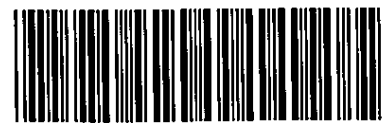


Registered no: 05153608

Nations Healthcare (Nottingham) Limited
Annual Report
For the year ended 31 December 2009

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Nations Healthcare (Nottingham) Limited

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Nations Healthcare (Nottingham) Limited

Company Information

Directors

M Keyvan - Fouladi
T Collins
S Melton
P Butterworth
R Magnani

Secretary

H Ridley

Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London WC2N 6RH

Bankers

Barclays Bank Plc
Level 27
1 Churchill Place
London E14 5HP

Solicitors

Capsticks
77-83 Upper Richmond Road
London SW15 2TT

Registered Office

32 Welbeck Street
London W1G 8EU

Nations Healthcare (Nottingham) Limited

Directors' Report for the year ended 31 December 2009

The directors present their report and the audited financial statements for the year ended 31 December 2009

Principal activity and review of the business

The principal activity of the company during the year is that of medical practice services. The company was awarded an Independent Sector Treatment Centre (ISTC) contract to construct the Nottingham Treatment Centre and perform NHS medical procedures for 5 years. The construction costs were financed under a PFI agreement with Barclays Bank, underwritten by the Department of Health.

The year was the first full year of operations for the treatment centre which opened on 28 July 2008.

During the year to 31 December 2009, daycase patients are up 223% to 21,752 (2008 6,731) and outpatient procedures increased 367% to 39,952 (2008 8,550). On an annualised basis this represents a 39% and 101% increase in activity for daycase and outpatients respectively.

This has resulted in revenue increasing by 335% to £34,896,000 (2008 £8,021,000). The Nottingham Treatment Centre is now one of the biggest independent treatment centres in Europe, providing services including Orthopaedic Surgery, General Surgery, Endoscopy, Digestive Diseases, Gynaecology and Dermatology.

The majority of the administrative teams located in the offices that were leased close to the Queens Medical Site in NG2 Business Park were transferred to the hospital during the year.

Principal risks and uncertainties

As with all medical providers clinical risk is a major consideration, this is managed on a group basis. The Circle Health Limited Group has an Integrated Corporate Governance structure, chaired by the Medical Director, Massoud Fouladi who also sits on the board of Health Investment Holdings Limited, and includes senior staff across the operational, clinical and central support teams. Each hospital site has its own local governance structure, whilst a team of clinical care quality specialists is dedicated to developing up to date and consistent 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 Circle Health Groups' Integrated Governance Committee. This committee in turn reports to the boards' of the Group companies as appropriate.

Additionally, the Company's treatment centre is subject to Care Quality Commission (CQC) reviews on a regular basis, including a review of training and risk management procedures.

Political risks and risks associated with the NHS (e.g. a change in government policy) are mitigated by the contracts in place for the Treatment centres in the short term.

Key performance indicators

The directors of Circle Health Limited manage the group's operations on a group basis. For this reason, the company's directors believe that analysis using key performance indicators for the company is not necessary or appropriate for an understanding of the development, performance or position of the business of Nations Healthcare (Nottingham) Limited. The development, performance and position of Nations Healthcare (Nottingham) Limited, is discussed on page 2 of the Circle Health Limited group's annual report, which does not form part of this report.

Nations Healthcare (Nottingham) Limited

Directors' Report

for the year ended 31 December 2009 (continued)

Future developments

The major plans for the treatment centre in 2010 are to increase patient volumes and improve efficiency of the hospital, by improving the scheduling of the patients on the consulting lists. There will also be further benefits from improving the patient and GP experience and by reducing cancellations and no show levels. A cost improvement programme will also be undertaken to review the first year of operation and ways to improve "value for money" at the site. During 2010 the hospital also plans to begin treating private patients.

Although the treatment centre made a loss during the year, the directors believe that the foundations are now in place for the business to grow and to turnaround the profitability much in the same way that the Nations treatment centre in Burton has progressed.

