Registered Number: 05153608

Nations Healthcare (Nottingham) Limited

Report and Financial Statements

31 December 2008

Registered No. 05153608

Directors
M Keyvan - Fouladi
T Collins
S Melton
A Parsadoust
P Butterworth

Secretary
H Ridley

Auditors
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1 More London Place
London SE1 2AF

Bankers
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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2008.

Results and dividends

The loss for the year, after taxation, amounted to £4,013,000 (2007 – profit £75,000). This represents the start up operating loss of the business which opened on the 28th July 2008 as significant spend was incurred in transferring patients over to the new facility and ensuring that high standards of patient care were met. Due to the nature of the contract, all expenditure that is incurred and provides future economic benefit is taken to the balance sheet as part of the pre-contract costs in line with UITF 34 – Pre-contract costs.

The directors do not recommend the payment of any dividends (2007 – £nil).

Principal activities and review of the business

The principal activity of the company during the year was that of medical practice services.

From the 28th July 2008 the new treatment centre, located at the Queens Medical Centre in Nottingham was fully operational. During the following five months 6,731 day cases patients have been treated and 8,550 outpatient procedures performed. This has resulted in revenue of £8,021,000 (2007 – £nil). 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 administrative offices that were leased close to the Queens Medical Site in NG2 Business Park in 2007 were still in use in 2008, although these administrative departments will move into the hospital during 2009.

Principal risks and uncertainties

As with all medical providers clinical risk is a major consideration. The company ensures that all staff and consultants are trained to an appropriate level and annual appraisals are completed. An integrated business and medical advisory committee meets monthly and is made up of both internal and external clinical/business professionals to maintain the high standards required by the facility.

A risk register is maintained at the centre which is regularly updated.

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.

The whole company's liquidity and cashflow risks are managed by its ultimate parent undertaking, Health Investment Holdings Limited, to ensure that the business can operate efficiently.

Going concern

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.

Health Investment Holdings Limited has undertaken to provide the funds necessary for the company to meet its liabilities as and when they fall due, but only to the extent that the money is not otherwise available to the company to meet such liabilities, for a minimum of twelve months from the date of approval of the financial statements.

Directors' report

Going concern (continued)

The directors of Health Investment Holdings Limited have prepared cash flow forecasts which indicate that the Health Investment Holdings Limited group has positive cash flows for 2009 and 2010. These forecasts include a £20m equity funding received on 27 November 2009. However, there are material uncertainties affecting the Health Investment Holdings Limited group's cash flows, as set out below.

- *The ability to achieve the projected results and cash flows for the Health Investment Holdings Limited group's new private hospital in Bath which is expected to commence operations in early 2010, and consequently, the ability to meet debt covenants on the Alliance & Leicester loan used to finance the construction of the hospital.*
- *The ability to remedy the current technical default relating to the £44.6m Barclays loan for the Nottingham hospital.*

Further details are provided in note 1 to the financial statements.

The directors have concluded that these circumstances, together with circumstances impacting other companies within the Health Investment Holdings Limited group, represent material uncertainties that, in combination, may cast significant doubt upon the group's ability to continue as a going concern. Nevertheless, after making enquiries of all existing and potential providers of finance, including existing shareholders, and after considering possible actions to mitigate the uncertainties described above, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

The directors therefore 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.

Future developments

The major plans for the hospital in 2009 are to increase patient volumes and improve efficiency of the hospital, by improving the scheduling of the patients on the consulting lists. To achieve this, the contact centre staff based in NG2 Business Park will be relocated to the treatment centre. There will also be further benefits from improving the patient and GP experience and by reducing cancellations and no shows 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.

Although the hospital made a loss in its first full year of operation, 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 two other Nations hospitals have progressed.

Directors' report

Directors

The directors who served during the year and subsequently were:

A Campbell	(resigned 1 November 2008)
M Keyvan- Fouladi	(appointed 1 November 2008)
D Grigson	(appointed 1 November 2008, resigned 13 April 2009)
T Collins	(appointed 13 April 2009)
S Melton	(appointed 13 April 2009)
A Parsadoust	(appointed 13 April 2009)
P Butterworth	(appointed 1 June 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 1985. Such qualifying third party indemnity provision remained in force until the resignation as directors of those who were directors at the year end. There are no outstanding claims or provisions as at the balance sheet date.

