Company registered number: 10543098

Circle Health Holdings Limited

Annual Report and Financial Statements
for the year ended 31 December 2022

Circle Health Holdings Limited

Annual Report and Financial Statements
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Circle Health Holdings Limited

Company Information

Directors

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Circle Health Holdings Limited

Strategic report
for the year ended 31 December 2022

The directors present their Strategic report on the affairs of the Group for the year ended 31 December 2022. 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 2022. 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.

Principal activities
The Group is a provider of healthcare services in the UK, treating privately insured, self-pay and NHS-funded patients at its 54 hospitals and clinics 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.

Hospital caseload (activity)
The Group carried out 294,000 procedures during 2022 and received 1.6 million outpatient visits, compared with 283,000 procedures and 1.6 million outpatient visits during 2021.

Revenue
Revenue was £1,092 million for the year to 31 December 2022 (2021: £1,052 million).

Profit before tax
The loss before tax from continuing operations was £87.4 million (2021: £51.4 million).

Operating performance

The Group continues to focus relentlessly on providing the highest quality care for its patients. At the end of 2022 the group had achieved Care Quality Control (CQC) ratings of 'Outstanding' at two of its hospitals and 'Good' ratings at a further 34 hospitals/clinics. Healthcare Improvement Scotland (HIS) and Healthcare Improvement Wales (HIW) have rated all hospitals in those locations as 'Good'.

The operating performance of the Group during 2022 was impacted by the ongoing presence of 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 Omicron variant resulted in increased Covid infections across the UK which was a source of shorter-term disruption in the early months of 2022. This subsided through 2022 and has had limited impact to date in 2023. This is reflected in the year-on-year increase in hospital caseload and the build back towards the pre-pandemic 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 private medical insurance (PMI) providers. NHS commissioning activity remained below pre-pandemic levels in 2022.

Exceptional items of £39.2 million (2021: £11.6 million) recorded within operating profit relate to the following items:

• costs of £0.6 million (2021: £4.1 million) in relation to the ongoing Competition & Markets Authority review of the Birmingham market following the acquisition of the BMI Healthcare group in January 2020;
• legal costs of £0.5m (2021: £nil) in relation to the May 2022 debt refinancing;
• other exceptional costs £0.2m (2021: £0.1m); and
• the Group incurred £37.9 million (2021: £7.4 million) of impairment charges following the assessment of asset impairment.

Operating performance (continued)

Finance costs of £137,788 (2021: £137,376) were incurred during the year. Finance costs consisted of the following:

• £119.3 million (2021: £118.5 million) in relation to the interest expense incurred on IFRS 16 right of use properties;
• £1.4 million (2021: £0.9 million) in relation to the interest expense incurred on IFRS 16 right of use equipment assets held on finance leases;
• interest on senior facilities of £10.5 million (2021: £18.0 million); and
• a one off interest charge of £6.6m (2021: £nil) relating to the write off of the loan issue costs on the previous facilities on refinancing of these facilities during the year (note 19).

The tax credit for the year was £7.0 million (2021: charge of £1.3 million). The resulting net loss after tax for the period was £80.4 million (2021: £52.7 million). This reflects the non-cash accounting charges relating to impairments as well as the impact of IFRS 16 lease accounting charges.

Financial position

The Group's balance sheet as at 31 December 2022 showed a total deficit of £25.7 million, compared with total equity of £43.4 million as at 31 December 2021. The deficit position results from the cumulative impact of the non-cash accounting charges on leases required under international accounting standards (IFRS16). In the early years of the leases, this creates a non-cash accounting charge in excess of the cash rent paid by the Group. The Group's financial position remains strong, generating cash from operations to fund capital investment and with £100.0 million of committed undrawn facilities available to it at the date of approving these accounts.

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 strong demand for diagnostic, surgical and other treatment demand from patients, on private pay and group NHS pathways. However, this may be disrupted in the event of resurgence of the pandemic or a new pandemic.

The inflationary pressures across the UK continue to impact the Group with the cost of providing care increasing with particular pressure on staffing and energy costs in particular.

Management has sought to attract and retain high quality staff and ensure fair pay across the workforce, while seeking to reduce reliance on agency staffing to manage labour costs appropriately. The industrial action by doctors and nursing staff in the NHS has had no discernible impact on the Company to date.

The Group utilises energy price hedging to provide some price certainty for gas and power costs.

Circle Health Holdings Limited

Capital projects

The Group made a significant investment in its hospitals and technology during 2022, 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 £86.6 million (including £16.3 million of finance lease funded assets but excluding additions to Right of Use Property Assets under IFRS 16), including:

• multi-million pound investment in the hospital facilities in Aberdeen, Glasgow, Birmingham, Bath and London;
• *installation of major imaging equipment across the estate including renewal of 5 MRI, 4 CT and 7 Digital* X-Ray *scanners* and a further 2 mobile MRI and 2 mobile CT scanners to enable flexible deployment to areas of highest diagnostic need;
• investment in medical technology to promote excellence in patient treatment, including over £7.0 million investment in replacing and upgrading clinical equipment across the estate;
• a new cardiac catheterisation lab at the Group's Coventry hospital to improve access to rapid diagnostics and treatment for patients;
• new ward capacity at our hospital in Camarthen, Wales to deliver increased capacity to support patient needs in the area;
• completion of a new modular theatre at the Beaumont hospital in Bolton to increase capacity and provide increased access to care in the area; and
• redevelopment of the othopaedic facilities at our Guildford hospital to allow improved access to first class care for patients in the local community.

Financing and treasury transactions

In May 2022, the Group extinguished and refinanced its previous debt facilities with a three year 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, with £160 million remaining drawn as at 31 December 2022 and the remaining £90 million remaining available to the Group.

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

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

Circle Health Holdings Limited

Strategic report
for the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

Adequecy of insurance scope and coverage

The Group is subject to litigation for actions by third parties or may be found liable for damages which may not be covered by its insurance policies if not covered due to policy limitations or exclusion, or failure to comply with the terms of the policy. This could lead to financial exposure for claim value not covered by the insurance policies or increase insurance premiums impacting future financial periods. Regular reviews are conducted together 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 to ensure that robust process for capturing and reporting of incidents.

Clinical risk

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

Reputational risk

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

Contract and price risk

Private medical insurance: The Group is exposed to a highly concentrated PMI market, whereby 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. The Group manages these risks through active account management, and demonstrating improvement across the hospital network whether that is through technology and clinical equipment investment or increase scope of services offered to patients. Additionally, the Group also 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.

Self-pay: the Group provides medical services to self-pay patients. Increases in costs as a result of the inflationary pressure in the UK could result in upward pressure on pricing for patients, potentially impacting the demand. To mitigate these risks, the group seeks to maintain reasonable pricing, while still recovering increases in costs where possible.

Circle Health Holdings Limited

Strategic report
for the year ended 31 December 2022 (continued)

Principal risks and uncertainties (continued)

Contract and price risk (continued)

NHS: the Group carries out work for the NHS in England under standard contracts with Intergrated Care Boards ("ICBs") (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 work it carries out, so is subject to the uncertainty of future tariff changes which are determined centrally by the NHS. The Group aims to mitigate these risks by acting as a reliable partner to NHS commissioners and consistently providing high quality services to NHS patients in a cost-effective manner.

The Group's integrated care business delivers an integrated care model, which manages the whole patient pathway for individual specialities through price capped contracts with the NHS. The Group generally seeks to price these capped contracts at levels that takes account of potentially increasing cost pressures and, where appropriate, to establish contract terms that enables revenues to be adjusted in line with future annual NHS National Tariff inflation and demographic growth. All contracts are subject to a public tender process.

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 Technology Governance sub-committee, which has accountability for quality and safety of information and technology systems, assessing risk and performance, making improvement recommendations and advising the Intergrated Governance Committee and Circle Group 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 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 the Company can utilise increased agency staff to mitigate this. However in the medium to long term, this will impact on profitability and would not be sustainable.

The Group is continues to focus on attracting new talent to the Group, including the use of overseas nurses, while also aiming to reduce staff turnover via improved staff engagement and competative remuneration.

Supply chain availability risk

The continued impact of the Covid pandemic, the UK's exit from the European Union and the Russia-Ukraine conflict has resulted in 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 the presence of a warehousing and logistics provider which gives the Group better and increased capacity to hold components with long replacement leadtimes.

Principal risks and uncertainties (continued)

Inflation risk

Given the global economic conditions, and political uncertainty in Europe, higher levels of inflation have been experienced with consequent additional pressure on staff costs. The impact on the Group has been an increase in direct costs for goods and services, not all of which 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.

Energy costs

The global economic and political conditions within Europe have also led to large increases in energy prices. The Group had hedged energy pricing until Q4 of 2022 and so was protected from these increases for the majority of the year, before experiencing a significant increase in its gas and electricity costs from October 2022, with costs expected to remain high into 2023. The Group benefited from the government's energy price cap policy from 1 October 2022 until 31 March 2023. For subsequent periods, the Group continues to hedge its gas and power pricing where appropriate to protect from higher future prices in the wholesale markets.

A summary of the Group's electricity usage for the year can be seen in page 15 of the Directors' report.