Financial risk management

The company's operations expose it to a variety of financial risks. The parent of Nations Healthcare Limited Group, Circle Health Limited, has in place a group risk management programme that seeks to limit to the adverse effects on the financial performance of the Circle Health Limited group by monitoring levels of debt finance and the related finance costs. Details of the risk management policy are included on page 6 of the group financial statements.

Due to the nature of the various monthly minimum take contracts with the individual sponsors there is no material price or credit risk exposure for the company.

Going concern

The directors consider it appropriate for these financial statements to be prepared on a going concern basis. Further details are provided in note 1 to the financial statements.

Results and dividends

The loss for the year after taxation amounted to £3,307,000 (2008 loss of £4,013,000). The directors do not recommend the payment of any dividends (2008 £nil).

Directors

The directors who served during the year and subsequently were

M Keyvan- Fouladi

D Grigson (resigned 13 April 2009)

T Collins (appointed 13 April 2009)

S Melton (appointed 13 April 2009)

A Parsadoust (appointed 13 April 2009, resigned 11 March 2010)

P Butterworth (appointed 1 June 2009)

R Magnani (appointed 27 November 2009)

The company has granted an indemnity to its directors in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force until resignation as a director. There are no outstanding claims or provisions as at the balance sheet date.

Nations Healthcare (Nottingham) Limited

Directors' Report

for the year ended 31 December 2009 (continued)

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 company and of the profit or loss of the company for that period.

In preparing those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

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

Disclosure of information to auditors

So far as each of the directors in office at the date of approval of these financial statements is aware,

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

Ernst & Young LLP resigned as auditors during the year, PricewaterhouseCoopers LLP were subsequently appointed as auditors to the company and have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



P Butterworth
Director
12 April 2010

Nations Healthcare (Nottingham) Limited

Independent auditors' report to the members of Nations Healthcare (Nottingham) Limited

We have audited the financial statements of Nations Healthcare (Nottingham) Limited for the year ended 31 December 2009 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Nations Healthcare (Nottingham) Limited

Independent auditors' report to the members of Nations Healthcare (Nottingham) Limited (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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



**Nigel Reynolds (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
12 April 2010**

Nations Healthcare (Nottingham) Limited

Profit and loss account for the year ended 31 December 2009

	Notes	2009 £'000	2008 £'000
Turnover	2	34,896	8,021
Cost of sales		<u>(27,863)</u>	<u>(8,077)</u>
Gross profit / (loss)		7,033	(56)
Administrative expenses		<u>(11,419)</u>	<u>(4,397)</u>
Operating loss	3	(4,386)	(4,453)
Interest receivable and similar income	6	3,456	1,486
Interest payable and similar charges	7	<u>(2,377)</u>	<u>(1,046)</u>
Loss on ordinary activities before taxation		(3,307)	(4,013)
Tax on loss on ordinary activities	8	<u>-</u>	<u>-</u>
Loss for the financial year	16	<u>(3,307)</u>	<u>(4,013)</u>

The activities of the company relate to continuing operations

The company has no recognised gains and losses other than those above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the loss for the financial year stated above and their historical cost equivalents

Nations Healthcare (Nottingham) Limited

Balance sheet as at 31 December 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Tangible fixed assets	9	<u>424</u>	<u>559</u>
Current assets			
Stocks	10	6,649	7,644
Debtors – Amount falling due after more than one year		44,015	45,027
Debtors – Amounts falling due within one year		<u>3,239</u>	<u>1,876</u>
Total debtors	11	47,254	46,903
Cash at bank and in hand	12	<u>2,888</u>	<u>3,903</u>
		56,791	58,450
Creditors - Amounts falling due within one year	13	<u>(63,928)</u>	<u>(62,415)</u>
Net current liabilities		<u>(7,137)</u>	<u>(3,965)</u>
Total assets less current liabilities		<u>(6,713)</u>	<u>(3,406)</u>
Net liabilities		<u>(6,713)</u>	<u>(3,406)</u>
Capital and reserves			
Called up share capital	15	500	500
Profit and loss reserve	16	<u>(7,213)</u>	<u>(3,906)</u>
Total shareholders' deficit	17	<u>(6,713)</u>	<u>(3,406)</u>