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Reappointment of auditors

In accordance with s. 485 of the Companies Act 2006, a resolution is to be proposed at a future board meeting for reappointment of Ernst & Young LLP as auditor of the company.

This report was approved by the Board on 2009 and signed on its behalf by:

A Parsadoust

Director

30.11.09

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). The financial statements are required by law to 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 these 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 are responsible for keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditors' report

to the members of Nations Healthcare (Nottingham) Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 23. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Nations Healthcare (Nottingham) Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Emphasis of matter - going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The conditions mentioned in note 1 indicate the existence of material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

30 November 2009

Profit and loss account

for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover	2	8,021	–
Cost of sales		(8,077)	–
Gross loss		(56)	–
Administrative expenses		(4,397)	–
Operating loss	3	(4,453)	–
Interest receivable	6	1,486	75
Interest payable	7	(1,046)	–
(Loss)/profit on ordinary activities before taxation		(4,013)	75
Tax on (loss)/profit on ordinary activities	8	–	–
(Loss)/profit for the financial year	17	(4,013)	75

All amounts relate to continuing operations

Statement of total recognised gains and losses

for the year ended 31 December 2008

There were no recognised gains or losses for 2008 or 2007 other than those included in the profit and loss account.

Balance sheet

at 31 December 2008

	Notes	2008 £000	As Restated 2007 £000
Fixed assets			
Tangible fixed assets	9	559	255
Current assets			
Stocks	10	7,644	–
Debtors: amounts falling due after more than one year		45,027	45,166
Debtors: amounts falling due within one year		1,876	1,553
	11	46,903	46,719
Cash at bank	12	3,903	2,076
		58,450	48,795
Creditors: amounts falling due within one year	13	(62,415)	(6,446)
Net current (liabilities)/assets		(3,965)	42,349
Total assets less current liabilities		(3,406)	42,604
Creditors: amounts falling due after more than one year	14	–	(41,997)
Net (liabilities)/assets		(3,406)	607
Capital and reserves			
Called up share capital	16	500	500
Profit and loss account	17	(3,906)	107
Shareholders' (deficit)/funds	18	(3,406)	607

The financial statements were approved and authorised for issue by the board on 2009 and were signed on its behalf by:

A Parsadoust
Director

A Parsadoust
30.11.09

Notes to the financial statements

at 31 December 2008

1. Accounting policies

Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention and in accordance with The Companies Act 1985 and applicable accounting standards.

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.

Health Investment Holdings Limited has undertaken to provide the funds necessary for the company to meet its liabilities as and when they fall due, but only to the extent that the money is not otherwise available to the company to meet such liabilities, for a minimum of twelve months from the date of approval of the financial statements.

The directors of Health Investment Holdings Limited have prepared cash flow forecasts which indicate that the Health Investment Holdings Limited group has positive cash flows for 2009 and 2010. These forecasts include a £20m equity funding received on 27 November 2009. However, there are material uncertainties affecting the Health Investment Holdings Limited group's cash flows, as set out below.

- *The ability to achieve the projected results and cash flows for the Health Investment Holdings Limited group's new private hospital in Bath which is expected to commence operations in early 2010, and consequently, the ability to meet debt covenants on the Alliance & Leicester loan used to finance the construction of the hospital.*

  The Circle Bath hospital will be the first hospital in the Health Investment Holdings Limited group to operate under the new business model which underpins the Health Investment Holdings Limited group's strategy. The initial success of this hospital depends on how quickly the consultant doctors, who are Circle Partners, bring their private patients to be treated in the new facility. The consultant doctors are obliged under contract to bring a certain percentage of their patients to the Circle hospital and, as a result, there is a high degree of predictability over a significant proportion of the predicted revenue for the Bath hospital in its first year of operation. Forecasts have been prepared, including a scenario of a delay in new patient arrivals, which would result in lower levels of revenue in the opening few months. If this were to happen it could result in a breach in one of the loan covenants on the first test date in January 2011. The start of operations at Bath and the emergence of trading patterns in early 2010 will drive the actions that management will take to minimise the impact of a potential breach.

  In addition, the Health Investment Holdings Limited group's commissioning team working on Circle Bath has direct relevant experience from recently opening the hospital in Nottingham. Furthermore, the Health Investment Holdings Limited group has experience of performing similar medical procedures in its other hospitals.

  Taking all these factors into account, the directors are confident that the expected cash flows and operational results during the start up years of the Bath hospital will be achieved and that the possible breach is unlikely to occur.

