

Registered no. 05153608

**Nations Healthcare (Nottingham) Limited  
Annual Report and Financial Statements  
For the year ended 31 December 2010**

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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

### **Company secretary**

S Cobb

### **Independent 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 2010 (continued)

The Directors present their report and the audited financial statements for the year ended 31 December 2010 for Nations Healthcare (Nottingham) Limited (the 'Company'). The Company forms part of a group whose ultimate parent company is Circle Holdings plc (the 'Circle Holdings group'). Circle Holdings plc was formerly known as Health Investment Holdings Limited.

#### Principal activity and review of the business

The principal activity of the Company during the year is the provision of medical 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 Private Finance Initiative ('PFI') agreement with Barclays Bank, underwritten by the Department of Health ('DoH').

2010 was the second full year of operations for the Nottingham Treatment Centre which opened on 28 July 2008. Patient volumes continue to grow significantly with daycase patients up 16.8% to 25,397 (2009: 21,752) and outpatient procedures increasing by 30.8% to 52,249 (2009: 39,952).

The increase in volume and Deed of Variation ('DoV') has resulted in revenue increasing by 37.6% to £48,000,000 (2009: £34,896,000). The Nottingham Treatment Centre is one of the biggest independent treatment centres in Europe, providing services including Orthopaedic Surgery, General Surgery, Endoscopy, Digestive Diseases, Gynaecology and Dermatology. A DoV was signed during the year to compensate for delays in the original start date of the contract and changes to the charges received under the contract.

The increased volumes and resolution of the DoV resulted in the Nottingham Treatment Centre returning a profit for the financial year of £1,719,000 (2009: operating loss for the financial year of £3,307,000).

#### Key performance indicators

The Directors of Nations Healthcare Limited, the immediate parent undertaking of the Company, manage Nations Healthcare Limited 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 Company. The development, performance and position of Nations Healthcare Limited Group, which includes the Company, is discussed on pages 2 and 3 of Nations Healthcare Limited Group's annual report.

#### Principal risks and uncertainties

##### Medical service risk

As with all medical providers, clinical risk is a major consideration due to the consequences to the individuals concerned where processes break down or procedures are found to be negligent. The Circle Health Limited Group, of which the Company is a subsidiary, has an Integrated Corporate Governance structure, chaired by the Medical Director, M Keyvan-Fouladi, who also sits on the board of Circle Holdings plc (the ultimate parent undertaking), 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 Group's 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.

# **Nations Healthcare (Nottingham) Limited**

## **Directors' Report for the year ended 31 December 2010 (continued)**

### **Business growth risk**

The key focus of the Directors is to continue to grow the Nottingham treatment centre into world class care facilities which will include revenue streams from private patients and community care services. This will also involve improving patient care quality and increasing efficiency. The Directors are also planning to ensure that management of the Nottingham ISTC continues after the end of the initial 5 year contract and is also actively seeking other opportunities within the NHS, so that the business can continue to grow.

### **Government policy and regulatory risk**

The risk that the ISTC contract is not renewed in 2013, along with other political and other risks associated with the NHS (e.g. a change in government policy), are mitigated by the fact that the capital structure of the business is coterminous with the length of the ISTC contract.

### **Risk to reputation**

The Group provides high quality medical care that is backed up by clinical governance. Reputational risk is the risk that the Group provides medical care that is not of a sufficiently high quality, resulting in patient or customer dissatisfaction and negative publicity.

### **Financial risk management**

The Company's operations expose it to a variety of financial risks. The ultimate parent undertaking of the Company, Circle Holdings plc has in place a group risk management programme that seeks to limit the adverse effects on the financial performance of the Circle Holdings group by monitoring levels of debt finance and the related finance costs. Details of the risk management policy are included on pages 12 - 13 of the Circle Holdings group financial statements.

