

Circle Nottingham Limited
Annual Report and Financial Statements
for the year ended 31 December 2017



Circle Nottingham Limited

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Circle Nottingham Limited

Company Information

Directors

Paul Sillandy
Paul Manning
Ben Gooding

Company Secretary

Shane Cobb

Independent Auditors

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

Bankers

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

Solicitors

Gowling WLG
4 More London Riverside
London
SE1 2AU

Registered Office

32 Welbeck Street
London
W1G 8EU

Circle Nottingham Limited

Strategic Report for the year ended 31 December 2017 (continued)

The Directors present the Strategic Report and audited financial statements for Circle Nottingham Limited (the 'Company') for the year ended 31 December 2017.

Principal activities and review of 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 and provides services including orthopaedic surgery, general surgery, endoscopy, digestive diseases, gynaecology and dermatology.

The year ended 31 December 2017 was the fourth full year of operations under its Payment by Results contract. Patient volumes were maintained at similar levels to last year and inpatients and patient satisfaction averaged 98.0% across the year. (2016: 97.6%).

Revenue remained steady compared to the previous year at £55,144,000 (2016: 55,203,000) however, profit on ordinary activities before taxation was £2,900,000 (2016: £2,262,000) representing a 22% increase over the previous year, mainly due to improved cost control.

In July 2018, the Company was awarded an additional year's contract which ends in July 2019. A procurement for a further five-year contract to provide services from the Treatment Centre is currently underway.

Key performance indicators (KPI's)

The directors of the company manage Circle's Nottingham NHS Treatment Centre's operations based on KPIs such as patient volumes and feedback ratings, revenues and profit for the year, all of which are summarised above.

Results and dividends

The profit for the financial year amounted to £2,900,000 (2016: £2,262,000). The Directors do not recommend the payment of any dividends (2016: £nil).

The company has net assets of £20,124,000 as at 31 December 2017 (2016: net assets of £16,737,000).

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 Holdings Limited Group, of which the Company is a subsidiary, has an Integrated Governance Committee (IGC) structure which is managed by the Group Medical Director, Massoud Fouladi. The IGC includes senior staff across the operational, clinical and central support teams. Each facility in the Group maintains its own local governance structure, whilst a team of clinical care quality specialists is dedicated to developing and monitoring consistent policies and practice across all sites.

Local governance committees work to a rigorous assurance framework, manage day to day clinical risks, provide appropriate training to staff and consultants, and report their findings to the IGC. A quarterly report is in turn presented to the directors of Circle Health Holdings Limited.

Circle Nottingham Limited

Strategic Report for the year ended 31 December 2017 (continued)

Principal risks and uncertainties (continued)

Business growth risk

The key focus of the directors is to continue to ensure the provision of high quality care to local patients on a sustainable basis. This objective is underpinned through a programme of continuous clinical and operational improvement. The Company was selected as the winning bidder by NHS commissioners to provide services at the Nottingham Treatment Centre for a further five years from July 2013, when the previous contract expired. A procurement for a further five-year contract is currently underway.

Government policy and regulatory risk

The Company was directly awarded an additional year's contract from July 2018 to July 2019.

The risk that the current 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 22), is coterminous with the length of the current 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 company provides high quality medical care that is backed up by clinical governance.

This strategic report has been approved by the board.

On behalf of the board:



Paul Manning

Director

28 September 2018

Circle Nottingham Limited

Directors' Report for the year ended 31 December 2017 (continued)

The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2017 for Circle Nottingham Limited (the 'Company' or 'Circle's Nottingham NHS Treatment Centre'). The Company forms part of a group whose ultimate parent company is Circle Health Holdings Ltd (the 'Group').

Future developments

In July 2013 the Company entered into a five-year contract to provide services at the Nottingham Treatment Centre. The Company has been awarded an additional year's contract from July 2018 to July 2019. A procurement for a further five-year contract is currently underway.

Dividends

The directors do not recommend the payment of any dividends (2016: £nil).

Financial risk management

The company's operations expose it to a variety of financial risks. The ultimate parent undertaking of the company, Circle Health Holdings Limited, maintains a group risk management programme that seeks to mitigate any adverse effects on the financial performance of the Circle Health Holdings Group by managing levels of debt finance and the related finance costs. Details of the risk management policy are included on pages 4 to 6 of the Circle Health Holdings Group financial statements.

