Company registered number: 10543098

Circle Health Holdings Limited

Annual Report and Financial Statements
for the year ended 31 December 2021

Circle Health Holdings Limited

Annual Report and Financial Statements
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Circle Health Holdings Limited

Company Information

Directors

Lord Hutton
Brent Layton
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Peter Sullivan
Henry Davies
Paul Manning
Beverley Tew

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Circle Health Holdings Limited

Strategic report
for the year ended 31 December 2021

The directors present their Strategic report on the affairs of the Group for the year ended 31 December 2021. 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 2021. Together these make up "Circle" or the "Group".

The Company was incorporated in the United Kingdom on 30 December 2016 and is a holding company within the Group structure. On 8 January 2020 the Company completed its acquisition of GHG Holdings Limited, the holding company of the BMI Healthcare group, therefore results of the Group are consolidated from this acquisition date.

In July 2021, there was a change in shareholding ownership from 40 percent to 100 percent, resulting in the controlling party of the Company being MH Services International (UK) Limited, with the ultimate parent being Centene Corporation.

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 manages integrated care systems on behalf of commissioners. 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.

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 during 2021 continued to be affected by the Covid-19 pandemic, with the Group continuing to support the wider UK health system in its response to the pandemic as well as returning to previous commissioning and operating arrangements with its major customers. The waves of infection from variants of the Covid virus during the year were a source of shorter-term disruption and this has continued to a lesser degree in the early months of 2022 compared to 2020.

The Group was in a central contract with NHS England for the first three months of 2021, being paid for activity carried out (subject to a minimum guarantee), after which contracts reverted to arrangements with local commissioning groups and NHS trusts. These arrangements included a continuation of provision of complex treatments, including for cancer, to support the NHS's response to the pandemic.

The Group carried out 283,150 procedures during 2021 and received 1.6 million outpatient visits, compared with 226,459 procedures and 1.2 million outpatient visits during 2020, with the year-on-year increase reflecting the lessened effect of Covid during the period and the build back of historical treatment pathways and patient flows. The Group saw a substantial increase in demand for treatment from patients paying for themselves, alongside increases in activity from PMI and NHS-funded patients.

Financial performance
The movements in these KPIs are a result of the operating performance described above.

Revenue was £1,052 million for the year to 31 December 2021 (2020: £985 million).

Exceptional items of £11.6 million (2020: £41.1 million) recorded within operating profit relate to the following items:
• The Group incurred £4.1 million of costs in relation to the acquisition and integration of the group formerly known as BMI Healthcare into the Group (2020: £4.5 million).
• The Group incurred £7.4 million of impairment charges following the assessment of asset impairment as at 31 December 2021 (2020: £36.6 million).
• The Group incurred £0.1 million of other exceptional costs (2020: £nil).

The loss before tax from continuing operations was £51.4 million (2020: loss of £63.2 million).

The tax charge for the year was £1.3 million (2020: credit of £2.9 million). The resulting net loss after tax for the period was £52 7 million (2020: net loss of £60.4 million).

Circle Health Holdings Limited

Strategic report
for the year ended 31 December 2021 (continued)

Financial position

The Group's Statement of Financial Position as at 31 December 2021 showed equity of £43.4 million, compared with equity of £96.0 million as at 31 December 2020. This decrease was a result of the loss after tax in the year as noted above.

Outlook

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 private pay and NHS 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 with considerable pressure on clinical staffing availability and cost.

Capital projects

The Group made a significant investment in its hospitals and technology during 2021, to increase capacity to meet current and future demand and to continue to provide excellence in patient treatment in safe environments. The Group invested a total of £86.0 million, including:

• a new standalone consulting, diagnostic and treatment centre in Glasgow
• modular theatre capacity in hospitals in Nottingham and Blackburn to deliver rapid increases in capacity to support patient needs in these areas
• installation of major imaging equipment across the estate and the purchase of 5 mobile MRI and CT scanners to enable flexible deployment to areas of highest diagnostic need
• investment in medical technology to promote excellence in patient treatment, including surgical robotics, and replacing and upgrading clinical equipment across the estate
• significant enhancements to the fabric of many hospitals to ensure excellent patient experience, including major refurbishment and reconfigurations at five sites.

Financing and treasury transactions

The Group entered into senior lending facilities in January 2020 to enable the acquisition of GHG Holdings Limited. These senior facilities agreements ("SFA") required the Group to comply with certain financial covenants. During the year to 31 December 2021 the SFA included a senior term loan of £178 million, and a super senior term loan of £20 million, a revolving credit facility of £30 million (the "RCF") and a capex facility of £50 million, of which £20 million was drawn. Further details are given in the Going Concern assessment elsewhere in this report.

In May 2022, this debt facility was extinguished and refinanced with a revolving credit facility of £250 million provided by a group of five banks. An amount of £180 million was drawn down under the facility at that time. Further details are given in note 34 of the consolidated financial statements.

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 is discussed and actioned on a regular basis by the directors.

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

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 Assurance Framework and the Board Assurance Framework, under which matters of significance and impact are reviewed by the Integrated Governance Committee ("IGC"), Operations Board, and the Audit and Risk Committee ("ARC").

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.

Adequacy of insurance scope and coverage

The Group may be subject to litigation for medical claims or may be liable for damages which may not be covered by its insurance policies. This liability could lead to financial exposure for claims not covered by the insurance policies, or to an increase in insurance premiums impacting future financial periods. Regular reviews are conducted with the Group's insurance brokers to ensure sufficient levels of cover are maintained across the Group. Further, frequent communication with the clinical and operational functions are held to ensure a robust process for recording, investigating and resolving incidents.

Clinical risk

As with all hospital providers, clinical quality risk is a major consideration. The Group has centrally managed clinical governance structure which is led by the Group's Chief Medical Officer who is a director of the Company. This structure includes senior staff across the operational, clinical and central support teams. Each hospital 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 regular reports to the boards of the relevant Group companies, including the Company, facilitating ward-to-Board assurance.

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.

Contract and price risk

Private medical insurance ("PMI"): 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 through to 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 treatment 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-funded patients in a cost-effective manner.

PMI concentration

The Group is exposed to a highly concentrated PMI market, whereby the majority of PMI patient volumes come via the top four to five insurers, which could result in unfavourable terms when contracts with these PMI companies are due for renewal, especially in the current cost pressures. The Group manages this risk through active account management, and demonstrating imprpovement across the hospital network whether that is through technology and clinical equipment investment, or increase scope of services offered to patients.

Data protection and cyber risk

The Group 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 Information Governance Committee and Board. 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.

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 an adverse effect on demand for the Group's services (from different payor groups), its operational costs and the nature and cost of regulatory compliance.

Workforce availability risk

There is a shortage of nurses and healthcare staff across the UK and overseas, which has led to an increased usage of agency labour. In the short term, while activity is returning to normal levels, the Company can utilise increased agency staff to mitigate this shortage. However, in the medium to long term, this will impact on profitability and would not be sustainable. Across the Group we are exploring various options to attract new talent to the Group including the use of overseas nurses, or to reduce staff turnover via improved staff engagement.

Principal risks and uncertainties (continued)

Supply chain availability risk

The ongoing impact of Brexit and the Covid pandemic has resulted in a risk of shortages of various components utilised by the Group in its operations. This risk has been managed via the combination of longer contracted terms with suppliers to safeguard against large price changes, as well as a change in warehousing and logistics provider that has given the Group better and increased capacity to hold components with long replacement lead times.

Inflation risk

Given the global economic conditions, and political uncertainty in Europe, there is an increased risk of higher levels of inflation, particularly in energy costs, with consequent additional pressure on staff costs. The impact on the Group may be an increase in direct costs for goods and services, for which not all can be covered by increased pricing. To mitigate this risk, where possible, the Company enters into long term purchase agreements to protect and limit against the full effect of cost inflation. The large majority of the Group's leases include a cap on the annual increases. Further, customer prices are being reasonably increased where possible to reflect the increase in costs.

Interest rate risk

The Bank of England's Monetary Policy Committee has announced a series of interest rate rises during 2022 and further rate rises are widely expected. Interest on the Circle Group's new £250 million revolving credit facility is variable based on the Sterling Overnight Index Average rate (SONIA) and so has exposed to changes in UK interest rates. Based on the current drawn amount under the facility is £180 million, a 100 basis point increase in SONIA would result in a £1.8 million increase in the Circle Group's annual interest cost.

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. This is managed by regular monitoring of existing customer accounts and credit checks on new customers before credit is provided. The amounts presented in the Statement of Financial Position 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 2021 are detailed in note 19.