The financial statements on pages 7 to 21 were approved by the board of directors on 12 April 2010 and were signed on its behalf by



P Butterworth
Director

Nations Healthcare (Nottingham) Limited

Registered no. 05153608

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009

1. Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The financial statements have been prepared on the going concern basis which assumes that the company will continue in operational existence for the foreseeable future.

The company is a member of the group of companies headed by Nations Healthcare Limited ("the Nations group"), which in turn is a part of a group of companies headed by Health Investment Holdings Limited. The directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the entire Health Investment Holdings Limited group, as the company is reliant on financial support from Health Investment Holdings Limited.

The directors of Health Investment Holdings Limited have prepared cash flow forecasts with a downside scenario which show that the Group has sufficient cash headroom for a period of not less than 12 months from signing these financial statements. Over the next 12 months, cash flows from the operating businesses are sufficient to cover the Head Office costs to sustain the current operations and interest payments, but cash inflows from financing are required to cover additional Head Office costs for growth and commissioning of new hospitals. These costs will not be incurred unless financing is received. Cash flow forecasts do not include any potential upsides from the sale of further hospitals (above the one budgeted) or other assets, or the additional financing of equipment, even though offers have been received. These would further mitigate any risks.

In making our assessment we have considered the issues relating to operational cash flows from the Nations Treatment Centres, the technical default on Barclays Bank loan and the new Circle Hospital in Bath, as well as debt maturity.

The Barclays PFI loan has been in technical default due to the delayed opening of the Nottingham Treatment Centre in July 2008 and this is due to be rectified shortly by signing a Deed of Variation (DoV). The loan is guaranteed by the DoH and in the unlikely event of the loan being called in, the DoH will make a residual payment to Nations Healthcare (Nottingham) Limited that will substantially cover its repayment of the loan to Barclays.

Based on the above facts, the directors therefore conclude that it is appropriate for these accounts to be prepared on a going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in FRS 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its immediate parent, Nations Healthcare Limited, publishes consolidated financial statements.

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1. Accounting policies (continued)

Private Finance Initiative (PFI) assets

The company is an operator of a Private Finance Initiative ("PFI") asset. The underlying asset is not deemed to be an asset of the company under FRS 5 Application Note F because the risk and rewards of ownership as set out in that standard are deemed to lie principally with the Department of Health. At the point that the directors are certain that the contract has been secured, costs incurred associated with the set-up and construction are recognised as a finance asset.

During the operational phase income is allocated between interest receivable and the finance asset using the contracted rate of return. The remainder of the PFI unitary charge income is included within turnover in accordance with FRS 5 Application Note G. The company only recognises income in respect of the services provided as it fulfils its contractual obligations in respect of those services and in line with the fair value of the consideration receivable in respect of those services.

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Such costs include costs directly attributable to making assets capable of operating as intended.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valuation, less their estimated residual value, over their expected useful lives on the following bases:

Leasehold improvements	– over the shorter of the life of the lease or expected usefulness
Clinical equipment	– 5 years straight line
Fixtures, fittings and Office equipment	– 3 to 5 years straight line

The expected useful lives of the assets to the business are reassessed periodically in the light of experience. The carrying value of tangible fixed assets is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Stocks

The Company holds consumable stocks that are stated at the lower of cost and net realisable value, with cost being determined on a first-in, first-out basis. Obsolete stock is written off.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business. Trade receivables are measured at fair value, less provision for impairment.

Cash at bank and in hand

Cash at bank and in hand includes, cash at hand, deposits held at call with banks and restricted cash balances.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised at fair value.

