals. Such costs are capitalised, provided the asset is determined to be economically viable, up to the point that the commissioning is complete and the hospital is fully open for business, subsequent to which further such expenditure is charged to the income statement. Once commissioned, the asset is reclassified from 'Assets under construction' to the relevant property, plant and equipment category and depreciated on a straight line basis in accordance with the estimated useful lives as outlined in the previous property, plant and equipment significant accounting policy.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

Leases

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Inventories

Inventories, primarily medical consumables, are stated at the lower of cost and net realisable value. Cost comprises purchase price less trade discounts, and is determined on a first-in, first-out basis. Net realisable value means estimated selling price, less all costs incurred in marketing, selling and distribution. Obsolete and slow moving stock is provided for in the income statement.

Where title never transfers to the Group, consignment stock is held off balance sheet.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, overnight deposits other short-term highly liquid investments with original maturities of three months or less.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value and subsequently measured at amortised cost. If payment is contractually not due for more than one year, they are classified as non-current liabilities.

Trade receivables

Trade receivables represent amounts due from customers arising from the performance of services or sale of goods in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. Likewise, if collection is expected in over one year then they are classified as non-current assets. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for impairment. The movement in the allowance for impairment is taken to administrative expenses.

The Group and Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Each entity uses a formula to calculate the expected credit loss. Trade receivables have been grouped based on shared characteristics (e.g. payer type). Different credit risk ratings have been applied to each grouping, including to reflect that credit risk increases as the aging of debt increases.

A different percentage allowance is used for each purchaser type to reflect the varying credit risk. This percentage allowance reflects the likelihood of default, and the anticipated shortfall of cash if default occurs.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

Pension costs

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution schemes where the Company's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit scheme.

The Company participates in a group defined benefit scheme which is the legal responsibility of the ultimate parent as the sponsoring employer. There is no contractual agreement or stated policy for charging the net defined benefit cost. In accordance with IAS 19 (Revised 2011), the Company recognises a cost equal to its contribution payable for the period, which is presented within administrative expenses in the profit and loss account.

Taxation

Tax expense comprises current and deferred tax. The charge for current income tax is based on the results for the year, as adjusted for items which are taxable or deductible in other accounting periods and items not taxed or disallowed. The charge is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination) which at the time of the transaction does not affect either taxable or accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled using rates enacted, or substantively enacted, at the end of the reporting period. Deferred tax is charged or credited in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Provisions for other liabilities and charges

Provisions are recognised when the Group or Company has a present obligation in respect of a past event, when it is probable that an outflow of resources will be required to settle the obligation and it can be reliably estimated. Provisions are discounted where the time value of money is considered to be material, using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount is recognised as a finance cost.

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

Share capital

Ordinary shares are classified as equity. Proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium (for any proceeds in excess of nominal value).

Notes to the financial statements
for the year ended 31 December 2020 (continued)

2. Significant accounting policies (continued)

Loans and other borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Coronavirus Job Retention Scheme ("CJRS")

During the period, the Group utilised the Coronavirus Job Retention Scheme ("CJRS") that was made available during the pandemic period. The Company claimed amounts totalling £3.5 million for hospitals and operations in England, £0.9 million in Scotland and £19,000 for hospitals in Wales in respect to this scheme during this time. These amounts are recognised once there is reasonable assurance of compliance with the conditions attached to the CJRS. The amounts have been offset within 'administrative expenses' in the profit and loss account, against where the original cost was incurred.

Assets held for sale

Non-current assets and disposal groups are classified as held for sale only if available for immediate sale in their present condition and a sale is highly probable and expected to be completed within one year from the date of classification. Such assets are measured at the lower of carrying amount and fair value, less the cost of disposal, and are not depreciated or amortised.

In accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, the net results of discontinued operations are presented separately in the consolidated income statement.

3. Critical judgements and accounting estimates

In the process of applying the Group's accounting policies, the Directors make judgements and estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements and estimates that have the most significant effect on the amounts recognised in the consolidated financial statements, and could have a material impact on the financial statements in the following year, include:

Critical judgements in applying the Group's accounting policies

i. Tax

The recognition of deferred tax assets is dependent upon management judgement of the level of future taxable profits that will be available against which deductible temporary differences can be utilised. Such a judgement is based on cash flow forecasts that have been generated, along with their expectations of future market performance. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years.

ii. Fair value of leases on acquisition

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the acquired company, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate to be applied to the leases acquired from BMI, the Group used an external independent expert to arrive at an appropriate rate. This was calculated using a build-up approach, starting with a risk-free rate and then adjusting for factors such as market risk premium, company size risk, and other specific risk premiums.

A range of weighted average rates were presented, from 7.0% to 7.6% of which the upper end was applied, as this presented the mid-range of the group of leases that accounted for over 85% of the acquired leases assets.

Critical accounting estimates and assumptions

The key assumptions and estimates at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Notes to the financial statements
for the year ended 31 December 2020 (continued)

3. Critical judgements and accounting estimates (continued)

Critical accounting estimates and assumptions (continued)

i. Impairment of assets

Property, plant and equipment, Right of Use, and other intangible assets are considered for impairment if there is any reason to believe that impairment may be necessary, based on the judgement of management. All hospital fixed assets are allocated into cash-generating units (CGUs), being each individual hospital operation, and tested for impairment, if any indicators of impairment exist.

At 31 December 2020, Property, plant and equipment, Right of Use, and other intangible assets were considered for impairment. The Group assessed the recoverable values of each CGU using forecasts of the profitability and the anticipated maintenance capital expenditure for each hospital. Refer to note 13 for sensitivities performed.

ii. Goodwill and intangibles

Goodwill and intangibles are recognised at cost less accumulated amortisation and impairment losses. The carrying amount of goodwill is assessed annually based on value in use calculations, using cash flow projections based on five year financial forecasts prepared by management. Key assumptions relating to forecasts in revenue growth and decline are used which include discounting back to present value using a risk adjusted pre-tax discount rate of 8.64% and assumptions in terms of volume and cost savings. In the event that these estimates are wrong, this may impact the value in use and consequently the recoverable amount and carrying value of goodwill and intangible assets. Refer to the intangible assets note 11 for the impact of these sensitivities. The useful lives of goodwill are indefinite.

iii. Revenue recognition

The Group has contracts for healthcare services which span more than one accounting period. Revenue is recognised over the contract in a manner with reflects the profile of the services provided. The revenue require estimates to be made as to the overall value of the contract and the total services to be provided under the length of the contract, to allow the proportion of revenue recognised to be determined.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

4. Revenue

An analysis of the Group's revenue is as follows:

	2020 £'000	2019 £'000
Continuing operations		
Provision of healthcare services by customer		
Private medical insurers	403,852	36,013
NHS	428,178	51,447
Self-pay	129,754	10,289
Other	23,092	5,145
	984,876	102,894

All revenue arises from the same principal activity in the United Kingdom.

5. Operating profit/(loss) for the year

Operating profit/(loss) is stated after charging/(crediting):

	2020 £'000	2019 £'000
Amortisation of intangible assets (note 11)	9,888	1,546
Depreciation of property, plant and equipment (note 13)	92,488	9,567
Cost of stock recognised as expense	148,132	10,031
Auditor's remuneration (see below)	626	1,302
Movement in provision for bad debts (note 18)	3,884	(147)
Operating lease charges	1,551	397
Exceptional operating items (note 6)	41,124	14,588

Remuneration payable to the company's auditor:

	2020 £'000	2019 £'000
Fees payable to Company's auditor for the parent Company and consolidated financial statements	119	99
Fees payable to the Company's auditor for other services		
– The audit of Company's subsidiaries	504	192
– Advisory services	3	1,011
	626	1,302

The auditor and advisory fees for 2019 were for PricewaterhouseCoopers who was the previous auditor of the Group.

6. Exceptional administrative expenses

	Income statement 2020 £'000	Tax impact 2020 £'000	Income statement 2019 £'000	Tax impact 2019 £'000
Impairment losses	36,626	-	-	-
Acquisition costs	1,383	-	13,822	-
Other exceptional items	3,115	(592)	766	-
	41,124	(592)	14,588	-

In 2020, the exceptional costs recognised in the financial year were in relation to impairment charges following the annual impairment review of the assets carried out as at 31 December 2020. See note 13. Acquisition and other exceptional items recognised relate to legal and professional fees associated with the acquisition of BMI Healthcare, and the integration of the acquisition.

In 2019, £13,822,000 of the exceptional costs were incurred in the acquisition of BMI Healthcare and £766,000 of exceptional costs in relation to legal costs.