Environmental and climate change risk

The Circle Group's energy and carbon reporting, as well as its approach to environmental management, is disclosed in the Directors' report on pages 12 and 13. The Directors have considered broader impacts of climate change and the potential impacts on the business. Other than those matters disclosed on pages 12 and 13 of the Directors' relating consideration of the environmental impact of capital programmes, the Directors consider that climate change risk would not have a material impact on the operating model of performance of the business.

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 Board of directors ("Board") 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 for patients and staff and capabilities;
• digital transformation to enable improved patient pathways, propositions and efficiency; and
• business growth.

These pillars form the basis of a five-year plan which is monitored and updated periodically by the Board. 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, the debt facilities in place support the Company's investment plans.

The engagement with key stakeholders is described in sections b) to f) below and this forms a key part of the decision making process of the Board and the committees of the Board in determining the future direction and policies for the Company.

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

b) the interests of the company's employees
The Board 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 an Employee Voice Forum, weekly staff newsletters, and an annual employee survey and engagement programme. Pay and benefits are assessed against the wider healthcare sector and regular salary benchmarking and pay review exercises are undertaken to allow clinical and other staff to be paid at competitive levels in the market.

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 with 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 out 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 face 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 in to the hospitals. The capital project process considers the environmental impact and energy efficiency of programmes of work to monitor and improve this over time.

Circle Health Holdings Limited

Strategic report
for the year ended 31 December 2021 (continued)

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

e) the desirability of the company maintaining a reputation for high standards of business conduct
As a healthcare provider, the Board 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 Health Group website.

f) the need to act fairly as between members of the company
The Group holds monthly meetings with shareholders represented. Shareholders have worked effectively together to agree the course for the long term future of the Group

The Company and its 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 2021. Further explanation of how each principle has been applied is set out in the Statement of corporate governance arrangements.

Going concern

Management of the Group has prepared 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 Group has sufficient cash and facilities to provide liquidity through the review period.

The Group's new senior facilities are guaranteed by the Company's ultimate parent company, Centene Corporation, and financial covenants for the facilities are measured at that level. The directors of the Company have reviewed covenant compliance, and forecast performance for Centene Corporation, which indicate that these covenants will be complied with throughout the forecast period with appropriate headroom.

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.

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

Henry Davies
Chief Financial Officer

30 September 2022

Circle Health Holdings Limited

Statement of corporate governance arrangements for the year ended 31 December 2021

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 2021. Further explanation of how each principle has been applied is set out below.

Purpose and leadership

The Board and Company have regular communications with stakeholders. 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 – Employee Voice Forum ("EVF") and employee engagement programme
• Consultants – Medical advisory committees within each hospital ("MAC") chaired by a Hospital Clinical Chair
• NHS – local relationships with Trusts and NHS commissioning bodies (CCGs / ICBs) , and central relationships with NHS England and other national NHS bodies
• Insurers – relationships and regular engagement with the commercial team
• Suppliers - relationships and regular engagement with the procurement team

The Directors have established the following 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 Chief Medical Officer who has Executive responsibility for "Freedom to Speak Up".

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 are required under their individual professional registrations to conduct themselves in an ethical manner and in the best interests of patients. Relationships between the Group and medical consultants are disclosed on the Circle Health Group 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.

Statement of corporate governance arrangements for the year ended 31 December 2021 (continued)

Board composition

The Circle Health Holdings Limited Board is comprised of Directors who have healthcare experience and/or other relevant professional skills and experience. Details of Directors who have served over the period are included in the Directors' Report.

Directors' responsibilities

The Group has a clearly defined governance framework, based on Board and Governance Assurance Frameworks, and committee structures. The Board is supported by the Integrated Governance Committee, which has primary responsibility for the oversight of clinical and other related governance and risks, and the Audit and Risk Committee, which has primary responsibility for the oversight of financial and related 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 opportunities to create value for stakeholders from growth in activity and improvement in financial performance, 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, and are under active management through the Company's risk management systems.

Remuneration

On any new senior 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 2021 is available on the Circle Health Group website.

Stakeholder relationship and engagement

There are various mechanisms for collecting information to inform the Board's view of the Group's 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.

Circle Health Holdings Limited

Directors' report
for the year ended 31 December 2021

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 2021.

Details of events affecting the Company since the financial period end, an indication of likely future developments in the business, details of principal risks and uncertainties, 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

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 manages integrated care systems on behaf of commissioners. 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.

Dividends

The Directors do not propose a dividend for the year (2020: £nil).

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
Henry Davies
Paul Manning
Ashley Lewis (resigned 1 July 2021)
Torquil Macnaughton (resigned 1 July 2021)
Beverley Tew (appointed 23 February 2022)

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 40 (2020: 52) 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.

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 Holdings Limited, GHG emissions and energy usage date for period 1 January to 31 December

	2021	2020
	Tonnes of CO_2e	**Tonnes of CO_2e**
Gas consumption (scope 1)	13,864	12,213
Emissions from combustion of fuel for transport purposes (scope 1)	923	175
Emissions from electricity purchased for own use, including for the purposes of transport (scope 2)	14,237	12,264
Coal - industrial (scope 1)	877	612
Other petroleum gas (Calor) (scope 1)	14	6
Fuel oil - generator fuel (scope 1)	189	181
Emissions from business travel in employee-owned vehicles where company pays for fuel indirectly (scope 3)	221	153
Total	**30,325**	**25,604**
Energy consumption used to calculate emissions (kWh)	150,555,533	90,018,377
Revenue (£'m)	1,052	985
Tonnes of CO_2e per revenue (per £'m)	**29**	**26**

Data shown for 2020 in the table reflect the emissions for the entire group, as if it had been operating as one business for the full financial year 1 January to 31 December 2020, and reflects the increase in activity across the Group as the UK emerged from the pandemic.

Circle Health Holdings Limited

Directors' report
for the year ended 31 December 2021 (continued)

Energy and carbon reporting (continued)

During the financial year the Group continued to develop its systems and management approach to reduce its environmental impact. The Health and Safety 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 2021/2022 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. We are working towards becoming Net Zero by 2050, and are investigating options to help achieve this aim.

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.

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

Director: Henry Davies

30. September 2022

Directors' responsibilities statement for the year ended 31 December 2021

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 2021 and of the group's loss for the year then ended;
• the group financial statements have been properly prepared in accordance with United Kingdom adopted international accounting standards;
• 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 and parent company statements of financial position;
• the consolidated and parent company statements of changes in equity;
• the consolidated statement of cash flows; and
• the related notes 1 to 36; and
• the related notes to the parent company financial statements 1 to 13.

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and United Kingdom adopted international accounting standards. 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 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 contained 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.

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 group'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 area, and our specific procedures performed to address it are described below:
• manual adjustments to revenue relating to discounts: we challenged the rationale behind the manual revenue adjustments identifed, inspected the key inputs and supporting calculations for the adjustments and evaluated the recognition as revenue in accordance with IFRS 15.

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

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

Date: 30 September 2022

Circle Health Holdings Limited

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Revenue	4	1,051,642	984,876
Cost of sales		(845,520)	(772,492)
Gross profit		206,122	212,384
Administrative expenses		(111,860)	(98,470)
Operating profit before exceptional items		94,262	113,914
Exceptional administrative expenses	5	(11,609)	(41,124)
Operating profit	6	82,653	72,790
Profit on disposal of subsidiary	26	3,267	-
Finance income	8	54	481
Finance costs	9	(137,376)	(136,515)
Loss before tax		(51,402)	(63,244)
Income tax (charge)/credit	10	(1,274)	2,868
Loss for the year		(52,676)	(60,376)
(Loss)/profit attributable to:			
Owners of the parent		(53,594)	(61,022)
Non-controlling interests		918	646
		(52,676)	(60,376)

The notes on pages 25 to 59 form part of these financial statements.

