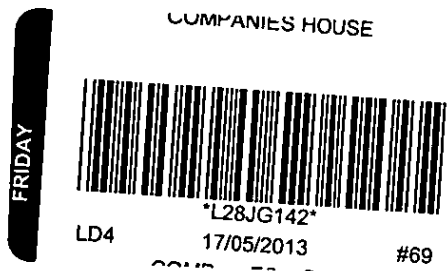


Registered no: 05153608

Nations Healthcare (Nottingham) Limited

**Annual report and financial statements
For the year ended 31 December 2012**



Nations Healthcare (Nottingham) Limited

Annual report and financial statements

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Nations Healthcare (Nottingham) Limited

Company Information

Directors

Massoud Fouladi
Steve Melton
Rachael Magnani

Company secretary

Shane Cobb

Independent auditors

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

Bankers

Barclays 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 2012

The Directors present their Annual report and the audited financial statements for the year ended 31 December 2012 for Nations Healthcare (Nottingham) Limited (the 'Company' or 'Circle's Nottingham NHS Treatment Centre'). The Company forms part of a group whose ultimate parent company is Circle Holdings plc (the 'Circle Holdings group')

Principal activity and review of the business

The principal activity of the Company during the year was the provision of medical services. The Company operates a Treatment Centre in Nottingham which opened in July 2008.

In 2005, 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 plc, underwritten by the Department of Health ('DoH'). Circle's Nottingham NHS 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.

The year ended 31 December 2012 was the fourth full year of operations for Circle's Nottingham NHS Treatment Centre. Patient volumes continued to grow with daycase patients up 3.5% to 27,700 (2011: 26,776) while outpatient procedures remained flat at 60,364 (2011: 60,564). At the same time, patient recommendations averaged 99.4% (2011: 99.1%).

The increased volumes has resulted in revenue increasing by 4.2% to £53,317,000 (2011: £51,185,000) and profit on ordinary activities before taxation increasing by 10.0% to £3,877,000 (2011: £3,526,000).

Future developments

In February 2013 the Company was selected as the preferred bidder by NHS commissioners to provide renewed services at the Nottingham Treatment Centre for a further five years from July 2013, when the current contract in respect of the Nottingham Treatment Centre was due to expire.

The major plans for Circle's Nottingham NHS Treatment Centre in 2013 are to build on the performance of 2012 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.

Key performance indicators (KPIs)

The Directors of the Company manage Circle's Nottingham NHS Treatment Centre's operations based on KPIs such as patient volumes and customer feedback rating, revenues and losses for the year, all of which are summarised above.

Results and dividends

The loss for the year after taxation amounted to £4,086,000 (2011: profit of £2,371,000). The Directors do not recommend the payment of any dividends (2011: £nil).

Nations Healthcare (Nottingham) Limited

Directors' report for the year ended 31 December 2012 (continued)

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 which is chaired by the Medical Director, Massoud Fouladi. This Integrated Corporate Governance structure includes senior staff across the operational, clinical and central support teams. The clinic 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 Limited group's Integrated Governance Committee. A summary of the relevant findings is in turn presented to the two principal shareholders of Circle Health Limited, Circle Holdings plc (50.1%) and Circle Partnership Limited (49.9%).

Business growth risk

The immediate key focus of the Directors is to continue to grow Circle's Nottingham NHS Treatment Centre into a world class care facility which will include revenue streams from private patients and community care services. This will also involve improving patient care quality and increasing efficiency. In February 2013 the Company was selected as the preferred bidder by NHS commissioners to provide renewed services at the Nottingham Treatment Centre for a further five years from July 2013, when the current contract in respect of the Nottingham Treatment Centre was due to expire.

Government policy and regulatory risk

The risk that the new ISTC contract is not renewed, along with political and other risks associated with the NHS (e.g. a change in government policy), are partially mitigated by the fact that the capital structure of the business, with the exception of an insignificant operating lease (note 21), is coterminous with the length of the ISTC contract.

Risk to reputation

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

Financial risk management

The Company's operations expose it to a variety of financial risks. The immediate 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 11 to 12 of the Circle Holdings group financial statements.