Cash flow impact of exceptionals

The cash flow impact for non-recurring acquisition costs was an outflow of £1,383,000 (2019: £13,822,000). The cash flow impact of other exceptional items was an outflow of £3,115,000 (2019: £766,000).

Notes to the financial statements
for the year ended 31 December 2020 (continued).

7. Staff costs

The average monthly number of employees (including executive directors) was:

	2020 Number	2019 Number
Administrative	397	504
Clinical	7,436	506
	<u>7,833</u>	<u>1,010</u>

Their aggregate remuneration comprised:

	2020 £'000	2019 £'000
Wages and salaries	277,529	22,972
Social security costs	22,343	4,521
Other pension costs (see note 29)	9,214	1,712
	<u>309,086</u>	<u>29,205</u>

Aggregate directors' remuneration

The total amounts for directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	2020 £'000	2019 £'000
Salaries, fees, bonuses and benefits in kind	2,098	750
Company pension contributions to defined contribution scheme	27	34
	<u>2,125</u>	<u>784</u>

Directors' emoluments relate to the Non-Executive and Executive Directors, who are remunerated by Circle Health Holdings Limited and Circle Health Limited.

Post-employment benefits are accruing for two directors (2019: two) under a defined contribution scheme.

Emoluments disclosed include the following amounts paid to the highest paid director:

	2020 £'000	2019 £'000
Total salary and other benefits	990	371
Company pension contributions to defined contribution schemes	10	10
Highest director aggregate emoluments	<u>1,000</u>	<u>381</u>

The 2020 emolument balance for the highest paid director includes an exceptional one-off payment to reflect a management re-structure following CHG's acquisition of BMI Healthcare.

The Directors of the company are also directors or officers of a number of other companies within the ultimate parent group (the Group), and are remunerated in respect of services provided to the Circle Health Holdings Group. The Directors do not consider the time spent on dealing with individual company's matters to be material and therefore have not sought to separate out their costs in respect of services to each individual company in the Circle Health Holdings Group. The amounts disclosed above are the Directors' total emoluments as per their employment contracts.

8. Finance income

	2020 £'000	2019 £'000
Interest income:	481	2
	<u>481</u>	<u>2</u>

Notes to the financial statements
for the year ended 31 December 2020 (continued)

9. Finance costs

	2020 £'000	2019 £'000
Interest expense under IFRS16 on lease liabilities	115,504	5,148
Interest on bank overdrafts and loans	21,009	42
Interest on convertible loan notes	2	-
	<u>136,515</u>	<u>5,190</u>

10. Tax on loss on ordinary activities:

	Year ended 2020 £000	Year ended 2019 £000
The tax credit is based on the loss for the year and comprises:		
Corporation tax at 19%	3,889	-
Overprovision in prior years	(69)	-
Deferred tax credit	(6,688)	(274)
Total tax on loss on ordinary activities	<u>(2,868)</u>	<u>(274)</u>
The credit for the year can be reconciled to the loss per the income statement as follows:		
Loss before tax:		
Total operations	(61,748)	(23,874)
Less: associate companies	(1,496)	-
Group loss on ordinary activities on continuing operations before tax	<u>(63,244)</u>	<u>(23,874)</u>
Tax at the UK corporation tax rate of 19%	(12,016)	(4,536)
Effects of:		
Expenses that are not deductible in determining taxable profit	384	2,024
Recognition of brought forward tax losses	(165)	-
Deferred tax (credit)/charge not recognised	(909)	2,238
Losses carried forward, not recognised	9,387	-
Other reliefs	(910)	-
Effects of change in rate of tax on opening balances	1,801	-
Adjustment to tax credit in respect of previous periods	(439)	-
Tax credit and effective tax rate for the year on continuing operations	<u>(2,868)</u>	<u>(274)</u>

The tax rate for the current year and prior year is 19.0%. The Finance Act 2021 has increased the rate of corporation tax to 25.0% from 1 April 2023. As this change was not substantively enacted at the balance sheet date its effect has not been included in these financial statements. This change will increase current tax charges in the future and is expected to increase the deferred tax charge to the income statement by £1,525,000 in the following year, due to the remeasurement of deferred tax balances.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

11. Intangible assets

The amortisation charge for the year is included within the Consolidated Statement of Comprehensive Income within administrative expenses before exceptional items.

Cost	Brand £'000	Contracts and Stakeholder relationships £'000	Computer software £'000	Total £'000
As at 31 December 2018	15,600	3,600	2,585	21,785
Additions	-	-	415	415
Disposals	-	-	(1,555)	(1,555)
As at 31 December 2019	15,600	3,600	1,445	20,645
Acquisitions (Note 26)	5,000	37,000	2,700	44,700
Additions	-	-	6,224	6,224
As at 31 December 2020	20,600	40,600	10,369	71,569
Accumulated amortisation and impairment				
As at 31 December 2018	1,906	667	2,200	4,773
Disposals	-	-	(1,290)	(1,290)
Amortisation charge for the period	1,040	400	106	1,546
As at 31 December 2019	2,946	1,067	1,016	5,029
Amortisation charge for the period	2,019	4,425	3,444	9,888
As at 31 December 2020	4,965	5,492	4,460	14,917
Net book amount				
At 31 December 2019	12,654	2,533	429	15,616
At 31 December 2020	15,635	35,108	5,909	56,652

Intangible assets that are subject to amortisation are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

Contracts and Stakeholder relationships

Circle holds several contracts with a number of CCGs which allow the Company to provide specific clinical services. The contracts attract value given the exclusivity they provide Circle with regard to service provision.

The value of these contracts are amortised over nine years from April 2017, the date that they were acquired, which represents the estimated remaining economic useful life of the contracts.

On the acquisition of BMI a further £37 million was recognised under this category, which represents relationships with practising medical professionals held by BMI as at the 8 January 2020. This asset is amortised over nine years.

Brand

Circle has a well-known and respected brand in the areas where it operates hospitals. It is also known across the UK in the healthcare industry among consultants and suppliers.

The value of the brand is amortised over 15 years from April 2017, which represents the estimated remaining economic useful life of the brand. The value of the Circle brand is apportioned across the different cash generating units (CGUs) of the Group.

On the acquisition of BMI a further £5 million was recognised under this category, which represents accounting value attributed to the BMI Healthcare brand. This is being amortised over five years.

Computer software

Computer software represents third party costs incurred in relation to the Group's information technology systems and is being amortised over two years.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

12. Goodwill

£'000

Net Book Amount as at 31 December 2018	30,013
Net Book Amount as at 31 December 2019	30,013
Recognised on acquisition of a subsidiary (note 26)	117,465
Net Book Amount as at 31 December 2020	147,478

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. The recoverable amounts of all cash generating units (CGUs) are determined based on value in use calculations, using discounted pre-tax cash flow projections based on management approved financial forecasts for the period of the contract. The key assumptions for these forecasts are those relating to revenue growth and decline, based on past experience and expectations of future changes in relevant CGUs. The Group prepares cash flow forecasts derived from the most recent financial plans approved by management for the period of the contract.

The time period over which management has projected cash flows varies based on each CGU, based on the financial plans approved by management. This takes into consideration contract lengths. Any projections for future years beyond the period in financial plans approved by management are extrapolated at a growth rate of 2% based on past experience and future expectations. The discount rate used is 8.64%, which is the estimated weighted average cost of capital for the Group. The financial plans reflect past experience and incorporate assumptions in terms of volumes, the mix of patient treatments and tariff changes.

The Group has conducted a sensitivity analysis on the carrying value of each of the CGUs. There are no reasonably possible changes in the key assumptions that could cause the carrying value of the CGU to exceed its recoverable amounts.

Based on the result of the value in use calculations undertaken, the Directors conclude that the recoverable amount in the integrated care (previously referred to as MSK) and private hospitals CGUs exceed their carrying value.