Circle Health Holdings Limited

Consolidated Statement of Comprehensive Income
for the year ended 31 December 2021 (continued)

	31 December 2021 £'000	31 December 2020 £'000
Loss for the year	**(52,676)**	(60,376)
Items that will not subsequently be reclassified to profit or loss (all net of tax):		
Actuarial gain/(loss) on scheme obligations	**4,028**	(20,198)
Actuarial (loss)/gain on scheme assets	**(3,862)**	10,887
Adjustments for restrictions on the defined benefit asset	**8,373**	8,418
Actuarial gain on defined benefit pension schemes	**8,539**	(893)
Net effect in reserves arising from movements on future scheme commitment	**(8,539)**	893
Income tax relating to items that will not be reclassified	**-**	-
Other comprehensive income for the year	**-**	-
Total comprehensive expense for the year	**(52,676)**	(60,376)

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

Circle Health Holdings Limited

Consolidated Statement of Financial Position as at 31 December 2021

	Notes	2021 £'000	2020 £'000
Non-current assets			
Intangible assets	11	**46,413**	56,652
Goodwill	12	**147,478**	147,478
Property, plant and equipment	13	**1,734,676**	1,765,684
Investments	15	**5,142**	3,407
		1,933,709	1,973,221
Current assets			
Inventories	16	**17,276**	16,884
Trade and other receivables	18	**75,712**	76,515
Cash and bank balances		**102,915**	115,857
		195,903	209,256
Assets classified as held for sale	32	**-**	29,575
Total assets		**2,129,612**	2,212,052
Current liabilities			
Trade and other payables	21	**(169,709)**	(178,453)
Provisions	22	**(17,086)**	(18,142)
Lease liabilities	17	**(8,065)**	(7,117)
		(194,860)	(203,712)
Liabilities directly associated with assets classified as held for sale	32	**-**	(25,398)
Non-current liabilities			
Provisions	22	**(118)**	(154)
Loans and other borrowings	19	**(214,038)**	(211,885)
Deferred tax liabilities	20	**(11,133)**	(9,240)
Lease liabilities	17	**(1,666,021)**	(1,665,687)
		(1,891,310)	(1,886,966)
Total liabilities		**(2,086,170)**	(2,116,076)
Net assets		**43,442**	95,976
Share capital	24	**21**	21
Share premium	24	**201,476**	201,476
Accumulated losses		**(160,487)**	(107,106)
Equity attributable to owners of the parent		**41,010**	94,391
Equity attributable to non-controlling interests	25	**2,432**	1,585
Total equity		**43,442**	95,976

Circle Health Holdings Limited

Consolidated Statement of Financial Position as at 31 December 2021 (continued)

The financial statements of Circle Health Holdings Limited were approved by the Board of Directors and authorised for issue on 30 September 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 2021

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
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	-	-	-	-	(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	(107,106)	**94,391**	**1,585**	**95,976**
Issue of shares (note 24)	-	-	-	-	-	-
Amounts vested under IFRS 2 (note 24)	-	-	213	**213**	-	**213**
Dividends	-	-	-	-	(71)	**(71)**
(Loss)/profit for the year	-	-	(53,594)	**(53,594)**	918	**(52,676)**
Other comprehensive loss for the year	-	-	-	-	-	-
Balance as at 31 December 2021	21	201,476	(160,487)	**41,010**	**2,432**	**43,442**

The notes on pages 25 to 59 form part of these financial statements.

Circle Health Holdings Limited

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	2021 £'000	2020 £'000 (Restated)*
Cash flows from operating activities		
Net cash flow from operating activities (note 29)	**184,393**	208,202
Interest received	**54**	481
Interest paid	**(129,727)**	(115,819)
Tax paid	**(3,728)**	-
Net cash inflows from operating activities	**50,992**	92,864
Cash flows from investing activities		
Dividends received from associates	**2,450**	-
Purchase of computer software	**(1,022)**	(4,374)
Purchase of property, plant and equipment	**(57,153)**	(34,966)
Proceeds on disposal of property, plant and equipment	**677**	5,226
Net proceeds on disposal of subsidiary (note 26)	**788**	-
Acquisition of subsidiary net of cash acquired	**-**	(228,689)
Net cash outflows from investing activities	**(54,260)**	(262,803)
Repayment of lease liabilties	**(13,496)**	(14,557)
Draw down on finance lease facility	**-**	8,730
Net proceeds from loans and borrowings	**-**	158,226
Shares issued	**-**	126,085
Net cash (outflow)/inflow from financing activities	**(13,496)**	278,484
Net (decrease)/increase in cash and cash equivalents	**(16,764)**	108,545
Cash and cash equivalents at the beginning of the year	**119,679**	11,134
Cash and cash equivalents at the end of the year	**102,915**	119,679
Cash and cash equivalents consist of:		
Cash at bank and in hand	**102,915**	115,857
Cash and cash equivalents reported in assets held for sale	**-**	3,822
Cash and bank balances	**102,915**	119,679

* The prior year figures have been restated to show:

1) interest payments made on lease liabilities pertaining to right-of-use buildings within 'Interest paid' rather than 'Repayment of lease liabilities', increasing interest paid by £105.2m and reducing repayment of lease liabilities by £105.2m compared to the figures presented in the prior year financial statements.

2) working capital movements relating to assets and liabilities classified as held for sale included in the cash flow statement, increasing cashflows from operating activities by £3.8m and increasing cash and cash equivalents balance by £3.8m (see note 29 for further information).

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 8. The financial statements are for the year ended 31 December 2021.

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. 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 60 to 65.

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:

2. Significant accounting policies (continued)

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

Impact of the initial application of Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7

In the current year, the Group adopted the Phase 2 amendments Interest Rate Benchmark Reform—Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. Adopting these amendments enables the Group to reflect the effects of transitioning from interbank offered rates (IBOR) to alternative benchmark interest rates (also referred to as 'risk free rates' or RFRs) without giving rise to accounting impacts that would not provide useful information to users of financial statements. The Group has not restated the prior period. Instead, the amendments have been applied retrospectively with any adjustments recognised in the appropriate components of equity as at 1 January 2021.

The Phase 1 amendments did not impact the group as it does not hedge its interest rate benchmark exposures. Phase 2 amendments are relevant to the Group because in the current period modifications in response to the reform have been made to the Group's non-derivative financial instruments that mature post 2021.

As a result of the Phase 2 amendments when the contractual terms of the Group's bank borrowings are amended as a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the basis immediately preceding the change, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate. If additional changes are made, which are not directly related to the reform, the applicable requirements of IFRS 9 are applied to the other changes. See note 19 for further details regarding changes made to the LIBOR-linked bank borrowings.

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 (including the June 2020 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*
Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendments to IAS 16	*Property, Plant and Equipment –Proceeds before Intended Use*
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to IFRS Standards 2018-2020 Cycle	*Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

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 Presentation of Financial Statements –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 Business Combinations—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.

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 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.

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 Provisions, Contingent Liabilities and Contingent Assets—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 Group and 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.

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies*
The amendments change the requirements in IAS 1 with regard to disclosure of accounting policies. The amendment replaces all instances of the term 'significant accounting policies' with 'material accounting policy information'. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

2. **Significant accounting policies (continued)**

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 *Making Materiality Judgements—Disclosure of Accounting Policies (continued)*
The supporting paragraphs in IAS 1 are also amended to clarify that accounting policy information that relates to immaterial transactions, other events or conditions is immaterial and need not be disclosed. Accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material.

The Board has also developed guidance and examples to explain and demonstrate the application of the 'four-step materiality process' described in IFRS Practice Statement 2.

The amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023, with earlier application permitted and are applied prospectively. The amendments to IFRS Practice Statement 2 do not contain an effective date or transition requirements.

Amendments to IAS 8 *Accounting Policies Changes in Accounting Estimates and Errors—Definition of Accounting Estimates*
The amendments replaces the definition of a change in accounting estimates with a definition of accounting estimates. Under the new definition, accounting estimates are "monetary amounts in financial statements that are subject to measurement uncertainty".

The definition of a change in accounting estimates was deleted. However, the IASB retained the concept of changes in accounting estimates in the Standard with the following clarifications:
• a change in accounting estimate that results from new information or new developments is not the correction of an error; and
• the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors.

The IASB added two examples (Examples 4-5) to the Guidance on implementing IAS 8, which accompanies the Standard. The IASB has deleted one example (Example 3) as it could cause confusion in light of the amendments.

The amendments are effective for annual periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period, with earlier application permitted.

Amendments to IAS 12 *Income Taxes—Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
The amendments introduce a further exception from the initial recognition exemption. Under the amendments, an entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

Depending on the applicable tax law, equal taxable and deductible temporary differences may arise on initial recognition of an asset and liability in a transaction that is not a business combination and affects neither accounting nor taxable profit. For example, this may arise upon recognition of a lease liability and the corresponding right-of-use asset applying IFRS 16 at the commencement date of a lease.

Following the amendments to IAS 12, an entity is required to recognise the related deferred tax asset and liability, with the recognition of any deferred tax asset being subject to the recoverability criteria in IAS 12.

The IASB also added an illustrative example to IAS 12 that explains how the amendments are applied.

