

Registered no: 05153608

**Nations Healthcare (Nottingham) Limited**

**Annual report and financial statements  
For the year ended 31 December 2011**

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# Nations Healthcare (Nottingham) Limited

## Annual report and financial statements

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# Nations Healthcare (Nottingham) Limited

## Company Information

### Directors

Massoud Fouladi  
Steve Melton  
Patrick Butterworth  
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 2011**

The Directors present their Annual report and the audited financial statements for the year ended 31 December 2011 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') The Nottingham Treatment Centre is one of the biggest independent treatment centres in Europe, providing services including Orthopaedic Surgery, General Surgery, Endoscopy, Digestive Diseases, Gynaecology and Dermatology

The year ended 31 December 2011 was the third full year of operations for the Nottingham Treatment Centre Patient volumes continued to grow significantly with daycase patients up 5.4% to 26,776 (2010 25,397) and outpatient procedures increasing by 15.9% to 60,564 (2010 52,249) At the same time, patient recommendations averaged 99.1% (2010 99.2%).

The increased volumes has resulted in revenue increasing by 6.6% to £51,185,000 (2010 £48,000,000) and profit for the financial year increasing by 37.9% to £2,371,000 (2010 £1,719,000)

### **Future developments**

The major plans for the treatment centre in 2012 are to build on the performance of 2011 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

Whilst the current contract in respect of the Treatment Centre expires in July 2013, the Strategic Health Authority recently announced a public tender for services to be provided from the Treatment Centre following contract expiration The Company intends to bid for the new contract and has recently submitted its Pre-Qualification Questionnaire

### **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 profit for the year after taxation amounted to £2,371,000 (2010 £1,719,000) The Directors do not recommend the payment of any dividends (2010 £nil)

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# **Nations Healthcare (Nottingham) Limited**

## **Directors' report for the year ended 31 December 2011 (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. Each hospital site has its own local governance structure, whilst a team of clinical care quality specialists is dedicated to developing up to date and consistent policies across all sites.

Local governance committees work to a rigorous assurance framework, manage day to day clinical risks through a risk register, provide appropriate training to staff and consultants and report their findings to the Circle Health 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%).

Additionally, the Company's treatment centre is subject to Care Quality Commission ('CQC') reviews on a regular basis, including a review of training and risk management procedures.

#### **Business growth risk**

The immediate key focus of the Directors is to continue to grow the Nottingham 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. There is a risk that the Nottingham ISTC contract will not be renewed in July 2013. Management are proactively working towards a renewal agreement and are seeking other opportunities within the NHS so that the business can continue to grow.

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

The risk that the ISTC contract is not renewed in 2013, along with political and other risks associated with the NHS (e.g. a change in government policy), are mitigated by the fact that the capital structure of the business, 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 main financial risk for the Company is the availability of financial support. In this regard, the Company is reliant on its ultimate parent undertaking for financial support.

# Nations Healthcare (Nottingham) Limited

## Directors' report for the year ended 31 December 2011 (continued)

### 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 Holdings plc. The Directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the entire Circle Holdings group, as the Company is reliant on financial support from Circle Holdings plc.

The Directors of Circle Holdings plc have prepared cash flow forecasts for a period of not less than 12 months from signing the financial statements for the year ending 31 December 2011. Funding of £1,500,000 was received directly from Balderton Capital III L.P. on 18 June 2012 and £46,000,000 from other investors, via Numis Securities, on 19 June 2012. These new funds together with existing cash balances and cash flows from the operating businesses, are deemed sufficient for the Circle Holdings plc group to continue in operational existence for the foreseeable future.

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

### Events after the balance sheet date

The Strategic Health Authority recently announced a public tender for services to be provided from the Nottingham Treatment Centre following contract expiration in July 2013. The Company intends to bid for the new contract and has recently submitted its Pre-Qualification Questionnaire submission.

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 2011.

### Directors

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

Massoud Fouladi  
Tim Collins (resigned 1 October 2011)  
Steve Melton  
Patrick Butterworth  
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.

### Donations

The Company made charitable donations totalling £1,000 (2010: £12,000) 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.

