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# Nations Healthcare (Nottingham) Limited

## Report and Financial Statements

31 December 2005



# Nations Healthcare (Nottingham) Limited

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Registered No: 05153608

## **Directors**

Dr J D Weiss  
J Muolo  
J J Mansmann  
IL Donnachie  
JR Bugos

## **Secretary**

Reed Smith Corporate Services Limited  
J Muolo

## **Auditors**

Ernst & Young LLP  
Apex Plaza  
Forbury Road  
Reading  
Berkshire  
RG1 1YE

## **Bankers**

Barclays Bank plc  
54 Lombard Street  
London  
EC1R 5HL

## **Solicitors**

Reed Smith Corporate Services Limited  
Minerva House  
5 Montague Close  
London  
SE1 9BB

## **Registered office**

Minerva House  
5 Montague Close  
London  
SE1 9BB

## Directors' report

The directors present their report and financial statements for the year ended 31 December 2005.

### Results and dividends

The profit for the year amounted to £nil. The directors do not recommend the payment of any dividends.

### Principal activities and review of the business

The company was incorporated on 15 June 2004.

During the prior period the company was dormant and did not trade.

The principal activity of the company during the year was that of medical practice services. In July 2005 negotiations were finalised with twenty-one Primary Care Trusts in the Nottingham area to provide diagnostic and same day surgery services. The project will involve the construction of a £47m purpose built facility at the Queens Medical Centre site that is scheduled to be operational from December 2007.

A pre-operational office facility has been rented and staff recruited towards the end of 2005 in order to progress the project.

The facility is financed by a Barclays Bank construction loan and a residual value on the building is guaranteed by the secretary of State for up to 10 years from the date the facility is opened. Due to the nature of the contract the building is being accounted for as a finance asset as per the requirements of FRS5.

### Directors

The directors who served the company during the year were as follows:

Dr J D Weiss	
J Muolo	(appointed 18 October 2005)
J J Mansmann	(appointed 14 June 2005)
IL Donnachie	(appointed 18 October 2005)
JR Bugos	(appointed 18 October 2005)
P G Lowman	(served from 14 June 2005 to 13 October 2005)

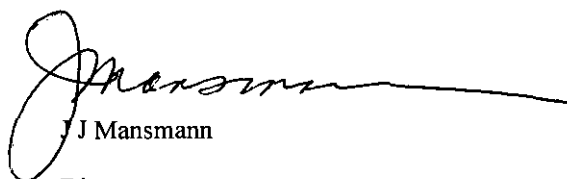
None of the directors who held office at 31 December 2005 had a beneficial interest in the shares of the company requiring disclosure under Schedule 7 of the Companies Act 1985 (2004: nil).

Disclosure of directors' interests in the company's ultimate parent undertaking are not required under regulations issued under the Companies Act 1985 as the company's ultimate parent undertaking is incorporated outside Great Britain.

### Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board



J J Mansmann

Director

Date: 31 MAR 2006

## **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 United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# Independent auditors' report

## to the shareholders of Nations Healthcare (Nottingham) Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 15. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

### Basis of audit opinion

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

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

### Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor  
Reading

Date: 3. March 2006

**Profit and loss account**  
for the year ended 31 December 2005

	<i>Year to</i> <i>31 December</i> 2005	<i>Period to</i> <i>31 December</i> 2004 £
<i>Turnover</i>	-	-
Administrative expenses	-	-
	<hr/>	<hr/>
<b><i>Profit on ordinary activities before taxation</i></b>	-	-
Tax on profit on ordinary activities	-	-
	<hr/>	<hr/>
<b><i>Profit for the financial year transferred to reserves</i></b>	<hr/>	<hr/>

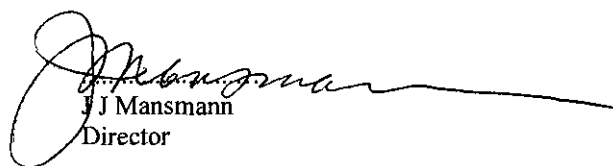
**Statement of total recognised gains and losses**

There are no recognised gains or losses other than the profit of £nil attributable to the shareholders for the year ended 31 December 2005 (2004: profit of £nil).

## Balance sheet

at 31 December 2005

	<i>Notes</i>	<i>31 December 2005 £</i>	<i>31 December 2004 £</i>
<b>Fixed assets</b>			
Tangible assets	4	3,219	-
<b>Current assets</b>			
Debtors due within one year	5	1,336,764	1
Debtors due after one year	5	5,030,888	-
Cash at bank	6	3,392,124	-
		<u>9,759,776</u>	<u>1</u>
<b>Creditors: amounts falling due within one year</b>	7	581,763	-
<b>Net current assets</b>		<u>9,178,013</u>	<u>1</u>
<b>Total assets less current liabilities</b>		<u>9,181,232</u>	<u>1</u>
<b>Creditors: amounts falling due after more than one year</b>	8	8,681,232	-
		<u>500,000</u>	<u>1</u>
<b>Capital and Reserves</b>			
Called up share capital	13	500,000	1
<b>Equity shareholders' funds</b>	14	<u>500,000</u>	<u>1</u>

  
 J Mansmann  
 Director

Date 31 MAR 2006

## Notes to the financial statements

at 31 December 2005

### 1. Accounting policies

#### *Basis of preparation*

The financial statements are prepared under the historical cost convention.