Nations Healthcare (Nottingham) Limited

Directors' report for the year ended 31 December 2012 (continued)

Going concern

The Company is dependent upon funding being made available by Circle Holdings plc, the ultimate parent company, and Circle Holdings plc has undertaken to provide the necessary funds for the Company to meet its financial obligations as and when they fall due, for a minimum of twelve months from the date of approval of these financial statements

The Circle Holdings plc Directors have prepared cash flow forecasts for a period of 18 months from the date of signing the group financial statements for the year ended 31 December 2012. These forecasts have been prepared on the cash flows from the existing operating businesses to include the following assumptions

- CircleBath and CircleReading revenue and margin growth, and
- Awarding of the new Nottingham contract on revised terms

If sensitivities to the Group business plan were to materialise, management believe that it could mitigate these by undertaking some combination of the following

- Utilisation of contingencies built into the base case,
- Head office cost savings, and
- The sale of some property asset holdings

While the Circle Holdings plc Directors are confident that the Group can continue to meet their working capital requirements over the next 12 to 18 months, any significant deviations from the forecasts could impact on its ability to do so, and this represents a material uncertainty which may cast significant doubt upon the Group's, and consequently the Company's, ability to continue as a going concern. Nevertheless, the Circle Holdings plc Directors believe that, based on its latest business plan, the Group has adequate resources to continue in operational existence and provide the requisite support to the Company

As such, the Directors of Nations Healthcare (Nottingham) Limited consider it appropriate for these financial statements to be prepared on a going concern basis

Events after the balance sheet date

In February 2013 the Company was selected as the preferred bidder by NHS commissioners to provide renewed services at the Treatment Centre for a further five years from July 2013, when the current contract in respect of the Treatment Centre was due to expire

Other than the matter stated above there have been no other events subsequent to balance sheet date which would have a material effect on the Company's financial statements at 31 December 2012

Directors

The Directors who served during the year and up to the date of approval of these financial statements were as follows

Massoud Fouladi
Steve Melton
Patrick Butterworth (resigned 13 March 2013)
Rachael 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

Nations Healthcare (Nottingham) Limited

Directors' report for the year ended 31 December 2012 (continued)

Donations

The Company made charitable donations totalling £nil (2011 £1,000) during the year to a number of charitable organisations within the UK

The Company did not make any donations in either year to any political party registered in the UK under the Political Parties, Elections and Referendums Act 2000

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,

- 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 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.

Statement of 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

Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office. A resolution concerning their reappointment will be proposed at the Board meeting.

On behalf of the Board



Steve Melton, Director
17 May 2013

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 2012 which comprise the Profit and loss account, the Balance sheet and 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 7, 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. In addition, we read all the financial and non-financial information in the Directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2012 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

Nations Healthcare (Nottingham) Limited

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

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

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not modified, 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 Company is dependent upon funding being available from Circle Holdings plc, the ultimate parent company. While the Circle Holdings plc Directors are confident that the Group can continue to meet their working capital requirements over the next 12 to 18 months, any significant deviations from their forecasts could impact on its ability to do so, and these conditions as explained in note 1 to the financial statements, indicate the existence of a material uncertainty 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.

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
17 May 2013

Nations Healthcare (Nottingham) Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £'000	2011 £'000
Turnover	2	53,317	51,185
Cost of sales		(37,554)	(36,109)
Gross profit		15,763	15,076
Administrative expenses		(13,034)	(12,685)
Operating profit	3	2,729	2,391
Interest receivable and similar income	6	3,384	3,381
Interest payable and similar charges	7	(2,236)	(2,246)
Profit on ordinary activities before taxation		3,877	3,526
Tax on profit on ordinary activities	8	(7,963)	(1,155)
(Loss) / profit for the financial year	17	(4,086)	2,371

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 on ordinary activities before taxation and the loss for the financial year stated above (2011 no difference) and their historical cost equivalents