The amendments apply to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period an entity recognises:
• a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with:
  o right-of-use assets and lease liabilities
  o decommissioning, restoration and similar liabilities and the corresponding amounts recognised as part of the cost of the related asset;
• 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 that date.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted.

Going concern
Management of the Group has prepared liquidity forecasts for the purpose of the going concern review and have 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 Group has sufficient cash and facilities to provide liquidity through the review period.

The Group's new senior facilities (set out in note 19) are guaranteed by the Company's ultimate parent company, Centene Corporation, and financial covenants for the facilities are measured at that level. Therefore, the directors of the Company have reviewed the covenant compliance reporting and the forecast financial performance. The covenant reporting shows that the covenants have been complied with throughout the period and the forecast financial performance indicates that they will be complied with throughout the forecast period with appropriate headroom.

2. **Significant accounting policies (continued)**

Going concern (continued)

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, and at least for 12 months from the date of these financial statements. Accordingly, they continue to adopt the going concern basis in preparing the 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.

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

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses. 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 has 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 the 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

2. **Significant accounting policies (continued)**

Revenue can be broken down into the following main 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 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 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.

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 (such as acquistion related costs). 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.

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.

2. Significant accounting policies (continued)

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. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Impairment of tangible and intangible assets
At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

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.

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 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. The derecognition of trade payables when the obligation is discharged, or cancelled.

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.

Derecognition of trade receivables only occurs when the contractual rights to the cashflows from the asset expires, or when the asset and substantially all the risks and rewards of the ownership of the asset is transferred to another entity.

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 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 2019 the Trustees used the scheme assets to procure a bulk annuity to cover the current and future pension liabilities buy in.

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).

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.

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 Based on the estimates used in determining the deferred tax asset position there remains £100.9 million unrecognised.

3. Critical judgements and accounting estimates (continued)

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:

i. Impairment of assets

Property, plant and equipment, Right of Use assets, 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 2021, 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.

4. Revenue

An analysis of the Group's revenue is as follows:	2021 £'000	2020 £'000
Continuing operations		
Provision of healthcare services by customer		
Private medical insurers	415,483	403,852
NHS	364,625	428,178
Self-pay	228,740	129,754
Contract revenue and other	42,794	23,092
	1,051,642	984,876

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

5. Exceptional administrative expenses

	Income statement 2021 £'000	Tax impact 2021 £'000	Income statement 2020 £'000	Tax impact 2020 £'000
Impairment losses	7,391	-	36,626	-
Acquisition costs	4,101	-	1,383	-
Other exceptional items	117	(22)	3,115	(592)
	11,609	(22)	41,124	(592)

In both the current and prior year, the exceptional costs recognised were in relation to impairment charges following the annual impairment review of the assets carried out at the year end. See note 13. Acqusition and other exceptional items recognised relate to legal and professsional fees associated with the acquisition of BMI Healthcare and the integration of the acquisition, and site closure costs.

Cash flow impact of exceptionals
The cash flow impact for non-recurring acquisition costs was an outflow of £2,883,000 (2020: £1,383,000). The cash flow impact of other exceptional items was an outflow of £117,000 (2020: £3,115,000).

6. Operating profit for the year

Operating profit is stated after charging/(crediting):	2021 £'000	2020 £'000
Amortisation of intangible assets (note 11)	11,805	9,888
Depreciation of property, plant and equipment (note 13)	93,651	92,488
Cost of stock recognised as expense	191,976	148,132
Auditor's remuneration (see below)	733	626
Movement in provision for bad debts (note 18)	(633)	3,884
Operating lease charges	4	1,551
Exceptional operating items (note 5)	11,609	41,124

Remuneration payable to the company's auditor :	2021 £'000	2020 £'000
Fees payable to Company's auditor for the parent Company and consolidated financial statements	195	119
Fees payable to the Company's auditor for other services		
– The audit of Company's subsidiaries	535	504
– Advisory services	3	3
	733	626

7. Staff costs

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

	2021 Number	2020 Number
Management and administrative	599	397
Clinical and hospital support	7,875	7,436
	8,474	7,833

Their aggregate remuneration comprised:

	2021 £'000	2020 £'000
Wages and salaries	327,655	277,529
Social security costs	26,179	22,343
Other pension costs (see note 30)	10,037	9,214
	363,871	309,086

Aggregate directors' remuneration
The directors of the Company are deemed to be key management personnel to the Company

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

	2021 £'000	2020 £'000
Salaries, fees, bonuses and benefits in kind	2,671	2,098
Company pension contributions to defined contribution scheme	6	27
	2,677	2,125

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 one director (2020: two directors) under a defined contribution scheme.

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

	2021 £'000	2020 £'000
Total salary and other benefits	1,114	990
Company pension contributions to defined contribution schemes	6	10
Highest director aggregate enoluments	1,120	1,000

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

	2021 £'000	2020 £'000
Interest income	54	481
	54	481

9. Finance costs

	2021 £'000	2020 £'000
Interest expense under IFRS16 on lease liabilities (note 17)	119,366	115,504
Interest on bank overdrafts and loans	18,010	21,009
Interest on convertible loan notes	-	2
	137,376	136,515

10. Tax on loss on ordinary activities:

The tax charge/(credit) is based on the loss for the year and comprises:	2021 £000	2020 £000
Corporation income tax:		
Current tax at 19%	(821)	3,889
Adjustment in respect of prior years	202	(69)
Deferred tax:		
Current year charge/(credit)	1,719	(6,318)
Adjustment in respect of prior years	174	(370)
Total tax on loss on ordinary activities	1,274	(2,868)

The charge/(credit) for the year can be reconciled to the loss per the income statement as follows:

	2021	2020
Loss before tax:		
Total operations	(51,402)	(61,748)
Less: associate companies' profit	(4,105)	(1,496)
Group loss on ordinary activities on continuing operations before tax	(55,507)	(63,244)
Tax at the UK corporation tax rate of 19%	(10,546)	(12,016)
Effects of:		
Expenses that are not deductible in determining taxable profit	1,069	385
Income that is not taxable	(1,827)	-
Disposal of subsidiary	(618)	-
(Recognition)/derecognition of brought forward tax attributes	7,929	(165)
Deferred tax not recognised	(410)	(909)
Losses carried forward	3,085	9,387
Other reliefs	-	(910)
Effects of change in rate of tax	2,216	1,801
Adjustment to tax charge/(credit) in respect of previous periods	376	(439)
Tax charge/(credit) and effective tax rate for the year on continuing operations	1,274	(2,868)

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 substantively enacted at the balance sheet date its effect has been included in these financial statements.

However, in the Chancellor's budget of 23 September 2022 the above rate increase was cancelled. Whilst this change is not reflected in the tax charge above, its effect would be to reduce the tax charge by £2,216,000, to a credit of £943,000.

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	Contracts and Stakeholder relationships	Computer software	Total
	£'000	£'000	£'000	£'000
As at 31 December 2019	15,600	3,600	1,445	20,645
Acquisitions (Note 27)	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
Additions	-	-	1,022	1,022
Transfers from tangible fixed assets	-	-	544	544
As at 31 December 2021	20,600	40,600	11,935	73,135
Accumulated amortisation and impairment				
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
Amortisation charge for the period	2,040	4,511	5,254	11,805
As at 31 December 2021	7,005	10,003	9,714	26,722
Net book amount				
At 31 December 2020	15,635	35,108	5,909	56,652
At 31 December 2021	13,595	30,597	2,221	46,413

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

12. Goodwill

	£'000
Net Book Amount as at 31 December 2019	30,013
Recognised on acquisition of a subsidiary (note 27)	117,465
Net Book Amount as at 31 December 2020	147,478
Net Book Amount as at 31 December 2021	**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 8.38% (2020: 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 and private hospitals CGUs exceed their carrying value.

Allocation of Goodwill to each CGU

	2021	**2020**
	£'000	**£'000**
Private hospitals (including BMI Healthcare business acquisition)	**146,688**	146,688
Integrated care	**790**	790
	147,478	147,478

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.