# Nations Healthcare (Nottingham) Limited

## Directors' report for the year ended 31 December 2011 (continued)

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report and the financial statements in accordance with applicable law and regulations

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### 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



Director

23 July 2012

# **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 2011 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 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements. 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006



# 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

### 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

25 July 2012

# Nations Healthcare (Nottingham) Limited

## Profit and loss account for the year ended 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Turnover</b>	2	<b>51,185</b>	48,000
Cost of sales		<b>(36,109)</b>	(33,536)
<b>Gross profit</b>		<b>15,076</b>	14,464
Administrative expenses		<b>(12,685)</b>	(13,171)
<b>Operating profit</b>	3	<b>2,391</b>	1,293
Interest receivable and similar income	6	<b>3,381</b>	3,380
Interest payable and similar charges	7	<b>(2,246)</b>	(2,309)
<b>Profit on ordinary activities before taxation</b>		<b>3,526</b>	2,364
Tax on profit on ordinary activities	8	<b>(1,155)</b>	(645)
<b>Profit for the financial year</b>	17	<b>2,371</b>	1,719

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 profit for the financial years stated above (2010 no difference) and their historical cost equivalents

# Nations Healthcare (Nottingham) Limited

## Balance sheet as at 31 December 2011

	Note	2011 £'000	2010 £'000
<b>Fixed assets</b>			
Tangible fixed assets	9	739	545
<b>Current assets</b>			
Stock	10	3,491	5,379
Debtors – amounts falling due within one year		6,615	5,387
Debtors – amounts falling due after more than one year		41,990	43,003
<b>Total debtors</b>	11	<u>48,605</u>	<u>48,390</u>
Cash at bank and in hand	12	5,639	4,909
		<u>57,735</u>	<u>58,678</u>
<b>Creditors - amounts falling due within one year</b>	13	<u>(17,546)</u>	<u>(21,017)</u>
<b>Net current assets</b>		<u>40,189</u>	<u>37,661</u>
<b>Total assets less current liabilities</b>		<u>40,928</u>	<u>38,206</u>
<b>Creditors - amounts falling due after one year</b>	14	<u>(41,701)</u>	<u>(42,555)</u>
<b>Provisions for liabilities</b>	15	<u>(1,850)</u>	<u>(645)</u>
<b>Net liabilities</b>		<u><u>(2,623)</u></u>	<u><u>(4,994)</u></u>
<b>Capital and reserves</b>			
Called up share capital	16	500	500
Profit and loss account	17	(3,123)	(5,494)
<b>Total shareholders' deficit</b>	18	<u><u>(2,623)</u></u>	<u><u>(4,994)</u></u>

The financial statements on pages 8 to 22 were approved by the Board of Directors on 23 July 2012 and were signed on its behalf by



Director  
Nations Healthcare (Nottingham) Limited

Registered no: 05153608

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# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011

### 1 Accounting policies

#### Basis of preparation

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

#### Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Company is a member of the group of companies whose ultimate parent is Circle Holdings plc. The Directors have assessed whether the going concern basis of preparation is appropriate by reference to the position of the entire Circle Holdings group, as the Company is reliant on financial support from Circle Holdings plc.

The Directors of Circle Holdings plc have prepared cash flow forecasts for a period of not less than 12 months from signing the financial statements for the year ending 31 December 2011. Funding of £1,500,000 was received directly from Balderton Capital III L P on 18 June 2012 and £46,000,000 from other investors, via Numis Securities, on 19 June 2012. These new funds together with existing cash balances and cash flows from the operating businesses, are deemed sufficient for the Circle Holdings plc group to continue in operational existence for the foreseeable future.

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

#### Cash flow statement

The Directors have taken advantage of the exemption in FRS 1 (revised 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.

