

Registered number: 10926063

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

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**ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

TUESDAY



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

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**COMPANY INFORMATION**

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

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

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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**GROUP STRATEGIC REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The director presents the Group Strategic Report for MH Services International Holdings (UK) Limited (the "Company") and its subsidiaries and associated companies ("the Group") for the year ended 31 December 2018.

**Introduction**

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

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

**Business review**

*Review of the year ended 31 December 2018*

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

During the year to 31 December 2018, the directors have continued to be focused on creating a profitable and sustainable business model as a strategic partner to the NHS that delivers first class care for the patient, although the loss after tax has increased in comparison to the year ending 31 December 2017. Revenue has decreased from prior year due to strategic exit of a number of contracts across our Surgeries business. This is a reflection of a change in approach to our market strategy, as the business aligns its operations with a renewed plan intended to facilitate long-term growth and profitability. As a result, a number of strategic decisions have been taken through 2018 to exit contracts that have not historically fulfilled profitability targets, or that do not fit with our growth strategy. This is evidenced by the fact that whilst the reduction in year on year revenue has been 12.4%, gross margin has remained stable at 16.8% in 2018 and 16.7% in 2017.

In addition, the loss for the year includes an impairment of £8,825k written off the value of the Group's goodwill and intangible assets. Following the impairment, the value of goodwill and customer relationship intangible assets held on the Balance Sheet of the Group at 31 December 2018 is £Nil.

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

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

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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*Position at 31 December 2018 and future developments*

The Company and its parent undertaking have continued significant investment in its UK operations, with a new senior leadership team being embedded through 2019, complimented by a number of strategic investments. This investment is intended to lay the foundations for the Group's longer-term growth, and it is expected that the investments made through 2019 will lead to significantly improved financial performance of the Group in future years.

Rationalisation of our business activities and ongoing challenge as to how we can improve from within has continued into 2019, as the business continues to divest of activities that have not met profitability targets. As a result, on 31 March 2019, Operose Health Limited exited the Surrey Borders Partnership NHS Trust CAHMS contract, on 30 June 2019 Operose Health Limited exited the Surrey Borders Partnership NHS Trust CFHS contract, and on 1 July 2019, Operose Health (Group) UK Limited (formerly The Practice Services Limited) divested its complex care service division, including the contracts and related assets. In addition, during 2019 the Group discontinued the provision of healthcare consultancy services as the existing contract from 2018 came to an end.

This continued commitment to investment in growth is supported, as noted within the Director's Report, by continued parent company support, which has resulted in an additional £6.9m of funding received from the Company's parent undertaking during 2019.

**Financial key performance indicators**

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

**Key performance indicators**

	<b>Year ended 31 December 2018 £'000</b>	<b>Year ended 31 December 2017 £'000</b>
Revenue	33,960	38,755
EBITDA	(16,697)	(6,641)
Loss before tax	(23,709)	(10,508)

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018

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**Principal risks and uncertainties**

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

*Price risk*

The Group's purchase of goods and services is subject to inflation. Revenue for services are at contracted rates for the duration of contract periods for most of the Group's contracts. Contract rates are typically either fixed, subject to inflationary uplifts or adjusted by reference to NHS tariffs. The Group has no exposure to equity securities price risk, as it holds no listed or other equity investments.

*Credit risk*

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

*Liquidity risk*

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

Interest was paid during the year ended 31 December 2018 to service property mortgage and lease purchase agreements. As of 31 December 2018, there is no interest payable on internal or external loans or financing.

*Political and Regulatory risk*

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

*Brexit*

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

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

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**GROUP STRATEGIC REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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



**T Dinkelman**  
Director

Date: 19 December 2019

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

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**DIRECTOR'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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The director presents her report and the financial statements for the year ended 31 December 2018.

**Results and dividends**

The loss for the year, after taxation and minority interests, amounted to £22,728k (2017: loss £9,929k).

The director does not recommend the payment of a dividend in respect of the year (2017: £Nil).

**Director**

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

T Dinkelman

**Employee engagement**

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

**Employment of disabled persons**

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

**Qualifying third party indemnity provisions**

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

**Creditor policy**

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

**Matters covered in the Group Strategic Report**

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

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

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**DIRECTOR'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**Disclosure of information to auditor**

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

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

**Post Balance Sheet events**

To date in 2019, Operose Health Limited has received £5,000k and Operose Health (Group) Limited has received £1,900k of cash fundings from Centene Corporation for operational cash needs.