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 whose ultimate parent is Circle Health Holdings Limited. The Directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the entire Circle Health Holdings Group, as the company is reliant on financial support from Circle Health Holdings Limited.

The Directors of Circle Health Holdings Limited have prepared cash flow forecasts for a period of not less than 12 months from the date of signing the company financial statements for the year ended 31 December 2017.

The Directors believe that the Group has sufficient funding to carry out its current business plans including commitments associated with them. Accordingly, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, and conclude that it is appropriate for these financial statements to be prepared on a going concern basis.

Events after balance sheet date

The company was awarded a further one year contract to operate the Nottingham treatment Centre until July 2019.

A further tender process and bid submission is currently underway, following which the successful bidder will be awarded a further five year contract commencing in July 2019.

Circle Nottingham Limited

Directors' Report for the year ended 31 December 2017 (continued)

Directors

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

Helen Tait (resigned 26 July 2018)
Paul Manning
Ben Gooding (appointed on 1 January 2017)
Paul Sillandy (appointed on 27 July 2018)

In its Articles of Association, the Company has granted an indemnity to its directors in respect of proceedings brought by third parties. The Company has procured third party liability insurance for all directors and officers of the company during the financial year and as at the date of approval of the financial statements. There are no outstanding claims or provisions as at the balance sheet date.

Donations

The Company made charitable donations totalling £254 (2016: £1,087) during the year to 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.

Disabled employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the company. If members of staff become disabled the company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the company is encouraged, as achieving a common awareness on the part of all employees of the financial, operational and clinical factors affecting the company is considered to be of the utmost importance. The ultimate parent company, Circle Health Holdings Limited, also encourages the involvement of all employees within the Group, further details of which can be found in the Circle Health Holdings Limited Annual Report.

Statement of Directors' responsibilities in respect of the financial statements

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

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, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

Circle Nottingham Limited

Directors' Report for the year ended 31 December 2017 (continued)

-
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;

Statement of Directors' responsibilities in respect of the financial statements (continued)

- make judgements and accounting estimates that are reasonable and prudent; 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 enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director 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 a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Statement of disclosure of information to auditors

So far as the directors in office at the date of approval of these financial statements are aware;

- there is no relevant audit information of which the company's auditors are unaware; and
- each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself 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



Paul Manning

Director

28 September 2018

Circle Nottingham Limited

Independent Auditors' Report to the Members of Circle Nottingham Limited (continued)

Report on the audit of the financial statements

Opinion

In our opinion, Circle Nottingham Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2017, the Statement of Comprehensive Income, the Statement of Changes in Equity for the year then ended; and the Notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Circle Nottingham Limited

Independent Auditors' Report to the Members of Circle Nottingham Limited (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements set out on pages 7 and 8, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

Circle Nottingham Limited

Independent Auditors' Report to the Members of Circle Nottingham Limited (continued)

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.


Other required reporting

Companies Act 2006 exception reporting

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

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Simon O'Brien (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

28 September 2018

Circle Nottingham Limited

Statement of Comprehensive Income for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	4	55,144	55,203
Cost of sales		(36,858)	(37,656)
Gross profit		18,286	17,547
Administrative expenses before exceptional items		(14,986)	(15,218)
Exceptional items		(347)	
Operating profit	5	2,953	2,329
Interest receivable and similar income	8	1	2
Interest payable and similar expenses	9	(54)	(69)
Profit before taxation		2,900	2,262
Tax on profit	10	49	(100)
Total comprehensive income for the financial year		2,949	2,162

The activities of the company are all derived from continuing operations.

The notes on pages 15 to 29 form part of these financial statements.