### **Future developments**

The major plans for the treatment centre in 2011 are to build on the performance of 2010 by increasing patient volumes, including the treatment of private patients and improving efficiency of the hospital. There will also be further benefits from improving the patient and GP experience, including clinical outcomes.

### **Going concern**

The financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. See note 1 to the financial statements.

### **Results and dividends**

The profit for the year after taxation amounted to £1,719,000 (2009: loss of £3,307,000). The Directors do not recommend the payment of any dividends (2009: £nil).

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# Nations Healthcare (Nottingham) Limited

## Directors' Report

### for the year ended 31 December 2010 (continued)

#### Directors

The Directors who served during the year and subsequently were

M Keyvan-Fouladi

T Collins

S Melton

A Parsadoust (resigned 11 March 2010)

P Butterworth

R Magnani

In its articles, 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 provisions remain in force until resignation as Directors. There are no outstanding claims or provisions as at the balance sheet date.

#### Policy and practice on payment of creditors

It is Nations Healthcare Nottingham's policy to abide by the payment terms agreed with suppliers wherever it is satisfied that the supplier has provided goods and services in accordance with agreed terms and conditions. A number of significant purchases and commitments under operating leases are paid by direct debit. The Company had the equivalent of 49 days (2009 60 days) purchases outstanding, based on the ratio of the Company's trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

#### Donations

The Company made charitable donations totalling £12,000 (2009 £1,000) during the year to a number of charitable organisations within the UK. A donation of £11,000 was made in 2010 to the Teenage Cancer Trust, to match a similar donation by a group of Nottingham orthopaedic surgeons.

No donation was made to any political party registered in the UK under the Political Parties, Elections and Referendums Act 2000 by either the Company or its subsidiaries.

#### Events after the balance sheet date

##### i. Flotation of ultimate parent company on Alternative Investment Market

On 17 June 2011, the ultimate parent company, Circle Holdings plc listed on the Alternative Investment Market. Further details can be found in the group financial statements for Circle Holdings plc.

##### ii. Costain construction contract

Due to construction delays and building design changes on the Nottingham Treatment Centre during 2007, additional costs were incurred in the completion of the building. The primary building contractor, Costain Limited ('Costain'), brought a legal claim in 2010 for £1,200,000 of additional costs. An adjudication was held in January 2011 and an amount of £543,000 was awarded and paid to Costain as settlement of the claim. Subsequent to this, Costain brought a second claim against the Company for £1,200,000 for which costs of £700,000 are included in the financial statements. During March 2011, the Company agreed to pay Costain £700,000 on 1 June 2011 in full and final settlement of this claim.

# Nations Healthcare (Nottingham) Limited

## Directors' Report

### for the year ended 31 December 2010 (continued)

#### Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' 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 prepared 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 these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting 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 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

PricewaterhouseCoopers LLP 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



T Collins  
Director

29 June 2011

# **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 2010 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 Directors' Responsibilities Statement set out on page 5, 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 and express an opinion on 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 2010 and of its profit 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  
29 June 2011

## Nations Healthcare (Nottingham) Limited

### Profit and loss account for the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
<b>Turnover</b>	2	<b>48,000</b>	34,896
Cost of sales		<u>(33,536)</u>	<u>(27,863)</u>
Gross profit		<b>14,464</b>	7,033
Administrative expenses		<u>(13,171)</u>	<u>(11,419)</u>
<b>Operating profit / (loss)</b>	3	<b>1,293</b>	(4,386)
Interest receivable and similar income	6	<b>3,380</b>	3,456
Interest payable and similar charges	7	<u>(2,309)</u>	<u>(2,377)</u>
<b>Profit / (loss) on ordinary activities before taxation</b>		<b>2,364</b>	(3,307)
Tax on profit / (loss) on ordinary activities	8	<u>(645)</u>	<u>-</u>
<b>Profit / (loss) for the financial year</b>	17	<u><b>1,719</b></u>	<u>(3,307)</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 profit / (loss) on ordinary activities before taxation and the profit / (loss) for the financial year stated above and their historical cost equivalents