On 31 March 2019 Operose Health Limited exited the Surrey Borders Partnership NHS Trust CAHMS contract, and on 30 June 2019 Operose Health Limited exited the Surrey Borders Partnership NHS Trust CFHS contract.

On 1 July 2019, Operose Health (Group) UK Limited divested its complex care service division, including the contracts and related assets.

The Company also provided additional funds during 2019 to its subsidiary, MH Services International (UK) Limited, to fund its acquisition of a new equity method investment amounting to approximately £15,700k.

**Auditor**

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

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



**T Dinkelman**  
Director

Date: 19 December 2019

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

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**DIRECTOR'S RESPONSIBILITIES STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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

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

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

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

The director is responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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

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**Opinion**

We have audited the financial statements of MH Services International Holdings (UK) Limited ("the Company") for the year ended 31 December 2018 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statements of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

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

**The impact of uncertainties due to the UK exiting the European Union on our audit**

Uncertainties related to the effects of Brexit are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the director, such as the recoverability of trade debtors and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance.

Brexit is one of the most significant economic events for the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Group's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group and this is particularly the case in relation to Brexit.

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

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

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**Going concern**

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

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

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

**Strategic Report and Director's Report**

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

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

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

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

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

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

We have nothing to report in these respects.

**Director's responsibilities**

As explained more fully in their statement set out on page 7, the director is responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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

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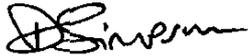
**Auditor's responsibilities**

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

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

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

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



David Simpson (Senior Statutory Auditor)

for and on behalf of  
KPMG LLP

Chartered Accountants  
Statutory Auditor

58 Clarendon Road  
Watford  
Hertfordshire  
WD17 1DE

Date: 19 December 2019

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Turnover	4	33,960	38,755
Cost of sales		(28,244)	(32,284)
<b>Gross profit</b>		<b>5,716</b>	<b>6,471</b>
Administrative expenses		(20,472)	(16,815)
<b>Operating loss</b>	5	<b>(14,756)</b>	<b>(10,344)</b>
Amounts written off goodwill and intangible assets	10	(8,825)	-
Foreign exchange (loss)/gain and other (expense)/income		(35)	6
Interest payable and expenses	8	(93)	(170)
<b>Loss before taxation</b>		<b>(23,709)</b>	<b>(10,508)</b>
Tax on loss	9	12	18
<b>Loss for the financial year</b>		<b>(23,697)</b>	<b>(10,490)</b>
Actuarial gain/(loss) on defined benefit pension scheme		100	(64)
Movement on NCI reserve		(3,707)	-
<b>Other comprehensive income for the year</b>		<b>(3,607)</b>	<b>(64)</b>
<b>Total comprehensive income for the year</b>		<b>(27,304)</b>	<b>(10,554)</b>
<b>(Loss) for the year attributable to:</b>			
Non-controlling interests		(969)	(561)
Owners of the Parent Company		(22,728)	(9,929)
		<b>(23,697)</b>	<b>(10,490)</b>

The notes on pages 18 to 45 form part of these financial statements.

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**  
**REGISTERED NUMBER: 10926063**

**CONSOLIDATED BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
<b>Fixed assets</b>			
Intangible assets	10	804	16,309
Tangible assets	11	929	1,218
		<u>1,733</u>	<u>17,527</u>
<b>Current assets</b>			
Stocks	13	79	62
Debtors: amounts falling due after more than one year	14	524	431
Debtors: amounts falling due within one year	14	5,369	6,658
Cash at bank and in hand	15	2,823	1,912
		<u>8,795</u>	<u>9,063</u>
Creditors: amounts falling due within one year	16	(24,071)	(33,605)
<b>Net current liabilities</b>		<u>(15,276)</u>	<u>(24,542)</u>
<b>Total assets less current liabilities</b>		<u>(13,543)</u>	<u>(7,015)</u>
Creditors: amounts falling due after more than one year	17	(316)	(1,564)
<b>Provisions for liabilities</b>			
Other provisions	20	(859)	(948)
		<u>(859)</u>	<u>(948)</u>
<b>Net liabilities</b>		<u>(14,718)</u>	<u>(9,527)</u>
<b>Capital and reserves</b>			
Called up share capital	22	-	-
Share premium account	23	22,113	-
Other reserves	23	(2,881)	-
Profit and loss account	23	(33,950)	(11,322)
<b>Equity attributable to owners of the Parent Company</b>		<u>(14,718)</u>	<u>(11,322)</u>
Non-controlling interests		-	1,795
		<u>(14,718)</u>	<u>(9,527)</u>

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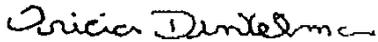
**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**  
**REGISTERED NUMBER: 10926063**

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**CONSOLIDATED BALANCE SHEET (CONTINUED)**  
**AS AT 31 DECEMBER 2018**

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



**T Dinkelman**  
Director

Date: 19 December 2019

The notes on pages 18 to 45 form part of these financial statements.

**MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED**  
**REGISTERED NUMBER: 10926063**

**COMPANY BALANCE SHEET**  
**AS AT 31 DECEMBER 2018**

	Note	2018 £000	2017 £000
Investments	12	-	-
Creditors: amounts falling due within one year	16	(12,652)	(4)
<b>Net current liabilities</b>		<b>(12,652)</b>	<b>(4)</b>
<b>Total assets less current liabilities</b>		<b>(12,652)</b>	<b>(4)</b>
<b>Net liabilities</b>		<b>(12,652)</b>	<b>(4)</b>
<b>Capital and reserves</b>			
Share premium account	23	22,113	-
Profit and loss account		(34,765)	(4)
		<b>(12,652)</b>	<b>(4)</b>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements. The loss after tax of the Parent Company for the financial year was £34,761k (2017: £4k).

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



**T Dinkelman**  
 Director

Date: 19 December 2019

The notes on pages 18 to 45 form part of these financial statements.

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	Share premium account £000	Other reserves £000	Profit and loss account £000	Equity attributable to owners of parent company £000	Non- controlling interests £000	Total equity £000
<b>At 1 January 2017</b>	-	-	(1,329)	(1,329)	2,356	1,027
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	(9,929)	(9,929)	(561)	(10,490)
Actuarial losses on pension scheme	-	-	(64)	(64)	-	(64)
<b>At 1 January 2018</b>	-	-	(11,322)	(11,322)	1,795	(9,527)
<b>Comprehensive income for the year</b>						
Loss for the year	-	-	(22,728)	(22,728)	(969)	(23,697)
Actuarial gains on pension scheme	-	-	100	100	-	100
Movement on NCI reserve	-	(2,881)	-	(2,881)	(826)	(3,707)
Shares issued during the year	22,113	-	-	22,113	-	22,113
<b>At 31 December 2018</b>	<b>22,113</b>	<b>(2,881)</b>	<b>(33,950)</b>	<b>(14,718)</b>	-	<b>(14,718)</b>

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2018

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	Share premium account £000	Profit and loss account £000	Total equity £000
At 1 January 2017	-	-	-
Comprehensive Income for the year			
Loss for the year	-	(4)	(4)
At 1 January 2018	-	(4)	(4)
Comprehensive Income for the year			
Loss for the year	-	(34,761)	(34,761)
Shares issued during the year	22,113	-	22,113
At 31 December 2018	22,113	(34,765)	(12,652)

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

**CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

	2018 £000	2017 £000
<b>Cash flows from operating activities</b>		
Loss for the financial year	(23,697)	(10,490)
<b>Adjustments for:</b>		
Amortisation of intangible assets	6,651	2,867
Depreciation of tangible assets	268	830
Loss on disposal of tangible assets	290	387
Impairments of intangible assets	8,825	-
Interest paid	93	170
Taxation credit	(12)	(18)
(Increase) in stocks	(17)	(6)
Decrease/(increase) in debtors	927	(25)
(Decrease)/increase in creditors	(5,574)	4,425
Corporation tax received/(paid)	178	(214)
<b>Net cash used in operating activities</b>	<b>(12,068)</b>	<b>(2,074)</b>
<b>Cash flows from investing activities</b>		
Purchase of intangible fixed assets	(171)	(685)
Purchase of tangible fixed assets	(69)	(264)
<b>Net cash from investing activities</b>	<b>(240)</b>	<b>(949)</b>
<b>Cash flows from financing activities</b>		
Issue of ordinary shares and share premium	6,218	-
New intercompany loans	7,200	3,027
Repayment of loans	(37)	(60)
Repayment of finance leases	(69)	-
Interest paid	(93)	(170)
<b>Net cash from financing activities</b>	<b>13,219</b>	<b>2,797</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>911</b>	<b>(226)</b>
Cash and cash equivalents at beginning of year	1,912	2,138
<b>Cash and cash equivalents at the end of year</b>	<b>2,823</b>	<b>1,912</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	2,823	1,912

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**1. General Information**

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

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

The Company's functional and presentational currency is GBP.