Interest rate risk

The Bank of England's Monetary Policy Committee has announced a series of interest rate rises during 2022 and 2023 to date. 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 is exposed to changes in UK interest rates. The current drawn amount under the facility at the date of these accounts is £150 million, and a 100 basis point increase in SONIA would result in a £1.5 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 2022 are detailed in note 19.

Principal risks and uncertainties (continued)

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 page 15. The Directors have considered broader impacts of climate change and the potential impacts on the business.

Other than those matters disclosed on page 15 of the Directors' report 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 directors of the Company have had regard to the matters set out in section 172(1) as follows:

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

The Board has set long term strategic objectives for the Company focused on:
• clinical quality, patient experience and market leading reputation;
• attracting and retaining the best people;
• investment in infrastructure by improving the environment 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 update periodically. The strategy and plan supports decision-making around capital investment and allows the board to forecast funding requirements, debt capacity and financing options that are required to deliver this. As described elsewhere in this report, the debt facilities in place support the Company's investment plans.

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

b) the interests of the company's employees

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

There is regular engagement with employees through an Employee Voice Forum, weekly staff newsletters, and an annual employee engagement programme. As a result of the most recent annual employee engagement survey, the Group was awarded a 2-star outstanding employer rating by best companies™. The Group continues to use the results of its annual employee engagement programme to invest further in improving the overall employee experience. This includes investing in pay awards, increasing minimum basic hourly wage of contracted staff and by carrying out regular salary benchmarking and pay review exercises to allow clinical and other staff to be paid at competitive levels in the market.

Circle Health Holdings Limited

Strategic report
for the year ended 31 December 2022 (continued)

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

c) the need to foster the company's business relationships with suppliers, customers and others;
The Board regularly reviews how the Group maintains positive relationships with all of its stakeholders including patients, consultants, suppliers and others.

The Group's patient satisfaction surveys are run by an independent third party and show that 99 percent would recommend our hospitals to their friends and family and 99 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 Groups 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.

The Company and its employees also support local and national charities through various fund raising, sponsorship and matched giving initiatives, as well as raising donations to provide supplies and equipment to hospitals in Ukraine.

e) the desirability of the company maintaining a reputation for high standards of business conduct
As a healthcare provider, the Directors believe that maintaining the reputation of the Group is critical for the future success. Clinical quality and governance is at the heart of the culture of the Group and receives significant focus at Board level.

The Board is committed to high standards of business conduct and details of the governance structures are set out in the annual Quality Account, available on the Circle 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 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 2022. Further explanation of how each principle has been applied is set out in the Statement of corporate governance arrangements.

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Going concern

The Directors have performed a going concern assessment and concluded there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements, the going concern assessment period, for the following reasons.

The Directors have considered the consolidated balance sheet position of the Group, which reflects the cumulative impact of non-cash accounting charges relating to impairments as well as the impact of IFRS 16 lease accounting charges. The Directors have also considered the strong operating performance of the Group and the strong operating cash flows, which are sufficient to fund the capital investment requirement of the Group.

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 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.

On 28 August 2023, it was announced that a definitive agreement had been signed whereby Pure Health Holding LLC ('Pure Health') (a major healthcare operator based in the Middle East, with a range of international healthcare investments) will, through its UK subsidiary, acquire Circle Health Holdings Limited and its subsidiary undertakings from the Centene Corporation group, with the transaction expected to close in the first quarter of 2024. No material change to the operating activities of the Group is expected in the period to closing of the transaction.

The directors have considered the future financing arrangements for the Group proposed by Pure Health on completion of the transaction, including the provision of funds to repay existing borrowings and to provide working facilities. Management has prepared liquidity forecasts on that basis which show that, following completion of the transaction, this will provide adequate liquidity for the Group with appropriate headroom.

Going concern (continued)

The directors do not believe there will be any material change to the scope or nature of the Group's operations, following completion of the transaction and within the going concern assessment period. As with a change of ownership of any company, the directors acknowledge that there can be no certainty as to the future plans of the proposed new owners, for the strategic direction of the Company. The directors have had discussions with the proposed acquiror and received representations from them. Based on this, at the date of approval of these financial statements, the directors have no reason to believe that the entity will not continue as a going concern.

The transaction is subject to customary closing conditions, including regulatory approvals. In the event that these conditions are not met and therefore the transaction does not close (or is delayed) the existing financing and facilities would remain in place which, as noted above, provide adequate liquidity for the Group.

After making enquiries and based on the evidence available at the date of approval of these financial statements, including reviewing the facts and circumstances note above, and the Group's forecasts and downside 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 and meet its liabilities as they fall due 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.

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

Henry Davies
Chief Financial Officer

...29...November............... 2023

Circle Health Holdings Limited

Statement of corporate governance arrangements for the year ended 31 December 2022

This report forms part of the Directors' report. 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 2022. 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 and this is different case by case. The key stakeholders and the specific forum for engagement are listed below:

• Patients – patient feedback forms, complaints management policies, provision of information to Private Healthcare Information Network (PHIN) whose role it is to provide independent information to patients about private healthcare providers
• Regulators – frequent relationship meetings with CQC, HIS and HIW and communication via Independent Healthcare Provider Network (IHPN)
• Employees – Employee Voice Forum and employee engagement programme
• Consultants – Medical Advisory Committees within each hospital (MAC) chaired by a Hospital Clinical Chair
• NHS – local relationships with Trusts and 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 a purpose statement for the Group "To provide the high quality, safe and compassionate care our patients need and expect." supported by the principles of:

• "we believe that patients come first";
• "we believe in our people";
• "we believe that 'good enough' never is"; and
• "we believe in being open-minded and innovative".

and also supported by the following values:

• "we value people who are selfless and compassionate";
• "we value people who are collaborative and committed";
• "we value people who are agile and brave"; and
• "we value people who are tenacious and creative".

The Company is committed to building a culture which encourages staff to speak up safely. This is supported by our "Freedom to Speak Up Raising Concerns (Whistleblowing)" policy and the role of the "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".

Circle Health Holdings Limited

Statement of corporate governance arrangements for the year ended 31 December 2022 (continued)

Purpose and leadership (continued)

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

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

Board composition

The Circle Health Holdings Limited Board is comprised of directors who have healthcare experience and other relevant 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 had primary responsibility for the oversight of clinical and other related governance and risks, and the Audit and Risk Committee, which had 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 opportunity to create value for stakeholders from growth in activity and improvement in financial result, using the existing assets of the Company and through investment in new facilities, equipment and technology. The risks that threaten these opportunities have been described earlier in this risk, and are under active management through the Company's risk management systems.

Remuneration

On any new appointment the board considers the market and remuneration packages that are commensurate to the role. Short term incentive arrangements are based on the quality and performance of business. The market conditions are reviewed on a regular basis. The Group's Gender Pay Report 2022 is available on the Group's website.

Stakeholder relationship and engagement

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

Directors' report
for the year ended 31 December 2022

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 2022.

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

Dividends

The directors do not propose a dividend for the year (2021: £nil).

Directors

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

Peter Sullivan
John Hutton
Brent Layton
Beverley Tew (appointed 23 February 2022)
Paolo Pieri
Henry Davies
Paul Manning

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 adaptations are made. 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.

Circle Health Holdings Limited

Directors' report
for the year ended 31 December 2022 (continued)

Energy and carbon reporting

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

Circle emissions and energy usage

For Circle Health Group, GHG emissions and energy usage date for period 1 January to 31 December

	2022 *Tonnes of* **CO_2e**	**2021** *Tonnes of* **CO_2e**
Gas consumption (Scope 1)	10,228	13,864
Emissions from combustion of fuel for transport purposes (Scope 1)	951	923
Emissions from electricity purchased for own use, including for the purposes of transport (Scope 2)	11,758	14,237
Coal (industrial) (scope 1)	969	877
Other petroleum gas (Calor) (scope 1)	14	14
Fuel oil (generator fuel) (scope 1)	320	189
Emissions from business travel in employee-owned vehicles where company pays for fuel indirectly (Scope 3)	398	221
Total	**24,638**	**30,325**
Energy consumption used to calculate emissions (kWh)	121,376,838	150,555,533
Revenue (£'m)	1,092	1,052
Tonnes of CO_2e per revenue (per £'m)	**23**	**29**

During the financial year the Company 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.

The Group has 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. The Group is currently putting in place new structures to support its sustainability goals which will include detailed plans towards becoming Net Zero in line with the current government requirements. Opportunities to exceed those targets will be evaluated as identified.

Disclosure of information to the auditor

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

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

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

Auditor

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

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

Director: Henry Davies

29 November 2023

Circle Health Holdings Limited

Directors' responsibilities statement
for the year ended 31 December 2022

Statement of Directors' responsibilities in respect of the financial statements

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they have elected to prepare the Group financial statements in accordance with UK-adopted international accounting standards and applicable law and have elected to prepare the parent Company financial statements in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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

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

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

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

Opinion

We have audited the financial statements of Circle Health Holdings Limited ("the Company") for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Company Statement of Financial Position, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity, Consolidated Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion:

• the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2022 and of the Group's loss for the year then ended;

• the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;

• the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 Reduced Disclosure Framework; and

• the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Going concern

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

In our evaluation of the directors' conclusions, we considered the inherent risks to the Group's business model and analysed how those risks might affect the Group and Company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

• we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;

• we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Group or the Company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Group or the Company will continue in operation.