Circle Nottingham Limited

Statement of Financial Position as at 31 December 2017

	Note	2017 £'000	2016 £'000
Fixed assets			
Property, plant and equipment	11	1,551	2,162
		<u>1,551</u>	<u>2,162</u>
Current assets			
Inventories	12	470	463
Trade and other receivables	13	21,083	17,350
Cash and cash equivalents		1,671	243
		<u>23,224</u>	<u>18,056</u>
Non-current assets			
Deferred tax asset	16	1,639	1,590
Creditors: amounts falling due within one year	14	(6,290)	(4,850)
Net current assets		<u>16,934</u>	<u>13,206</u>
Total assets less current liabilities		<u>20,124</u>	<u>16,958</u>
Creditors: amounts falling due after more than one year	15	-	(321)
Net assets		<u><u>20,124</u></u>	<u><u>16,637</u></u>
Equity			
Called-up share capital	18	500	500
Retained earnings		18,522	15,573
Capital contribution reserve		1,102	564
Total shareholders' funds		<u><u>20,124</u></u>	<u><u>16,637</u></u>

The financial statements of Circle Nottingham Limited (company registration no: 05153608) on pages 12 to 28 were approved by the board of directors and authorised for issue on 28 September 2018. They were signed on its behalf by:



Paul Manning, Director

Circle Nottingham Limited

Circle Nottingham Limited

Statement of Financial Position as at 31 December 2017

	Called up share capital £'000	Retained earnings £'000	Capital contribution reserve £'000	Total shareholders' funds £'000
At 1 January 2016	500	13,411	392	14,303
Total comprehensive income for the year	-	2,162	-	2,162
Share-based payments charge (note 19)	-	-	172	172
At 1 January 2017 and 31 December 2016	500	15,573	564	16,637
Total comprehensive income for the year	-	2,949	-	2,949
Share-based payments charge (note 19)	-	-	538	538
At 31 December 2017	500	18,522	1,102	20,124

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017

1. General information

Circle Nottingham Limited (the company) is a private limited company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 3. The nature of the company's operations and its principal activities are set out in the Strategic Report on page 4 to 5.

2. Significant accounting policies

The principal accounting policies have been applied consistently in the years presented and are outlined below.

Basis of preparation

These financial statements are prepared for Circle Nottingham Limited (the 'company') for the year ended 31 December 2017. The financial statements have been prepared in accordance with FRS 101, 'Reduced Disclosure Framework'. These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods and services received was determined).
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 73 (e) of IAS 16 Property, Plant and equipment.
- IAS 7, 'Statement of cash flows' and paragraph 10(d) of IAS 1 (statement of cash flows).
- The requirement in paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' to disclose information when an entity has not applied a new IFRS that has been issued but is not yet effective.
- The requirement in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group.

The principal accounting policies, which have been applied consistently for both years presented, are set out below.

Going concern

The directors consider it to be appropriate for the financial statements to be prepared on a going concern basis based on the assumptions considered in the Directors' Report on page 6 to 8.

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

2. Significant accounting policies (continued)

Property, plant and equipment and depreciation

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises all amounts directly attributable to making assets capable of operating as intended, including development costs and borrowing costs where relevant.

Depreciation is provided on all categories of property, plant and equipment with the exception of freehold land and assets under construction. Depreciation is based on cost less estimated residual value and is provided on a straight line basis over the estimated useful life of the asset as follows:

Leasehold improvements	– shorter of lease life or expected useful life (5 - 10 years)
Clinical equipment	– 3 to 5 years straight line
Fixtures, fittings and office equipment	– 3 to 5 years straight line

Residual values and useful lives are reviewed at the end of each reporting period. The expected useful lives of the assets to the business are reassessed periodically in the light of experience. The carrying values of property, plant and equipment are reviewed for impairment when events or changes of circumstances indicate the carrying value may not be recoverable.

Leases

Where substantially all the risks and rewards of ownership of the leased item are transferred to the company, the lease is classified as a finance lease and capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum future lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement. Leased assets are depreciated over the useful life of the asset.

Where the company does not retain substantially all the risks and rewards of ownership of the asset, leases are classified as operating leases. Operating lease rental payments are recognised as an expense in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term.

Inventories

Inventories, primarily medical consumables, are stated at the lower of cost and net realisable value. Cost comprises purchase price less trade discounts, and is determined on a first-in, first-out basis. Net realisable value means estimated selling price, less all costs incurred in marketing, selling and distribution. Obsolete stock is provided for in the income statement.

Trade receivables

Trade receivables represent amounts due from customers arising from the performance of services or sale of goods. Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, which includes an allowance for impairment where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the contract. The movement in the allowance for impairment is taken to administrative expenses.

Cash and cash equivalents

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

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

2. Significant accounting policies (continued)

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 initially recognised at fair value and subsequently measured at amortised cost. If payment is contractually not due for more than one year, they are classified as non-current liabilities.