Allocation of Goodwill to each CGU

	2020 £'000	2019 £'000
Private hospitals (including GHH business acquisition)	135,725	29,223
Integrated care	790	790
	136,515	30,013

Goodwill has been allocated to each CGU based on an implied purchase price for each CGU during the acquisition by Circle Health Holdings Limited, and the net assets held by each CGU at that time. A discounted cash flow approach was used to assist in allocating the purchase price to those CGUs.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

13. Property, plant and equipment

Cost					Right-of-use assets			Total £'000
	Assets under construction £'000	Buildings and leasehold improvements £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Buildings £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	
At 1 January 2019	617	3,736	6,963	6,758	-	-	-	18,074
Effect of adoption of IFRS 16 Leases	-	-	(1,145)	(2,285)	102,093	746	1,752	101,161
Additions	3,197	10	360	520	587	-	-	4,674
Disposals	-	(1,659)	(3,037)	(1,416)	(407)	(21)	-	(6,540)
At 31 December 2019 and 1 January 2020	3,814	2,087	3,141	3,577	102,273	725	1,752	117,369
Additions	20,821	13,406	13,903	1,429	57,664	8,730	71	116,025
Acquisition of subsidiary (Note 26)	10,465	93,785	55,514	5,277	1,528,803	7,988	-	1,701,832
Disposals	-	(411)	(1,311)	-	(623)	(1,051)	-	(3,396)
Reclassified as held for sale (Note 31)	-	-	(12,657)	(1,142)	(24,985)	-	-	(38,784)
At 31 December 2020	35,100	108,867	58,590	9,141	1,663,132	16,392	1,823	1,893,046
Accumulated depreciation and impairment	Assets under construction £'000	Buildings and leasehold improvements £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Buildings £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
At 1 January 2019	-	(2,733)	(6,009)	(4,100)	-	-	-	(12,842)
Effect of adoption of IFRS 16 Leases	-	-	399	533	-	-	-	932
Depreciation charge for the year	-	(123)	(296)	(235)	(8,375)	(309)	(229)	(9,567)
Disposals	-	849	2,927	1,330	-	-	-	5,106
At 31 December 2019 and 1 January 2020	-	(2,007)	(2,979)	(2,472)	(8,375)	(309)	(229)	(16,371)
Depreciation charge for the year	-	(5,126)	(14,491)	(6,915)	(62,323)	(3,370)	(263)	(92,488)
Disposals	-	-	-	-	200	212	-	412
Impairment	-	(435)	(698)	(91)	(32,172)	(3,231)	-	(36,627)
On assets reclassified as held for sale (Note 31)	-	-	11,831	1,096	4,784	-	-	17,711
At 31 December 2020	-	(7,568)	(6,337)	(8,382)	(97,886)	(6,698)	(492)	(127,362)
Net book amount								
At 31 December 2019	3,814	80	162	1,105	93,898	416	1,523	100,998
At 31 December 2020	35,100	101,299	52,253	759	1,565,246	9,694	1,331	1,765,684

The Group has conducted a sensitivity analysis on the tangible and intangible assets impairment test of the CGUs and the group of units carrying value, as follows:

- If the pre-tax WACC rate was increased/decreased by 1.0 percentage point, the overall impairment would increase/decrease by £5.5 / £5.8 million
- If the long term growth rate was increased/decreased by 1.0 percentage point, the overall impairment would increase/decrease by £3.1 / £3.3 million

Circle Health Holdings Limited

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Notes to the financial statements for the year ended 31 December 2020 (continued)

14. Subsidiaries

Details of the investments in which the parent holds 20.00% or more of the nominal value of any class of share capital and quasi subsidiaries are as follows:

Company name	Proportion of voting rights held	Share class	Registered office	Nature of business
Circle International plc	100%			Holding
Circle Health Limited	100%			Holding and management
Nations Healthcare Limited	100%			Holding
Circle Nottingham Limited	100%			Medical practice services
Circle Hospital (Bath) Limited	100%			Medical practice services
Circle Hospital (Reading) Limited	100%			Medical practice services
Circle Clinical Solutions Limited	100%			Medical practice services
Circle Birmingham Limited	100%			Medical practice services
Circle Rehabilitation Services Limited	99.90%			Medical practice services
Circle Health 1 Limited	100.00%			Holding
Circle Health 2 Limited	100.00%			Holding
Circle Health 3 Limited	100.00%			Holding
Circle Health 4 Limited	100.00%			Holding
Health Properties (South Manchester) Limited	100%			Property ownership and development
GHG Healthcare Holdings Limited	100%			Holding
Bishopwood SPV Limited	100%			Provision of healthcare services
BMI Healthcare Limited	100%			Provision of healthcare services
BMI Hospital Decontamination Limited	100%	Ordinary shares	1st Floor 30 Cannon Street, London, England, EC4M 6XH	Provision of decontamination services
BMI Syon Clinic Limited	50%			Provision of healthcare services
BMI Imaging Clinic Limited	50%			Provision of healthcare services
BMI Southend Private Hospital Limited	50%			Provision of healthcare services
Meriden Hospital Advanced Imaging Centre Limited	50%			Provision of healthcare services
Three Shires Hospital LLP	50%			Provision of healthcare services
General Healthcare Holdings (2) Limited	100%			Investment holding
General Healthcare Holdings (3) Limited	100%			Investment holding
General Healthcare Holdings (4) Limited	100%			Investment holding
GHG (DB) Pension Trustees Limited	100%			Pension funding
GHG Intermediate Holdings Limited	100%			Investment holding
GHG Leasing Limited	100%			Provision of healthcare services
North West Cancer Clinic Limited	90%			Provision of healthcare services
Runnymede SPV Limited	100%			Provision of healthcare services
South Cheshire SPV Limited	100%			Provision of healthcare services
GHG Mount Alvernia Hospital Limited	100%			Investment holding
Generale de Sante International Limited	100%			Investment holding
Circle Clinical Services Limited	100%			Provision of healthcare services
Health Properties Limited	100%	Ordinary shares	12 Castle Street, St. Helier, Jersey, Channel Islands, JE2 3RT	Holding
Circle Holdings Limited *	100%			Holding
Circle Harmony Health Limited	50%	Ordinary shares	Rm 905-906, 9/F Houston Ctr, 63 Mody Road, TST, KLN, Hong Kong	Management services
Shanghai Circle Harmony Hospital Management Limited	50%	Ordinary shares	Rm 1145, 11/F, Carlton Bldg, No.21 Huanghe Road, Huangpu District, Shanghai, China	Management services

Notes to the financial statements
for the year ended 31 December 2020 (continued)

15. Investments

Shares in associates	Total £'000
Cost	
At 1 January 2020	160
Acquisitions	3,247
At 31 December 2020	<u>3,407</u>
Provision for impairment	
At 1 January 2020	-
Impairment	-
At 31 December 2020	<u>-</u>
Net book value	
At 1 January 2020	160
At 31 December 2020	<u>3,407</u>

16. Inventories

	2020 £'000	2019 £'000
Consumables	<u>16,884</u>	<u>1,207</u>

There is no significant difference between the replacement cost of consumables and their carrying amount.
At 31 December 2020, an amount of £3.5 million (2019: £nil) has been provided against the gross cost of inventories.

17. Leases (Group as a lessee)

The Group has lease contracts for hospitals, furniture, fittings and office equipment, and clinical equipment. The amounts recognised in the financial statements in relation to these are as follows:

Amounts recognised in the statement of financial position	2020 £'000	2019 £'000
Right-of-use assets		
Buildings	1,565,246	93,898
Furniture, fittings and office equipment	1,331	1,523
Clinical equipment	9,694	416
	<u>1,576,271</u>	<u>95,837</u>
Lease liabilities		
Current	(7,117)	(5,160)
Non-current	(1,665,687)	(101,827)
	<u>(1,672,804)</u>	<u>(106,987)</u>

See note 32 for the future cashflows of leases liabilities over the remaining term of the leases.

Amounts recognised in the statement of comprehensive income

	2020 £'000	2019 £'000
Depreciation of right-of-use assets		
Buildings	97,886	8,375
Furniture, fittings and office equipment	492	229
Clinical equipment	6,698	309
	<u>105,076</u>	<u>8,913</u>

Amounts recognised in profit and loss

	2020 £'000	2019 £'000
Depreciation expense on right-of-use assets	65,956	8,913
Interest expense on lease liabilities	115,504	5,193
Expense relating to short-term leases	1,123	397
Expense relating to leases of low value assets	429	-

The total cash outflow for leases during the period amount to £120 million.

The Group leases several assets including buildings, plant and clinical equipment. The average lease term is 27 years (2019: seven years).

The Group has options to purchase certain equipment for a nominal amount at the end of the lease term. The Group's obligations are secured by the lessors' title to the leased assets for such leases.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

18. Trade and other receivables

	Current 2020 £'000	Current 2019 £'000	Non-current 2020 £'000	Non-current 2019 £'000
Trade receivables	56,521	12,441	-	-
Less: provision for impairment	(4,384)	(500)	-	-
Net trade receivables	52,137	11,941	-	-
Prepayments and accrued income	2,760	2,069	-	2,500
Other receivables	21,618	1,820	-	-
	<u>76,515</u>	<u>15,830</u>	<u>-</u>	<u>2,500</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2020 £'000	2019 £'000
At 1 January	500	647
Increase/(decrease) in the year	3,884	(147)
At 31 December	<u>4,384</u>	<u>500</u>

The movement in the allowance for impairment in respect of trade receivables during the year is reflected within administrative expenses in the income statement.