Notes to the financial statements

at 31 December 2008

1. Accounting Policies (continued)

Going concern (continued)

- *The ability to remedy the current technical default relating to the £44.6m Barclays loan for the Nottingham hospital.*

  There is an existing technical default on the Barclays loan for the Nottingham hospital. This is due to various contractual changes, including a revised opening date, not yet having been formally agreed in the form of a new contract between the Health Investment Holdings Limited group and the Department of Health. Management has made Barclays aware of the reasons for the breach and management is continuing its discussions with the Department of Health to arrive at an agreement which would allow the Health Investment Holdings Limited group to comply with the loan undertakings. Based on discussions to date, the directors have a reasonable expectation that the facility will not be prematurely terminated for this reason.

  Nonetheless, under the terms of the Project Agreement, and in the event that the loan is terminated due to an event of default, the Department of Health will make a Residual Value payment to Nations Healthcare (Nottingham) that will substantially cover its repayment of the loan to Barclays.

The directors have concluded that these circumstances, together with circumstances impacting other companies within the Health Investment Holdings Limited group, represent material uncertainties that, in combination, may cast significant doubt upon the group's ability to continue as a going concern. Nevertheless, after making enquiries of all existing and potential providers of finance, including existing shareholders, and after considering possible actions to mitigate the uncertainties described above, the directors have a reasonable expectation that the group and the company have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include any adjustments that would result if the company was unable to continue as a going concern.

Prior year disclosure change

Amounts owed to group undertakings shown as falling due after more than one year in 2007 have been reclassified as falling due within one year. The directors believe that this is a more appropriate presentation of amounts owed to group undertakings as these are repayable on demand. This had the effect in 2007 of reducing creditors: amounts falling due after more than one year by £4,425,000 and increasing creditors: amounts falling due within one year by the same amount. There was no change to net profit or reserves for 2007.

Statement of Cash Flow

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a Statement of Cash Flow in the financial statements on the grounds that the company is wholly owned and its immediate parent undertaking publishes consolidated financial statements.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

PFI accounting and finance debtor

The Company is an operator of a Private Finance Initiative ("PFI") contract. The underlying asset is not deemed to be an asset of the Company under Financial Reporting Standard 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, cost incurred associated to the set-up and construction is recognised as a finance asset.

During the operational phase income is allocated between interest receivable and the finance asset using the contract interest 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 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 and depreciation

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

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost of fixed assets, less their estimated residual value, evenly over their expected useful lives on the following bases:

Office equipment	–	3 years
Computer equipment & software	–	3 years
Leasehold Improvements	–	Over the period of lease or expected usefulness

The carrying values of tangible fixed assets are reviewed for impairment when events or changes of circumstances indicate the carrying value may not be recoverable.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

Operating leases

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

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 with the following exception:

- 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 pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Notes to the financial statements

at 31 December 2008

1. Accounting policies (continued)

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, excluding discounts, rebates, VAT and other sales taxes or duty. Revenue from the provision of medical services is recognised once the patient has been discharged from the hospital after delivery of those services.

Long term contracts and pre-contract costs

Profit on long term contracts is taken as the work is carried out if the final outcome can be assessed with reasonable certainty. 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. Turnover is calculated as that proportion of total contract value which costs incurred to date bear to total expected costs for that contract. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. 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 – Stock and Long Term Contract and amortised over the contract term and is disclosed in stock.

2. Turnover

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

3. Operating loss

The operating loss is stated after charging:

	2008	*2007*
	£000	*£000*
Depreciation of tangible fixed assets:		
– owned by the company	69	–
Amortisation of prepaid pre contract costs	851	–
Operating lease rentals:		
– land and buildings	69	–
– plant and machinery	577	–

The auditor's remuneration was borne by the immediate parent undertaking, Nations Healthcare Limited.

Notes to the financial statements

at 31 December 2008

4. Deferred cost

Costs incurred during the year and included in stock (note 10) and carried forward in accordance with UITF34 are as follows:

	2008	*2007*
	£000	*£000*
Staff costs	1,295	493
Property costs/operating lease rentals	554	386
Depreciation	67	3
Consultancy costs	2,658	800
Amortisation of loan issue costs	40	70
Operating lease fee	317	231
Other administrative expenses	924	–
	5,855	1,983

5. Staff costs

Staff costs were as follows:

	2008	*2007*
	£000	*£000*
Wages and salaries	2,038	428
Social security costs	141	49
Other pension costs	36	16
	2,215	493

In 2008 £1,295,000 (2007 - £493,000) of total staff costs have been deferred (note 4).