#### *Cash flow statement*

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

#### *Fixed assets*

All fixed assets are initially recorded at cost.

#### *Depreciation*

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition of each asset evenly over its expected useful life, as follows:

Computer hardware - 3 years

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

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

#### *Foreign currencies*

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

#### *Operating lease agreements*

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

#### *Pension costs*

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

#### *Pre-contract costs*

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 and amortised over the contract term.



## Notes to the financial statements

at 31 December 2005

### 2. Operating profit

The auditors' remuneration was borne by the immediate parent undertaking, Nations Healthcare Limited. Depreciation and the operating lease rentals incurred in the year are deferred within prepayments and accrued income.

### 3. Staff costs

The staff costs incurred in the year (wages and salaries £36,605 (2004: £nil); social security costs £4,220 (2004: £nil) and pension costs £1,653 (2004: £nil)) are deferred within prepayments and accrued income.

The directors of the company are also directors or officers of a number of companies within the Nations Healthcare Inc. group. The directors' services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the year ended 31 December 2005 and the period ended 31 December 2004.

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

	<i>Year to 31 December 2005 No.</i>	<i>Period to 31 December 2004 No.</i>
Administrative staff	<u>1</u>	<u>–</u>

### 4. Tangible fixed assets

	<i>Computer Hardware £</i>
<i>Cost:</i>	
At 1 January 2005	–
Additions	3,463
At 31 December 2005	<u>3,463</u>
<i>Depreciation:</i>	
At 1 January 2005	–
Provided during the year	244
At 31 December 2005	<u>244</u>
<i>Net book value:</i>	
At 31 December 2005	<u>3,219</u>
At 1 January 2005	<u>–</u>

### 5. Debtors

	<i>31 December 2005 £</i>	<i>31 December 2004 £</i>
Amounts owed to group undertakings	36,297	1
PFI financial asset	5,030,888	–
Prepayments and accrued income	1,300,467	–
	<u>6,367,652</u>	<u>1</u>

## Notes to the financial statements

at 31 December 2005

### 5. Debtors (continued)

Included in prepayments and accrued income are pre-contract costs of £1,300,467 carried forward in accordance with UITF 34. From the time the contract becomes operational these costs form part of the accounting for the contract as a whole and will be amortised over the contract term.

Amounts falling due after more than one year included above are:

	31 December 2005	31 December 2004
	£	£
PFI financial asset	5,030,888	—
Prepayments and accrued income	1,300,467	—
	<u>6,331,355</u>	<u>—</u>

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

### 6. Cash

Included in the cash balance of £3,392,124 is an amount of £2,000,000 held in an authority security account which is not freely available to the company. This balance is pledged to the Department of Health as security to cover works that would be required to complete the facility if the contractor defaults on its contractual obligations and all other construction financial remedies for completion are exhausted.

### 7. Creditors: amounts falling due within one year

	31 December 2005	31 December 2004
	£	£
Trade creditors	581,763	—

### 8. Creditors: amounts falling due after more than one year

	31 December 2005	31 December 2004
	£	£
Bank loan at 5.26% per annum (note 9)	4,581,232	—
Amounts owed to group undertakings	4,100,000	—
	<u>8,681,232</u>	<u>—</u>

### 9. Loans

	31 December 2005	31 December 2004
	£	£
<i>Amounts repayable:</i>		
In more than one year but not more than two years	229,236	—
In more than two years but not more than five years	2,758,389	—
	<u>2,987,625</u>	<u>—</u>
In more than five years	1,593,607	—
	<u>4,581,232</u>	<u>—</u>



## Notes to the financial statements

at 31 December 2005

### 14. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss</i>	<i>Total share-</i>
	<i>£</i>	<i>account</i>	<i>holders' funds</i>
	<i>£</i>	<i>£</i>	<i>£</i>
At 15 June 2004 and at 31 December 2004	1	–	1
Proceeds from issue of shares	499,999	–	499,999
At 31 December 2005	<u>500,000</u>	<u>–</u>	<u>500,000</u>

### 15. Ultimate parent company and controlling party

The company's immediate parent undertaking is Nations Healthcare Limited, a company registered in England and Wales. Copies of the group financial statements, which include the company, may be obtained from Minerva House, 5 Montague Close, London, SE1 9BB, England.

In the directors' opinion, the company's ultimate parent undertaking and controlling party is Nations Healthcare Inc., which is incorporated in the United States of America.