At 31 December, the ageing analysis of trade receivables was as follows:

	2020 £'000	2019 £'000
Not past due	31,673	1,293
Past due 0-30 days	7,706	5,159
Past due 31-60 days	2,768	3,896
Past due by more than 60 days	9,990	1,593
	<u>52,137</u>	<u>11,941</u>

Trade receivables, from contracts with customers, are non-interest bearing and credit terms are generally 30 days. The above receivables are not impaired because management believe they are fully recoverable.

As per IFRS 9, the Group follows the simplified approach to calculating a loss allowance for trade and other receivables.

Each site uses a formula to calculate the expected credit loss ("ECL"). Trade receivables have been grouped based on shared characteristics (e.g. payer type). This weighting is used as it reflects the risk of credit risk, as this risk increases when the age increases.

A different percentage allowance is used for each purchaser type to reflect the varying credit risk. This percentage allowance reflects the likelihood of default, and the anticipated shortfall of cash if default occurs.

Trade receivables

The average credit period on sales of goods is 60 days. No interest is charged on outstanding trade receivables.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 100 per cent against all receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable.

The Group has engaged a third-party supplier to provide relevant economic data for determining the factors that are specific to the debtors, the general economic conditions of the industry in which the debtors operate and the forecast direction of conditions at the reporting date. The Group has significantly increased the expected loss rates for trade receivables from the prior year based on its judgement of the impact of current economic conditions and the forecast direction of travel at the reporting date. There has been no change in the estimation techniques during the current reporting period.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities.

As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer segments.

The Directors consider the carrying amount of cash and cash equivalents approximate to their fair value.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

19. Borrowings

	Non-current 2020 £'000	Non-current 2019 £'000
Loans	219,848	1,848
Prepaid finance costs	(7,963)	-
	<u>211,885</u>	<u>1,848</u>

The bank loans are charged at a variable interest rate of LIBOR plus 7%, with a rate of 7.50% as at 31 December 2020. This rate was subsequently reduced in March 2021 following syndication of the debt facilities.

Maturity profile

2020	Greater than 4 years £'000	Total £'000
Loans	219,848	219,848
	<u>219,848</u>	<u>219,848</u>
2019	Greater than 4 years £'000	Total £'000
Loans	1,848	1,848
	<u>1,848</u>	<u>1,848</u>

(i) The Group has three principal bank loans:

(a) a loan of £178m. The loan was taken out on 07/01/2020 and is repayable in full on 07/01/2027. The loan carries interest rate at 7 per cent above LIBOR as at 31 December 2020.

(b) a loan of £20m. The loan was taken out on 07/01/2020 and is repayable in full on 07/07/2026. The loan carries interest rate at 7 per cent above LIBOR as at 31 December 2020.

(c) a loan of £20m. The loan was taken out on 07/01/2020 and is repayable in full on 07/01/2027. The loan carries interest rate at 7 per cent above LIBOR as at 31 December 2020.

20. Deferred tax

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

	At 1 January 2020 £000	Charge (credit) to income £000	Change in tax rate to income £000	Acquisitions and disposals £000	At 31 December 2020 £000
Accelerated tax depreciation	-	1,879	(1,494)	(12,701)	(12,316)
Other timing differences	-	(3,502)	(31)	(260)	(3,793)
Leases	-	(4,897)	2,586	21,982	19,671
Land and buildings	-	(551)	974	8,273	8,696
Intangible assets	2,589	(1,224)	1,137	7,140	9,642
Derivatives	-	(4,828)	2,858	25,405	23,435
Tax losses	-	4,634	(4,229)	(36,500)	(36,095)
Net deferred tax liability (asset)	<u>2,589</u>	<u>(8,489)</u>	<u>1,801</u>	<u>13,340</u>	<u>9,240</u>

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2020 £000	2019 £000
Deferred tax liabilities	61,443	2,589
Deferred tax assets	(52,203)	-
	<u>9,240</u>	<u>2,589</u>

A deferred tax liability of £8,695,000 (2019: £nil) has been recognised in respect of fixed assets that have been acquired as part of business combinations. Of this amount, £8,918,000 (2019: £nil) represents the deferred tax liability on the value of assets that will be recovered through use and £223,000 (2019: £nil) the deferred tax asset that is anticipated to crystallise on an eventual sale of the remaining assets at their net book value.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

20. Deferred tax (continued)

Deferred tax assets relating to tax losses of £70,758,000 (2019: £29,801,000), and capital losses of £591,000 (2019: £27,000) have not been recognised as there is insufficient evidence that the assets will be recovered.

The deferred tax asset not recognised in the financial statements is as follows:

	2020 Tax value £000	2020 Gross value £000	2019 Tax value £000	2019 Gross value £000
Tax losses carried forward	70,758	372,411	29,801	175,300
Capital losses	591	3,110	27	160
Deductible temporary differences – fixed assets	120	629	1,192	7,009
Other short term temporary differences	-	-	8	46
	<u>71,469</u>	<u>376,150</u>	<u>31,028</u>	<u>182,515</u>

Deferred tax assets on losses have been recognised in accordance with IAS 12 in order to offset known tax liabilities. Whilst future profits are anticipated in future period against which to offset additional brought forward tax losses, due to the history of loss making and the uncertainties faced by the private health market and the sensitivity of this market to the Covid pandemic no deferred tax asset has been recognised on the basis of future profitability. This will continue to be monitored at each balance sheet date.

21. Trade and other payables

	Current 2020 £'000	Current 2019 £'000	Non-current 2020 £'000	Non-current 2019 £'000
Trade payables	89,117	15,471	-	-
Deferred income and provisions	-	742	-	-
Accruals	77,601	21,582	-	-
Social security and other taxation	138	(84)	-	-
Other payables	8,159	-	-	-
Tax payable	3,438	-	-	-
	<u>178,453</u>	<u>37,711</u>	<u>-</u>	<u>-</u>

The Directors consider the carrying amount of cash and cash equivalents approximate to their fair value.

22. Provisions

	Site closure related provision £'000	Provision for legal claims £'000	Future pension commitments £'000	Dilapidations provision £'000	Total £'000
At 1 January 2020	-	-	-	-	-
Additional provision in the year	-	-	-	1,450	1,450
On acquisition of subsidiary	445	19,144	217	-	19,806
Utilisation of provision	(445)	(2,488)	(27)	-	(2,960)
At 31 December 2020	<u>-</u>	<u>16,656</u>	<u>190</u>	<u>1,450</u>	<u>18,296</u>
Of which falling due:					
- within one year	-	16,656	36	1,450	18,142
- subsequently	-	-	154	-	154

The Group is subject to a number of legal claims. Provision has been made for the estimated costs of settlement, based on management's best estimate on a case-by-case basis of the outcomes of settlements, either in or out of court, and using a projection of the costs of claims incurred but not yet reported.

The defined benefit pension scheme provision represents the Group's estimated future contributions to two defined benefit pension schemes.

The dilapidations provision relates to amounts due in relation to various buildings that were vacated during the current and prior year.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

23. Contracts with customers: net asset

Unbilled receivables represent revenue recognised on contracts less associated discounts. These amounts will be billed in accordance with agreed-upon contractual terms upon completion of treatment to patients.

Contract liabilities consist of advance payments and billings to patients in excess of services provided and costs incurred and warranties on services performed. Advance payments and billings are typically associated with our self pay patients. All contract liabilities are current.

All balances shown below are included in note 18, trade receivables.