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

1. Accounting policies (continued)

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to received more, tax

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on the tax rates or laws enacted or substantively enacted at the balance sheet date

Pensions

The company participates in a group personal defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme

Long term contracts and pre-contract costs

Profit on the long term contracts to provide NHS medical procedures is taken as the procedures are performed, in line with the terms of the contract. The profit included is calculated on a prudent basis to reflect the proportion of the work carried out at the year end, by recording turnover and related costs as contract activity progresses. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Profit relating to under-utilisation by the NHS is deferred until the end of the quarter, when this is agreed with the local PCT. Turnover is calculated based on the minimum monthly take (MMT) plus any over performance by the company that has not been offset against under-utilisation. Full provision is made for losses on all contracts in the year in which they are first foreseen

Pre-contract costs are accounted for under UITF Abstract 34 ("Pre-contract costs"). All costs incurred in advance of a contract being awarded are written off to the profit and loss account, until the date that, in the opinion of the directors, it is virtually certain that the contract has been secured. Where the directors consider virtual certainty has been achieved and the contract is expected to result in future net cash inflows, costs incurred up to the time the contract becomes operational are carried as prepayments. Once the contract is operational the balance is accounted for as part of the accounting for the contract as a whole in accordance with SSAP 9 – Stock and Long Term Contracts and amortised over the contract term and is disclosed in stock or creditors

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method

Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired as well as through the amortisation process

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, for activity performed. Revenue from the provision of medical services is recognised once the patient has been discharged from the hospital after delivery of those services, subject to a quarterly adjustment for under-utilisation on the contract

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

2 Turnover

Turnover represents the total amount earned by the company in the ordinary course of business for services rendered for the provision of healthcare services. All turnover arises from the same principal activity in the United Kingdom.

3. Operating loss

Operating loss is stated after charging

	2009 £'000	2008 £'000
Depreciation of tangible fixed assets		
- owned assets	212	69
Amortisation of pre contract costs	2,084	851
Operating lease charges		
- plant and machinery	2,097	577
- other	<u>143</u>	<u>69</u>

The auditors' remuneration of £21,000 payable to PricewaterhouseCoopers LLP (2008 £15,000 payable to Ernst & Young LLP) in relation to the provision of audit services was borne by Nations Healthcare Limited, the immediate parent of the company.

4. Employee Information

Staff costs were as follows

	2009 £'000	2008 £'000
Wages and salaries	2,557	2,038
Social security costs	242	141
Other pension costs	<u>57</u>	<u>36</u>
	<u>2,856</u>	<u>2,215</u>

In 2009 £nil (2008 £1,295,000) of total staff costs have been deferred. Salaries and wages were incurred by the company's immediate parent, Nations Healthcare Limited and recharged to the company during the year (see note 21).

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

	2009 Number	2008 Number
Administrative staff	28	33
Clinical staff	<u>95</u>	<u>6</u>
	<u>123</u>	<u>39</u>

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

5. Directors' emoluments

	2009 £'000	2008 £'000
Aggregate emoluments	<u>107</u>	<u>-</u>

The directors' emoluments above relate to Ms R Magnani, who is solely remunerated by Nations Healthcare (Nottingham) Limited

The remaining directors of the company are also directors or officers of a number of companies within the Health Investment Holdings Limited group of companies. The directors are remunerated from Circle Health Limited, Nations Healthcare Limited and Health Properties Management Limited in respect of services provided to the group. The directors do not consider the time spent on dealing with the company's matters to be material and therefore have not sought to separate out their costs in respect of services to the company. Details of the aggregate director's emoluments are disclosed in the financial statements of Circle Health Limited and Nations Healthcare Limited.

No directors (2008: none) have retirement benefits accruing under money purchase schemes.

There was no compensation paid for loss of office during the year.