13. Property, plant and equipment

Cost	Assets under construction £'000	Buildings and leasehold improvements £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Right-of-use assets: Buildings £'000	Right-of-use assets: Clinical equipment £'000	Right-of-use assets: Furniture, fittings and office equipment £'000	Total £'000
At 1 January 2020	3,814	2,087	3,141	3,577	102,273	715	1,752	117,369
Additions	20,821	13,406	13,903	1,429	57,664	8,730	71	116,024
Acquisition of subsidiary (Note 27)	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 32)	-	-	(12,657)	(1,142)	(24,985)	-	-	(38,784)
At 31 December 2020 and 1 January 2021	35,100	108,867	58,590	9,141	1,663,132	16,392	1,823	1,893,045
Additions	25,833	19,430	15,632	5,384	45,128	19,762	-	131,169
Disposals	(38)	(29)	(22)	(2)	(64,036)	-	(2,285)	(66,412)
Transfers	(2,370)	5,355	(1,673)	(2,668)	-	(1,372)	2,728	-
Transfers to intangible assets	(544)	-	-	-	-	-	-	(544)
At 31 December 2021	57,981	133,623	72,527	11,855	1,644,224	34,782	2,266	1,957,258

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 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 32)	-	-	11,831	1,096	4,784	-	-	17,711
At 31 December 2020 and 1 January 2021	-	(7,568)	(6,337)	(8,382)	(97,886)	(6,698)	(492)	(127,363)
Depreciation charge for the year	-	(10,703)	(16,508)	(1,541)	(60,559)	(3,917)	(423)	(93,651)
Disposals	-	-	16	1	4,776	-	1,028	5,821
Transfers	-	-	(263)	619	-	263	(619)	-
Impairment (charge)/reversal	(2,632)	435	677	91	(7,250)	1,289	-	(7,390)
At 31 December 2021	(2,632)	(17,836)	(22,415)	(9,212)	(160,919)	(9,063)	(506)	(222,582)
Net book amount								
At 31 December 2020	35,100	101,299	52,253	759	1,565,246	9,694	1,331	1,765,682
At 31 December 2021	55,349	115,787	50,112	2,643	1,483,305	25,719	1,760	1,734,676

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 0.5 percentage point, the overall impairment would increase/decrease by £0.0 / £0.0 million
- If the long term growth rate was increased/decreased by 0.5 percentage point, the overall impairment would decrease/increase by £0.0 / £0.0 million

The cashflow forecasts used in the prior year impairment reviews were reviewed against actual performance. Impairment tests were performed using the recoverable amounts of the assets' cash-generating units. Each hospital is deemed to be its own CGU. The discount rate used in measuring value in use was 8.38% per annum (pre-tax) (2020: 8.64%). The Company also estimated the fair value less costs of disposal of these assets, which is based on the recent market prices of assets with similar age and obsolescence. The fair value less costs of disposal is less than the value in use and hence the recoverable amount of the relevant assets has been determined on the basis of their value in use.

The review led to a number of reversals of impairment due to improvements in local market conditions/factors or renegotiated lease agreements. CGUs that recorded an impairment charge was as a result of specific local market conditions impacting volume of future trading. The impairment charge for the year was £11.3 million (2020: £36.6 million) and the impairment reversal was £3.9m (2020: £nil), with the net impairment charge of £7.4 million (2020: £36.6 million) recognised in profit or loss.

Circle Health Holdings Limited

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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%	Ordinary shares	1st Floor 30 Cannon Street, London, England, EC4M 6XH	Holding
CHG Management Services Limited	100%			Holding and management
Nations Healthcare Limited	100%			Holding
Circle Nottingham Limited	100%			Provision of healthcare services
Circle Hospital (Reading) Limited	100%			Provision of healthcare services
Circle Birmingham Limited	100%			Provision of healthcare services
Circle Rehabilitation Services Limited	100%			Provision of healthcare services
Circle Health 1 Limited	100%			Holding
Circle Health 2 Limited	100%			Holding
Circle Health 3 Limited	100%			Holding
Circle Health 4 Limited	100%			Holding
GHG Healthcare Holdings Limited	100%			Holding
Bishopswood SPV Limited	100%			Provision of healthcare services
Circle Health Group Limited	100%			Provision of healthcare services
Circle Decontamination Limited	100%			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
GHG (DB) Pension Trustees Limited	100%			Pension Trustee
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
TKH Holding Ltd	100%			Holding
Circle Health MyWay Limited	100%			Health plan subscription services
Circle Harmony Health Limited	50%	Ordinary shares	30 Cliff Court, Cliff Road, London, England, NW1 9AP	Management services
Circle Holdings Limited	100%	Ordinary shares	12 Castle Street, St. Helier, Jersey,	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	Rm1145, 11/F, Carlton Bldg, No.21 Huanghe Road, Huangpu District, Shanghai, China	Management services

Circle Health Holdings Limited

Notes to the financial statements
for the year ended 31 December 2021 (continued)

14. Subsidiaries (continued)

Subsidiary audit exemption

The following UK subsidiary undertakings are exempt from the requirements of the Companies Act 2006 (the Act) relating to the audit of individual accounts by virtue of section 479A of the Act.

Company name	Company number
CHG Management Services Limited	05042771
Nations Healthcare Limited	04523677
Circle Nottingham Limited	05153608
Circle Hospital (Reading) Limited	06995585
Circle Rehabilitation Services Limited	10527747
Circle Health 1 Limited	12108495
Circle Health 2 Limited	12108525
Circle Health 3 Limited	12108431
Circle Health 4 Limited	12258549
General Healthcare Holdings Group Limited	04026079
GHG Healthcare Holdings Limited	05740193
Bishopswood SPV Limited	04252401
BMI Hospital Decontamination Limited	06003075
General Healthcare Holdings (2) Limited	04026992
General Healthcare Holdings (3) Limited	04062897
GHG Intermediate Holdings Limited	04210585
GHG Leasing Limited	01551992
North West Cancer Clinic Limited	05706220
Runnymede SPV Limited	04252392

Circle Health Holdiongs Limited will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year end 31 December 2021 in accordance with section 479C of the Companies Act 2006 as amended by the Companies and Limited Liability Partnerships (Accounts and Audit Exemptions and Changes of Accounting Framework) Regulations 2012.

15. Investments

Shares in associates	Total £'000
Cost	
At 1 January 2021	3,407
Share of profits during the year	4,185
Dividends received	(2,450)
At 31 December 2021	5,142
Provision for impairment	
At 1 January 2021	-
Impairment	-
At 31 December 2021	-
Net book value	
At 1 January 2021	3,407
At 31 December 2021	5,142

16. Inventories

	2021 £'000	2020 £'000
Consumables	17,276	16,884

There is no significant difference between the replacement cost of consumables and their carrying amount. At 31 December 2021, an amount of £3.2 million (2020: £3.5 million) 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	2021 £'000	2020 £'000
Right-of-use assets		
Buildings	1,483,305	1,565,246
Furniture, fittings and office equipment	1,760	1,331
Clinical equipment	25,719	9,694
	1,510,785	1,576,271
Lease liabilities		
Current	(8,065)	(7,117)
Non-current	(1,666,021)	(1,665,687)
	(1,674,086)	(1,672,804)

See note 33 for the future cashflows of leases liabilities over the remaining term of the leases.

Amounts recognised in the statement of comprehensive income

	2021 £'000	2020 £'000
Depreciation of right-of-use assets		
Buildings	60,559	62,323
Furniture, fittings and office equipment	423	263
Clinical equipment	3,917	3,370
	64,899	65,956

Amounts recognised in profit and loss	2021 £'000	2020 £'000
Depreciation expense on right-of-use assets	64,899	65,956
Interest expense on lease liabilities	119,366	115,504
Expense relating to short-term leases	-	1,123
Expense relating to leases of low value assets	4	429

The total cash outflow for leases during the period amount to £126 million (2020: £120 million).

The Group leases several assets including buildings, plant and clinical equipment. The average lease term is 26 years (2020: 27 years).

The Group has options to extend lease term, as well as 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.

18. Trade and other receivables

	Current 2021 £'000	Current 2020 £'000
Trade receivables	67,219	56,521
Less: provision for impairment	(3,751)	(4,384)
Net trade receivables	63,468	52,137
Prepayments and accrued income	2,181	2,760
Other receivables	9,510	21,618
Tax receivable	553	-
	75,712	76,515

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

	2021 £'000	2020 £'000
At 1 January	4,384	500
(Decrease) / increase in the year	(633)	3,884
At 31 December	3,751	4,384

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:

	2021 £'000	2020 £'000
Not past due	44,171	31,673
Past due 0-30 days	6,762	7,706
Past due 31-60 days	2,817	2,768
Past due by more than 60 days	9,718	9,990
	63,468	52,137

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"). 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. 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.

The Group has not significantly changed the expected loss rates for trade receivables from the prior year based on its judgement of the impact of 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.

19. Borrowings

	Non-current 2021 £'000	Non-current 2020 £'000
Loans	219,848	219,348
Prepaid finance costs	(5,810)	(7,963)
	214,038	211,885

Secured borrowings are measured at amortised cost.