	31 December 2020 £'000
Unbilled revenue	3,377
Advance payments on self pay patients	(1,178)
	<u>2,199</u>

The contract asset balance shown is gross of any impairment losses. Impairment losses for trade receivables are calculated using a methodology looking at billed and unbilled revenue collectively and therefore the provision on the asset balance shown is included within the net trade debtors balance shown in note 18.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

24. Share capital and share premium

Authorised			2020	2019
			£	£
Ordinary shares (Class A Ordinary Shares) of £0.01 each			945	945
Ordinary shares (Class B Ordinary Shares) of £0.01 each			100	100
Ordinary shares (Class C Ordinary Shares) of £0.01 each			8	8
Preference shares of £0.01 each			19,851	19,851
			<u>20,904</u>	<u>20,904</u>
Allotted and fully paid up				
	Par value	Shares (number)	Share capital	Share premium
			£	£
Ordinary Class A shares:				
At 1 January 2020	0.01	94,478	945	3,727,759
Shares issued	0.01			126,084,689
At 31 December 2020		<u>94,478</u>	<u>945</u>	<u>129,812,448</u>
	Par value	Shares (number)	Share capital	Share premium
			£	£
Ordinary Class B shares:				
At 1 January 2020	0.01	10,000	100	399,162
At 31 December 2020		<u>10,000</u>	<u>100</u>	<u>399,162</u>
	Par value	Shares (number)	Share capital	Share premium
			£	£
Ordinary Class C shares:				
At 1 January 2020	0.01	750	8	
At 31 December 2020		<u>750</u>	<u>8</u>	<u></u>
	Par value	Shares (number)	Share capital	Share premium
			£	£
Preference shares:				
At 1 January 2020	0.01	1,985,075	19,851	71,264,390
At 31 December 2020		<u>1,985,075</u>	<u>19,851</u>	<u>71,264,390</u>
Allotted and fully paid up				
	Par value	Shares (number)	Share capital	Share premium
			£	£
Ordinary Class A shares:				
At 1 January 2019	0.01	90,000	900	3,193,096
Shares issued	0.01	4,478	45	534,663
At 31 December 2019		<u>94,478</u>	<u>945</u>	<u>3,727,759</u>
	Par value	Shares (number)	Share capital	Share premium
			£	£
Ordinary Class B shares:				
At 1 January 2019	0.01	10,000	100	399,162
At 31 December 2019		<u>10,000</u>	<u>100</u>	<u>399,162</u>
	Par value	Shares (number)	Share capital	Share premium
			£	£
Ordinary Class C shares:				
At 1 January 2019	0.01	750	8	
At 31 December 2019		<u>750</u>	<u>8</u>	<u></u>
	Par value	Shares (number)	Share capital	Share premium
			£	£
Preference shares:				
At 1 January 2019	0.01	1,900,000	19,000	68,254,904
Shares issued	0.01	85,075	851	3,009,486
At 31 December 2019		<u>1,985,075</u>	<u>19,851</u>	<u>71,264,390</u>

Rights of shares

The rights of shares are contained in the Company's Articles of Association and summarised below.

Voting

The holders of A and B shares have the right to vote their shares at any general meeting of the Company. The holders of the Preference and C shares have no entitlement to vote their shares at any general meeting of the Company but have the right to vote a class meeting of the Preference and C shares, respectively.

Income

The holders of Preference Shares have the right to dividends declared by the Company, provided that the amount of any dividend, in aggregate with other dividends and distributions to the holders of Preference Shares, is not in excess of the paid up amount of those shares. Subject to any priority distribution of profits amongst the holders of Preference Shares, the holders of A and B shares shall receive dividends pro rata to the paid up amount of those shares. The holders of C shares have no rights to receive dividends.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

24. Share capital and share premium (continued)

Capital

The rights of holders of different classes of shares to capital under different scenarios, including exit events, are set out in the Company's Articles. The priority of capital is: to holders of Preference Shares, up to the paid up amount of those shares; to holders of A and B shares, with the distribution between shares contingent on the nature of the event, the amount involved and the returns to defined groups of holders of A and B shares; finally, to C shares, with the entitlement to holders being contingent on the nature of the event and if the amount associated with the exit event involved is in excess of defined return hurdles to other shareholders, in which case the C shares have the right to participate in returns above defined hurdles.

During the year, 1,600 B shares and 160 C shares were acquired by two directors of the Company (2019: nil B shares and nil C shares acquired by directors). At 31 December 2020, four directors held a combined total 6,450 B shares and 645 C shares (2019: 4,850 B shares and 485 C shares held by three directors). All of these shares were acquired at fair value from other shareholders. These fall within the scope of IFRS 2 and are treated as an equity-settled share based transaction. IFRS 2 requires the fair value at grant date of equity-settled share-based payment transactions to be expensed over the vesting period with a corresponding increase in equity, taking into account the best available estimate of the number of shares expected to vest under the service conditions. As the vesting conditions for the shares had not been met and no vesting period commenced at the year-end date there is no charge to the income statement in the year or liability recognised on the balance sheet at the year end.

25. Non-controlling interests

Circle Rehabilitation Services Limited was a UK joint venture company between Circle Health Limited and VAMED Management Und Services GmbH ('VAMED'). The principal place of business of the subsidiary is the United Kingdom.

On 31 December 2019, Circle Health Limited's shareholding and voting rights increased from 80.1% to 99.9% in Circle Rehabilitation Services Limited, reducing VAMED's voting rights to 0.01%. On 1 January 2020, Circle Health Limited acquired the remaining share capital held by VAMED, and therefore there is no non-controlling interest in relation to this entity.

Following the acquisition of BMI group, there are two investments where non-controlling parties exist; BMI Syon Clinic Limited, and North West Cancer Clinic Limited. A summary of financial information for non-controlling interests are given below.

	2020	2019
	£'000	£'000
Total assets	4,499	2,630
Total liabilities	(1,917)	(7,401)
Net assets/(liabilities)	2,582	(4,771)
Profit/(loss) for the period	646	(295)
Net cash (outflow)/inflow	(923)	69

Associated undertakings and equity accounted joint ventures

The Group accounts for all its investments in associates and joint ventures in its consolidated financial statements using the equity method, as set out in note 3.

	2020	2019
	£'000	£'000
At beginning of the year	160	160
Share of profits during the year	1,192	-
Gross	1,403	-
Tax	(211)	-
Dividends received	(1,400)	-
Acquisition of investment in associate	3,430	-
At end of the year	3,382	160

Aggregated associates and joint ventures information is as follows:

	2020	2019
	£'000	£'000
Revenue	25,498	388
Profit before tax	3,205	(19)
Tax	(291)	-
Profit after tax	2,914	(19)
Fixed assets	1,544	-
Current assets	9,485	181
Liabilities due within one year	8,457	92

Notes to the financial statements
for the year ended 31 December 2020 (continued)

26. Acquisition of subsidiaries

On 24 December 2019, the Company entered into share purchase agreements to acquire GHG Holdings Limited, the holding company of the BMI Healthcare group ('BMI') (the 'Transaction'). The Transaction formally completed on 8 January 2020; therefore, prior to 8 January 2020 the Group was comprised of Circle Health Holdings Limited and its subsidiaries as listed in the 2019 financial year statutory accounts ('Pre Transaction Group').

From the 8 January 2020 the Competition and Markets Authority (CMA) had issued an Initial Enforcement Order, requiring the business to continue to operate separately ('Transitional Phase'), until the order was released on the 23 June 2020. From this date the Group was then comprised of Pre Transaction Group and BMI ('Post Transaction Group').

The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out in the table below.

	£'000
Financial assets	118,832
Inventory	16,598
Property, plant and equipment	1,701,832
Identifiable intangible assets	44,700
Financial liabilities	(1,757,365)
Deferred tax liabilities	(13,372)
Total identified assets acquired and liabilities assumed	111,224
Goodwill	117,465
Total consideration	228,689
Satisfied by:	
Cash	261,200
Less: cash and cash equivalent balances acquired	(32,511)
Total consideration transferred	228,689

Goodwill represents the expected synergies of combining the two companies, and the growth expected future trading performance of the acquired business. The intangible assets of £44.7 million arising from the acquisition consists of the brand, consultant relationships and software of the BMI. None of the goodwill is expected to be deductible for income tax purposes. See Note 12 for details.

Acquisition-related costs (included in administrative expenses) amount to £1.6 million.

GHG Healthcare Holdings Limited contributed £885 million revenue and £4.4 million to the Group's profit for the period between the date of acquisition and the reporting date.

27. Movements in net debt

Net debt consists of cash and cash equivalents and includes leases, loans and other borrowings.

	At 1 January 2020 £'000	Non-cash movements £'000	Cash flow £'000	At 31 December 2020 £'000
Cash at bank and on hand	11,134	-	104,723	115,857
Cash and cash equivalents	11,134	-	104,723	115,857
Loans and other borrowings	(1,848)	(51,811)	(158,226)	(211,885)
Lease liabilities	(106,987)	(1,685,613)	119,796	(1,672,804)
Net debt	(97,701)	(1,737,424)	66,293	(1,768,832)

Notes to the financial statements
for the year ended 31 December 2020 (continued)

28. Notes to the cash flow statement

Net cash flow from operating activities

Loss before income tax from:

Continuing operations

(63,244) (23,874)

Discontinued operations

- 2,767

Loss before income tax including discontinued operations

(63,244) (21,107)

Adjustments for:

Non-cash exceptional operating items (note 6)

36,626 14,588

Finance costs (note 9)

136,515 5,190

Finance income (note 8)

(481) (2)

Amortisation of intangible assets (note 11)

9,888 1,546

Depreciation of property, plant and equipment (note 13)

92,488 9,567

Costs associated with transfer of shares

- 153

Profit on disposal of fixed assets

(2,242) (1,110)

Loss of impairment of intangible fixed assets

- 265

Operating cashflows before movements in working capital

209,550 9,090

Movements in working capital:

- Decrease in inventories

921 577

- Decrease/(increase) in trade and other receivables

56,350 (3,601)

- Increase in trade and other payables

(62,441) 2,208

204,380 8,274

29. Retirement benefit plans

Defined contribution scheme

The Group operates defined contribution retirement benefit schemes for all its qualifying employees.