6. Interest receivable and similar income

	2009 £'000	2008 £'000
Bank interest receivable	3	34
Interest on PFI financial assets	<u>3,453</u>	<u>1,452</u>
	<u>3,456</u>	<u>1,486</u>

7. Interest payable and similar charges

	2009 £'000	2008 £'000
Loan interest payable on Barclays Bank loan	2,340	1,016
Loan issue cost amortisation on Barclays Bank loan	<u>37</u>	<u>30</u>
	<u>2,377</u>	<u>1,046</u>

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

8. Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

	2009 £'000	2008 £'000
Current tax		
UK corporation tax	-	-
Deferred tax		
Origination and reversal timing differences (note 8 (c))	-	-
Tax on loss on ordinary activities	<u>-</u>	<u>-</u>

(b) Factors affecting current tax for the year

The tax assessed for the year is higher (2008 higher) than the standard rate of corporation tax in the UK 28% (2008 28.5%). The differences are explained below

	2009 £'000	2008 £'000
Loss on ordinary activities before taxation	<u>(3,307)</u>	<u>(4,013)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2008 28.5%)	(926)	(1,144)
Effects of		
Expenses not deductible for tax purposes	36	2
Capital allowances for year in excess of depreciation	(612)	(3)
Unrelieved tax losses	2,320	1,145
Other timing differences	<u>(818)</u>	<u>-</u>
Current tax charge for the year	<u>-</u>	<u>-</u>

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

8. Tax on loss on ordinary activities (continued)

(c) Deferred taxation

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

	2009 £'000	2008 £'000
Depreciation in excess of capital allowances	3,932	(2)
Short term timing differences	3,392	-
Unrelieved tax losses	<u>8,328</u>	<u>1,216</u>
	<u>15,652</u>	<u>1,214</u>

The deferred tax asset has not been recognised in the financial statements due to the uncertainty over the future taxable profits against which the asset will reverse. Included in the movement from the 2008 deferred tax assets is an adjustment £13,545,000 in relation to the underprovided deferred tax credits accrued, but not disclosed, by Nations Healthcare (Nottingham) Limited

(d) Factors affecting future tax charges

There are no factors that affect future tax charges

9. Tangible fixed assets

	Leasehold improvements £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost				
At 1 January 2009	7	-	693	700
Transfers between categories	-	4	(4)	-
Additions	<u>-</u>	<u>43</u>	<u>34</u>	<u>77</u>
At 31 December 2009	<u>7</u>	<u>47</u>	<u>723</u>	<u>777</u>
Depreciation				
At 1 January 2009	2	-	139	141
Transfers between categories	-	1	(1)	-
Charge for the year	<u>1</u>	<u>7</u>	<u>204</u>	<u>212</u>
At 31 December 2009	<u>3</u>	<u>8</u>	<u>342</u>	<u>353</u>
Net book value				
At 31 December 2009	<u>4</u>	<u>39</u>	<u>381</u>	<u>424</u>
At 31 December 2008	<u>5</u>	<u>-</u>	<u>554</u>	<u>559</u>

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

9. Tangible fixed assets (continued)

The total charge for depreciation in the year was £212,000 (2008 136,000) of which £nil (2008 £67,000) was capitalised as part of the pre-contract costs

A review of the company's fixed asset registers was performed to ensure that assets were disclosed in the appropriate categories, this has resulted in the transfers above

10. Stocks

	2009 £'000	2008 £'000
Medical supplies	370	377
Long term contract balances	<u>6,279</u>	<u>7,267</u>
	<u>6,649</u>	<u>7,644</u>

Long term contract balances consist of

	Due within one year 2009 £'000	Due after more than one year 2009 £'000	Total 2009 £'000	Total 2008 £'000
Cost incurred	2,213	4,931	7,144	9,075
Payments on account (deferred income)	<u>(865)</u>	<u>-</u>	<u>(865)</u>	<u>(1,808)</u>
	<u>1,348</u>	<u>4,931</u>	<u>6,279</u>	<u>7,267</u>

Set-up costs that occur in the pre-contract stage which are recognised on the balance sheet and amortised over the life of the contract, are offset against the related deferred income in accordance with SSAP 9. The residual balance is disclosed separately as stock as shown above