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

• Enquiring of directors and inspection of policy documentation as to the Group's high-level policies and procedures to prevent and detect fraud as well as whether they have knowledge of any actual, suspected or alleged fraud.
• Reading Board and Audit and Risk Committee minutes.
• Considering remuneration incentive schemes and performance targets for management, and directors.
• Using analytical procedures to identify any unusual or unexpected relationships.

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

As required by auditing standards, and taking into account possible pressure to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that Group management may be in a position to make inappropriate accounting entries. On this audit we do not believe there is a fraud risk related to revenue recognition because there are limited incentives, pressures or opportunities to perpetrate a material fraud.

We did not identify any additional fraud risks.

We performed procedures including:

• Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to unusual pairings with cash accounts.

• Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

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

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

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

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

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

Identifying and responding to risks of material misstatement related to compliance with laws and regulations (continued)

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

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

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

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

Strategic report and directors' report

The directors are responsible for the strategic report and the directors' report. Our opinion on the financial statements does not cover those reports and we do not express an audit opinion thereon.

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

• we have not identified material misstatements in the strategic report and the directors' report;

• in our opinion the information given in those reports for the financial year is consistent with the financial statements; and

• in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Matters on which we are required to report by exception

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

• adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or

• the parent Company financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

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

Directors' responsibilities

As explained more fully in their statement set out on page 17, the directors are responsible for: the preparation of the financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

Simpson

David Simpson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants

58 Clarendon Road
Watford,
WD17 1DE

1 December 2023

Circle Health Holdings Limited

Consolidated Statement of Comprehensive Income
year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Revenue	4	**1,091,724**	1,051,642
Cost of sales		**(898,146)**	(845,520)
Gross profit		**193,578**	206,122
Administrative expenses		**(104,301)**	(111,860)
Operating profit before exceptional items		**89,277**	94,262
Exceptional administrative expenses	5	**(39,175)**	(11,609)
Operating profit	6	**50,102**	82,653
Profit on disposal of subsidiary	25	**-**	3,267
Finance income	8	**336**	54
Finance costs	9	**(137,788)**	(137,376)
Loss before tax		**(87,350)**	(51,402)
Income tax credit/(charge)	10	**6,985**	(1,274)
Loss for the year		**(80,365)**	(52,676)
Loss attributable to:			
Owners of the parent		**(81,400)**	(53,594)
Non-controlling interests		**1,035**	918
		(80,365)	(52,676)

The notes on pages 28 to 56 form part of these financial statements.

Circle Health Holdings Limited

Consolidated Statement of Comprehensive Income
year ended 31 December 2022 (continued)

	31 December 2022 £'000	31 December 2021 £'000
Loss for the year	**(80,365)**	(52,676)
Other comprehensive income		
Items that will not subsequently be reclassified to profit or loss (all net of tax):		
Actuarial gain on scheme obligations	**38,257**	4,028
Actuarial loss on scheme assets	**(38,669)**	(3,862)
Adjustments for restrictions on the defined benefit asset	**1,353**	8,373
Actuarial gain on defined benefit pension schemes	**941**	8,539
Net effect in reserves arising from movements on future scheme commitment	**(941)**	(8,539)
Total items that will not subsequently be reclassified to profit or loss (all net of tax)	**-**	-
Items that will subsequently be reclassified to profit or loss:		
Tax on equity-settled share-based payments	**145**	-
Total other comprehensive income	**145**	-
Total comprehensive expense for the year	**(80,220)**	(52,676)

The above amounts were derived from continuing operations.

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 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Intangible assets	11	**38,617**	46,413
Goodwill	12	**147,478**	147,478
Property, plant and equipment	13	**1,714,355**	1,734,676
Investments	14	**4,299**	5,142
		1,904,749	1,933,709
Current assets			
Inventories	16	**17,746**	17,276
Trade and other receivables	18	**93,173**	75,712
Cash and bank balances		**35,013**	102,915
		145,932	195,903
Total assets		**2,050,682**	2,129,612
Current liabilities			
Trade and other payables	22	**(178,756)**	(169,709)
Provisions	23	**(14,679)**	(17,086)
Lease liabilities	17	**(14,159)**	(8,065)
		(207,594)	(194,860)
Non-current liabilities			
Provisions	23	-	(118)
Loans and other borrowings	19	**(161,034)**	(214,038)
Deferred tax liabilities	21	**(4,412)**	(11,133)
Lease liabilities	17	**(1,703,298)**	(1,666,021)
		(1,868,744)	(1,891,310)
Total liabilities		**(2,076,338)**	(2,086,170)
Net (liabilities)/assets		**(25,656)**	43,442
Share capital	24	**57**	21
Share premium	24	**201,440**	201,476
Other reserves	24	**11,281**	-
Accumulated losses		**(241,423)**	(160,487)
Equity attributable to owners of the parent		**(28,645)**	41,010
Equity attributable to non-controlling interests		**2,989**	2,432
Total equity		**(25,656)**	43,442

Circle Health Holdings Limited

Consolidated Statement of Financial Position as at 31 December 2022 (continued)

The financial statements of Circle Health Holdings Limited were approved by the Board of Directors and authorised for issue on ...29..November.... 2023. They were signed on its behalf by:

Name: Henry Davies
Director

The notes on pages 28 to 56 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.

Circle Health Holdings Limited

Consolidated Statement of Changes in Equity
year ended 31 December 2022

	Share capital £'000	Share premium £'000	Accumulated losses £'000	Other reserves £'000	Total £'000	Non-controlling interest £'000	Total equity £'000
Balance as at 31 December 2020	21	201,476	(107,106)	-	94,391	1,585	95,976
Amounts vested under IFRS 2 (note 24)	-		213	-	213	-	213
Dividends	-	-	-	-	-	(71)	(71)
(Loss)/profit and total comprehensive (expense)/income for the year	-	-	(53,594)	-	(53,594)	918	(52,676)
Balance as at 31 December 2021	21	201,476	(160,487)	-	41,010	2,432	43,442
Other movements (note 24)	36	(36)	-	-	-	-	-
Equity-settled share-based payment (note 24)	-	-	-	11,281	11,281	-	11,281
Acquisition of non-controlling interests (note 15)	-	-	319	-	319	(459)	(140)
Dividends	-	-	-	-	-	(19)	(19)
(Loss)/profit and total comprehensive (expense)/income for the year	-	-	(81,255)	-	(81,255)	1,035	(80,220)
Balance as at 31 December 2022	57	201,440	(241,423)	11,281	(28,645)	2,989	(25,656)

The notes on pages 28 to 56 form part of these financial statements.

Circle Health Holdings Limited

Consolidated Statement of Cash Flows
for the year ended 31 December 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Net cash flow from operating activities (note 26)	**199,080**	184,393
Interest received	***336***	54
Interest paid	**(137,406)**	(129,727)
Tax paid	**(179)**	(3,728)
Net cash inflows from operating activities	**61,831**	50,992
Cash flows from investing activities		
Dividends received from associates and joint ventures	**2,534**	2,450
Purchase of computer software	**(857)**	(1,022)
Purchase of property, plant and equipment	**(62,997)**	(57,153)
Proceeds on disposal of property, plant and equipment	**1,346**	677
Net proceeds on disposal of subsidiary (note 25)	-	788
Net cash outflows from investing activities	**(59,974)**	(54,260)
Repayment of lease liabilties	**(10,599)**	(13,496)
Repayments of loans and borrowings	**(58,000)**	-
Loan transaction costs paid	**(1,020)**	-
Consideration paid for acquiring minority interest holding (see note 15)	**(140)**	-
Net cash (outflow)/inflow from financing activities	**(69,759)**	(13,496)
Net (decrease)/increase in cash and cash equivalents	**(67,902)**	(16,764)
Cash and cash equivalents at the beginning of the year	**102,915**	119,679
Cash and cash equivalents at the end of the year	**35,013**	102,915
Cash and cash equivalents consist of:		
Cash at bank and in hand	***35,013***	*102,915*
Cash and bank balances	**35,013**	102,915

The notes on pages 28 to 56 form part of these financial statements.

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 Group and Company's operations and its principal activities are set out in the Strategic Report on pages 2 to 11. The financial statements are for the year ended 31 December 2022.

2. 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 UK adopted international accounting standards ("UK adopted IFRS") and the Companies Act 2006.

The consolidated and company financial statements have been prepared under the historical cost convention, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for the goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2, leasing transactions that are within the scope of IAS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

The presentational and functional currency of the Group and the Company is pounds (GBP). 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.

The Company financial statements are presented on pages 57 to 61.

The following exemptions from the requirements of IFRS have been applied in the preparation of the Company financial statements:
- The requirements of IFRS 7 Financial Instruments;
- 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 requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of* IAS 1;
- The requirements of IAS 7 Statement of Cash Flows;
- The requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors;
- The requirements of paragraphs 17 and 18A of IAS 24 Related Party Disclosures; and
- The requirements in IAS 24 to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

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

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

The following amendments were effective during the financial year. The Group has performed an assessment and concluded that no impact will be seen as a result of these changes:

Amendments to IFRS 3 Business Combinations—Reference to the Conceptual Framework
Amendments to IAS 16 – Property, Plant and Equipment—Proceeds before Intended Use
Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets—Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture

2. Accounting policies (continued)

New and revised IFRS Standards in issue but not yet effective

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

IFRS 17 (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 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*
Amendments to IAS 1	*Non-current Liabilities with Covenants*
Amendments to IFRS 16	*Liability in a Sale and Leaseback*
Amendments to IFRS 17	*Initial application of IFRS 17 and IFRS 9 Comparative Information*

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 2024, with early application permitted.