Maturity profile

2021	Greater than 4 years £'000	Total £'000
Loans	219,848	219,848
	219,848	219,848

2020	Greater than 4 years £'000	Total £'000
Loans	219,848	219,848
	219,848	219,848

During the year the benchmark rate for the loans transitioned from LIBOR to SONIA. There was no material impact as a result of this change. The debt was refinanced as described in note 34.

(i) The Group had three principal bank loans at the balance sheet date
(a) a loan of £178m (2020: £178m) The loan is repayable in full on 7 January 2027. The loan carries interest rate at 6.5 per cent above SONIA as at 31 December 2021 (2020: 7 per cent above LIBOR)
(b) a loan of £20m (2020: £20m). The loan is repayable in full on 7 July 2026 The loan carries interest rate at 3.25 per cent above SONIA as at 31 December 2021 (2020: 7 per cent above LIBOR)
(c) a loan of £20m (2020: £20m). The loan is repayable in full on 7 January 2027. The loan carries interest rate at 6.5 per cent above SONIA as at 31 December 2021 (2020: 7 per cent above LIBOR).

See note 34 for detail of changes to the Group's financing arrangements after the balance sheet date.

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 2021 £000	Adjustments to income for prior periods £000	Charge / (credit) to income statement £000	Effects of change in tax rate to income statement £000	At 31 December 2021 £000
Accelerated tax depreciation	(12,316)	2,602	6,595	(985)	(4,104)
Other timing differences	(3,793)	-	(621)	(1,394)	(5,808)
Leases	19,671	408	(14,520)	1,756	7,315
Land and buildings	8,696	-	(397)	2,620	10,919
Intangible assets	9,642	-	(1,501)	2,570	10,711
Derivatives	23,435	-	(4,936)	3,894	22,393
Tax losses	(36,095)	(2,836)	14,883	(6,245)	(30,293)
Net deferred tax liability	9,240	174	(497)	2,216	11,133

Deferred tax balances have been remeasured at the rates they are expected to reverse, which is mainly at 25%. However, in the Chancellor's Budget of 23 September 2022 the enacted rate increase was cancelled Whilst this change is not reflected in the deferred tax movement above, its effect would be to reduce the deferred tax liability by £2,216,000, to £8,917,000

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:

	2021 £000	2020 £000
Deferred tax liabilities	51,337	61,443
Deferred tax assets	(40,204)	(52,203)
	11,133	9,240

A deferred tax liability of £10,919,000 (2020: £8,696,000) has been recognised in respect of fixed assets that have been acquired as part of business combinations. Of this amount, £11,212,000 (2020: £8,918,000) represents the deferred tax liability on the value of assets that will be recovered through use and £293,000 (2020: £222,000) the deferred tax asset that is anticipated to crystallise on an eventual sale of the remaining assets at their net book value.

20. Deferred tax (continued)

Deferred tax assets relating to tax losses of £100,131,000 (2020 £70,758,000), and capital losses of £591,000 (2020: £591,000) 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:

	2021 Tax value £000	2021 Gross value £000	2020 Tax value £000	2020 Gross value £000
Tax losses carried forward	100,108	400,431	70,758	372,411
Capital losses	778	3,110	591	3,110
Deductible temporary differences – fixed assets	157	629	120	629
	101,043	404,170	71,469	376,150

Deferred tax assets on losses have been recognised in accordance with IAS 12 in order to offset known tax liabilities. Whilst profits are anticipated in future periods 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.

Temporary differences arising in connection with interests in associates and joint ventures are insignificant

21. Trade and other payables

	2021 £'000	2020 £'000
Trade payables	92,596	89,117
Accruals	70,211	77,602
Social security and other taxation	250	138
Other payables	6,652	8,159
Tax payable	-	3,438
	169,709	178,454

The average credit days is 40 days (2020: 52 days)

22. Provisions

	Provision for legal claims £'000	Future pension commitments £'000	Dilapidations provision £'000	Total £'000
At 1 January 2021	16,656	190	1,450	18,296
Additional provision in the year	2,205	-	-	2,205
Utilisation of provision	(3,136)	(36)	(125)	(3,297)
At 31 December 2021	15,725	154	1,325	17,204
Of which falling due:				
- within one year	15,725	36	1,325	17,086
- subsequently	-	118	-	118

As is usual in the sector, 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 prior years.

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 and other receivables

	2021 £'000	2020 £'000
Unbilled revenue	7,816	3,377
Advance payments on self pay patients	(5,625)	(1,178)
	2,191	2,199

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 19

24. Share capital and share premium

Authorised	2021	2020
	£	£
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	10	10
Preference shares of £0.01 each	19,851	19,851
	20,906	20,906

Allotted and fully paid up

	Par value	Shares	Share capital	Share premium	Total
Ordinary Class A shares:		(number)	£	£	£
At 1 January 2021	0.01	94,478	945	129,812,448	129,813,393
At 31 December 2021		94,478	945	129,812,448	129,813,393
	Par value	*Shares*	*Share capital*	*Share premium*	*Total*
Ordinary Class B shares:		(number)	£	£	£
At 1 January 2021	0.01	10,000	100	399,162	399,262
At 31 December 2021		10,000	100	399,162	399,262
	Par value	Shares	Share capital	Share premium	Total
Ordinary Class C shares:		(number)	£	£	£
At 1 January 2021	0.01	1,000	10	-	10
At 31 December 2021		1,000	10	-	10
	Par value	Shares	Share capital	Share premium	Total
Preference shares:		(number)	£	£	£
At 1 January 2021	0.01	1,985,075	19,851	71,264,390	71,284,241
At 31 December 2021		1,985,075	19,851	71,264,390	71,284,241

Allotted and fully paid up

	Par value	Shares	Share capital	Share premium	Total
Ordinary Class A shares:		(number)	£	£	£
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
	Par value	Shares	Share capital	Share premium	Total
Ordinary Class B shares:		(number)	£	£	£
At 1 January 2020	0.01	10,000	100	399,162	399,262
At 31 December 2020		10,000	100	399,162	399,262
	Par value	Shares	Share capital	Share premium	Total
Ordinary Class C shares:		(number)	£	£	£
At 1 January 2020	0.01	750	8	-	8
Shares issued	0.01	250	2	-	2
At 31 December 2020		1,000	10	-	10
	Par value	Shares	Share capital	Share premium	Total
Preference shares:		(number)	£	£	£
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*

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.

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, MH Services International (UK) Limited, which held 40 per cent of the equity of the Company, acquired the remaining 60 per cent. This included acquiring all shares held by Directors of the Company and other employees of the Group. All these shares had been acquired by these individuals at fair value from other shareholders in prior periods These arrangements 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 shares fully vested in the year, a charge of £213,000 was made to the income statement with a corresponding credit in equity.

25. Non-controlling interests

There are two invesments 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.

	2021 £'000	2020 £'000
Total assets	4,536	4,499
Total liabilities	(1,052)	(1,917)
Net assets	3,483	2,582
Profit for the period	886	646
Net cash outflow	(6)	(923)

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

	2021 £'000	2020 £'000
At beginning of the year	3,382	160
Share of profits during the year	4,210	1,192
Gross	4,421	1,403
Tax	(211)	(211)
Dividends received	(2,450)	(1,400)
Acquisition of investment in associate	-	3,430
At end of the year	5,142	3,382

Aggregated associates and joint ventures information is as follows:

	2021 £'000	2020 £'000
Revenue	30,733	25,498
Profit before tax	6,257	3,205
Tax	(423)	(291)
Profit after tax	5,834	2,914
Property, plant and equipment	7,508	1,544
Current assets	10,574	9,485
Current liabilities	5,874	8,457

26. *Disposal of subsidiary*

In early 2021, the Group entered into a sale agreement to sell Circle Hopsital (Bath) Ltd and the transaction completed on 1 June 2021. The divestment was effected as part of the agreed remedy following the CMA order issued as a result of the Group's acquisition of BMI Healthcare in 2020.

The net liabilities of Circle Hospital (Bath) Ltd at the date of disposal were as follows:

	2021
	£'000
Property, plant and equipment	**21,330**
Inventories	**623**
Trade and other receivables	**1,852**
Bank balances and cash	**1,063**
Trade and other payables	**(26,284)**
Net liabilities disposed of	**(1,416)**
Gain on disposal	**3,267**
Total consideration	**1,851**
Satisfied by	
Cash and cash equivalents	**1,851**
Net cash inflow arising on disposal:	
Consideration received in cash and cash equivalents	**1,851**
Less: cash and cash equivalents disposed of	**(1,063)**
	788

There were no disposals of subsidiaries made in 2020.