Nations Healthcare (Nottingham) Limited

Balance sheet as at 31 December 2012

	Note	2012 £'000	2011 £'000
Fixed assets			
Tangible fixed assets	9	870	739
Current assets			
Stocks	10	1,504	3,491
Debtors – amounts falling due within one year		45,464	6,615
Debtors – amounts falling due after more than one year		-	41,990
Total debtors	11	<u>45,464</u>	<u>48,605</u>
Cash at bank and in hand	12	6,307	5,639
		<u>53,275</u>	<u>57,735</u>
Creditors - amounts falling due within one year	13	<u>(51,041)</u>	<u>(17,546)</u>
Net current assets		<u>2,234</u>	<u>40,189</u>
Total assets less current liabilities		<u>3,104</u>	<u>40,928</u>
Creditors - amounts falling due after more than one year	14	-	(41,701)
Provisions for liabilities	15	<u>(9,813)</u>	<u>(1,850)</u>
Net liabilities		<u><u>(6,709)</u></u>	<u><u>(2,623)</u></u>
Capital and reserves			
Called up share capital	16	500	500
Profit and loss account	17	(7,209)	(3,123)
Total shareholders' deficit	18	<u><u>(6,709)</u></u>	<u><u>(2,623)</u></u>

The financial statements on pages 10 to 24 were approved by the Board of Directors on 17 May 2013 and were signed on its behalf by



Steve Melton, Director
Nations Healthcare (Nottingham) Limited

Registered no· 05153608

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012

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 Directors consider it to be appropriate for the accounts to be prepared on a Going Concern basis based on the assumptions considered in the Directors' report on page 6.

Cash flow statement

The Directors have taken advantage of the exemption in FRS 1 (revised 1996) 'Cash flow statements' from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its intermediate parent, Circle Health Limited, publishes consolidated financial statements.

Related party transactions

The Directors have taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing transactions with other members of the Circle Holdings plc group with which the Company is a constituent of a 100.0% group.

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.

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (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 and depreciation

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 - 10 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

Where the Company does not retain substantially all the risks and rewards of ownership of the asset, leases are classified as 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 debtors are measured at cost, less provision for impairment.

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

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 cost.

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 receive more, tax.

Deferred tax assets are recognised only to the extent that the Directors consider there will be sufficient 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

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.

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. Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance and is measured at the fair value of the consideration received, for activity performed. 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.

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

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, less income recognised under PFI accounting. 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.

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.

2 Turnover

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

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 Operating profit

Operating profit is stated after charging	2012 £'000	2011 £'000
Gain on disposal of tangible assets	(11)	-
Depreciation of tangible fixed assets	291	241
Amortisation of pre contract costs	2,003	1,910
Operating lease charges		
- plant and machinery	2,202	2,212
- other	259	321
	<u>2,202</u>	<u>2,212</u>
	<u>259</u>	<u>321</u>

The auditors' remuneration of £38,000 payable to PricewaterhouseCoopers LLP (2011 £37,000) in relation to the provision of audit services was borne by Circle Health Limited

4 Employee Information

Staff costs were as follows	2012 £'000	2011 £'000
Wages and salaries	5,403	4,474
Social security costs	443	364
Other pension costs (note 20)	170	96
	<u>6,016</u>	<u>4,934</u>

For the first nine months of 2011, salaries and wages were paid by the Company's immediate parent, Nations Healthcare Limited and recharged at cost to the Company. In 2012, all staff costs were incurred by the Company.

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

	2012 Number	2011 Number
Clinical staff	101	75
Administrative staff	139	132
	<u>240</u>	<u>207</u>

There are more administrative staff than clinical staff since Nottingham University Hospital provides most of the clinical staff as part of a Staff Service Agreement and these are not reflected in the headcount above.

5 Directors' emoluments

	2012 £'000	2011 £'000
Aggregate emoluments	<u>718</u>	<u>613</u>
Highest paid Director	<u>286</u>	<u>240</u>

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Directors' emoluments (continued)

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 2012 and 2011 were paid and expensed in Circle Health Limited, Nations Healthcare Limited and Nations Healthcare (Nottingham) Limited.

The Directors do not have any retirement benefits accruing under money purchase schemes (2011 none) and there was no compensation paid for loss of office during the year (2011 £nil).