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.

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.

2. Accounting policies (continued)

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:
  - right-of-use assets and lease liabilities
  - 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

The Directors have performed a going concern assessment and concluded there is a reasonable expectation that the Group and Company has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of these financial statements, the going concern assessment period, for the following reasons.

The Directors have considered the consolidated balance sheet position of the Group, which reflects the cumulative impact of non-cash accounting charges relating to impairments as well as the impact of IFRS 16 lease accounting charges. The Directors have also considered the strong operating performance of the Group and the strong operating cash flows, which are sufficient to fund the capital investment requirement of the Group.

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 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.

On 28 August 2023, it was announced that a definitive agreement had been signed whereby Pure Health Holding LLC ('Pure Health') (a major healthcare operator based in the Middle East, with a range of international healthcare investments) will, through its UK subsidiary, acquire Circle Health Holdings Limited and its subsidiary undertakings from the Centene Corporation group, with the transaction expected to close in the first quarter of 2024. No material change to the operating activities of the Group is expected in the period to closing of the transaction.

The directors have considered the future financing arrangements for the Group proposed by Pure Health on completion of the transaction, including the provision of funds to repay existing borrowings and to provide working facilities. Management has prepared liquidity forecasts on that basis which show that, following completion of the transaction, this will provide adequate liquidity for the Group with appropriate headroom.

The directors do not believe there will be any material change to the scope or nature of the Group's operations, following completion of the transaction and within the going concern assessment period. As with a change of ownership of any company, the directors acknowledge that there can be no certainty as to the future plans of the proposed new owners, for the strategic direction of the Company. The directors have had discussions with the proposed acquiror and received representations from them. Based on this, at the date of approval of these financial statements, the directors have no reason to believe that the entity will not continue as a going concern.

The transaction is subject to customary closing conditions, including regulatory approvals. In the event that these conditions are not met and therefore the transaction does not close (or is delayed) the existing financing and facilities would remain in place which, as noted above, provide adequate liquidity for the Group.

After making enquiries and based on the evidence available at the date of approval of these financial statements, including reviewing the facts and circumstances note above, and the Group's forecasts and downside 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 and meet its liabilities as they fall due 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.

2. Accounting policies (continued)

Basis of 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.

Non-controlling interests ("NCI") are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When control is lost over a subsidiary, the Group derecognises the assets and liabilities and any related NCI and other components of equity of that subsidiary. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

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 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 identifiable 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.

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).

Brands 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 5 to 15 years.

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. At a hospital level revenue is measured by patient type, being inpatient, outpatient and day case. The key driver for invoicing and accounting recognition is the customer to whom the service is being provided. 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).

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in its consolidated statement of financial position. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its consolidated statement of financial position, depending on whether something other than the passage of time is required before the consideration is due.

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. Accounting policies (continued)

Revenue (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 Intergrated Care Board ("ICB") 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.

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 (ICB) 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.

Other revenue streams

The Group has other revenue streams including administrative fees charged to consultants, selling medical supplies to third parties and room rental. Under IFRS 15, revenue is only recognised when performance obligations are satisfied, whether that is the provision of administrative services or transfer of goods as part of inventory sales.

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.

Circle Health Holdings Limited

Notes to the financial statements
for the year ended 31 December 2022 (continued)

2. Accounting policies (continued)

Investments

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

Investments in associates and joint ventures are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs.

The carrying amount of the investment in associates and joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the Group.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

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 (see below). 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 (5-50 years)
- Clinical equipment – 3 to 15 years
- Furniture, fittings and office equipment, (including commissioning costs) – 3 to 10 years

Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying 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.

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.

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.

Impairment of goodwill, other intangible assets and property plant and equipment

For impairment testing purposes, assets are grouped at the lowest levels for which there are largerly independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill arising from a business combination is allocated to cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill or intangible assets with an indefinite useful life or not yet available for use have been allocated are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

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.

Impairment losses for cash-generating units reduce the first the carrying amount of any goodwill allocated to the cash-generating unit. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit.

With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. 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.

2. Accounting policies (continued)

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.

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.

Remeasurement of leases

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

• The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is measured by discounting the revised lease payments using a revised discount rate. The revised discount rate is the interest rate implicit in the lease for the remainder of lease term or if that cannot be determined then the incremental borrowing rate at date of reassessment.

• The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used). When lease payments are revised due to changes in an index or rate used to determine the payments the Group shall remeasure the lease liability only when there is a change in the cash flows.

• A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

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 in line with the 'Impairment of goodwill, other intangible assets and property plant and equipment'.

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.

Financial Instruments

Recognition and derecognition
Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled, or expires.

2. Accounting policies (continued)

Financial instruments (continued)

Classification and initial measurement of financial assets

The Group's financial assets include trade and other receivables.

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Financial assets, other than those designated and effective as hedging instruments, are classified into one of the following categories:

•amortised cost
•fair value through profit or loss (FVTPL), or
•fair value through other comprehensive income (FVOCI).

In the periods presented the Group does not have any financial assets categorised as FVTPL or FVOCI.

The classification is determined by both:

•the entity's business model for managing the financial asset, and
•the contractual cash flow characteristics of the financial asset.

All revenue and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within administrative expenses.

Subsequent measurement of financial assets

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

• they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows, and
• the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial.

Impairment of financial assets

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.

Classification and measurement of financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income

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.

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.

2. Accounting policies (continued)

Retirement benefit plans

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 2021. 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.

The Group's net obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of year end defined benefit obligations is performed annually by a qualified actuary by using the projected unit credit method in the September actuarial valuation, rolled forwarded to the year-end date with allowance made for changes in market conditions. When the calculation results in the fair value of the plan assets being greater than the present value of the defined benefit obligation, a surplus is created. The recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements. The Group does not expect to derive economic benefit from such surpluses and as a result gains from a surplus position are not recognised in other comprehensive income.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to the defined benefit plans are recognised in profit or loss.

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 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 and associates, 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 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.

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.

2. **Accounting policies (continued)**

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).

Shared based payments

The long-term stock plan put in place by the ultimate parent company of Circle Health Holding Limited allows for awards to be made in the form of options, restricted stock, restricted stock units, stock appreciation rights and any other stock-based awards. The Circle grants under this plan solely relate to RSUs and PSUs over $0.001 par value common stock in Centene Inc. and are accounted for as equity-settled share-based scheme.

The grant date fair value of share-based payments awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period in which the employees become unconditionally entitled to the awards. The fair value of the awards granted is estimated on the date of grant as the share price at that date. The amount recognised as an expense is adjusted to reflect the actual number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

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 £102.12 million unrecognised.

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 2022, Property, plant and equipment, Right of Use, and other intangible assets were considered for impairment. The Group assessed whether indicators of impairment existed for each CGU and where indicators existed 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:	2022 £'000	2021 £'000
Continuing operations		
Provision of healthcare services by customer		
Private insured patients	**461,198**	415,483
NHS patients	**325,957**	364,625
Self-pay patients	**257,734**	228,740
Other patients	**17,064**	8,416
Other revenue	**29,771**	34,377
	1,091,724	1,051,642

Revenue split by patient type:	2022 £'000	2021 £'000
Inpatient	**409,823**	327,966
Outpatient	**312,616**	277,092
Day case	**301,896**	249,439
Other revenue	**67,389**	197,145
	1,091,724	1,051,642

5. Exceptional administrative expenses

	Income statement 2022 £'000	Tax impact 2022 £'000	Income statement 2021 £'000	Tax impact 2021 £'000
Impairment losses	**37,901**	-	7,391	-
Acquisition and integration costs	**594**	**(2)**	4,101	-
Other exceptional items	**680**	**(37)**	117	(22)
	39,175	**(39)**	11,609	(22)

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 notes 11 and 13. Acqusition and integration costs relate to the intergration of BMI Healthcare following the acquistion by the Group. Expenses continue to be incurred as a result of the ongoing CMA requirements relating to the Birmingham market. Other exceptional items include site closure costs and debt refinancing costs.

Cash flow impact of exceptionals
The cash flow impact for exceptional acquisition costs was an outflow of £547,000 (2021: £2,883,000). The cash flow impact of other exceptional items was an outflow of £680,000 (2021: £117,000).