27. 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 group. 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.

28. Movements in net debt

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

	At 1 January 2021 £'000	Non-cash movements £'000	Cash flow £'000	At 31 December 2021 £'000
Cash at bank and on hand	115,857	-	(12,942)	102,915
Cash and cash equivalents reported in assets held for sale	3,822	-	(3,822)	-
Cash and cash equivalents	119,679	-	(16,764)	102,915
Loans and other borrowings	(211,885)	(2,153)	-	(214,038)
Lease liabilities	(1,672,804)	(14,778)	13,496	(1,674,086)
Net debt	(1,765,010)	(16,931)	(3,268)	(1,785,209)

29. Notes to the cash flow statement

Net cash flow from operating activities

	2021 £'000	2020 £'000 (Restated)*
Loss before income tax from		
Continuing operations	(51,402)	(63,244)
Loss before income tax including discontinued operations	(51,402)	(63,244)
Adjustments for:		
Share of profit of associates	(4,068)	-
Non-cash exceptional operating items (note 5)	7,391	36,626
Finance costs	137,376	136,515
Finance income (note 8)	(54)	(481)
Amortisation of intangible assets (note 11)	11,805	9,888
Depreciation of right-of-use property, plan and equipment (note 13)	64,899	65,956
Depreciation of other property, plan and equipment (note 13)	28,752	26,532
Loss/(profit) on disposal of fixed assets	14,307	(2,242)
Profit on disposal of subsidiary (note 26)	(3,267)	-
Amounts vested under IFRS 2 (note 24)	213	-
	257,354	272,794
Operating cashflows before movements in working capital	205,952	209,550
Movements in working capital:		
- (Increase)/decrease in inventories	(350)	258
- Decrease in trade and other receivables	5,937	51,954
- Decrease in trade and other payables	(27,146)	(53,560)
	184,393	208,202

* The prior year figures have been restated to include working capital movements relating to assets and liabilities classified as held for sale. When compared to the figures presented in the prior year financial statements, the movement on inventories has decreased by £663,000, the movement on trade and other receivables has decreased by £4,396,000, and the movement on trade and other payables has decreased by £8,881,000

30. Retirement benefit plans

Defined contribution scheme

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

	2021 £'000	2020 £'000
Total contribution costs charged to the income statement in respect of 9,739 (2020: 8,943) members	10,037	9,364

Defined benefit schemes

The Company sponsors a funded defined benefit pension plan for qualifying UK employees, the 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 are responsible for the investment policy for the assets and the day-to-day administration of the benefits.

Under the Plan, employees are entitled to annual pensions on retirement at age 65 for each year of service. The Plan is closed to future accrual. 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.

30. Retirement benefit plans (continued)

Profile of the plan

The Defined Benefit Obligation (DBO) includes benefits for former employees and current pensioners. The benefits under the Plan were secured by way of an insurance contract with Aviva in 2020, at which point about 63% of the liabilities were attributable to deferred pensioners and 37% to current pensioners. We have not been provided with any more recent member data.

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 Plan has now sold most of its assets and entered into an annuity contract with Aviva. As such, many of the risks it was previously exposed to have been removed. Investment, inflation and longevity risk are removed as Aviva are 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 that pension Plans are funded prudently. The last funding valuation of the Plan was carried out by a qualified actuary as at 30 September 2018 and showed a surplus of £21M. 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 and there will be no need for actuarial valuations in the future.

Reporting at 31 December 2021

The liabilities of the Scheme were valued as at 30 September 2020, using a data extract provided by the administrators for the purposes of valuing the benefits secured under the insurance contract. These results were projected to the valuation date of 31 December 2021 allowing for changes in market conditions, and differences in the financial and demographic assumptions. The present value of the Defined Benefit Obligation was measured using the projected unit credit method.

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

	2021	2020
	%	%
Discount rate	2.0	1.4
Future pension increases	3.1	2.8
CPI inflation	2.6	2.2
RPI inflation	3.2	2.8

The financial assumptions reflect the nature and term of the Plan's liabilities.

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 2020 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:

	2021	2020
Life expectancy for male currently aged 65	86.3	86.4
Life expectancy for female currently aged 65	89.2	89.3
Life expectancy at 65 for male currently aged 45	87.6	87.7
Life expectancy at 65 for female currently aged 45	90.8	90.8

30. 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 identical values placed on the liabilities and the insured asset, although the results you disclose would be unlikely to change. 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 2021	4,517	122,533
Surplus at 31 December 2021	-	8,373
Following a 0.25% increase in the inflation assumption:		
DBO at 31 December 2021	2,971	120,987
Surplus at 31 December 2021	-	8,373
Following a one year increase in life expectancy:		
DBO at 31 December 2021	5,007	123,023
Surplus at 31 December 2021	-	8,373

Present value of obligation	2021 £'000	2020 £'000
At beginning of the period	125,593	-
Acquisition of subsidiary	-	108,253
Interest cost	1,721	2,418
Actuarial loss	(4,028)	20,198
Benefit payments	(5,270)	(5,276)
At end of the year	118,016	125,593

Fair value of scheme assets	2021 £'000	2020 £'000
At beginning of the period	134,011	-
Acquisition of subsidiary	-	126,320
Expected return on scheme assets	1,839	2,841
Actuarial (loss)/gain	(3,862)	10,887
Employer contributions	-	47
Benefit payments	(5,270)	(5,276)
Administration expenses	(329)	(808)
At end of the year	126,389	134,011

Asset classes of scheme assets
The Plan assets are invested in the following asset classes. All invested 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.

	2021 £'000	2020 £'000
Cash instruments and sterling deposits	8,069	8,418
Cash at bank	304	-
Annuity contract	118,016	125,593
At end of the year	126,389	134,011

30. Retirement benefit plans (continued)

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

	2021 £'000	2020 £'000
Present value of obligation	(118,016)	(125,593)
Fair value of scheme assets	126,389	134,011
Unrecognised portion of scheme assets	(8,373)	(8,418)
Net surplus recognised	-	-

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

	2021 £'000	2020 £'000
Administration expenses	329	808
	329	808

The net amount recognised in reserves is as follows:

	31 December 2021 £'000	31 December 2020 £'000
Actuarial gain/(loss) on scheme obligations	-	(20,198)
Actuarial (loss)/gain on scheme assets	-	10,887
Movement in unrecognised pension surplus	31 December2021	10,119
Actuarial loss on defined benefit pension schemes	£'000	808
Net effect in reserves arising from movements on future scheme commitment	4,028	(808)
	-	-

Risks associated with the plan

The Plan has now sold most of its assets and entered into an annuity contract with Aviva As such, many of the risks it was previously exposed to have been removed. Investment, inflation and longevity risk are removed as Aviva are 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 that pension Plans are funded prudently 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 million. Now that the buy-in is complete deficit contributions is no longer needed. The Plan is expected to transition to buy-out in the near future and there will be no need for actuarial valuations in the future.

Analysis of gains/losses

Overall there was a total actuarial gain of £0.2 million (2020: £0.9 million loss) during the year, which is broken down as follows

Financial assumptions resulted in a gain of £5.1 million, mainly due to the increase in the discount rate assumption. This gain was partially offset by the increase in the RPI inflation assumption and related inflation-linked increases. Demographic assumptions resulted in a gain of £0.3 million, mainly due to changes in the mortality assumption, in particular updating the CMI projection model. DBO experience resulted in a loss of £1.3 million, mainly due to higher than expected deferred revaluation and pension increases over the year. During the year, asset returns underperformed against the discount rate This was entirely due to the value of the primary asset, the insurance contract, being set to equal the value of the liabilities.

31. Capital commitments

	2021 £'000	2020 £'000
Capital commitments		
Contracted for, but not provided for, acquisition of property, plant and equipment	15,875	12,703

32. Assets held for sale

In the prior year, as required by the CMA order referenced in the Strategic Report, the net assets and liabilities for Circle Bath were classified as held for sale. This hospital was sold on 1 June 2021. See note 26 for detail on the profit on disposal of subsidiary.

	2021 £'000	2020 £'000
Fixed assets	-	21,083
Current assets	-	4,671
Cash	-	3,821
Total assets classified as held for sale	-	29,575
Liabilities directly associated with assets classified as held for sale	-	(25,398)
Net assets of disposal group	-	4,177

33. 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 asstessuch 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 2021	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)	-	-	75,712	75,712
Cash and cash equivalents	-	-	102,915	102,915
Total financial assets	-	-	178,627	178,627
Financial liabilities				
Trade and other payables (note 21)	-	-	(99,248)	(99,248)
Lease liabilities (note 17)	-	-	(1,674,086)	(1,674,086)
Total financial liabilities	-	-	*(1,773,334)*	*(1,773,334)*
As at 31 December 2020				
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)

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.