**2. Accounting policies**

**2.1 Basis of preparation of financial statements**

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

The Company has elected to apply all amendments to FRS 102, as set out in the triennial review published in December 2017, prior to the mandatory adoption for accounting periods beginning on or after 1 January 2019.

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

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

The following principal accounting policies have been applied:

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full. Non-controlling interests are disclosed to show the equity in a consolidated subsidiary not attributable, directly or indirectly, to the parent.

The consolidated financial statements present the results of MH Services International Holdings (UK) Limited as a group reconstruction effected using a newly formed parent company. Accordingly, the acquisition of its subsidiaries is accounted for using merger accounting. The director considers the merger accounting method of consolidation appropriate on the grounds that nothing of substance has changed through the insertion of the new parent company into the Group. Therefore, MHSIH's consolidated accounts are presented as a continuation of Operose Health (Group) Limited's, using the book values previously recorded in Operose Health (Group) Limited's consolidated accounts. These accounts also consolidate the results of Operose Health Limited for the 2017 and 2018 accounting year ends.

2.3 Going concern

Notwithstanding net current liabilities of £15,276k as at 31 December 2018 and a loss for the year then ended of £23,697k, the financial statements have been prepared on a going concern basis which the directors consider to be appropriate for the following reasons.

The director has prepared cash flow forecasts for a period of 15 months from the date of approval of these financial statements which indicate that, taking account of reasonably possible downsides, the Company will have sufficient funds, through funding from its ultimate parent company, Centene Corporation, to meet its liabilities as they fall due for that period.

Those forecasts are dependent on Centene Corporation not seeking repayment of the amounts currently due to the Group, which at 31 December 2018 amounted to £12.9m, and providing additional financial support during that period. Centene Corporation has indicated its intention to continue to make available such funds as are needed by the Company and the Group, and that it does not intend to seek repayment of the amounts due at the balance sheet date, for the period covered by the forecasts. As with any company placing reliance on other group entities for financial support, the directors acknowledge that there can be no certainty that this support will continue although, at the date of approval of these financial statements, they have no reason to believe that it will not do so.

Consequently, the directors are confident that the Company will have sufficient funds to continue to meet its liabilities as they fall due for at least 15 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.4 Revenue**

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

**Rendering of services**

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

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

**2.5 Intangible assets**

**Goodwill**

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

**Customer relationships**

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

**Other intangible assets - computer software**

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

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.6 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Freehold property	- 40 years straight-line
Long-term leasehold property	- straight-line over the length of the lease
Medical equipment	- 4 years straight-line
Office and computer equipment	- 3 years straight-line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.7 Impairment of fixed assets and goodwill

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

2.8 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.9 Stocks

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

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

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.10 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.11 Financial instruments

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

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

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

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

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

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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2. Accounting policies (continued)

2.12 Pensions

**Defined contribution pension plan**

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Group in independently administered funds.

**Defined benefit pension plan**

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

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

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

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

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

The cost of the defined benefit plan, recognised in the Consolidated Statement of Comprehensive Income as employee costs, except where included in the cost of an asset, comprises:

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

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is recognised in the Consolidated Statement of Comprehensive Income as an 'administrative expense'.

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**2. Accounting policies (continued)**

**2.13 Finance costs**

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

**2.14 Current and deferred taxation**

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

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

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

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

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

**2.15 Provisions for liabilities**

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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

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

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

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

**i) Impairment of intangible assets (note 10)**

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

**ii) Impairment of investments (note 12)**

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

**4. Turnover**

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

The Group generates its revenue from:

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

All turnover arose within the United Kingdom.

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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5. *Operating loss*

The operating loss is stated after charging:

	2018 £000	2017 £000
Depreciation of tangible fixed assets	268	830
Losses on disposal of tangible and intangible fixed assets	290	387
Amortisation of intangible fixed assets	6,651	2,867
Fees payable to the Group's auditor and its associates for the audit of the Group's annual financial statements	92	8
Other operating lease rentals	1,224	1,117
Defined contribution pension cost	1,091	1,554
	<u>1,091</u>	<u>1,554</u>

The increase in amortisation is attributable to the update in the useful life of established contract relationships associated with Phoenix Primary Care Limited and Phoenix Primary Care South Limited. This update was made to align the useful life with contract expiration dates, which resulted in accelerated amortisation being recognised in the year.

6. *Employees*

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

	Group 2018 £000	Group 2017 £000
Wages and salaries	16,916	17,391
Social security costs	1,504	1,607
Cost of defined contribution scheme	1,091	1,554
Other benefits	41	42
	<u>19,552</u>	<u>20,594</u>

The average monthly number of employees, including the director, during the year was as follows:

	2018 No.	2017 No.
Administrative	358	448
Clinical	322	206
	<u>680</u>	<u>654</u>

The Company has no employees other than the director, who did not receive any remuneration (2017: Nil).