6. Operating profit for the year

Operating profit is stated after charging/(crediting):	2022 £'000	2021 £'000
Amortisation of intangible assets (note 11)	8,672	11,805
Depreciation of property, plant and equipment (note 13)	96,520	93,651
Cost of stock recognised as expense	203,846	191,976
Auditor's remuneration (see below)	675	733
Movement in provision for bad debts (note 18)	905	(633)
Operating lease charges	487	4
Exceptional operating items (note 5)	39,175	11,609

Remuneration payable to the company's auditor :	2022 £'000	2021 £'000
Fees payable to Company's auditor for the parent Company and consolidated financial statements	193	195
Fees payable to the Company's auditor for other services		
– The audit of Company's subsidiaries	479	535
– Advisory services	3	3
	675	733

7. Staff costs

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

	2022 Number	2021 Number
Management and administrative	554	599
Clinical and hospital support	8,306	7,875
	8,860	8,474

Their aggregate remuneration comprised:

	2022 £'000	2021 £'000
Wages and salaries	361,801	327,655
Social security costs	31,134	26,179
Defined contribution pension costs (see note 27)	10,869	10,037
	403,804	363,871

Key management personnel compensation

	2022 £'000	2021 £'000
Short-term employee benefits	5,037	6,519
Post-employment benefits	22	56
Long-term benefits	-	-
Termination benefits	-	-
Parent company long term stock plan charges	10,486	-
	15,545	6,575

During the year, management has reassessed the application of IAS24 in respect of Key Management Personnel. This previously included the Directors of the company only. Following the acquisition of the BMI Healthcare group in 2020 and the subsequent integration of the businesses and establishment of the new governance structure in 2021, management now assess Key Management Personnel to include the board of directors and a number of other key personnel responsible and involved in key committees taking decisions relating to directing the operations of the Group. The table above reflects the compensation, including long term incentive awards granted under Centene stock plans, for this group for both the years ended 31 December 2022 and 2021.

7. Staff costs (continued)

Directors' remuneration

	2022 £'000	2021 £'000
Aggregate emoluments	2,291	2,671
Company contributions to money purchase pension scheme	3	6
	2,294	2,677

Directors' emoluments relate to the company's Directors, who are remunerated by Circle Health Holdings Limited, CHG Management Services Limited or Circle Health Group Limited.

Post-employment benefits are accruing for one director (2021: one director) under a defined contribution scheme.

The emoluments disclosed above include the following amounts paid to the highest paid Director:

	2022 £'000	2021 £'000
Aggregate emoluments	1,121	1,114
Company contributions to money purchase pension scheme	3	6
	1,124	1,120

The Directors of the company are also directors or officers of a number of other companies within the ultimate parent group and are remunerated in respect of services provided to the Circle Health Holdings Group. The Directors do not consider the time spent on individual company 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 Group. The amounts disclosed above are the Directors' total emoluments as per their employment contracts.

8. Finance income

	2022 £'000	2021 £'000
Interest income	336	54
	336	54

9. Finance costs

	2022 £'000	2021 £'000
Interest expense under IFRS16 on lease liabilities*	120,714	119,366
Interest on bank overdrafts and loans	17,074	18,010
	137,788	137,376

*£119.3 million (2021: £118.5 million) relates to the interest expense incurred on IFRS 16 right of use properties and £1.4 million (2021: £0.9 million) relates to the interest expense incurred on IFRS 16 right of use equipment assets held on finance leases.

Interest on bank overdrafts and loans includes £6.6m of finance costs written off as part of the Group's debt refinancing (note 19).

10. Tax on loss on ordinary activities:

The tax charge/(credit) is based on the loss for the year and comprises:	2022 £000	2021 £000
Corporation income tax:		
Current tax at 19%	194	(821)
Adjustment in respect of prior years	(603)	202
	(409)	(619)
Deferred tax:		
Current-year charge/(credit)	(10,819)	1,719
Adjustment in respect of prior years	4,243	174
	(6,576)	1,893
Total tax on loss on ordinary activities	(6,985)	1,274

Tax charge in other comprehensive income

Tax charge/(credit) recognised in other comprehensive income	(112)	-
Effects of change in rate of tax	(33)	-
Total tax in other comprehensive income	(145)	-

Loss before tax:		
Total operations	(87,350)	(51,402)
Less: profit of joint ventures and associates	(1,691)	(4,105)
Group loss on ordinary activities on continuing operations before tax	(89,041)	(55,507)
Tax at the UK corporation tax rate of 19%	(16,918)	(10,546)
Effects of:		
Expenses that are not deductible in determining taxable profit	5,690	1,069
Income that is not taxable	(1,608)	(1,827)
Disposal of assets	(595)	(618)
Movement in deferred tax not recognised	2,049	10,604
Deferred tax recognised in equity	145	-
Effects of change in rate of tax	612	2,216
Adjustment to tax charge/(credit) in respect of previous periods	3,640	376
Tax charge/(credit) and effective tax rate for the year on continuing operations	(6,985)	1,274

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.

11. Intangible assets

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

Cost	Brand £'000	Contracts and Stakeholder relationships £'000	Computer software £'000	Total £'000
As at 31 December 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**
Additions	-	-	857	857
Disposals	-	-	(68)	(68)
Transfers from tangible fixed assets	-	-	41	41
As at 31 December 2022	**20,600**	**40,600**	**12,765**	**73,965**
Accumulated amortisation and impairment				
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**
Amortisation charge for the period	2,040	4,537	2,096	8,672
Disposal	-	-	(49)	(49)
Impairment	-	-	2	2
As at 31 December 2022	**9,045**	**14,540**	**11,763**	**35,348**
Net book amount				
At 31 December 2021	13,595	30,597	2,221	46,413
At 31 December 2022	11,555	26,060	1,002	38,617

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 ICBs 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 Healthcare a further £37 million was recognised under this category, which represents relationships with practising medical professionals held by BMI Healthcare 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 Healthcare 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 periods no more than 3 years.

12. Goodwill

	£'000
Net Book Amount as at 31 December 2020	147,478
Net Book Amount as at 31 December 2021	147,478
Net Book Amount as at 31 December 2022	**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. The financial plans reflect past experience and incorporate assumptions in terms of volumes, the mix of patient treatments and tariff changes. 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 8.35% (2021: 8.38%), which is the estimated weighted average cost of capital for the Group. All CGUs are funded using the Group's senior facilities and therefore the Group discount rate has been applied to all CGUs in determining the value in use for impairment.

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

	2022 £'000	2021 £'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.

Notes to the financial statements
for the year ended 31 December 2022 (continued)

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 2021	*35,100*	*108,967*	*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)	(74)	(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 and 1 January 2022	57,981	133,623	72,527	11,855	1,644,224	34,781	2,266	1,957,258
Additions	22,843	17,881	18,795	9,955	42,426	16,312	-	128,212
Disposals	*(3,131)*	*(6,665)*	*(5,202)*	*(243)*	*(6,870)*	*(13)*	*(172)*	*(22,296)*
Transfers	(18,040)	16,266	1,619	155	-	-	-	-
Transfers to intangible assets	(41)	-	-	-	-	-	-	(41)
At 31 December 2021	59,612	161,105	87,739	21,722	1,679,780	51,081	2,094	2,063,133

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 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 and 1 January 2022	(2,632)	(17,836)	(22,415)	(9,212)	(160,919)	(9,063)	(506)	(222,582)
Depreciation charge for the year	-	(11,546)	(15,006)	(4,021)	(58,822)	(6,743)	(382)	(96,520)
Disposals	-	266	5,101	289	2,555	12	-	8,223
Transfers	-	314	(899)	585	-	-	-	-
Impairment (charge)/reversal	(584)	(1,857)	(6,749)	(272)	(25,976)	(2,426)	(35)	(37,899)
At 31 December 2022	(3,216)	(30,659)	(39,968)	(12,631)	(243,162)	(18,220)	(923)	(348,778)
Net book amount								
At 31 December 2021	55,349	115,787	50,112	2,643	1,483,305	25,719	1,760	1,734,676
At 31 December 2022	56,396	130,446	47,771	9,091	1,436,618	32,861	1,171	1,714,355

The cashflow forecasts used in the prior year impairment reviews were reviewed against actual performance. Where indicators of impairment exist, 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 8.35% per annum (pre-tax) (2021: 8.38%). 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.

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 £37.9 million (2021: £11.3 million) and the impairment reversal was £nil (2021: £3.9 million), with the net impairment charge of £37.9 million (2021: £7.4 million) recognised in the Consolidated Statement of Comprehensive Income.

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

- If the pre-tax WACC rate was increased/decreased by 1.0 percentage point, the overall impairment would (increase)/decrease by (£7.8) million/£9.0 million.

14. Investments

Details of the investments in which Circle Health Holdings Limited holds 20.00% or more of the nominal value of any class of share capital.

Company name	Proportion of voting rights held	Share class	Registered office	Nature of business
Subsidiary undertakings				
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
General Healthcare Group 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
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	100%			Provision of healthcare services
Runnymede 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 Holdings (OS) Limited	100%	Ordinary shares	12 Castle Street, St. Helier, Jersey,	Holding
Associate undertakings and joint ventures				
BMI Imaging Clinic Limited	50%	Ordinary shares	1st Floor 30 Cannon Street, London, England, EC4M 6XH	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
Mount Alvernia PET CT Limited	41%			Provision of healthcare services
The Pavilion Clinic Limited	50%			Provision of healthcare services
Circle Harmony Health Limited	50%			Management services
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

*Directly held by Circle Health Holdings Limited. All other entities listed are held indirectly through investments in other group companies.

See note 15 for changes in the Group's shareholding percentage in North West Cancer Clinic Limited that occurred during the year.

Subsequent to the year end the directors of TKH Limited entered into a voluntary strike off, with the company being struck off on 6 June 2023.