2020

£'000

Total contribution costs charged to the income statement in respect
of 8,943 members

9,364

Defined benefit schemes

The Group sponsors a funded defined benefit pension plan for qualifying UK employees, General Healthcare Group Limited Pension and Life Assurance Plan.

The Plan is administered by GHG (DB) Pension Trustees Limited, an independent trustee. The Trustee is required by law to act in the interest of all relevant beneficiaries and is responsible for the investment policy for the assets and the day-to-day administration of the benefits.

The Group's defined benefit plan closed to future accruals and members with effect from 31 August 2008. Under the Plan, employees are entitled to annual pensions on retirement at age 65 for each year of service. The level of benefits accrued by members is based on the length of their Pensionable Service and their Pensionable Salaries at the earlier of the date on which they left the Plan or the date at which the Plan closed to the future accrual of benefits.

A full actuarial valuation was carried out as at 30 September 2018. The present value of the defined benefit obligation and the related current service cost were measured using the projected unit credit method. The projected unit credit method is an accrued benefits valuation method in which the scheme liabilities make allowance for projected earnings.

During the current year the Trustees used the scheme assets to procure a bulk annuity to cover the current and future pension liabilities buy in.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

29. Retirement benefit plans (continued)

Profile of the plan

The Defined Benefit Obligation ("DBO") includes benefits for former employees and current pensioners. Broadly, about 63% of the liabilities are attributable to deferred pensioners and 37% to current pensioners. The Plan duration is an indicator of the weighted-average time until benefit payments are made. For the Plan as a whole, the duration is approximately 16 years.

Risks associated with the plan

The Trustees used the assets of the scheme to purchase a bulk annuity to cover the liabilities of the Plan in the prior year. As such, many of the risks it was previously exposed to are removed as the annuity provider is contractually obliged to fund members' benefits in the future. However, the Trustee still retains the legal responsibility to pay members' benefits to each individual member.

Funding requirements

UK legislation requires a certain level of funding. The last funding valuation of the Plan was carried out by a qualified actuary as at 30 September 2018 and showed a surplus of £21.0 million. Now that the buy-in is complete, the Company is no longer paying deficit contributions. The Plan is expected to transition to buy-out in the near future. The Company has not recognised the surplus as it does not have an unconditional right to derive value from it. The agreement of the Plan Trustees would be required for the Company to recover the surplus.

Reporting at 31 December 2020

The results of the latest funding valuation at 30 September 2018 have been adjusted to the new balance sheet date, taking account of experience over the period since 30 September 2018, changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation, and the related current service cost, were measured using the projected unit credit method.

The principal assumptions used to calculate the liabilities under IAS 19 are as follows:

	2020 %
Discount rate	1.4
Future pension increases	2.8
CPI inflation	2.2
RPI inflation	2.8

The overall expected return on assets is calculated as the average of the expected returns on each individual asset class, weighted by the Scheme's exposure to that asset class. The expected return on asset assumption is the same as the discount rate assumption. The actual return on plan assets is 1.3%.

Mortality rate

Pensioner life expectancy assumed as at 31 December is based on the S2P tables with scaling factors of 103% for male deferred pensions, 100% for male current pensioners, 91% for female deferred pensioners and for 89% for female current pensioners. Future improvements in longevity are assumed in line with the CMI 2019 projection model with a smoothing factor of 7 and a long term rate of improvement of 1.25% pa. Samples of the ages to which pensioners are assumed to live are as follows:

	2020
Life expectancy for male currently aged 65	86.4
Life expectancy for female currently aged 65	89.3
Life expectancy at 65 for male currently aged 45	87.7
Life expectancy at 65 for female currently aged 45	90.8

Notes to the financial statements
for the year ended 31 December 2020 (continued)

29. Retirement benefit plans (continued)

Sensitivity to key assumptions

The key assumptions used for IAS 19 are: discount rate, inflation and mortality. If different assumptions were used, this could have a material effect on the results disclosed. The sensitivity of the results to these assumptions is set out below.

	Change £'000	New value £'000
Following a 0.25% decrease in the discount rate:		
DBO at 31 December 2020	5,221	131,183
Surplus at 31 December 2020	-	8,418
Following a 0.25% increase in the inflation assumption:		
DBO at 31 December 2020	3,467	129,429
Surplus at 31 December 2020	-	8,418
Following a one year increase in life expectancy:		
DBO at 31 December 2020	4,609	130,571
Surplus at 31 December 2020	-	8,418
Present value of obligation		2020
		£'000
At beginning of the period		-
Acquisition of subsidiary		108,253
Interest cost		2,418
Actuarial loss		20,198
Benefit payments		(5,276)
At end of the period		<u>125,593</u>
Fair value of scheme assets		2020
		£'000
At beginning of the period		-
Acquisition of subsidiary		126,320
Expected return on scheme assets		2,841
Actuarial (loss)/gain		10,887
Employer contributions		47
Benefit payments		(5,276)
Administration expenses		(808)
At end of the period		<u>134,011</u>

Asset classes of scheme assets

The Plan assets are invested in the following asset classes. All assets have a quoted market value in an active market. None of the assets are invested in the Company's financial instruments or in property occupied by, or other assets used by, the Company.

During the prior year, the Trustees used the assets of the scheme to purchase a bulk annuity to cover the liabilities of the Plan. Therefore the scheme assets now comprise the annuity contract which is held at a value equal to the actuarial valuation of the scheme liabilities and a surplus amount which is held in cash instruments.

	2020 £'000
Cash instruments + sterling liquidity	8,418
Annuity contract	125,593
At end of the period	<u>134,011</u>

Notes to the financial statements
for the year ended 31 December 2020 (continued)

29. Retirement benefit plans (continued)

The reconciliation to the amount shown on the balance sheet is as follows:

	£'000
Present value of obligation	(125,593)
Fair value of scheme assets	134,011
Unrecognised portion of scheme assets	(8,418)
Net surplus recognised	-

The net pension charge recognised in the consolidated income statement is as follows:

	2020 £'000
Administration expenses	808
Interest on net defined benefit liability	-
	808

Analysis of gains/losses

Overall there was a total actuarial loss during the year of £0.9 million. This can be broken down as follows:

Financial assumptions resulted in a loss of £17.8 million, mainly due to the decrease in the RPI inflation and related inflation-linked increases. Demographic assumptions resulted in a loss of £0.3 million, mainly due to changes in the mortality assumption, in particular updating the CMI mortality projection model. DBO experience resulted in a loss of £3.6 million, mainly due to moving to the initial results of the 30 September 2018 funding valuation as the basis for the accounting valuation. During the year, the Trustees used the assets of the scheme to purchase a bulk annuity to cover the liabilities of the Plan. Therefore the scheme assets now comprise the annuity contract which is held at a value equal to the actuarial valuation of the scheme liabilities. This resulted in a change from the previous valuation basis and shows an actuarial gain of £20.8 million.

30. Capital commitments

	31 December 2020 £'000	31 December 2019 £'000
Capital commitments (Fixed assets)		
Contracted for, but not provided for, acquisition of property, plant and equipment	12,703	-

31. Assets held for sale

As per required by the CMA order, referenced in the Strategic Report, the net assets and liabilities for Circle Bath have been classified as held for sale. At the balance sheet date, the sale of this hospital was expected to be completed within 12 months, and was indeed sold in Q2 2021.

	31 December 2020 £'000
Fixed assets	21,083
Current assets	4,671
Cash	3,822
	29,575
Current liabilities	25,398

Notes to the financial statements
for the year ended 31 December 2020 (continued)

32. Financial instruments and financial risk management

The Group's operations exposes it to a variety of financial risks, that include market risk (including interest risk and price risk), credit risk, liquidity risk and capital risk. The Group seeks to limit the adverse effects of these risks by monitoring levels of debt finance and the related finance costs, and by matching the risks of the financing with the risk and return profiles of the assets. The risks are monitored by management throughout the year via monthly reviews of the operational performance, cashflows, and levels of debt instruments and overall debt levels.

Classes of financial instruments

The Group's financial instruments comprise of financial assets such as cash, short-term deposits, trade and other receivables, financial liabilities such as bank loans, loan notes, and trade and other payables.

The following table classifies the Group's financial assets and liabilities in line with IFRS 9 'Financial Instruments'.