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**7. Director's remuneration**

The total of key management personnel compensation was £1,072k (2017: £1,378k). All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel.

The director did not receive any remuneration for their services to MH Services International Holdings (UK) Limited and its subsidiaries (2017: £Nil). The notional cost of the services provided by the director to this group, but borne by another group company, has been considered and is not deemed to be significant in the current or prior period.

**8. Interest payable and similar expenses**

	2018 £000	2017 £000
Other loan interest payable	93	170
	93	170
	93	170

**9. Taxation**

	2018 £000	2017 £000
<b>Corporation tax</b>		
Current tax on profits for the year	2	3
Adjustments in respect of previous periods	-	(21)
	2	(18)
	2	(18)
<b>Total current tax</b>	2	(18)
<b>Deferred tax</b>		
Origination and reversal of timing differences	(29)	-
Adjustments in respect of prior periods	15	-
	(14)	-
<b>Total deferred tax</b>	(14)	-
<b>Taxation credit</b>	(12)	(18)

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018

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9. Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2017: higher than) the standard rate of corporation tax in the UK of 19% (2017: 19.25%). The differences are explained below:

	2018 £000	2017 £000
Loss on ordinary activities before tax	(23,709)	(10,508)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2017: 19.25%)	(4,505)	(2,023)
<b>Effects of:</b>		
Fixed asset differences	15	8
Expenses not deductible for tax purposes	3,024	771
Adjustment in respect of prior periods	-	(52)
Adjustment in respect of deferred tax prior periods	87	-
Adjust deferred tax to average rate	147	185
Deferred tax not recognised	1,220	1,093
<b>Total tax credit for the year</b>	<b>(12)</b>	<b>(18)</b>

Expenses not deductible for tax purposes primarily represent the goodwill and customer relationships intangible amortisation and impairment charges that represent consolidation adjustments for the Group.

**Factors that may affect future tax charges**

At 31 December 2018, there were trading losses of £35,101k (2017: £27,285k) to be used against future trading profits. A reduction in the UK corporation tax rate from 20% to 19% was substantially enacted in July 2015 and took effect from 1 April 2017. A further reduction in the UK corporation tax rate to 17% from 1 April 2020 was substantially enacted in September 2016.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**10. Intangible assets**

**Group and Company**

	Customer relationships £000	Computer software £000	Goodwill £000	Total £000
<b>Cost</b>				
At 1 January 2018	6,221	1,676	13,301	21,198
Additions	-	171	-	171
Disposals	-	(227)	-	(227)
At 31 December 2018	<u>6,221</u>	<u>1,620</u>	<u>13,301</u>	<u>21,142</u>
<b>Amortisation</b>				
At 1 January 2018	1,481	240	3,167	4,888
Charge for the year	2,771	602	3,278	6,651
On disposals	-	(26)	-	(26)
Impairment charge	1,969	-	6,856	8,825
At 31 December 2018	<u>6,221</u>	<u>816</u>	<u>13,301</u>	<u>20,338</u>
<b>Net book value</b>				
At 31 December 2018	<u>-</u>	<u>804</u>	<u>-</u>	<u>804</u>
At 31 December 2017	<u>4,739</u>	<u>1,436</u>	<u>10,134</u>	<u>16,309</u>

During the year, the Group recognised an impairment charge of £1,969k in relation to customer relationships acquired in Operose Health (Group) Limited. The Group also recognised an impairment charge of £6,856k on goodwill.

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**11. Tangible fixed assets**

**Group**

	Freehold property £000	Long-term leasehold property £000	Medical equipment £000	Office equipment £000	Computer equipment £000	Total £000
<b>Cost or valuation</b>						
At 1 January 2018	820	125	729	697	83	2,454
Additions	-	42	1	-	25	68
Disposals	-	(125)	(591)	(687)	(108)	(1,511)
At 31 December 2018	<u>820</u>	<u>42</u>	<u>139</u>	<u>10</u>	<u>-</u>	<u>1,011</u>
<b>Depreciation</b>						
At 1 January 2018	-	85	551	572	28	1,236
Charge for the year	-	15	112	65	76	268
Disposals	-	(99)	(591)	(628)	(104)	(1,422)
At 31 December 2018	<u>-</u>	<u>1</u>	<u>72</u>	<u>9</u>	<u>-</u>	<u>82</u>
<b>Net book value</b>						
At 31 December 2018	<u>820</u>	<u>41</u>	<u>67</u>	<u>1</u>	<u>-</u>	<u>929</u>
At 31 December 2017	<u>820</u>	<u>40</u>	<u>178</u>	<u>125</u>	<u>55</u>	<u>1,218</u>

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

	2018 £000
Freehold	820
Long leasehold	41
	<u>861</u>

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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11. Tangible fixed assets (continued)

Finance leases

The net book value of assets held under finance leases or hire purchase contracts, included above, is £49,167 (2017: £112,277) of plant and machinery.