14. Investments (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 Group Limited	04026079
GHG Healthcare Holdings Limited	05740193
Bishopswood SPV Limited	04252401
Circle 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 Myway Limited	14186896

Circle Health Holdings Limited will guarantee all outstanding liabilities that these subsidiaries are subject to as at the financial year end 31 December 2022 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.

Shares in associates and joint ventures	**2022 £'000**	**2021 £'000**
Carrying amount of individually immaterial associates	657	276
Carrying amount of individually immaterial joint ventures	3,642	4,866
Total carrying amount for equity accounted investees	4,299	5,142

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.

Individually immaterial joint ventures

Summary of financial information	**2022 £'000**	**2021 £'000**
Profit from continuing operations and total comprehensive income	3,902	2,535

There was no other comprehensive income or profit or loss from discontinued operations (2021: £nil) for joint ventures held by the Group.

Individually immaterial associates

Summary of financial information	**2022 £'000**	**2021 £'000**
Profit from continuing operations and total comprehensive income	2,762	3,299

There was no other comprehensive income or profit or loss from discontinued operations (2021: £nil) for associates held by the Group.

Circle Health Holdings Limited

Notes to the financial statements
for the year ended 31 December 2022 (continued)

15. Non-controlling interests

At 31 December 2021, the Group had 2 subsidiary undertakings with a non-controlling interest. These were BMI Syon Clinic Limited and North West Cancer Clinic Limited. On 30 September 2022, the Group purchased the remaining 10% interest in North West Cancer Clinic Limited, increasing its ownership from 90% to 100%. Therefore at 31 December 2021, the Group had one subsidiary undertaking with a non-controlling interest. A summary of financial information for individually immaterial non controlling interests are given below

	2022 £'000	2021 £'000
Total assets	**8,444**	4,536
Total liabilities	**(3,298)**	(1,052)
Net assets	**5,146**	3,483
Profit for the period	**601**	886
Net cash outflow	**(6)**	(6)

	2022 £'000	2021 £'000
Acquisition of NCI		
Carrying amount of NCI acquired	**459**	-
Consideration paid to NCI	**(140)**	-
An increase in equity attributable to owners of the company	**319**	-

16. Inventories

	2022 £'000	2021 £'000
Consumables	17,746	17,276

There is no significant difference between the replacement cost of consumables and their carrying amount. At 31 December 2022, an amount of £2.9 million (2021: £3.2 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	2022 £'000	2021 £'000
Right-of-use assets		
Buildings	**1,436,618**	1,483,305
Furniture, fittings and office equipment	**1,171**	1,760
Clinical equipment	**32,861**	25,719
	1,470,650	1,510,784
Lease liabilities		
Current	**(14,159)**	(8,065)
Non-current	**(1,703,298)**	(1,666,021)
	(1,717,457)	(1,674,086)

Amounts recognised in the statement of comprehensive income	2022 £'000	2021 £'000
Depreciation of right-of-use assets		
Buildings	**58,822**	60,559
Furniture, fittings and office equipment	**382**	423
Clinical equipment	**6,743**	3,917
	65,947	64,899

Amounts recognised in profit and loss	2022 £'000	2021 £'000
Depreciation expense on right-of-use assets	**65,947**	64,899
Interest expense on lease liabilities	**120,714**	119,366
Expense relating to short-term and low value leases	**487**	4

The total cash outflow for leases during the period amount to £131 million (2021: £126 million).

The Group leases several assets including buildings, plant and clinical equipment. The average lease term is 25 years (2021: 26 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 2022 £'000	Current 2021 £'000
Trade receivables	85,426	67,219
Less: provision for impairment	(4,656)	(3,751)
Net trade receivables	80,770	63,468
Prepayments and accrued income	1,369	2,181
Other receivables	9,819	9,510
Tax receivable	1,215	553
	93,173	75,712

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

	2022 £'000	2021 £'000
At 1 January	3,751	4,384
Increase/(decrease) in the year	905	(633)
At 31 December	4,656	3,751

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:

	2022 £'000	2021 £'000
Not past due	60,597	44,171
Past due 0-30 days	9,627	6,762
Past due 31-60 days	520	2,817
Past due by more than 60 days	10,026	9,718
	80,770	63,468

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. None of the trade receivables that have been written off are 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 2022 £'000	Non-current 2021 £'000
Loans	161,848	219,848
Prepaid finance costs	(814)	(5,810)
	161,034	214,038

Secured borrowings are measured at amortised cost.

The Group held three principal bank loans as at 31 December 2021:

(a) a loan of £178m which carried interest at a rate of 6.5 per cent above SONIA as at 31 December 2021
(b) a loan of £20m which carried interest at a rate of 3.25 per cent above SONIA as at 31 December 2021
(c) a loan of £20m which carried interest at a rate of 6.5 per cent above SONIA as at 31 December 2021

On 25 May 2022 the Group refinanced its senior borrowing facilities with a new £250 million, three year, revolving facility. This facility is guaranteed by the Group's ultimate parent company, Centene Corporation and all covenants are measured at the consolidated Centene Corporation level. 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 above three loans held at 31 December 2021 in full. During this transaction, capitalised prepaid finance costs of £6.6m were written off to the Consolidated Statement of Comprehensive Income within finance costs.

At the year end, £160m of the new facility remains drawn down. This balance carries interest at a rate of 1.25 per cent above SONIA as at 31 December 2022 and is repayable in full on 24 May 2025.

The Group also holds a number of unsecured loans with VAMED Management und Service GmbH, a former shareholder of Circle Rehabilitation Services Limited. The total balance of these loans outstanding as at 31 December 2022 and 2021 was £1.8m. Interest accrues on the outstanding loan balance at a rate of 1.5%. Based on deeds of amendment issued in 2019, the loans and accrued interest are not expected to be repayable before 31 December 2023. No amounts are due in more than five years.

See note 29 for an analysis of the maturity profile for the above loans.

20. Reconciliation of liabilities arising from financing activities

	At 1 January 2022 £'000	Non-cash movements* £'000	Cash flow £'000	At 31 December 2022 £'000
Loans and other borrowings	(214,038)	(6,016)	59,020	(161,034)
Lease liabilities	(1,674,086)	(53,970)	10,599	(1,717,457)
Total	(1,888,124)	(59,986)	69,619	(1,878,491)

*Non-cash movements are comprised of the following:

Lease liabilities
The net impact on lease liabilities of IFRS 16 right of use asset additions of £58.7 million, right of use asset disposals of £4.5 million and other non cash changes of £0.2 million.

Loans and other borrowings

Write off of prepaid finance costs (see note 19) £6.6m.

Amortisation of prepaid finance costs during the year £0.6m.

21. 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* 2022 £000	Charge Adjustments *to income for* prior periods £000	Charge / (credit) to *income* statement £000	Charge /(credit) to *equity* £000	Effects of change in tax rate *to income* statement £000	At 31 *December* 2022 £000
Accelerated tax depreciation	(4,104)	(3,491)	6,775	-	2,140	1,320
Other timing differences	(5,808)	1,489	(5,262)	(145)	(1,478)	(11,204)
Leases	7,315	10,073	(1,392)	-	(440)	15,556
Land and buildings	*10,919*	-	*(474)*	-	*(150)*	*10,295*
Intangible assets	10,711	-	(988)	-	(312)	9,411
Derivatives	22,393	-	(4,936)	-	390	17,847
Tax losses	(30,293)	(3,828)	(2,899)	-	(1,793)	(38,813)
Net deferred tax liability	11,133	4,243	(9,176)	(145)	(1,643)	4,412

Deferred tax balances have been remeasured at the rates they are expected to reverse, which is mainly at 25%.

21. Deferred tax (continued)

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:

	2022 £000	2021 £000
Deferred tax liabilities	54,427	51,337
Deferred tax assets	(50,015)	(40,204)
	4,412	11,133

A deferred tax liability of £10.30 million (2021: £10.92 million) has been recognised in respect of fixed assets that have been acquired as part of business combinations. Of this amount, £10.59 million (2021: £11.21 million) represents the deferred tax liability on the value of assets that will be recovered through use and £0.29 million (2021: £0.29 million) the deferred tax asset that is anticipated to crystallise on an eventual sale of the remaining assets at their net book value

Deferred tax assets relating to tax losses of £101.33 million (2021: £100.11 million), and capital losses of £0.78 million (2021: £0.78 million) 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:

	2022 Tax value £000	2022 Gross value £000	2021 Tax value £000	2021 Gross value £000
Tax losses carried forward	101,329	405,315	100,108	400,431
Capital losses	778	3,110	778	3,110
Deductible temporary differences – fixed assets	17	70	157	629
	102,124	408,495	101,043	404,170

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.

22. Trade and other payables

	2022 £'000	2021 £'000
Trade payables	86,119	92,596
Accruals	71,113	70,211
Social security and other taxation	204	250
Other payables	21,320	6,652
	178,756	169,709

The average credit days is 35 days (2021: 40 days)

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 and are included within other payables. At 31 December 2022 the Group had contract liabilities of £3,058 million (2021: £5,625 million). Revenue on contract liabilities is recognised when performance obligations have been completed.