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

	2008	*2007*
	No.	*No.*
Administrative staff	33	8
Clinical staff	6	–
	39	8

The directors of the company are also directors or officers of a number of companies within the Health Investment Holdings Limited group of companies and receive remuneration from Circle Health Limited and Nations Healthcare Limited in respect of services provided to the group. It is not possible to identify the proportion of this remuneration that relates to services provided to the company.

Notes to the financial statements

at 31 December 2008

6. Interest receivable

	2008	2007
	£000	£000
Bank interest receivable	34	75
Interest on PFI financial assets	1,452	–
	1,486	75

7. Interest payable

	2008	2007
	£000	£000
Loan interest payable	1,016	–
Loan issue cost amortisation	30	–
	1,046	–

Notes to the financial statements

at 31 December 2008

8. Tax

There is no tax charge in the current or prior year.

(a) Factors affecting tax for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28.5% (2007 – 30%). The differences are explained below:

	2008	*2007*
	£000	*£000*
(Loss)/profit on ordinary activities before tax	(4,013)	75
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.5% (2007 – 30%)	(1,144)	23
Effects of:		
Non taxable expenses/(non taxable income)	2	(23)
Capital allowances for year in excess of depreciation	(3)	–
Unrelieved tax losses applied / carried forward	1,145	–
Total current tax	–	–

(b) The unrecognised deferred tax assets consists of:

	2008	*2007*
	£000	*£000*
Accelerated capital allowances	2	–
Tax losses available	(1,216)	–
	(1,214)	–

The deferred tax asset has not been recognised in the financial statements due to insufficient profit trends to support recognition.

(c) Factors affecting future tax charges

Under the 2007 Finance Act, the rate of UK corporation tax reduced from 30% to 28% with effect from 1 April 2008. The effect on the company of these changes to the UK tax system has been fully reflected in these financial statements.

Notes to the financial statements

at 31 December 2008

9. Tangible fixed assets

	Leasehold improvements £000	*IT equipment and software £000*	*Office equipment £000*	*Total £000*
Cost:				
At 1 January 2008	7	92	161	260
Additions	–	378	62	440
At 31 December 2008	7	470	223	700
Depreciation:				
At 1 January 2008	2	3	–	5
Charge for the year	–	110	26	136
At 31 December 2008	2	113	26	141
Net book value:				
At 31 December 2008	5	357	197	559
At 31 December 2007	5	89	161	255

The total charge for depreciation in the year was £136,000 of which £67,000 was capitalised as part of the pre-contract costs.

10. Stocks

	2008 £000	*2007 £000*
Consumables	377	–
Long term contract balances	7,267	–
	7,644	–

Long term contract balances consist of:

	Due within one year £000	*Due after more than one year £000*	*2008 £000*	*2007 £000*
Costs incurred	1,979	7,096	9,075	–
Payments on account (deferred income)	(1,808)	–	(1,808)	–
	171	7,096	7,267	–

Notes to the financial statements

at 31 December 2008

11. Debtors

	2008	2007
	£000	£000
PFI financial asset	46,038	42,647
Prepayments and accrued income	711	4,072
Trade debtors	35	–
Other debtors	119	–
	46,903	46,719

Amounts greater than one year included above are as follows:

	2008	2007
	£000	£000
PFI financial asset	45,027	41,891
Prepayments and accrued income	–	3,275
	45,027	45,166

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.

Included in prepayments and accrued income of the group are pre contract costs of £nil (2007 - £4,002,000) carried forward in accordance with UITF 34 – Pre-contract costs. The facility is now operational and these costs are now treated as stock (note 10) and being amortised over the contract term.

12. Cash

This year there is a cash balance of £3,903,000 (2007 – £2,076,000). In 2007, there was an amount of £2,000,000 held in an authority security account which was not freely available to the company. The balance was pledged to the Department of Health as security to cover works that would have been required to complete the facility if the contractor defaulted on its contractual obligations and all other construction financial remedies for completion were exhausted. The authority security account was released in August 2008 when the facility was completed.