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# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (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 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 2011 (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 2011 (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 2011 (continued)

### 3 Operating profit

Operating profit is stated after charging	2011 £'000	2010 £'000
Depreciation of tangible fixed assets	241	247
Amortisation of pre contract costs	1,910	2,063
Operating lease charges		
- plant and machinery	2,212	2,167
- other	321	299
	<u>2,212</u>	<u>2,167</u>
	<u>321</u>	<u>299</u>

The auditors' remuneration of £37,000 payable to PricewaterhouseCoopers LLP (2010 £36,000) in relation to the provision of audit services was borne by Circle Health Limited

### 4 Employee Information

Staff costs were as follows	2011 £'000	2010 £'000
Wages and salaries	4,474	3,452
Social security costs	364	311
Other pension costs (note 20)	96	84
	<u>4,934</u>	<u>3,847</u>

During 2010, and 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

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

	2011 Number	2010 Number
Clinical staff	75	43
Administrative staff	132	154
	<u>207</u>	<u>197</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

	2011 £'000	2010 £'000
Aggregate emoluments	<u>613</u>	<u>699</u>
Highest paid Director	<u>240</u>	<u>237</u>



# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (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 2011 and 2010 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 (2010 none) and there was no compensation paid for loss of office during the year (2010 £nil).

### 6 Interest receivable and similar income

	2011 £'000	2010 £'000
Bank interest receivable	4	3
Interest on PFI financial assets	3,377	3,377
	<u>3,381</u>	<u>3,380</u>

### 7 Interest payable and similar charges

	2011 £'000	2010 £'000
Loan interest payable on Barclays plc ('Barclays') loan	2,179	2,242
Loan issue cost amortisation on Barclays loan	67	67
	<u>2,246</u>	<u>2,309</u>

### 8 Tax on profit on ordinary activities

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

The tax charge is made up as follows

	2011 £'000	2010 £'000
<b>Current tax</b>		
UK corporation tax at 26.5% (2010: 28.0%)	-	-
<b>Deferred tax</b>		
Origination and reversal timing differences (note 15)	1,203	645
Effect of decreased tax rate on opening liability	(48)	-
<b>Tax on profit on ordinary activities</b>	<u>1,155</u>	<u>645</u>

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

The tax assessed for the year is lower (2010: lower) than the standard rate of corporation tax in the UK 26.5% (2010: 28.0%). The differences are explained below.

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 8 Tax on profit on ordinary activities (continued)

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

	2011 £'000	2010 £'000
<b>Profit on ordinary activities before tax</b>	<b>3,526</b>	<b>2,364</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 26.5% (2010: 28.0%)	<b>934</b>	<b>662</b>
Effects of		
Expenses not deductible for tax purposes	<b>129</b>	<b>62</b>
Capital allowances in excess of depreciation	<b>(434)</b>	<b>(537)</b>
Short-term timing differences	<b>(506)</b>	<b>-</b>
Unrelieved tax losses	<b>(122)</b>	<b>21</b>
Group relief (claimed) / surrendered for nil payment	<b>(1)</b>	<b>325</b>
Other timing differences	<b>-</b>	<b>(533)</b>
<b>Current tax charge for the year</b>	<b>-</b>	<b>-</b>

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

The standard rate of corporation tax in the UK changed from 28.0% to 26.0% with effect from 1 April 2011. Legislation was enacted to cut the main rate of corporation tax from 26.0% to 25.0% from 1 April 2012.

Subsequently on 21 March 2012, the Budget Statement announced that the UK corporation tax rate would be reduced to 24.0% from 1 April 2012. This was substantively enacted on 26 March 2012. As this rate reduction had not been substantially enacted at the balance sheet date, it is not included in these financial statements.

On 17 July 2012, a reduction in the main rate of corporation tax to 23.0% from 1 April 2013 was enacted at Royal Assent. A further reduction to 22.0% from 1 April 2014 expected to be enacted in 2013. None of these rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The proposed rate changes 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 2011 (continued)

### 8 Tax on profit on ordinary activities (continued)

#### (d) Deferred taxation

The deferred tax is as follows

	Unrecognised		Recognised	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Included in provisions for liabilities (note 15)	-	-	1,800	645
The deferred tax consists of	2011 £'000	2010 £'000	2010 £'000	2010 £'000
Capital allowances in excess of depreciation	(2,035)	(1,843)	(595)	(1,431)
Short term timing differences	-	-	9,599	9,853
Unrelieved tax losses	-	-	(7,204)	(7,777)
(Asset) / liability	(2,035)	(1,843)	1,800	645