Deferred taxation

Deferred tax is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future, except as otherwise required by FRS101.

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 operates personal defined contribution pension schemes. Contributions are charged to the income statement as they become payable, in accordance with the rules of the scheme. The company has no further payment obligation once the contributions have been paid.

Revenue

Revenue which is measured as the fair value of consideration received for the activity performed represents the total amounts derived primarily from the provision of healthcare services in the UK, after deducting relevant discounts and value added tax (where services are not exempt). Revenue from the provision of medical services is recognised once the patient has been discharged.

The Nottingham contract offers guaranteed payments. The company receive guaranteed payments each month from the contracted Clinical Commissioning Groups ('CCGs'), which amount to 1/12th of the overall activity plan. There is a three month period after each month where any queries are resolved, and following on from this the activity and revenue for that month is frozen. Revenue is accrued or deferred where treatment takes place ahead or behind contractual activity levels.

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.

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

2. Significant accounting policies (continued)

Share-based payments

Shares, and in some cases share warrants, are issued to employees and consultants. The fair value of the employee services received in exchange for the grant of the shares or share warrants is recognised as an expense, with a corresponding credit to equity. The total amount expensed is determined by reference to the fair value of the warrants granted, including:

- Any market performance conditions such as an entity's share price;
- Non-market performance conditions and service conditions included in assumptions about the number of options that are expected to vest; and
- The impact of any non-vesting conditions

And excluding:

- Impact of any service and non-market performance vesting conditions (profitability, sales growth targets and remaining an employee for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are expected to be satisfied. Where modifications to existing share options occur, the difference between the revised charge and the existing charge will be recognised in the income statement

Share capital

Ordinary shares are classified as equity. Proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Revenue recognition

Across the Group, a number of CCGs have signed up to a framework agreement whereby payment is made in advance based on indicative volumes, and then reconciled to actual volumes over a period of up to 3 months when the CCGs then approve the actual activity levels. Revenue is estimated and recognised based on activity performed in the month which had not been approved at the end of the year.

(b) Taxation

The recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years.

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

3. Critical accounting estimates and assumptions (continued)

(c) Share-based charges

Share-based charges are based on the share and warrant valuations calculated using several assumptions (for example share price volatility and time constraints) included within an option pricing model. In the event that estimates are wrong, this may impact the charge in future years.

(d) Useful economic lives of property, plant and equipment

Property, plant and equipment are reviewed on a regular basis to check they are still in use, to ensure that their useful economic life is in line with the expected life of the asset and that their carrying values are recoverable. In the event that estimates are wrong, this may impact the financial statements in future years.

(e) Allowance for impairment of trade receivables

An allowance for impairment of trade receivables is made, based on the difference between the asset's carrying amount and the present value of estimated cash flows. In the event that estimates are wrong, this may impact the financial statements in future years. See note 14 for the net carrying amount of the receivables and associated impairment provision.

(f) Provisions

Provisions are assessed annually in accordance with the company's accounting policy. Provisions are recognised where it is probable that an outflow of economic benefits will occur as a result of a past event or transaction and a reliable estimate of the outflow can be made. In the event that estimates are wrong, this may impact the financial statements in future years.

4. Revenue

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

5. Operating profit

Operating profit is stated after charging:

	2017 £'000	2016 £'000
Depreciation of property, plant and equipment (note 11)	825	950
Movement in bad debt provision	50	(283)
Operating lease charges (note 22):		
- plant and machinery	327	341
- land and buildings	1,918	1,970
Staff costs (note 6)	17,645	16,531

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

5. Operating profit (continued)

The auditors' remuneration of £42,700 payable to PricewaterhouseCoopers LLP (2016: £44,375) in relation to the provision of audit services was borne by Circle Health Holdings Ltd. No non-audit services were provided during the year (2016: none).

6. Employees

The average monthly number of persons (including executive directors) employed by the company during the year was:

	Number	Number
Clinical staff	317	269
Administrative staff	260	243
	<u>577</u>	<u>512</u>

Their aggregate remuneration comprised:

	£'000	£'000
Wages and salaries	15,359	14,448
Social security costs	1,377	1,274
Other pension costs (note 221)	909	809
	<u>17,645</u>	<u>16,531</u>

In 2017 and 2016, all staff costs were incurred by the company.