23. Provisions

	Provision for legal claims £'000	Future pension commitments £'000	Dilapidations provision £'000	Total £'000
At 1 January 2022	15,725	154	1,325	17,204
Additional provision in the year	737	-	-	737
Utilisation of provision	(2,926)	(36)	(300)	(3,262)
At 31 December 2022	13,536	118	1,025	14,679
Of which falling due:				
- within one year	13,536	118	1,025	14,679
- subsequently	-	-	-	-

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.

24. Share capital and share premium

Authorised	2022	2021
	£	£
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	56,029	19,851
	57,084	20,906

Allotted and fully paid up

	Par value	Shares	Share capital	Share premium	Total
Ordinary Class A shares:		(number)	£	£	£
At 1 January 2021 and 2022	0.01	94,478	945	129,812,448	129,813,393
At 31 December 2021 and 2022		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 and 2022	0.01	10,000	100	399,162	399,262
At 31 December 2021 and 2022		10,000	100	399,162	399,262

	Par value	Shares	Share capital	Share premium	Total
Ordinary Class C shares:		(number)	£	£	£
At 1 January 2021 and 2022	0.01	1,000	10	-	10
At 31 December 2021 and 2022		1,000	10	-	10

	Par value	Shares	Share capital	Share premium	Total
Preference shares:		(number)	£	£	£
At 1 January 2021 and 2022	0.01	1,985,075	19,851	71,264,390	71,284,241
Other movements	0.01	3,617,780	36,178	(36,178)	-
At 31 December 2021 and 2022		5,602,855	56,029	71,228,212	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.

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 2021, 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 fell within the scope of IFRS 2 and were 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 2021, a charge of £213,000 was made to the income statement with a corresponding credit in equity.

On 25 January 2023 all shares were redesignated as Ordinary shares with their rights set out in the Articles of Association which were updated at that date.

Parent Company Long Term Stock Plan

The long term stock plan is a stock plan put in place by the ultimate parent company of Circle Health Holding Limited. This stock plan allows for awards to be made in the form of options, restricted stock, restricted stock units, stock appreciation rights and any other stock-based awards. The Circle grants under this plan solely relate to Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs") over $0.001 par value common stock in Centene Inc. and have no cash cost to the Circle Group.

The accounting standards (IFRS2) require an accounting (non-cash) charge to be made in the financial statements of the Circle Group for such awards, with the corresponding credit taken to equity given there is no liability for the Circle Group for shares awarded under the long term stock plan.

During the year ended 31 December 2022 the ultimate parent company granted RSUs and PSUs under these stock plans to selected directors and employees of the Circle Group.

RSUs granted to these directors and employees are subject to forfeiture if the employee terminates employment prior to vesting conditions being satisfied. PSUs are subject to an additional non-market performance-based condition which must be met to allow vesting to occur. The level of PSU vesting is determined by the level of shareholder value generation achieved.

The weighted average share price at the settlement date for those for RSUs and PSUs settled during the year was $92.97.

The fair value of each RSU and PSU is estimated on the date of grant as the share price at the date of grant. The fair value of RSUs granted in the year was £18,237,000. The fair value of PSUs granted in the year was £9,572,000.

The total accounting charge is calculated based on a number of factors and assumptions, and the amount recorded for the year related to employee share-based plans was £11,281,000.

The table below gives a reconciliation of movements in the number of RSUs and PSUs outstanding.

	2022 PSUs Numbers*	2022 RSUs Numbers	2021 PSUs Numbers	2021 RSUs Numbers
Outstanding at 1 January	-	-	-	-
Granted	156,225	288,485	-	-
Settled	(2,160)	(2,132)	-	-
Forfeited	(2,159)	(4,730)	-	-
Outstanding at 31 December	151,906	281,623	-	-

*The PSUs vest between the range of 0% and 200% dependent on the performance achieved against targets set.

25. Disposal of subsidiary (prior period)

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

26. Notes to the cash flow statement

Net cash flow from operating activities

	2022 £'000	2021 £'000
Loss before tax	(87,350)	(51,402)
Adjustments for:		
Share of profit of associates and joint ventures	(1,691)	(4,068)
Impairment of fixed assets (see note 5)	37,901	7,391
Finance costs	137,788	137,376
Finance income (note 8)	(336)	(54)
Amortisation of intangible assets (note 11)	8,672	11,805
Depreciation of right-of-use property, plan and equipment (note 13)	65,947	64,899
Depreciation of other property, plan and equipment (note 13)	30,573	28,752
Loss/(profit) on disposal of fixed assets	1,767	14,307
Profit on disposal of subsidiary (note 25)	-	(3,267)
Amounts vested under IFRS 2 (note 24)	-	213
Equity-settled share-based payment transaction (note 24)	11,281	-
	291,902	257,354
Operating cashflows before movements in working capital	204,552	205,952
Movements in working capital:		
- Increase in inventories	(470)	(350)
- (Increase)/decrease in trade and other receivables	(18,335)	5,937
- Increase/(decrease) in trade and other payables	13,333	(27,146)
	199,080	184,393

27. Retirement benefit plans

Defined contribution scheme

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

	2022 £'000	2021 £'000
Total contribution costs charged to the income statement in respect of 8,455 (2021: 9,739) members	10,869	10,037

Contributions totalling £1,888,000 (2021 :£1,678,000) were payable to the fund at the reporting date.

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.

27. 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. The data supplied for this exercise indicates a 16% shift in the liabilities with only 47% of the liabilities now attributable to the deferred pensioners and 53% to the current pensioners

The Plan duration is an indicator of the weighted-average time until benefit payments are made For the Plan as a whole, the duration is approximately 13 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 2021 and showed a surplus of £3.7M. 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 2022

The liabilities of the Scheme were valued as at 30 September 2021, 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 2022 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 directors consider they have a right to any surplus asset on the final settlement of all scheme liabilities but have not recognised an asset for this surplus as this is not considered material to the financial statements

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

	2022	2021
	%	%
Discount rate	4.8	2 0
Future pension increases	3 0	3 1
CPI inflation	2 4	2 6
RPI inflation	3.0	3 2

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 2021 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

	2022	2021
Life expectancy for male currently aged 65	86 3	86.3
Life expectancy for female currently aged 65	89 2	89.2
Life expectancy at 65 for male currently aged 45	87 5	87 6
Life expectancy at 65 for female currently aged 45	90 7	90.8

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 The sensitivity of the results to these assumptions is set out below

	Change	New value
	£'000	£'000
Following a 0.25% decrease in the discount rate:		
DBO at 31 December 2022	(2,129)	75,525
Surplus at 31 December 2022	-	7,188
Following a 0.25% increase in the inflation assumption:		
DBO at 31 December 2022	1,444	79,098
Surplus at 31 December 2022	-	7,188
Following a one year increase in life expectancy:		
DBO at 31 December 2022	2,267	79,921
Surplus at 31 December 2022	-	7,188

Present value of obligation	2022	2021
	£'000	£'000
At beginning of the period	118,016	125,593
Interest cost	2,316	1,721
Actuarial loss	(38,257)	(4,028)
Benefit payments	(4,421)	(5,270)
At end of the year	**77,654**	118,016

Fair value of scheme assets	2022	2021
	£'000	£'000
At beginning of the period	126,389	134,011
Expected return on scheme assets	2,484	1,839
Actuarial loss	(38,669)	(3,862)
Benefit payments	(4,421)	(5,270)
Administration expenses	(941)	(329)
At end of the year	**84,842**	126,389

27. Retirement benefit plans (continued)

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.

	2022 £'000	2021 £'000
Cash instruments and sterling deposits	6,803	8,069
Cash at bank	385	304
Annuity contract	77,654	118,016
At end of the year	84,842	126,389

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

	2022 £'000	2021 £'000
Present value of obligation	(77,654)	(118,016)
Fair value of scheme assets	84,842	126,389
Unrecognised portion of scheme assets	(7,188)	(8,373)
Net surplus recognised	-	-

No amounts have been recognised in the consolidated income statement for the current or prior year. The administration expenses for the plan are settled by the scheme and are therefore not recognised within the consolidated income statement.

The net amount recognised in reserves is as follows:

	31 December 2022 £'000	31 December 2021 £'000
Actuarial gain on scheme obligations	38,257	4,028
Actuarial loss on scheme assets	(38,669)	(3,862)
Movement in unrecognised pension surplus	1,353	8,373
Actuarial loss on defined benefit pension schemes	941	8,539
Net effect in reserves arising from movements on future scheme commitment	(941)	(8,539)
	-	-

Analysis of gains/losses
Overall there was a total actuarial loss of £0.4 million (2021: £0.2 million actuarial gain) during the year, which is broken down as follows.

Financial assumptions resulted in a gain of £33.8 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 £3.8 million, mainly due to changes in the mortality assumption, in particular updating the CMI projection model. DBO experience resulted in a gain of £0.6 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.

28. Capital commitments

	2022 £'000	2021 £'000
Capital commitments		
Contracted for, but not provided for, acquisition of property, plant and equipment	26,519	15,875

29. 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 assetssuch 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:

	2022 £'000	2021 £'000
Financial assets at amortised cost		
Trade and other receivables (note 18)	91,958	75,712
Cash and cash equivalents	35,013	102,915
Total financial assets at amortised cost	126,971	178,627
Financial liabilities at amortised cost		
Trade and other payables (note 22)	(178,552)	(99,248)
Lease liabilities (note 17)	(1,717,457)	(1,674,086)
Loans and other borrowings (note 19)	(161,848)	(219,848)
Total financial liabilities at amortised cost	(2,057,857)	(1,993,182)

The group has no financial instruments classified as fair value through other comprehensive income or fair value through profit and loss.