13. Creditors: amounts falling due within one year

		As Restated
	2008	2007
	£000	£000
Bank loan (note 15)	44,600	386
Trade creditors	3,779	1,088
Amounts owed to group undertakings	10,919	4,605
Accruals and deferred income	3,117	367
	62,415	6,446

Notes to the financial statements

at 31 December 2008

13. Creditors: amounts falling due within one year (continued)

Amounts owed to group undertakings shown as falling due after more than one year in 2007 have been reclassified as falling due within one year. The directors believe that this is a more appropriate presentation of amounts owed to group undertakings as these are repayable on demand. This had the effect in 2007 of reducing creditors: amounts falling due after more than one year by £4,425,000 and increasing creditors: amounts falling due within one year by the same amount. There was no change to net profit or reserves for 2007.

14. Creditors: amounts falling due after more than one year

		As Restated
	2008	*2007*
	£000	*£000*
Bank loan (note 15)	–	41,997

Amounts owed to group undertakings shown as falling due after more than one year in 2007 have been reclassified as falling due within one year (see note 13).

15. Loans

	2008	*2007*
	£000	*£000*
Amounts repayable:		
Within one year (note 13)	44,600	386
In more than one year but not more than two years	–	849
in more than two years but not more than five years	–	2,558
	44,600	3,793
In more than five years	–	38,590
	44,600	42,383

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.

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 in the form of a new contract between the company 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, but this has been delayed until terms favourable to the company can be agreed.

Loan issue costs of £275,000 (2007 – £345,000) 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 interest at a rate of 5.26% per annum. As at 31 December 2008, the swap has a fair value of £3m cost.

Notes to the financial statements
at 31 December 2008

16. Authorised and issued share capital

	2008	2007
Authorised, allotted, called up and fully paid	*£000*	*£000*
500,000 Ordinary Shares of £1 each	500	500

17. Reserves

	Profit and loss account £000
At 1 January 2008	107
Loss for the financial year	(4,013)
At 31 December 2008	(3,906)

18. Reconciliation of movement in shareholders' (deficit)/funds

	2008	2007
	£000	*£000*
Opening shareholders' funds	607	532
(Loss)/profit for the year	(4,013)	75
Closing shareholders' (deficit)/funds	(3,406)	607

19. Capital commitments

At 31 December 2008 the company had capital commitments as follows:

	2008	2007
	£000	*£000*
Contracted for but not provided in these financial statements	–	3,891

20. Pensions

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 £36,000 (2007 £16,000). There were no outstanding or prepaid contributions as at 31 December 2008 (2007-nil)

Notes to the financial statements

at 31 December 2008

21. Operating lease commitments

At 31 December 2008 the company had annual commitments under non cancellable operating leases as follows:

	Land and buildings		*Other*	
	2008	*2007*	*2008*	*2007*
	£000	*£000*	*£000*	*£000*
Expiry date:				
Between 2 and 5 years	153	95	2,185	–
More than 5 years	–	210	–	10
	153	305	2,185	10

22. Related party transactions

The company is a wholly owned subsidiary of Nations Healthcare Limited, the consolidated financial statements of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with the members or investees of the Nations Healthcare Limited group.

At 31 December 2008, an amount of £182,000 (2007 - £127,000) was due to Circle Health Limited, an intermediate parent company. Of this balance £127,000 (2007- £127,000) relates to recharged salaries and £55,000 (2007-£nil) relates to seconded staff.

At 31 December 2008, an amount of £74,000 (2007-£nil) was due to Health Properties Limited, a fellow group company for consultancy fees.

During the year the company did not enter into any transactions with Circle International Plc, the ultimate parent undertaking prior to 9 May 2008, or any other of its subsidiary undertakings, and the company did not enter into any transactions after that date with Health Investment Holdings Limited, the ultimate parent undertaking , or any other of its subsidiary undertakings.

23. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Nations Healthcare Limited, a company registered in England and Wales. Nations Healthcare Limited is the parent undertaking of the smallest group for which consolidated financial statements are prepared that include the financial statements of the company. Copies of the group financial statements, which include the company, may be obtained from 32 Welbeck Street, London, W1G 8EU, England.

Health Investment Holdings Limited is the parent undertaking 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 32 Welbeck Street, London, W1G 8EU, England.

At 31 December 2008 the directors regard Health Investment Holdings Limited, a company registered in Jersey, as the company's ultimate parent undertaking and controlling partly.