The freehold property was independently valued as at 31 December 2018, subject to the existing occupational lease, by Brasier Freeth LLP, Chartered Surveyors.

12. Fixed asset investments

Company

	Investments in subsidiary companies £000
<b>Cost or valuation</b>	
At 1 January 2018	-
Additions	22,113
At 31 December 2018	<u>22,113</u>
<b>Impairment</b>	
At 1 January 2018	-
Charge for the period	22,113
At 31 December 2018	<u>22,113</u>
<b>Net book value</b>	
At 31 December 2018	<u>-</u>
At 31 December 2017	<u>-</u>

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**12. Fixed asset investments (continued)**

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

*\*indirect subsidiary*

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

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

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

**13. Stocks**

	Group 2018 £000	Group 2017 £000
Finished goods and goods for resale	79	62
	<u>79</u>	<u>62</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**14. Debtors**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
<b>Due after more than one year</b>				
Other debtors	524	431	-	-
	<u>524</u>	<u>431</u>	<u>-</u>	<u>-</u>
			<b>Group 2018 £000</b>	<b>Group 2017 £000</b>
<b>Due within one year</b>				
Trade debtors			4,262	5,439
Other debtors			55	72
Prepayments and accrued income			736	778
Tax recoverable			68	244
Deferred taxation			139	125
Grants receivable			109	-
			<u>5,369</u>	<u>6,658</u>

Other debtors due after more than one year include a net defined benefit pension scheme asset of £506k (2017: £399k), for more details see note 26.

**15. Cash and cash equivalents**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>
Cash at bank and in hand	2,823	1,912
	<u>2,823</u>	<u>1,912</u>

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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16. Creditors: Amounts falling due within one year

	Group 2018 £000	Group 2017 £000	Company 2018 £000	Company 2017 £000
Bank loans	36	66	-	-
Trade creditors	7,194	4,195	-	-
Amounts owed to group undertakings	12,902	17,772	12,630	-
Other taxation and social security	485	535	-	-
Obligations under finance lease	24	109	-	-
Other creditors	1,640	1,003	-	-
Accruals and deferred income	1,790	9,925	22	4
	<u>24,071</u>	<u>33,605</u>	<u>12,652</u>	<u>4</u>

During the period, new on demand loans amounting to £7.2 million were provided by Centene Corporation via its wholly owned affiliate MHS Consulting International, Inc. to the Group. Other movements in Amounts owed to group undertakings relate to non cash transactions again with U.S. affiliates. Amounts owed to group undertakings are repayable on demand, unsecured and carry no interest charge.

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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17. Creditors: Amounts falling due after more than one year

	Group 2018 £000	Group 2017 £000
Bank loans	300	307
Obligations under finance leases	16	-
Other creditors	-	1,257
	<u>316</u>	<u>1,564</u>

Bank loans are secured by a debenture granted by Operose Health (Group) Limited and an inter-company guarantee between Operose Health (Group) Limited and the following associated companies; The Practice Surgeries Limited, The Practice U Surgeries Limited, Chilvers & McCrea Limited, The Practice Health Division Limited, The Practice Properties Limited and Operose Health (Group) UK Limited. In addition, a debenture has been granted in favour of Close Brothers Invoice Finance Limited with respect to an invoice discounting facility. The discounting facility was discontinued effective November 2018.

The mortgage on the property owned by The Practice Properties Limited is subject to legal changes in favour of The Royal Bank of Scotland Plc.

In addition to the above, the property mortgage is also secured by two joint and several guarantees totalling £1,190,000 provided by Dr J Rose and a joint and several guarantee for £1,380,000 provided by Dr A Kadrgamar and Dr J Rose. Dr J Rose has also provided a guarantee with respect to amounts due to Close Brothers Invoice Finance Limited, which amounted to ENil (2017: £415,449) and is included within other creditors balance in note 16.