6 Interest receivable and similar income

	2012 £'000	2011 £'000
Bank interest receivable	7	4
Interest on PFI financial assets	3,377	3,377
	<u>3,384</u>	<u>3,381</u>

7 Interest payable and similar charges

	2012 £'000	2011 £'000
Loan interest payable on Barclays plc ('Barclays') loan	2,169	2,179
Loan issue cost amortisation on Barclays loan	67	67
	<u>2,236</u>	<u>2,246</u>

8 Tax on profit on ordinary activities

(a) Tax on profit on ordinary activities

	2012 £'000	2011 £'000
The tax charge is made up as follows		
Current tax		
UK corporation tax at 24.5% (2011: 26.5%)	-	-
Deferred tax		
Origination and reversal timing differences	8,584	1,203
Adjustments in respect of previous years	(63)	-
Effect of decreased tax rate	(559)	(48)
Tax on profit on ordinary activities	<u>7,963</u>	<u>1,155</u>

(b) Factors affecting current tax for the year

The tax assessed for the year is lower (2011: lower) than the standard rate of corporation tax in the UK (24.5% (2011: 26.5%)). The differences are explained below:

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Tax on profit on ordinary activities (continued)

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

	2012	2011
	£'000	£'000
Profit on ordinary activities before tax	3,877	3,526
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%)	950	934
Effects of		
Expenses not deductible for tax purposes	37	129
Capital allowances in excess of depreciation	(282)	(434)
Short-term timing differences	(469)	(506)
Losses utilised	(234)	-
Group relief claimed for nil payment	(2)	(1)
Unrelieved tax losses	-	(122)
Current tax charge for the year	-	-

(c) Factors affecting future tax charges

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Legislation was enacted to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013.

On 5 December 2012, a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 was announced. A further rate change was announced on 20 March 2013 in the 2013 Budget Statement. The main rate of corporation tax will be reduced and unified with the small profits rate of corporation tax from 1 April 2015. The new unified corporation tax main rate will be 20%. Legislation will be introduced in Finance Act 2013 to enact these rate changes. As these rate changes had not been substantively enacted at the balance sheet date, their effects have not been included in these financial statements.

The proposed rate change may affect future tax charges and reduce deferred tax liabilities.

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Tax on profit on ordinary activities (continued)

(d) Deferred taxation

The deferred tax is as follows

	Unrecognised		Recognised	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Included in provisions for liabilities (note 15)	-	-	9,763	1,800
The deferred tax consists of	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Capital allowances in excess of depreciation	(2,150)	(2,035)	-	(595)
Short term timing differences	(390)	-	9,763	9,599
Unrelieved tax losses	(6,470)	-	-	(7,204)
Tax losses carried forward	-	-	-	-
(Asset) / liability	(9,010)	(2,035)	9,763	1,800

A deferred tax liability has been recognised for timing differences which are expected to arise in future periods that will result in tax liabilities. A deferred tax asset has not been recognised in the financial statements in respect of other timing differences due to the uncertainty over the future taxable profits against which the asset will reverse.

9 Tangible fixed assets

Cost	Leasehold	Clinical	Fixtures, fittings and office	Total
	Improvements	equipment	equipment	
	£'000	£'000	£'000	£'000
At 1 January 2012	253	468	859	1,580
Additions	132	267	48	447
Disposals	-	(37)	(2)	(39)
At 31 December 2012	385	698	905	1,988
Depreciation				
At 1 January 2012	25	136	680	841
Depreciation charge for the year	31	175	85	291
Disposals	-	(12)	(2)	(14)
At 31 December 2012	56	299	763	1,118
Net book value				
At 31 December 2012	329	399	142	870
At 31 December 2011	228	332	179	739

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Stocks

	2012 £'000	2011 £'000
Consumables	336	320
Long term contract balances	1,168	3,171
	<u>1,504</u>	<u>3,491</u>

Long term contract balances consist of

	Due within one year 2012 £'000	Due after more than one year 2012 £'000	Total 2012 £'000	Total 2011 £'000
Cost incurred	1,168	-	1,168	3,171
Payments on account (deferred income)	-	-	-	-
	<u>1,168</u>	<u>-</u>	<u>1,168</u>	<u>3,171</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