11. Debtors

	2009 £'000	2008 £'000
Trade debtors	998	35
PFI financial asset	45,027	46,038
Amounts owed by related parties (note 21)	16	1
Other debtors	878	118
Prepayments and accrued income	<u>335</u>	<u>711</u>
	<u>47,254</u>	<u>46,903</u>

Amounts owed by related parties are unsecured, interest free and repayable on demand

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

11. Debtors (continued)

Amounts greater than one year included above are as follows

	2009 £'000	2008 £'000
PFI financial asset	<u>44,015</u>	<u>45,027</u>

The PFI financial asset represents the costs incurred to date for the construction of the Independent Sector Treatment Centre. In accordance with the principles of FRS 5 "Reporting the substance of transactions", Application note F "Private finance initiative and similar contracts", ownership of the tangible assets lies with the purchaser.

12. Cash at bank and in hand

	2009 £'000	2008 £'000
Cash at bank and in hand	2,888	3,903
Less restricted cash balances		
Minimum balance	a (1,300)	(1,300)
Unrestricted cash at bank and in hand	<u>1,588</u>	<u>2,603</u>

The company cash balance is subject to the following charges

- a) The company is required to maintain a minimum average balance of cash at bank and in hand of £1,300,000 (2008 £1,300,000) at the end of each month under the terms of its lease agreement with GE Capital Corporation (Leasing) Limited and its project agreement with the Department of Health.

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

13. Creditors - Amounts falling due within one year

	2009 £'000	2008 £'000
Bank loan (note 14)	43,717	44,600
Trade creditors	5,648	3,779
Amounts owed to group undertakings (note 21)	13,257	10,919
Accruals and deferred income	1,306	3,117
	<u>63,928</u>	<u>62,415</u>

The company's lease with GE Capital Corporation (Leasing) Limited, requires that the company maintain a minimum loan balance from Nations Healthcare Limited of £4,100,000. As at 31 December the loan balance was £13,127,000 (2008 £10,337,000)

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand

14. Loans and other borrowings

	2009 £'000	2008 £'000
Due within one year or on demand		
Barclays Bank Loan	<u>43,717</u>	<u>44,600</u>
Due in more than one year	<u>-</u>	<u>-</u>
Total	<u>43,717</u>	<u>44,600</u>

The above Barclays Bank loan carries an interest rate of LIBOR + 0.40% and is secured by a fixed and floating charge over the assets of the company. Barclays also have a charge over the shares of the company that can be exercised in the event the company does not meet its financial obligation to Barclays. The loan is being repaid in quarterly instalments of £227,000 to £232,000 which commenced on 1 December 2007. The loan is guaranteed by the DoH and in the unlikely event of the loan being called in, the DoH will make a residual payment to Nations Healthcare (Nottingham) Limited that will substantially cover its repayment of the loan to Barclays.

There is an existing technical default on the Barclays loan for the Nottingham hospital due to various contractual changes, including a revised opening date, not yet having been formally agreed as a Deed of Variation between the Nations Group and the Department of Health. As a consequence, the loan has been classified as due within 1 year. Steps are being taken to rectify this under a Deed of Variation, to be agreed with Barclays and the Department of Health, which is due to be signed shortly. A waiver of the technical breach will be signed back to back with the Deed of Variation.

Loan issue costs of £238,000 (2008 £275,000) have been set off from the loan amount and are being spread over the life of the loan in accordance with FRS 4.

The loan has been hedged using an interest rate swap fixing total interest at a rate of 5.26% per annum. As at 31 December 2009, the swap has a fair value of £3,043,000 loss (2008 £3,170,000 loss).