# Nations Healthcare (Nottingham) Limited

## Balance sheet as at 31 December 2010

	Note	2010 £'000	2009 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	<u>545</u>	<u>424</u>
<b>Current assets</b>			
Stocks	10	5,379	6,649
Debtors – Amount falling due after more than one year		43,003	44,015
Debtors – Amounts falling due within one year		<u>5,387</u>	<u>3,239</u>
Total debtors	11	48,390	47,254
Cash at bank and in hand	12	<u>4,909</u>	<u>2,888</u>
		<b>58,678</b>	<b>56,791</b>
<b>Creditors - amounts falling due within one year</b>	13	<u>(21,017)</u>	<u>(63,928)</u>
<b>Net current assets / (liabilities)</b>		<u>37,661</u>	<u>(7,137)</u>
<b>Total assets less current liabilities</b>		<b>38,206</b>	<b>(6,713)</b>
<b>Creditors - amounts falling due after one year</b>	14	(42,555)	-
<b>Provisions for liabilities and charges</b>	15	(645)	-
<b>Net liabilities</b>		<u>(4,994)</u>	<u>(6,713)</u>
<b>Capital and reserves</b>			
Called up share capital	16	500	500
Profit and loss reserve	17	<u>(5,494)</u>	<u>(7,213)</u>
<b>Total shareholders' deficit</b>	18	<u>(4,994)</u>	<u>(6,713)</u>

The financial statements on pages 8 to 24 were approved by the board of Directors on 29 June 2011 and were signed on its behalf by



T Collins  
Director

Nations Healthcare (Nottingham) Limited

Registered no. 05153608

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# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010

### 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, which in turn is a part of a group of companies whose ultimate parent is Circle Holdings plc. The Directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the entire Circle Holdings group, as the Company is reliant on financial support from Circle Holdings plc.

The Directors of Circle Holdings plc have prepared cash flow forecasts for a period of not less than 12 months from signing the financial statements for the year ending 31 December 2010. Committed funds and IPO proceeds (associated with the Circle Holdings plc's listing on the Alternative Investment Market), together with existing cash balances and cash flows from the operating businesses, are sufficient to fund head office costs necessary to sustain the current operations, interest payments over the next 12 months and future growth plans, including taking on the management of NHS Hospitals and funding the commissioning and start up losses of the projected private hospital roll out programme.

On this basis, the Directors conclude that it is appropriate for these accounts to be prepared on a going concern basis and the ultimate parent, Circle Holdings plc has provided a letter of support accordingly.

#### Cash flow statement

The Directors have taken advantage of the exemption in FRS 1 (revised) 'Cash flow statements' 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.

#### Private Finance Initiative 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 'Reporting the substance of transactions, Application Note F Private Finance Initiative and similar contracts' 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.

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 1. Accounting policies (continued)

#### Private Finance Initiative assets (continued)

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 revenue recognition. 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	– shorter of lease life or expected useful life (5 years)
Clinical equipment	– 3 years straight line
Fixtures, fittings and office equipment	– 3 to 5 years straight line

Residual values, if material, and useful lives are reviewed at the end of each reporting period. 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.

#### Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term and lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

#### Stock

Consumable stock is 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 (net of trade discounts), less all costs incurred in marketing, selling and distribution. Obsolete stock is provided for through the profit and loss account.

#### 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 in 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 2010 (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

#### Provisions for liabilities and charges

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation

#### 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 Primary Care Trust ('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.