	2012 £'000	2011 £'000
Trade debtors	668	1,185
PFI financial asset	41,990	43,003
Amounts owed by group undertakings	20	6
Other debtors	84	81
Prepayments and accrued income	2,702	4,330
	<u>45,464</u>	<u>48,605</u>

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

Amounts greater than one year included above are as follows

	2012 £'000	2011 £'000
PFI financial asset	<u>-</u>	<u>41,990</u>

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (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

	2012 £'000	2011 £'000
Cash at bank and in hand	6,307	5,639
Less restricted cash balances Minimum balance	(1,300)	(1,300)
Unrestricted cash at bank and in hand	<u>5,007</u>	<u>4,339</u>

The Company is required to maintain a minimum balance of cash at bank and in hand of £1,300,000 (2011 £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

13 Creditors – amounts falling due within one year

	2012 £'000	2011 £'000
Barclays loan (note 14)	41,768	920
Trade creditors	5,596	5,992
Amounts owed to group undertakings	1,226	7,219
Other creditors	203	150
Accruals and deferred income	2,248	3,265
	<u>51,041</u>	<u>17,546</u>

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 2012 (continued)

14 Creditors - amounts falling due after more than one year

	2012 £'000	2011 £'000
Barclays loan	-	41,701

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 has 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 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 the Company 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 2012 (2011 none).

Loan issue costs of £39,000 (2011 £105,000) 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% (2011 5.0%) per annum. As at 31 December 2012, the swap has a fair value of liability of £1,113,000 (2011 £2,475,000 liability). This is not recognised on the balance sheet.

15 Provisions for liabilities

	Deferred tax £'000	Dilapidations provision £'000	Total £'000
At 1 January 2012	1,800	50	1,850
Charge for the year	7,963	-	7,963
At 31 December 2012	9,763	50	9,813

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Called up share capital

	2012 £'000	2011 £'000
Authorised		
500,000 (2011 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
Allotted and fully paid		
500,000 (2011 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

17 Profit and loss account

	Profit and loss account £'000
At 1 January 2012	(3,123)
Loss for the financial year	(4,086)
At 31 December 2012	<u>(7,209)</u>

18 Reconciliation of movement in shareholders' deficit

	2012 £'000	2011 £'000
Opening shareholders' deficit	(2,623)	(4,994)
Loss / (profit) for the financial year	(4,086)	2,371
Closing shareholders' deficit	<u>(6,709)</u>	<u>(2,623)</u>

19 Capital commitments

At 31 December 2012, the Company had no capital commitments (2011 £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 £170,000 (2011 £96,000). There were £16,000 in outstanding contributions as at 31 December 2012 (2011 £nil).

Nations Healthcare (Nottingham) Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

21 Operating lease commitments

At 31 December 2012, the Company had annual commitments under non cancellable operating leases as follows

Expiry date.	Land and buildings		Other	
	2012 £'000	2011 £ 000	2012 £'000	2011 £ 000
Within one year	-	-	1,051	-
During years two to five	206	206	-	2,102
	<u>206</u>	<u>206</u>	<u>1,051</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 which expires in August 2016.

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

The Company has taken advantage of the exemptions conferred by FRS 8 'Related Party Disclosures' from the requirement to make disclosures concerning transactions with members of wholly owned group companies. There were no other related party transactions.

23 Events after the balance sheet date

In February 2013 the Company was selected as the preferred bidder by NHS commissioners to provide renewed services at the Treatment Centre for a further five years from July 2013, when the current contract in respect of the Treatment Centre was due to expire.

Other than the matter stated above there have been no other events subsequent to balance sheet date which would have a material effect on the Company's financial statements at 31 December 2012.

24 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Circle Health 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. Copies of the Circle Health Limited group financial statements may be obtained from the Company Secretary of Circle Health Limited at 32 Welbeck Street, London, W1G 8EU, United Kingdom.

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 2012, the Directors regard Circle Holdings plc, a company registered in Jersey, as the Company's ultimate parent undertaking and controlling party.