As at 31 December 2020	Fair value through other comprehensive income £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total £'000
Financial assets				
Trade and other receivables (note 18)	-	-	76,515	76,515
Cash and cash equivalents	-	-	115,857	115,857
Total financial assets	-	-	192,372	192,372
Financial liabilities				
Trade and other payables (note 21)	-	-	(97,276)	(97,276)
Lease liabilities (note 17)	-	-	(1,672,804)	(1,672,804)
Total financial liabilities	-	-	(1,770,080)	(1,770,080)
As at 31 December 2019				
Financial assets				
Trade and other receivables (note 18)	-	-	18,330	18,330
Cash and cash equivalents	-	-	11,134	11,134
Total financial assets	-	-	29,464	29,464
Financial liabilities				
Trade and other payables (note 21)	-	-	(15,471)	(15,471)
Lease liabilities (note 17)	-	-	(106,987)	(106,987)
Total financial liabilities	-	-	(122,458)	(122,458)

a) Market risk

Market risk is the risk that changes in market prices, such as interest rates or other price risks, will affect the income from or the value of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters while optimising the return on risk.

Notes to the financial statements
for the year ended 31 December 2020 (continued)

32. Financial instruments and financial risk management (continued)

The Group is primarily impacted by interest rate risk and other price risks which are outlined below:

1) Interest rate risk

Financial instruments affected by interest rate risk include loans and other borrowings. The Group is primarily sensitive to changes in UK interest rates. This affects future cash flows from loans and borrowings held.

	Fixed £'000
At 31 December 2020	
Loans and other borrowings (note 19)	219,848
At 31 December 2019	
Loans and other borrowings (note 19)	1,848

2) Other price risks

The Group has a number of long-term contracts containing fixed indexation provisions. The Group generally seeks to price contracts at levels that take account of increasing prices. As the volume of private patients is anticipated to increase in the future, the Group will be increasingly subject to pricing changes from private insurance companies.

The integrated care contracts operate under a capped revenue budget. The underlying principle assumed that the service can be run more efficiently, improving patient experience and reducing operational costs. Nevertheless, the Group bears the risk of rising operational costs as the baseline revenue is fixed subject to local demographic or service portfolio changes.

b) Credit risk

Credit risk is the risk if financial loss to the Group is a customer or counter-party to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivable from customers and cash deposits, with their maximum exposure being represented by their carrying amount.

The Group has policies with customers that require upfront payment, where appropriate. Credit control procedures are designed to ensure that invoiced revenue is collected according to agreed terms, that policies exist to limit exposure to any one party and ensure approved credit limits are reviewed regularly. These help to eliminate significant concentrations of credit risk.

Most revenues arise from insured patients' business and the NHS. Insured patients give rise to trade receivables which are mainly due from large insurance institutions, who have high credit worthiness. The remainder of revenue arises from individual self-pay patients.

In accordance with IFRS 9, an expected credit loss model is used to calculate the provision for impairment. This expected credit loss takes into consideration the age of debtor balances, and the characteristics of the debtor. Credit risk management services are designed to try and reduce the expected credit loss to a minimum.

When utilising bank accounts and cash deposits, the Group transacts with counterparties who have sound credit profiles. Such counterparties are primarily large, highly rated financial institutions. In relation to financial institutions, the Group allocated a credit limit based on external credit ratings. The counterparty's total outstanding transactions with the Group including bank accounts and cash deposits must not exceed limits agreed by the Board of Directors.

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's approach to liquidity is to manage short and long-term borrowings to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risk damaging the Group's reputation.

This is achieved by robustly managing cash generation across its operation, by applying cash collection targets throughout the Group and by managing liquidity risk via long-term debt and equity funding from shareholders.

The table below analyses the Group's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contract maturity date. The amounts included in the table are the contractual undiscounted cash flows:

	Less than 1 year £'000	Between 1-2 years £'000	Between 2-3 years £'000	Between 3-5 years £'000	Over 5 years £'000
At 31 December 2020					
Trade and other payables (note 21)	(97,276)	-	-	-	-
Lease liabilities	(126,266)	(129,241)	(132,039)	(270,409)	(3,718,402)
Loans and other borrowings (note 19)	-	-	-	-	(219,848)
Net outflows	(223,542)	(129,241)	(132,039)	(270,409)	(3,938,250)
At 31 December 2019					
Trade and other payables (note 21)	(15,471)	-	-	-	-
Lease liabilities	(7,305)	(7,097)	(6,506)	(12,753)	(90,147)
Net outflows	(22,776)	(7,097)	(6,506)	(12,753)	(90,147)

Notes to the financial statements
for the year ended 31 December 2020 (continued)

32. Financial instruments and financial risk management (continued)

Lease liabilities cashflows are discounted to arrive at the balance sheet position per note 17. The impact of the discounting is £2,703.6 million over the remaining term of the leases.

d) Capital risk

The primary objective of the Group's management of debt and equity is to ensure the continued growth of the business, including the financing of new hospitals, equipment and start-up costs, including Head Office costs, in order to provide returns for the Group shareholders and other stakeholders. The Group raises financing when needed through a combination of debt and equity.

Objectives are set out at the beginning of each year, in line with the imposed requirements and covenants of the shareholder agreements. Covenants on the debt facilities utilised by the Group are tested on a quarterly basis.

33. Events after the reporting period

There were no events after the balance sheet date that have materially impacted upon the financial statements of the Group.

34. Related party transactions

Trading transactions

During the financial year, trading transactions with the subsidiaries listed in Note 14, occurred throughout the year as part of the normal course of business.

Remuneration of key management personnel

Remuneration of key management personnel are those made to the directors of the company. Note 7 details the directors emoluments received during the financial year. Other than directors there are no other key management personnel.

Other transactions with related parties

Transactions with Ribera Salud Group, a subsidiary of Centene, were made during the year totalling £330,000. These costs related to consultancy services received.

35. Controlling party

The Directors regard Circle Health Holdings Limited, a Company registered in England and Wales, as the Company's ultimate parent undertaking and controlling party, as at the 31 December 2020.

Circle Health Holdings Limited is the parent undertaking of the smallest and largest group for which consolidated financial statements are prepared that include the financial statements of the Company. Copies of the group financial statements for Circle Health Holdings Limited may be obtained from 1st Floor 30 Cannon Street, London, EC4M 6XH.

In July 2021, there was a change in shareholding ownership, resulting in the controlling party of the Company being MH Services International (UK) Limited, with the ultimate parent being Centene Corporation.

Circle Health Holdings Limited

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**Company Statement of Financial Position
as at 31 December 2020**

	Notes	31 December 2020 £'000	31 December 2019 £'000
Fixed assets			
Investments	7	75,211	75,211
Loans to group companies	8	125,736	2,698
		<u>200,947</u>	<u>77,909</u>
Current assets			
Debtors	8	2,715	19
Cash at bank and in hand		5,049	217
		<u>7,764</u>	<u>236</u>
Creditors: amounts falling due within one year	9	(21,057)	(14,150)
Net current liabilities		<u>(13,293)</u>	<u>(13,914)</u>
Net assets		<u>187,654</u>	<u>63,995</u>
Capital and reserves			
Called up share capital	10	21	21
Share premium	10	201,476	75,391
Accumulated losses		(13,844)	(11,417)
Total shareholder's funds		<u>187,653</u>	<u>63,995</u>

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements. The loss made by the Company for the year was £1.2 million (2019: £14.1 million loss).

The financial statements of Circle Health Holdings Limited were approved by the board of directors and authorised for issue on 14 January 2022.

They were signed on its behalf by:



Name: Henry Davies
Director
14 January 2022

The accompanying notes form part of these financial statements.

The company's registered address is 1st Floor, 30 Cannon Street, London EC4M 6XH, England.

Circle Health Holdings Limited

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**Company Statement of Changes in Equity
for the year ended 31 December 2020**

	Called up share capital £'000	Share premium £'000	Accumulated losses £'000	Total £'000
Balance as at 31 December 2018	20	71,847	2,657	74,524
Shares issued	1	3,544	-	3,545
Profit and total comprehensive income for the year	-	-	(14,074)	(14,074)
Balance as at 31 December 2019	21	75,391	(11,417)	63,995
Shares issued (Note 10)	-	126,085	-	126,085
Loss and total comprehensive income for the period	-	-	(2,427)	(2,427)
Balance as at 31 December 2020	21	201,476	(13,844)	187,653

Notes to the Company financial statements
for the year ended 31 December 2020

1 Accounting policies

The Company's accounting policies are included within those disclosed on pages 27 to 36 of the Circle Health Holdings Limited consolidated group financial statements.