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

15. Called up share capital

	2009 £'000	2008 £'000
Authorised		
500,000 (2008 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
Allotted and fully paid		
500,000 (2008 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

16. Reserves

	Profit and loss reserve £'000
At 1 January 2009	(3,906)
Loss for the financial year	<u>(3,307)</u>
At 31 December 2009	<u>(7,213)</u>

17. Reconciliation of shareholders' deficit

	2009 £'000	2008 £'000
Opening shareholders' (deficit) / funds	(3,406)	607
Loss for the financial year	<u>(3,307)</u>	<u>(4,013)</u>
Closing shareholders' deficit	<u>(6,713)</u>	<u>(3,406)</u>

18. Capital commitments

At 31 December 2009, the company had no capital commitments (2008 £nil)

19. Pension commitments

The company participates in a group personal defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the company in an independently administered fund. The contributions for the year were £57,000 (2008 £36,000). There were no outstanding or prepaid contributions as at 31 December 2009 (2008 £nil).

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

20. Operating lease commitments

At 31 December 2009, the company had annual commitments under non cancellable operating leases as follows

	Land and buildings		Other	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Expiry date:				
During years two to five	87	153	2,102	2,185
After more than five years	-	-	-	-
	<u>87</u>	<u>153</u>	<u>2,102</u>	<u>2,185</u>

21. Related party transactions

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding as at 31 December 2009, are as follows

	Amounts owed by related party £'000	Amounts owed to related party £'000
Circle Health Limited		
2009	7	12
2008	-	182
Circle Hospital (Bath) Limited		
2009	7	-
2008	-	-
Health Properties Limited		
2009	-	-
2008	-	74
Nations Healthcare Ltd		
2009	-	13,237
2008	-	10,663
Nations Healthcare (Burton) Limited		
2009	2	3
2008	1	-
Nations Healthcare (North Bradford) Limited		
2009	-	5
2008	-	-

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2009 (continued)

21. Related party transactions (continued)

Circle Health Limited

Circle Health Limited owns 68.1% of the company's immediate parent, Nations Healthcare Ltd and is in turn owned 50.1% by Circle International plc, a wholly owned subsidiary of Health Investment Holdings. During the year staff costs and other administrative expenses were recharged at cost between the companies, as at 31 December 2009 the company had debtors of £7,000 (2008: £nil) and creditors of £12,000 (2008: £182,000).

Circle Hospital (Bath) Limited

Circle Hospital (Bath) Limited is a wholly owned subsidiary of Circle Health Limited. This balance relates to recharges of staff costs.

Health Properties Limited

Health Properties Limited is a wholly owned subsidiary of the ultimate parent undertaking, Health Investment Holdings Limited. Transactions in 2008 related to consultancy fee recharges.

Nations Healthcare Limited

Nations Healthcare Limited is the immediate parent undertaking of the company. During the year the company has been advanced loans of £13,127,000 by its parent (2008: £10,377,000) which the directors believe is fully recoverable. During the year the company was recharged salaries (as shown in note 4) and management fees of £1,153,000 (2008: £279,000). At 31 December 2009 the company owed £110,000 (2008: £286,000) to Nations Healthcare Ltd for recharges of salaries and management fees.

Nations Healthcare (Burton) Limited

Nations Healthcare (Burton) Limited is a fellow subsidiary of Nations Healthcare Limited and during the year the entities recharged staff expenses and travel costs to each other, at cost.

Nations Healthcare (North Bradford) Limited

Nations Healthcare (North Bradford) Limited is a fellow subsidiary of Nations Healthcare Limited and during the year recharged staff expenses and travel costs to the company, at cost.

22. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Nations Healthcare Limited, a company registered in England and Wales and is the smallest group for which consolidated financial statements are prepared that include the financial statements of the company.

Health Investment Holdings Limited is the parent company of the largest group for which consolidated financial statements are prepared that include the financial statements of the company. Copies of the group financial statements for Health Investment Holdings Limited may be obtained from 12 Castle Street, St Helier, JE2 3RT, Jersey.

At 31 December 2009, the directors regard Health Investment Holdings Limited, a company registered in Jersey, as the company's ultimate parent undertaking and controlling party.