Included in wages and salaries is a total expense of share based payments of £538,000 (2016: £564,000) all of which arises from transactions accounted for as equity-settled share-based payment transactions.

7. Directors' emoluments

The directors' emoluments were as follows:

	2017 £'000	2016 £'000
Total salary and other benefits	610	291
Share-based payment charge	298	-
Company pension contributions to defined contribution scheme	11	8
Aggregate emoluments	<u>919</u>	<u>299</u>

Post-employment benefits are accruing for two (2016: two) under a defined contribution scheme.

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

7. Directors' emoluments (continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2017	2016
	£'000	£'000
Total salary and other benefits	251	180
Share-based payment charge	155	-
Company pension contributions to defined contribution scheme	-	-
	406	180

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

Directors' emoluments in 2017 were paid and expensed in Circle Health Holdings Limited and Circle Nottingham Limited. Of the total aggregate emoluments, £267,000 was paid and expensed in Circle Nottingham Limited.

Three directors (including the highest paid director) exercised share options during the year and received shares under the group's share scheme (2016: none).

8. Interest receivable and similar income

	2017	2016
	£'000	£'000
Bank interest receivable	1	2

9. Interest payable and similar expenses

	2017	2016
	£'000	£'000
Finance lease interest	54	69

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

10. Tax on profit on ordinary activities

Tax charge/(credit) included in profit or loss

	2017	2016
	£'000	£'000
Current tax		
UK Corporation tax on profits for the year	-	-
Deferred tax		
Current year	(56)	-
Adjustments in respect of prior years	-	6
Effect of changes in tax rate	7	94
Income tax charge/(credit) on profit for the year	(49)	100

Factors affecting the current tax charge/(credit) for the year

The tax assessed for the year is lower (2016: lower) than the standard rate of corporation tax in the UK of 19.25% (2016: 20%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit before taxation	2,900	2,262
Profit multiplied by standard rate of corporation tax in the UK of 19.25% (2016: 20%)	558	452
Effects of:		
Expenses not deductible for tax purposes	13	125
Adjustments in respect of prior years	-	6
Share options	(53)	-
Income not subject to tax	-	-
Tax rate changes	7	94
Effects of group relief/ other reliefs	(574)	(577)
Total adjustments	-	(352)
Tax charge/(credit) for the financial year	(49)	100

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

10. Tax on profit on ordinary activities (continued)

Factors that may affect future tax charges

The tax rate for the current year is lower than the prior year, due to changes in the UK corporation tax rate, which decreased from 20% to 19% from 1 April 2017.

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2016 (on 6 September 2016). These include reductions to the main rate, to reduce the rate to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

11. Property, plant and equipment

	Leasehold improvements £'000	Clinical equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost				
At 1 January 2017	1,555	2,870	1,385	5,810
Additions	94	49	71	214
At 31 December 2017	1,649	2,919	1,456	6,024
Accumulated Depreciation				
At 1 January 2017	437	2,029	1,182	3,648
Depreciation charge for the year	160	556	109	825
At 31 December 2017	597	2,585	1,291	4,473
Net book amount				
At 31 December 2017	1,052	334	165	1,551
At 31 December 2016	1,118	841	203	2,162

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

12. Inventories

	2017 £'000	2016 £'000
Consumables	<u>470</u>	<u>463</u>

There is no significant difference between the replacement cost of consumables and their carrying amount.

13. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	1,440	2,165
Amounts owed by group undertakings	19,018	14,641
Other debtors	32	48
Prepayments and accrued income	593	496
	<u>21,083</u>	<u>17,350</u>

Trade receivables are stated after provisions for impairment of £52,000 (2016: £2,000).

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

14. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	1,370	651
Amounts owed to group undertakings	290	342
Other creditors	561	552
Secured finance lease creditor	249	420
Accruals and deferred income	3,820	2,885
	<u>6,290</u>	<u>4,850</u>

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

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

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

	2017 £'000	2016 £'000
Secured finance lease creditor	-	321

16. Deferred tax

The following are the major deferred tax assets recognised by the company and movements thereon during the current and prior reporting period.