2 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's and Company's accounting policies, judgements, estimates and assumptions are required to be made about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The judgements and estimates that have the most significant effect on the amounts recognised in the consolidated financial statements, and could have a material impact on the financial statements in the following year, include:

Critical judgements in applying the Group's accounting policies

There are not deemed to be any significant critical judgements or estimates that have been made in the process of applying the Company's accounting policies in the financial statements.

Critical accounting estimates

The key assumptions and estimates at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are discussed below:

Investments

Investments are recognised at cost less accumulated amortisation and impairment losses. The carrying amount of investments is assessed annually, and the useful lives of investments are considered to be indefinite. In the event that this estimate is inaccurate, the recoverable amount and consequently the carrying value of investments may be impacted.

Receivables

Receivables are recognised at cost less provision for doubtful debts. The carrying amount of receivables is assessed annually, and provisions recognised based on the customer specific circumstances. In the event that this estimate is inaccurate, the recoverable amount and consequently the carrying value of receivables may be impacted.

3 Profit and loss

The result for the year is a loss of £1.2 million (2019: £14.1 million loss).

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own income statement in these financial statements.

4 Operating costs

The Company incurred £5,000 in relation to UK statutory audit fees for the year ended 31 December 2020 (2019: £5,000).

5 Employees

Other than the Directors, the entity did not have any employees during the year (2019: nil), and therefore did not incur any staff costs during the year (2019: £nil).

6 Directors' emoluments

Please refer to the Directors' emoluments note in the Circle Health Holdings Limited consolidated group financial statements.

Notes to the Company financial statements
for the year ended 31 December 2020 (continued)

7 Investments

Shares in subsidiary undertakings
£'000

Cost

At 31 December 2019 and 31 December 2020

75,211

Net book amount at 31 December 2019 and 31 December 2020

75,211

The Directors consider that the value of the Company's fixed asset investments, which are listed below, is supported by their underlying assets. No provision for impairment of investments has been made for the year-ended 31 December 2020 (2019: £nil).

The Company has investments in the following subsidiary undertakings, associates and other investments. All subsidiary undertakings listed below have their registered offices at 1st Floor 30 Cannon Street, London EC4M 6XH, England, United Kingdom.

Name of investment	Proportion of voting rights held	Registered office	Nature of business
Circle International plc	100%		Holding
Circle Health Limited	100%		Holding and management
Nations Healthcare Limited	100%		Holding
Circle Nottingham Limited	100%		Medical practice services
Circle Hospital (Bath) Limited	100%	1st Floor 30 Cannon Street, London, England, EC4M 6XH	Medical practice services
Circle Hospital (Reading) Limited	100%		Medical practice services
Circle Clinical Solutions Limited	100%		Medical practice services
Circle Birmingham Limited	100%		Medical practice services
Circle Rehabilitation Services	99.90%		Medical practice services
Circle Health 1 Limited	100.00%		Holding
Circle Health 2 Limited	100.00%		Holding
Circle Health 3 Limited	100.00%		Holding
Circle Health 4 Limited	100.00%		Holding
Health Properties (South Manchester) Limited	100.00%		Property ownership and development
Health Properties Limited	100.00%	12 Castle Street, St. Helier, Jersey, Channel Islands,	Holding
Circle Holdings Limited *	100.00%	JE2 3RT	Holding
Circle Harmony Health Limited	50.00%	Rm 905-906, 9/F Houston Ctr, 63 Mody Road, TST, KLN, Hong Kong	Management services
Shanghai Circle Harmony Hospital Management Limited	50.00%	Rm 1145, 11/F, Carlton Bldg, No.21 Huanghe Road, Huangpu District, Shanghai, China	Management services
Circle Partnership Limited	100.00%	Nemours Chambers PO BOX 3170 Road Town, Tortola, British Virgin Islands	Former employee share ownership plan

* Circle Holdings Limited has a UK establishment titled Circle Holdings (UK) Limited

All companies listed above (with the exception of Circle Partnership Limited, Health Properties Limited and Health Properties (South Manchester) limited) are currently active. These three entities have been dissolved.

Notes to the Company financial statements
for the year ended 31 December 2020 (continued)

8 Debtors - amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Debtors	2,618	-
Prepayments and accrued income	97	19
	<u>2,715</u>	<u>19</u>

Debtors - amounts falling in more than one year

	31 December 2020 £'000	31 December 2019 £'000
Amounts owed by group subsidiaries	125,736	2,698

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

9 Creditors - amounts falling due within one year

	31 December 2020 £'000	31 December 2019 £'000
Trade and other creditors	5,374	60
Amounts owed to group undertakings	13,238	419
Accruals and deferred income	1,293	13,671
	<u>19,905</u>	<u>14,150</u>

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayments and are repayable on demand.

Notes to the Company financial statements
for the year ended 31 December 2020 (continued)

10 Share capital and share premium

				31 December 2020 £'000	31 December 2019 £'000
Authorised					
Ordinary shares (Class A Ordinary Shares) of £0.01 each				945	945
Ordinary shares (Class B Ordinary Shares) of £0.01 each				100	100
Ordinary shares (Class C Ordinary Shares) of £0.01 each				8	8
				1,053	1,053
Allotted and fully paid up					
	Par value	Shares (number)	Share capital £	Share premium £	Total £
Ordinary Class A shares:					
At 1 January 2020	0.01	94,478	945	3,727,759	3,728,704
Shares issued	0.01	-	-	126,084,689	126,084,689
At 31 December 2020		94,478	945	129,812,448	129,813,393
Ordinary Class B shares:					
At 1 January 2020	0.01	10,000	100	399,162	399,262
At 31 December 2020		10,000	100	399,162	399,262
Ordinary Class C shares:					
At 1 January 2020	0.01	750	8	-	8
At 31 December 2020		750	8	-	8
Preference shares:					
At 1 January 2020	0.01	1,985,075	19,851	71,264,390	71,284,241
At 31 December 2020		1,985,075	19,851	71,264,390	71,284,241
Allotted and fully paid up					
	Par value	Shares (number)	Share capital £	Share premium £	Total £
Ordinary Class A shares:					
At 1 January 2019	0.01	90,000	900	3,193,096	3,193,996
Shares issued	0.01	4,478	45	534,663	534,708
At 31 December 2019		94,478	945	3,727,759	3,728,704
Ordinary Class B shares:					
At 1 January 2019	0.01	10,000	100	399,162	399,262
At 31 December 2019		10,000	100	399,162	399,262
Ordinary Class C shares:					
At 1 January 2019	0.01	750	8	-	8
At 31 December 2019		750	8	-	8
Preference shares:					
At 1 January 2019	0.01	1,900,000	19,000	68,254,904	68,273,904
Shares issued	0.01	85,075	851	3,009,486	3,010,337
At 31 December 2019		1,985,075	19,851	71,264,390	71,284,241

Notes to the Company financial statements
for the year ended 31 December 2020 (continued)

10 Share capital and share premium (continued)

Rights of shares

The rights of shares are contained in the Company's Articles of Association and summarised below.

Voting

The holders of A and B shares have the right to vote their shares at any general meeting of the Company. The holders of the Preference and C shares have no entitlement to vote their shares at any general meeting of the Company but have the right to vote a class meeting of the Preference and C shares, respectively.

Income

The holders of Preference Shares have the right to dividends declared by the Company, provided that the amount of any dividend, in aggregate with other dividends and distributions to the holders of Preference Shares, is not in excess of the paid up amount of those shares. Subject to any priority distribution of profits amongst the holders of Preference Shares, the holders of A and B shares shall receive dividends pro rata to the paid up amount of those shares. The holders of C shares have no rights to receive dividends.

Capital

The rights of holders of different classes of shares to capital under different scenarios, including exit events, are set out in the Company's Articles. The priority of capital is: to holders of Preference Shares, up to the paid up amount of those shares; to holders of A and B shares, with the distribution between shares contingent on the nature of the event, the amount involved and the returns to defined groups of holders of A and B shares; finally, to C shares, with the entitlement to holders being contingent on the nature of the event and if the amount associated with the exit event involved is in excess of defined return hurdles to other shareholders, in which case the C shares have the right to participate in returns above defined hurdles.

Refer to Note 24 of the Group accounts for more details.

11 Events after the reporting period

There were no events after the balance sheet date that have materially impacted upon the financial statements of the company.

12 Ultimate parent undertaking and controlling party

Circle Health Holdings Limited is the parent undertaking of the smallest and largest group for which consolidated financial statements are prepared that include the financial statements of the company.

In July 2021, there was a change in ownership, resulting in the controlling party of the Company being MH Services International (UK) Limited, with the ultimate parent being Centene Corporation.