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 1. Accounting policies (continued)

#### 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, subject to certain claw-back clauses included within the PCT contracts which require an element of the revenue to be deferred until certain contractual obligations have been met

### 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 profit / (loss)

Operating profit / (loss) is stated after charging

	2010 £'000	2009 £'000
Depreciation of tangible fixed assets		
- owned assets	247	212
Amortisation of pre contract costs	2,063	2,084
Operating lease charges		
- plant and machinery	2,167	2,097
- other	<u>299</u>	<u>143</u>

The auditors' remuneration of £36,000 payable to PricewaterhouseCoopers LLP (2009 £21,000) in relation to the provision of audit services was borne by Nations Healthcare Limited, the immediate parent of the Company

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 4. Employee Information

Staff costs were as follows

	2010 £'000	2009 £'000
Wages and salaries	3,452	2,557
Social security costs	311	242
Other pension costs (note 20)	<u>84</u>	<u>57</u>
	<u>3,847</u>	<u>2,856</u>

Salaries and wages were paid by the Company's immediate parent, Nations Healthcare Limited and recharged at cost to the Company during the year (see note 22)

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

	2010 Number	2009 Number
Administrative staff	43	28
Clinical staff	<u>154</u>	<u>95</u>
	<u>197</u>	<u>123</u>

### 5. Directors' emoluments

	2010 £'000	2009 £'000
Aggregate emoluments	<u>699</u>	<u>962</u>
Highest paid Director	<u>237</u>	<u>308</u>

The Directors of the Company are also Directors or officers of a number of other companies within the ultimate parent group (Circle Holdings group), and are remunerated in respect of services provided to the Circle Holdings 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 each individual company in the Circle Holdings group. The amounts disclosed above are the Directors' total emoluments as per their employment contracts.

Directors' emoluments in 2010 were paid and expensed in Circle Health Limited, Nations Healthcare Limited and Nations Healthcare (Nottingham) Limited, while Directors' emoluments in 2009 were paid and expensed by the above companies as well as Health Properties Management Limited.

The Directors do not have any retirement benefits accruing under money purchase schemes (2009 none)



# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 6. Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest receivable	3	3
Interest on PFI financial assets	<u>3,377</u>	<u>3,453</u>
	<u>3,380</u>	<u>3,456</u>

### 7. Interest payable and similar charges

	2010 £'000	2009 £'000
Loan interest payable on Barclays Bank loan	2,242	2,340
Loan issue cost amortisation on Barclays Bank loan	<u>67</u>	<u>37</u>
	<u>2,309</u>	<u>2,377</u>

### 8. Tax on profit / (loss) on ordinary activities

#### (a) Tax on profit / (loss) on ordinary activities

The tax charge is made up as follows

	2010 £'000	2009 £'000
<b>Current tax</b>		
UK corporation tax	-	-
<b>Deferred tax</b>		
Origination and reversal timing differences (note 15)	<u>645</u>	-
<b>Tax on profit / (loss) on ordinary activities</b>	<u>645</u>	-

#### (b) Factors affecting current tax for the year

The tax assessed for the year is lower (2009 higher) than the standard rate of corporation tax in the UK 28.0% (2009 28.0%). The differences are explained below

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 8. Tax on loss on ordinary activities (continued)

#### (b) Factors affecting current tax for the year (continued)

	2009 £'000	2008 £'000
<b>Profit / (loss) on ordinary activities before taxation</b>	<b>2,364</b>	<b>(3,307)</b>
Profit / (loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 28.0% (2009 28.0%)	662	(926)
Effects of		
Expenses not deductible for tax purposes	62	36
Capital allowances for year in excess of depreciation	(537)	(612)
Unrelieved tax losses	21	2,320
Other timing differences	(533)	(818)
Group relief surrendered not paid	325	-
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

#### (c) Factors affecting future tax charges

Legislation in the UK has been enacted to cut the main rate of corporation tax to 27.0% for the financial year starting 1 April 2011. There will be further cuts in the main rate in future years (26.0% in 2012 to 2013, 25.0% in 2013 to 2014 and 24.0% in 2014 to 2015) which may affect future tax charges and reduce the deferred tax liabilities.