	£'000
Deferred tax asset at 1 January 2017	1,590
Charge to the statement of comprehensive income	49
Deferred tax asset at 31 December 2017	1,639

The deferred tax asset comprises of:

	2017 £'000	2016 £'000
Fixed assets	1,639	1,584
Other temporary differences	-	6
Deferred tax asset	1,639	1,590

Movement in Deferred tax assets:

	Fixed Assets £'000	Other £'000	Total £'000
Opening balance 1 January 2017	1,584	6	1,590
(Charged) / credited to statement of comprehensive income	55	(6)	49
Closing balance 31 December 2017	1,639	-	1,639

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

16. Deferred Tax (continued)

A deferred tax asset has been recognised for temporary differences which are regarded as recoverable. This is on the basis that it is more likely than not there will be suitable taxable profits from which the future reversal of the temporary differences can be deducted.

17. Finance Leases

The future minimum lease payments are as follows:

	2017	2016
	£'000	£'000
No later than 1 year	262	463
Later than 1 year and no later than 5 years	-	327
Total gross payments	262	790
Impact of finance charges	(13)	(49)
Carrying value of finance lease liability	249	741

18. Called Up Share Capital

	2017	2016
	£'000	£'000
Ordinary share capital		
Authorised		
500,000 (2016: 500,000) ordinary shares of £1 each	500	500
Issued and fully paid		
500,000 (2016: 500,000) ordinary shares of £1 each	500	500

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

19. Share-based payments

In April 2017, the entire share capital of Circle Holdings plc was acquired by Circle Health Holdings Limited, a private limited company. Shares, shares options and share warrants of Circle Holdings plc had previously been issued by the Group to directors, employees, clinicians and external investors who contributed to the success and growth in value of the Group. The issuance of these warrants and shares, including the issue of shares to scheme participants and employees, qualified as equity-settled share-based payment transactions and fell within the scope of IFRS 2 'Share-based payments'. Note there was no charge associated with the transaction where the employees subscribed for the shares at full market value.

All share options that were outstanding at the time of the acquisition by Circle Health Holdings Ltd became exercisable. A further distribution of shares that were held in trust on behalf of employees was made to employees in April 2017.

The company has recognised a share-based payment expense based on the fair value of the awards granted, and an equivalent credit directly in equity as a capital contribution. During 2017, £122,000 was the IFRS 2 share based payment charge for share options issued to Circle Nottingham Limited directors, employees and partners (2016: £172,000).

There were no share options outstanding at the end of the year.

20. Capital commitments

At 31 December 2017, the company had capital commitments of £nil (2016: £nil).

21. 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 £909,000 (2016: £809,000). There were no outstanding contributions as at 31 December 2017 (2016: £nil).

22. Operating lease commitments

At 31 December 2017, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	Land and buildings		Other	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Not later than one year	1,147	1,914	183	314
Later than one year and not later than five years	288	1,363	-	183
Later than five years	222	294	-	-
	<u>1,657</u>	<u>3,571</u>	<u>183</u>	<u>497</u>

Land and buildings

On 28 July 2013, the company entered into an operating lease in respect of the Circle Nottingham Treatment Centre for an initial annual rent of £2,064,000 per year. The lease was extended for a further year and is due to expire on 27 July 2019.

Circle Nottingham Limited

Notes to the Financial Statements for the year ended 31 December 2017 (continued)

22. Operating lease commitments (continued)

Other

The company entered into an operating lease agreement with GE to lease equipment for the purpose of providing healthcare services contracted with the NHS on commencement of the initial contract. The lease was for a minimum period of 5 years from June 2008. New leases were entered into in July 2013 for the provision of clinical equipment for a period of five years until July 2018 and were further extended until July 2019.

23. Related party transactions

The company has taken advantage of the exemption allowed under FRS 101, not to disclose the transactions entered into between Group members as required by IAS 24 Related Party Disclosures.

24. Ultimate parent undertaking and controlling party

Circle Health Holdings Limited is the parent undertaking of the smallest and 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 Health Holdings Limited may be obtained from 32 Welbeck Street, London, W1G 8EU.

Circle Health Holdings Limited, a company registered in the UK, is the company's ultimate parent undertaking and controlling party.

25. Events after the balance sheet date

The company was awarded a further one year contract to operate the Nottingham treatment Centre until July 2019.

A further tender process and bid submission is currently underway, following which the successful bidder will be awarded a further five year contract commencing in July 2019.