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**18. Financial Instruments**

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>	<b>Company 2018 £000</b>	<b>Company 2017 £000</b>
<b>Financial assets</b>				
Financial assets measured at fair value through profit or loss	2,823	1,912	-	-
Financial assets that are debt instruments measured at amortised cost	4,841	5,942	-	-
	<u>7,664</u>	<u>7,854</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>				
Financial liabilities measured at amortised cost	<u>(23,902)</u>	<u>(34,634)</u>	<u>(12,652)</u>	<u>(4)</u>

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

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, other debtors, accrued income and amounts owed by group undertakings.

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

**19. Deferred taxation**

**Group**

	<b>2018 £000</b>	<b>2017 £000</b>
At beginning of year	125	125
Credited to profit or loss	14	-
<b>At end of year</b>	<u>139</u>	<u>125</u>

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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19. Deferred taxation (continued)

The deferred tax asset is made up as follows:

	Group 2018 £000	Group 2017 £000
Fixed asset timing differences	43	45
Short term timing differences	96	43
Tax losses carried forward and other deductions	-	37
	<u>139</u>	<u>125</u>

In addition to the net deferred tax asset position detailed above, the Group has additional unrecognised gross tax losses of £35,101k as of 31 December 2018 (2017: £27,285k) to be used against future trading profits. Since these carry forward trading losses are not yet recoverable, these balances have not been factored into the Group's deferred tax asset position.

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

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**20. Provisions**

**Group**

	Onerous contract provision £000	Legal provision £000	Dilapidations £000	Onerous contracts property leases £000	Total £000
At 1 January 2018	737	-	121	90	948
(Credited)/charged to profit or loss	(364)	270	-	5	(89)
<b>At 31 December 2018</b>	<b>373</b>	<b>270</b>	<b>121</b>	<b>95</b>	<b>859</b>

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

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

The dilapidation provision represents the Group's best estimate of its obligations under operating leases to make good any dilapidations on its leased properties. This provision is expected to be realised in line with the remaining terms of the Group's operating leases which range from 1 to 11 years.

The onerous contracts property leases provision arises in respect of those operating leases which are no longer fully occupied by the Group and represents the amounts for which it is liable in excess of any income arising from sub letting these properties over the next 6 years.

**21. Business combinations**

On 22 September 2017, the Group acquired the assets and trade of Beacon Health Strategies UK Limited. The Company received £500k in consideration which represented the fair value of the net assets acquired. The total value of intangible assets acquired was attributable to Internally Developed Software (IDS).

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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22. Share capital

	2018	2017
	£	£
<b>Allotted, called up and fully paid</b>		
200 (2017: 100 Ordinary shares of \$1.00 each) Ordinary shares of £0.7262 each	145	78

On 13 March 2018, the Company issued 100 ordinary shares of £0.7262 each for consideration of £22.113m to MHS Consulting International Inc. £6.218m of the consideration was settled in cash and the remainder was offset against amounts owed to group undertakings.

23. Reserves

**Share premium account**

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

**Other reserves**

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

**Profit and loss account**

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

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

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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

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**24. Related party transactions**

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

**25. Share based payments**

As at 31 December 2017, the Operose Health (Group) Limited had two share based payment arrangements in place, an EMI Scheme and Unapproved Share Option Scheme.

Both schemes expired during 2018 as a result of the non-controlling interest buy out of Operose Health (Group) Limited during March 2018.

No payments, replacement share options or other consideration was paid, or is payable, to former option holders upon expiry of the schemes.

The value of the options was deemed to be immaterial in the prior period and no charge has been recognised in relation to them on expiry, as no costs were incurred by the Group.

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

**NOTES TO THE FINANCIAL STATEMENTS  
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**26. Pension commitments**

The amounts recognised in the Balance Sheet are as follows:

	31/12/2018	31/12/2017	31/03/2017
	£000	£000	£000
Defined benefit obligation	(1,871)	(2,057)	(2,007)
Fair value of plan assets	2,377	2,456	2,461
Net defined benefit (liability)/asset	<u>506</u>	<u>399</u>	<u>455</u>
Restriction on asset recognised	-	-	-
Net amount recognised at year end (before any adjustment for deferred tax)	<u>506</u>	<u>399</u>	<u>455</u>

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

The amounts recognised in comprehensive income are:

	Year ended 31/12/2018 £000	Period ended 31/12/2017 £000
<b>Service cost:</b>		
Current service cost (net of employee contributions)	-	-
Administration expenses	26	23
Loss/(gain) on plan introductions, changes, curtailments and settlements	-	-
Net interest expense/(credit)	(10)	(12)
Charge/(credit) recognised in profit or loss	<u>16</u>	<u>11</u>
<b>Remeasurements of the net liability:</b>		
Return on scheme assets (excluding amount included in net interest expense)		
Return on scheme assets (excluding amount included in net interest expense)	133	6
Actuarial (gains)/losses	(233)	81
Adjustment for restrictions on the asset recognised	-	-
Charge/(credit) recorded in other comprehensive income	<u>(100)</u>	<u>67</u>
Total defined benefit cost/(credit)	<u>(84)</u>	<u>78</u>

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2018**

**26. Pension commitments (continued)**

The principal actuarial assumptions used were:

	31/12/2018	31/12/2017	31/03/2017
Liability discount rate	2.75%	2.35%	2.45%
Inflation assumption - RPI	2.95%	2.95%	2.95%
Revaluation of deferred pensions:	2.95%	2.95%	2.95%
Increases for pensions in payment:			
RPI max 6%	2.95%	2.95%	2.95%
RPI	2.95%	2.95%	2.95%
Proportion of employees opting for early retirement	0.00%	0.00%	0.00%
Proportion of employees commuting pension for cash	0.00%	0.00%	0.00%
Expected age at death of current pensioner at age 65:			
Male aged 65 at year end:	87.1	87.2	87.2
Female aged 65 at year end:	89.0	89.1	89.1
Expected age at death of future pensioner at age 65:			
Male aged 45 at year end:	88.8	89.0	89.0
Female aged 45 at year end:	90.9	91.0	91.0

Reconciliation of scheme assets and liabilities	Assets	Liabilities	Total
	£000	£000	£000
At start of period	2,457	(2,058)	399
Benefits paid	(2)	2	-
Administration expenses	(26)	-	(26)
Current service cost	-	-	-
Contributions from the employer	23	-	23
Contributions from employees	-	-	-
Interest income / (expense)	58	(48)	10
Return on assets (excluding amount included in net interest expense)	(133)	-	(133)
Actuarial gains/(losses)	-	233	233
Gain/(loss) on plan introductions and changes	-	-	-
Gain/(loss) on curtailments	-	-	-
Assets distributed / liabilities extinguished on settlements	-	-	-
Assets acquired / liabilities assumed in a business combination	-	-	-
At end of period	<b>2,377</b>	<b>(1,871)</b>	<b>506</b>

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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26. Pension commitments (continued)

The return on plan assets was:	31/12/2018	31/12/2017
	£000	£000
Interest Income	58	45
Return on plan assets (excluding amount included in net interest expense)	(133)	12
Total return on plan assets	<u>(75)</u>	<u>57</u>

The major categories of scheme assets are as follows:

	31/12/2018	31/12/2017
	£000	£000
UK Equities	-	-
Overseas Equities	-	-
Corporates	1,182	1,256
Gilts	-	-
Index Linked	1,186	1,191
Property	-	-
Annuities	9	9
Cash	-	-
Total market value of assets	<u>2,377</u>	<u>2,456</u>

The Scheme has no investments in the Company or in property occupied by the Company.

**Defined contribution pension scheme**

The Group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £1,091k (2017: £1,554k). Contributions totalling £1,660k (2017: £1,868k) were payable to the fund at the reporting date.

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

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**27. Commitments under operating leases**

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

	<b>Group 2018 £000</b>	<b>Group 2017 £000</b>
Not later than 1 year	1,762	2,334
Later than 1 year and not later than 5 years	3,371	1,703
Later than 5 years	1,778	1,052
	<u>8,911</u>	<u>5,089</u>

**28. Post Balance Sheet events**

To date in 2019, Operose Health Limited has received £5,000k and Operose Health (Group) Limited has received £1,900k of cash fundings from Centene Corporation for operational cash needs.

On 31 March 2019 Operose Health Limited exited the Surrey Borders Partnership NHS Trust CAHMS contract, and on 30 June 2019 Operose Health Limited exited the Surrey Borders Partnership NHS Trust CFHS contract.

On 1 July 2019, Operose Health (Group) UK Limited divested its complex care service division, including the contracts and related assets.

The Company also provided additional funds during 2019 to its subsidiary, MH Services International (UK) Limited, to fund its acquisition of a new equity method investment amounting to approximately £16,700k.

**29. Controlling party**

The immediate parent entity is MHS Consulting International Inc.

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

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

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MH SERVICES INTERNATIONAL HOLDINGS (UK) LIMITED

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**30. Subsidiary company guarantees**

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

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