In addition to the changes in rates of corporation tax disclosed above, a number of changes to the UK corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26.0% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26.0% to 25.0% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1% per annum to 23.0% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes enacted by Parliament on 29 March 2011 is to reduce the deferred tax liability provided at the balance sheet date and increase profit by £24,000. This decrease in the deferred tax liability is due to the additional reduction in the corporation tax rate to 26.0% with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1.0% per year to 23.0% by 1 April 2014 are expected to be enacted separately each year.

In addition, the utilisation of any tax losses for which no deferred tax asset has been recognised may affect future tax charges.

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 8. Tax on loss on ordinary activities (continued)

#### (d) Deferred taxation

The deferred tax is as follows

	Unrecognised		Recognised	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Included in provisions for liabilities (note 15)	-	-	645	-

The deferred tax consists of

	2010 £'000	2009 £'000	2010 £'000	2009 £'000
Capital allowances in excess of depreciation	(1,843)	(3,932)	(1,431)	-
Short term timing differences	-	9,684	9,853	-
Unrelieved tax losses	-	(8,044)	(7,777)	-
(Asset) / liability	<u>(1,843)</u>	<u>(2,292)</u>	<u>645</u>	<u>-</u>

The unrecognised deferred tax asset stated in the prior year was £15,632,000. This should have been £2,292,000 as more information has come to light during the year.

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.

### 9. Tangible fixed assets

	Leasehold improvements £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2010	7	47	723	777
Additions	131	194	43	368
<b>At 31 December 2010</b>	<b>138</b>	<b>241</b>	<b>766</b>	<b>1,145</b>
<b>Depreciation</b>				
At 1 January 2010	3	8	342	353
Charge for the year	1	32	214	247
<b>At 31 December 2010</b>	<b>4</b>	<b>40</b>	<b>556</b>	<b>600</b>
<b>Net book value</b>				
At 31 December 2010	134	201	210	545
At 31 December 2009	4	39	381	424

## Nations Healthcare (Nottingham) Limited

### Notes to the financial statements for the year ended 31 December 2010 (continued)

#### 10. Stock

	2010 £'000	2009 £'000
Consumables	298	370
Long term contract balances	<u>5,081</u>	<u>6,279</u>
	<u>5,379</u>	<u>6,649</u>

Long term contract balances consist of

	Due within one year 2010 £'000	Due after more than one year 2010 £'000	Total 2010 £'000	Total 2009 £'000
Cost incurred	2,213	2,868	5,081	7,144
Payments on account (deferred income)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(865)</u>
	<u>2,213</u>	<u>2,868</u>	<u>5,081</u>	<u>6,279</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

	2010 £'000	2009 £'000
Trade debtors	580	998
PFI financial asset	44,015	45,027
Amounts owed by related parties (note 22)	-	16
Other debtors	245	878
Prepayments and accrued income	<u>3,550</u>	<u>335</u>
	<u>48,390</u>	<u>47,254</u>

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

Amounts greater than one year included above are as follows

	2010 £'000	2009 £'000
PFI financial asset	<u>43,003</u>	<u>44,015</u>

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 11. Debtors (continued)

The PFI financial asset represents the costs incurred for the construction of the Independent Sector Treatment Centre, amortised to their residual value. In accordance with the principles of FRS 5 Application note F, beneficial ownership of the associated property asset lies with the purchaser of services and not with the Company as provider of those services.

### 12. Cash at bank and in hand

	2010 £'000	2009 £'000
Cash at bank and in hand	4,909	2,888
<b>Less restricted cash balances</b>		
Minimum balance	(1,300)	(1,300)
Unrestricted cash at bank and in hand	<u>3,609</u>	<u>1,588</u>

The Company is required to maintain a minimum average balance of cash at bank and in hand of £1,300,000 (2009 £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.