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.

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 2022	
Loans and other borrowings (note 19)	161,848
At 31 December 2021	
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 upfront payment, where appropriate. Credit control procedures are designed to ensure that invoiced revenue is collected according to agreed terms, that policies exist to limit exposure to any one party and ensure approved credit limits are reviewed regularly. These help to eliminate significant concentrations of credit risk.

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

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

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

c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's approach to liquidity is to manage short and long-term borrowings to ensure that it will always have sufficient liquidity to 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:

29. Financial instruments and financial risk management (continued)

c) Liquidity risk (continued)

At 31 December 2022	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 22)	(178,552)	-	-	-	-
Lease liabilities (note 17)	(138,068)	(138,245)	(140,906)	(286,985)	(3,529,988)
Loans and other borrowings (note 19)		(1,818)	(160,000)		
Net outflows	**(316,620)**	**(140,093)**	**(300,906)**	**(286,985)**	**(3,529,988)**
At 31 December 2021					
Trade and other payables (note 22)	(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)**

Lease liabilities cashflows are discounted to arrive at the balance sheet position per note 17. The impact of the discounting is £2,516.7 million (2021: £2,656.7 million) over the remaining term of the leases.

d) Capital management

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

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

30. Events after the reporting period

On 28 August 2023, it was announced that a definitive agreement had been signed whereby PureHealth will acquire Circle Health Group from Centene Corporation with the transaction is expected to close in the first quarter of 2024. The directors do not believe that this transaction has any material impact on the balances recorded or the disclosures presented in these financial statements. At the date of signing the ultimate *controlling party remains unchanged, being Centene Corporation.*

31. Related party transactions

Trading transactions with subsidiaries

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

See note 7 for details on remuneration of key management personnel.

Other related party transactions

	Transactions		Balance outstanding as at 31 December	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Ribera Salud Group (subsidiary of the Group's ultimate parent) *	(1,435)	(1,226)	-	-
Associates	(1,537)	1,682	273	1,810
Joint ventures	(32)	788	(84)	(52)

*Transactions with Ribera Salud Group related to consultancy services received. Ribera Salud Group ceased to be a related party during the year as the Group's ultimate parent completed its diverstiture of Ribera Salud Group in November 2022.

Transactions with associates and joint venture occurred throughout the year as part of the normal course of business.

The total dividends received from associates and joint ventures during the year can be seen in the cashflow statement. All dividends declared were paid in the year and there were no dividends recievable at the year end.

The above related party balances are unsecured, incur no interest and are repayable on demand. No expense has been recognised in the current or prior year for bad or doubtful debts in respect of these amounts. The above related party balances are included within other receivables and payables respectively.

32. Controlling party

The Directors regard MH Services International (UK) Limited, a Company registered in England and Wales, as the Company's immediate parent undertaking, as at the 31 December 2022. The Directors regard *Centene Corporation as the Company's ultimate parent undertaking and controlling party as at the 31 December 2022.*

Circle Health Holdings Limited is the parent undertaking of the smallest group for which consolidated financial statements are prepared that include the financial statements of the Company. Centene Corporation is the parent undertaking of the largest group for which consolidated financial statements are prepared that include the financial statements of the Company. Centene Corporation is a publicly traded company incorporated in the United States of America. Centene Corporation's registered address is 7700 Forsyth Blvd., St. Louis, MO 63105.

Company Statement of Financial Position as at 31 December 2022

	Notes	31 December 2022 £'000	31 December 2021 £'000
Fixed assets			
Investments	6	**75,211**	75,211
Loans to group companies	9	**206,701**	121,714
		281,912	196,925
Current assets			
Debtors	7	**1,856**	90,005
Cash at bank and in hand		**5**	14,964
		1,861	104,969
Creditors: amounts falling due within one year	10	**(99,150)**	(116,699)
Net current liabilities		**(97,289)**	(11,730)
Net assets		**184,623**	185,195
Capital and reserves			
Called up share capital	13	**57**	21
Share premium	13	**201,440**	201,476
Other reserves		**6,523**	-
Accumulated losses		**(23,397)**	(16,302)
Total shareholder's funds		**184,623**	185,195

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 £7.1 million (2021: £2.7 million).

The financial statements of Circle Health Holdings Limited were approved by the board of directors and authorised for issue on ...29...November............................... 2023.

They were signed on its behalf by:

Name: Henry Davies
Director
....29....November................................ 2023

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 2022

	Called up share capital £'000	Share premium £'000	Other reserves £'000	Accumulated losses £'000	Total £'000
Balance as at 31 December 2020	21	201,476	-	(13,844)	187,653
Amounts vested under IFRS 2 (note 12)	-	-	-	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
Other movements	36	(36)	-	-	-
Equity-settled share-based payment (note 13)	-	-	6,523	-	6,523
Loss and total comprehensive loss for the year	-	-	-	(7,095)	(7,095)
Balance as at 31 December 2022	57	201,440	6,523	(23,397)	184,623

Notes to the Company financial statements
for the year ended 31 December 2022

1 **Accounting policies**

The Company's accounting policies are included within those disclosed on pages 28 to 37 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 recciables may be impacted.

3 **Operating costs**

The Company incurred £193,000 in relation to UK statutory audit fees for the year ended 31 December 2022 (2021: £5,000).

4 **Employees**

Other than the Directors, the entity did not have any employees during the year (2021: nil), and therefore did not incur any staff costs during the year (2021: £nil).

5 **Directors' emoluments**

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

6 ***Investments***

	Shares in subsidiary undertakings £'000
Cost and net book value	
At 31 December 2021 and 31 December 2022	75,211

The Directors consider that the value of the Company's fixed asset investments are supported by their underlying assets. No provision for impairment of investments has been made for the year ended 31 December 2022 (2021: £nil).
See note 14 of the group financial accounts for a list of investments held by the Company.

7 **Debtors**

Amounts falling due within one year	**31 December 2022 £'000**	**31 December 2021 £'000**
Debtors	-	42
Prepayments and accrued income	258	319
Amounts owed by group subsidiaries	-	89,644
Deferred tax (see note 11)	1,598	-
	1,856	90,005

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

9 Loans to group companies

	31 December 2022 £'000	31 December 2021 £'000
Amounts owed by group subsidiaries	206,701	121,714

Loans to group subsidiaries are unsecured, interest free, have no fixed date of repayment and are repayable on demand. These balances have been classified within loans to group companies as management do not expect these balances to be recovered within the foreseeable future.

10 Creditors - amounts falling due within one year

	31 December 2022 £'000	31 December 2021 £'000
Trade and other creditors	-	2
Amounts owed to group undertakings	98,206	116,413
Accruals and deferred income	944	284
	99,150	116,699

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

11 Deferred tax asset

	31 December 2022 £'000	31 December 2021 £'000
Beginning of the year	-	-
Credit to profit and loss account	1,516	-
Credit to equity (OCI)	82	-
End of the year	1,598	-

Deferred tax balances have been remeasured at the rates they are expected to reverse, which is mainly at 25%.

12 Share capital and share premium

Refer to note 24 of the group financial accounts for details of share capital, share premium and amounts vesting under IFRS 2.

13 Equity-settled share-based payment

The long-term stock plan is a stock plan put in place by the ultimate parent company of Circle Health Holding Limited. The Company grants under this plan solely relate to Restricted Stock Units ("RSUs") and Performance Stock Units ("PSUs") over $0.001 par value common stock in Centene Inc. and have no cash cost to the Company.

During the year ended 31 December 2022 the ultimate parent company granted RSUs and PSUs under these stock plans to selected directors and employees of the Company.

The accounting standards (IFRS2) require an accounting (non-cash) charge to be made in the financial statements of the Circle Group for such awards, with the corresponding credit taken to equity given there is no liability for the Circle Group for shares awarded under the long term stock plan.

The total accounting charge is calculated based on a number of factors and assumptions, and the amount recorded for the year related to employee share-based plans was £6,523,000.

Further details of the stock plan are included in Note 24 of the consolidated financial statements.

14 Events after the reporting period

On 28 August 2023, it was announced that a definitive agreement had been signed whereby PureHealth will acquire Circle Health Group from Centene Corporation with the transaction is expected to close in the first quarter of 2024. The directors do not believe that this transaction has any material impact on the balances recorded or the disclosures presented in these financial statements. At the date of signing the ultimate controlling party remains unchanged, being Centene Corporation.

18 Related party transactions

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.

19 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, as at the 31 December 2022. The Directors regard Centene Corporation as the Company's ultimate parent undertaking and controlling party as at the 31 December 2022.

Circle Health Holdings Limited is the parent undertaking of the smallest group for which consolidated financial statements are prepared that include the financial statements of the Company. Centene Corporation is the parent undertaking of the largest group for which consolidated financial statements are prepared that include the financial statements of the Company. Centene Corporation is a publicly traded company incorporated in the United States of America. Centene Corporation's registered address is 7700 Forsyth Blvd., St. Louis, MO 63105.