33. 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 fows from loans and borrowings held

	Fixed £'000
At 31 December 2021	
Loans and other borrowings (note 19)	219,848
At 31 December 2020	
Loans and other borrowings (note 19)	219,848

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 unfront 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 allcoated 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 meets its liabilities when due, without incurring unacceptable lossses 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

At 31 December 2021	Less than 1 year *£'000*	Between 1-2 years *£'000*	Between 2-3 years *£'000*	Between 3-5 years *£'000*	Over 5 years *£'000*
Trade and other payables (note 21)	(99,248)	-	-	-	-
Lease liabilities (note 17)	(126,055)	(128,283)	(129,746)	(264,664)	(3,587,243)
Loans and other borrowings (note 19)	-	-	-	-	(219,848)
Net outflows	**(225,303)**	**(128,283)**	**(129,746)**	**(264,664)**	**(3,807,091)**
At 31 December 2020					
Trade and other payables (note 21)	(97,276)	-	-	-	-
Lease liabilities (note 17)	(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)**

33. 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 £2,656.7 million (2020: £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, inclduing 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.

34. Events after the reporting period

On 25 May 2022 the Group refinanced its senior borrowing facilities with a new £250 million, three year, revolving facility. An initial £180 million of this facility was drawn on this date and this, along with £38 million of cash on hand, was used to repay the existing senior facilities in full. The remaining undrawn amount of £70 million remains available to the Group to draw as required over the remaining term of the facility. The facility is guaranteed by the Group's ultimate parent company, Centene Corporation and all covenants are measured at the consolidated Centene Corporation level The facilities provide the Group with a flexible facility with a reduced borrowing cost No other subsequent events requiring separate disclosure under IAS 10 were identified after the balance sheet date.

The Directors have considered the UK Government's fiscal event on 23 September 2022, including the potential impact on UK interest rates, currency exchange rates, inflation, and other macroeconomic impacts. The Directors have considered the potential impact on the Circle Group and these financial statements including in respect of inflation, discount rates, pension liabilities, financial forecasts and other areas and do not believe that there is any material adjustment or additional disclosure required in these financial statements.

35. 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 £1,226,000 (2020: £330,000) These costs related to consultancy services received.

36. Controlling party

The Directors regard MH Services International (UK) Limited, a Company registered in England and Wales, as the Company's immediate parent undertaking and controlling party, as at the 31 December 2021. The Directors regard Centene Corporation as the Company's ultimate parent undertaking as at the 31 December 2021.

MH Services International Holdings (UK) 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 MH Services International Holdings (UK) Limited may be obtained from 108 High Street, Great Missenden, HP16 0BG

Company Statement of Financial Position
as at 31 December 2021

	Notes	31 December 2021 £'000	31 December 2020 £'000
Fixed assets			
Investments	7	**75,211**	75,211
Loans to group companies	8	**121,714**	125,736
		196,925	200,947
Current assets			
Debtors	8	**90,005**	2,714
Cash at bank and in hand		**14,964**	5,049
		104,969	7,763
Creditors: amounts falling due within one year	9	**(116,699)**	(21,057)
Net current liabilities		**(11,730)**	(13,294)
Net assets		**185,195**	187,653
Capital and reserves			
Called up share capital	10	**21**	21
Share premium	10	**201,476**	201,476
Accumulated losses		**(16,302)**	(13,844)
Total shareholder's funds		**185,195**	187,653

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 £2.7 million (2020: £1.2 million loss).

The financial statements of Circle Health Holdings Limited were approved by the board of directors and authorised for issue on 30 September 2022.

They were signed on its behalf by:

Name: Henry Davies
Director
30 September 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.

Company Statement of Changes in Equity
for the year ended 31 December 2021

	Called up share capital £'000	Share premium £'000	Accumulated losses £'000	Total £'000
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 loss for the year	-	-	(2,427)	(2,427)
Balance as at 31 December 2020	21	201,476	(13,844)	187,653
Amounts vested under IFRS 2 (note 10)	-	-	213	213
Loss and total comprehensive loss for the year	-	-	(2,671)	(2,671)
Balance as at 31 December 2021	21	201,476	(16,302)	185,195

Notes to the Company financial statements
for the year ended 31 December 2021

1 **Accounting policies**

The Company's accounting policies are included within those disclosed on pages 25 to 34 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 critical judgements that have been made in the process of applying the Company's accounting policies in the financial statements.

Key sources of estimation uncertainty
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 receiables may be impacted.

3 **Profit and loss**

The result for the year is a loss of £2.7 million (2020: £1.2 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 2021 (2020: £5,000).

5 **Employees**

Other than the Directors, the entity did not have any employees during the year (2020: nil), and therefore did not incur any staff costs during the year (2020: £nil).

6 **Directors' emoluments**

Please refer to the Directors' emoluments note in the Circle Health Holdings Limited consolidated group financial statements (note 7).

7 **Investments**

	Shares in subsidiary undertakings £'000
Cost	
At 31 December 2020 and 31 December 2021	75,211
Net book amount at 31 December 2020 and 31 December 2021	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 2021 (2020: £nil).

The Company has investments in the following subsidiary undertakings, associates and other investments.

Company name	Proportion of voting rights held	Share class	Registered office	Nature of business
Circle International plc	100%	Ordinary shares	1st Floor 30 Cannon Street, London, England, EC4M 6XH	Holding
Circle Health Limited	100%			Holding and management
Nations Healthcare Limited	100%			Holding
Circle Nottingham Limited	100%			Medical practice services
Circle Hospital (Reading) Limited	100%			Medical practice services
Circle Birmingham Limited	100%			Medical practice services
Circle Rehabilitation Services Limited	100%			Medical practice services
Circle Health 1 Limited	100%			Holding
Circle Health 2 Limited	100%			Holding
Circle Health 3 Limited	100%			Holding
Circle Health 4 Limited	100%			Holding
GHG Healthcare Holdings Limited	100%			Holding
Bishopswood SPV Limited	100%			Provision of healthcare services
Circle Health Group Limited	100%			Provision of healthcare services
BMI Hospital Decontamination Limited	100%			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
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
TKH Holding Ltd	100%			Holding
Circle Health MyWay Limited	100%			Health plan subscription services
Circle Harmony Health Limited	50%	Ordinary shares	30 Cliff Court, Cliff Road, London, England, NW1 9AP	Management services
Circle Holdings Limited *	100%	Ordinary shares	12 Castle Street, St. Helier, Jersey, Channel Islands, JE2 3RT	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	Rm1145, 11/F, Carlton Bldg, No.21 Huanghe Road, Huangpu District, Shanghai, China	Management services

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

All companies listed above are currently active.

8 Debtors - amounts falling due within one year

	31 December 2021 £'000	31 December 2020 £'000
Debtors	42	2,618
Prepayments and accrued income	319	96
Amounts owed by group subsidiaries	89,644	-
	90,005	2,714

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

Debtors - amounts falling in more than one year

	31 December 2021 £'000	31 December 2020 £'000
Amounts owed by group subsidiaries	121,714	125,736

Amounts owed by Group subsidiaries 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 2021 £'000	31 December 2020 £'000
Trade and other creditors	2	5,374
Amounts owed to group undertakings	116,413	13,238
Accruals and deferred income	284	1,293
	116,699	19,905

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

10 Share capital and share premium

Refer to note 24 in the group financial accounts for the details of share capital and share premium.

Notes to the Company financial statements
for the year ended 31 December 2021 (continued)

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. Refer to note 34 in the Group accounts for further details.

12 Related party transactions

Transactions with Ribera Salud Group, a subsidiary of Centene, were made during the year totalling £499,000 (2020: £330,000) These costs related to consultancy services received.

The Company has taken advantage of the exemption from disclosing transactions with other members of the Group headed by Circle Health Holdings Limited, provided that each party to the transaction is a wholly-owned subsidiary of the Group.

13 Ultimate parent undertaking and controlling party

The Directors regard MH Services International (UK) Limited, a Company registered in England and Wales, as the Company's immediate parent undertaking and controlling party, as at the 31 December 2021 The Directors regard Centene Corporation as the Company's ultimate parent undertaking as at the 31 December 2021.

MH Services International Holdings (UK) 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 MH Services International Holdings (UK) Limited may be obtained from 108 High Street, Great Missenden, HP16 0BG.