### 13. Creditors – amounts falling due within one year

	2010 £'000	2009 £'000
Bank loan (note 14)	922	43,717
Trade creditors	5,466	5,648
Amounts owed to group undertakings (note 22)	9,285	13,257
Accruals and deferred income	5,290	1,306
Other creditors	54	-
	<u>21,017</u>	<u>63,928</u>

The Company's lease with GE Capital Corporation (Leasing) Limited, requires that the Company maintain a minimum loan balance to Nations Healthcare Limited of £4,100,000. As at 31 December 2010 the loan balance was £9,057,000 (2009 £13,127,000).

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

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 14. Creditors - amounts falling due after one year

	2010 £'000	2009 £'000
Bank loan	<u>42,555</u>	<u>-</u>

The bank loan disclosed above and in note 13 relates to the Barclays PFI loan. It carries an interest rate of LIBOR + 0.4% 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, subject to the repayment re-scheduling as agreed under the DoV. Payment holidays were granted for the scheduled payments on 1 June 2010 and 1 September 2010 and a partial repayment was granted for the payment due on 1 December 2010.

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 that will substantially cover its repayment of the loan to Barclays.

The Barclays loan is not under any defaults or cross-defaults as at 31 December 2010. However, for the 2009 year end the loan was in technical default due to various contractual changes and a revised opening date of the Nottingham hospital not having been formally agreed as a DoV between Nations Healthcare Limited Group and the DoH. As a result, the loan was classified as repayable within one year in the 2009 comparative. The DoV was subsequently agreed and signed in April 2010.

Loan issue costs of £171,000 (2009: £238,000) have been set off from the loan amount and are being spread over the life of the loan in accordance with FRS 4 'Capital instruments'.

The loan has been hedged using an interest rate swap fixing total interest at a rate of 5.0% (2009: 5.3%) per annum. As at 31 December 2010, the swap has a fair value of £3,494,000 liability (2009: £3,043,000 liability). This is not recognised on the balance sheet.

### 15. Provisions for liabilities and charges

	Deferred tax £'000	Total £'000
At 1 January 2010	-	-
Charge for the year	<u>645</u>	<u>645</u>
<b>At 31 December 2010</b>	<u><b>645</b></u>	<u><b>645</b></u>

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 16. Called up share capital

	2010 £'000	2009 £'000
<b>Authorised</b>		
500,000 (2009 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
<b>Allotted and fully paid</b>		
500,000 (2009 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

### 17. Reserves

	Profit and loss reserve £'000
At 1 January 2010	(7,213)
Profit for the financial year	<u>1,719</u>
<b>At 31 December 2010</b>	<u>(5,494)</u>

### 18. Reconciliation of shareholders' deficit

	2010 £'000	2009 £'000
Opening shareholders' deficit	(6,713)	(3,406)
Profit / (loss) for the financial year	<u>1,719</u>	<u>(3,307)</u>
<b>Closing shareholders' deficit</b>	<u>(4,994)</u>	<u>(6,713)</u>

### 19. Capital commitments

At 31 December 2010, the Company had no capital commitments (2009 £nil)

### 20. 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 £84,000 (2009 £57,000). There were no outstanding or prepaid contributions as at 31 December 2010 (2009 £nil).

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 21. Operating lease commitments

At 31 December 2010, the Company had annual commitments under non cancellable operating leases as follows

	Land and buildings		Other	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
<b>Expiry date:</b>				
During years two to five	<u>168</u>	<u>87</u>	<u>2,102</u>	<u>2,102</u>
	<u>168</u>	<u>87</u>	<u>2,102</u>	<u>2,102</u>

#### Land and buildings

The Company entered into an operating lease agreement with the Queens Medical Centre to lease the land on which the Nottingham Treatment Centre has been built, for a minimum period of 5 years from July 2008. In addition it has entered into an operating lease agreement for office space for a minimum period of 5 years from August 2006.

#### Other

The Company has entered into an operating lease agreement with GE to lease equipment for the purpose of providing healthcare services contracted with the NHS. The lease is for a minimum period of 5 years from June 2008.

### 22. Related party transactions

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding as at 31 December 2010, are as follows

	Amounts owed to related party £'000	Amounts owed by related party £'000
<b>Circle Health Limited</b>		
2010	-	-
2009	<u>12</u>	<u>7</u>
<b>Circle Hospital (Bath) Limited</b>		
2010	-	-
2009	<u>-</u>	<u>7</u>
<b>Nations Healthcare Ltd</b>		
2010	9,285	-
2009	<u>13,237</u>	<u>-</u>



# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2010 (continued)

### 22. Related party transactions (continued)

	Amounts owed to related party £'000	Amounts owed by related party £'000
<b>Nations Healthcare (Burton) Limited</b>		
2010	-	-
2009	<u>3</u>	<u>2</u>
<b>Nations Healthcare (North Bradford) Limited</b>		
2010	-	-
2009	<u>5</u>	<u>-</u>

#### Circle Health Limited

Circle Health Limited owns 61.8% of the Company's immediate parent, Nations Healthcare Limited and is in turn owned 50.1% by Circle International plc, a wholly owned subsidiary of Health Investment Holdings Limited. During the year staff costs and other administrative expenses were recharged at cost between the companies. As at 31 December 2010 the Company had debtors of £nil (2009 £7,000) and creditors of £nil (2009 £12,000).

#### Circle Hospital (Bath) Limited

Circle Hospital (Bath) Limited is a wholly owned subsidiary of Circle Health Limited and during 2009 was recharged staff costs by the Company. These have all been settled (2009 amounts owed by related party £7,000).

#### Nations Healthcare Limited

Nations Healthcare Limited is the immediate parent undertaking of the Company. The Company has been advanced loans of £9,057,000 by its parent (2009 £13,127,000) which the Directors believe are fully recoverable. During the year the Company was recharged salaries (as shown in note 4) and management fees of £1,528,000 (2009 £1,153,000) of which £228,000 remained outstanding at 31 December 2010 (2009 £110,000).

#### Nations Healthcare (Burton) Limited

Nations Healthcare (Burton) Limited is a fellow subsidiary of Nations Healthcare Limited and during 2009 recharged staff expenses and travel costs to the Company, at cost. These have all been settled (2009 amounts owed to related party £3,000, amounts owed by related party £2,000).

#### Nations Healthcare (North Bradford) Limited

Nations Healthcare (North Bradford) Limited is a fellow subsidiary of Nations Healthcare Limited and during 2009 recharged staff expenses and travel costs to the Company, at cost. These have all been settled (2009 amounts owed to related party £5,000).

## **Nations Healthcare (Nottingham) Limited**

### **Notes to the financial statements for the year ended 31 December 2010 (continued)**

#### **23. Events after the balance sheet date**

##### **i. Flotation of ultimate parent company on Alternative Investment Market**

On 17 June 2011, the ultimate parent company, Circle Holdings plc listed on the Alternative Investment Market. Further details can be found in the group financial statements for Circle Holdings plc.

##### **ii. Costain construction contract**

Due to construction delays and building design changes on the Nottingham Treatment Centre during 2007, additional costs were incurred in the completion of the building. The primary building contractor, Costain Limited ('Costain'), brought a legal claim in 2010 for £1,200,000 of additional costs. An adjudication was held in January 2011 and an amount of £543,000 was awarded and paid to Costain as settlement of the claim. Subsequent to this, Costain brought a second claim against the Company for £1,200,000 for which costs of £700,000 are included in the financial statements. During March 2011, the Company agreed to pay Costain £700,000 on 1 June 2011 in full and final settlement of this claim.

#### **24. 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.

Circle Holdings plc 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 Circle Holdings plc may be obtained from 12 Castle Street, St Helier, JE2 3RT, Jersey.

At 31 December 2010, the Directors regard Circle Holdings plc, a company registered in Jersey, as the Company's ultimate parent undertaking and controlling party.