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

	Leasehold improvements £'000	Clinical equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2011	138	241	766	1,145
Additions	115	227	93	435
<b>At 31 December 2011</b>	<b>253</b>	<b>468</b>	<b>859</b>	<b>1,580</b>
<b>Depreciation</b>				
At 1 January 2011	4	40	556	600
Charge for the year	21	96	124	241
<b>At 31 December 2011</b>	<b>25</b>	<b>136</b>	<b>680</b>	<b>841</b>
<b>Net book value</b>				
<b>At 31 December 2011</b>	<b>228</b>	<b>332</b>	<b>179</b>	<b>739</b>
At 31 December 2010	134	201	210	545

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 10 Stock

	2011 £'000	2010 £'000
Consumables	320	298
Long term contract balances	3,171	5,081
	<u>3,491</u>	<u>5,379</u>

Long term contract balances consist of

	Due within one year 2011 £'000	Due after more than one year 2011 £'000	Total 2011 £'000	Total 2010 £'000
Cost incurred	2,003	1,168	3,171	5,081
Payments on account (deferred income)	-	-	-	-
	<u>2,003</u>	<u>1,168</u>	<u>3,171</u>	<u>5,081</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

	2011 £'000	2010 £'000
Trade debtors	1,185	580
PFI financial asset	43,003	44,015
Amounts owed by group undertakings	6	-
Other debtors	81	245
Prepayments and accrued income	4,330	3,550
	<u>48,605</u>	<u>48,390</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

	2011 £'000	2010 £'000
PFI financial asset	<u>41,990</u>	<u>43,003</u>

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (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

	2011 £'000	2010 £'000
Cash at bank and in hand	5,639	4,909
Less restricted cash balances		
Minimum balance	(1,300)	(1,300)
Unrestricted cash at bank and in hand	<u>4,339</u>	<u>3,609</u>

The Company is required to maintain a minimum balance of cash at bank and in hand of £1,300,000 (2010 £1,300,000) at the end of each month under the terms of its lease agreement with GE Capital Corporation (Leasing) Limited and its project agreement with the Department of Health.

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

	2011 £'000	2010 £'000
Barclays loan (note 14)	920	922
Trade creditors	5,992	5,466
Amounts owed to group undertakings	7,219	9,285
Other creditors	150	54
Accruals and deferred income	3,265	5,290
	<u>17,546</u>	<u>21,017</u>

The Company's lease with GE Capital Corporation (Leasing) Limited, requires that the Company maintain a minimum loan balance to Nations Healthcare Limited of £4,100,000. As at 31 December 2011 the loan balance was £7,057,000 (2010 £9,057,000).

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

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

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

	2011 £'000	2010 £'000
Barclays loan	<u>41,701</u>	<u>42,555</u>

The bank loan disclosed above and in note 13 relates to the Barclays PFI loan. It carries an interest rate of LIBOR + 0.4% and is secured by a fixed and floating charge over the assets of the Company. Barclays also 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'). Payment holidays were granted for the scheduled payments on 1 June 2010 and 1 September 2010 and a partial repayment was granted for the payment due on 1 December 2010.

The loan is guaranteed by the DoH and in the unlikely event of the loan being called in, the DoH will make a residual payment to 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 2011 (2010: none).

Loan issue costs of £105,000 (2010: £171,000) 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% (2010: 5.0%) per annum. As at 31 December 2011, the swap has a fair value of £2,475,000 liability (2010: £3,494,000 liability). This is not recognised on the balance sheet.

### 15 Provisions for liabilities

	Deferred tax £'000	Dilapidations provision £'000	Total £'000
At 1 January 2011	645	-	645
Charge for the year	1,155	50	1,205
<b>At 31 December 2011</b>	<u>1,800</u>	<u>50</u>	<u>1,850</u>

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 16 Called up share capital

	2011 £'000	2010 £'000
<b>Authorised</b>		
500,000 (2010 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
<b>Allotted and fully paid</b>		
500,000 (2010 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 2011		(5,494)
Profit for the financial year		<u>2,371</u>
At 31 December 2011		<u>(3,123)</u>

### 18 Reconciliation of movement in shareholders' deficit

	2011 £'000	2010 £'000
Opening shareholders' deficit	(4,994)	(6,713)
Profit for the financial year	<u>2,371</u>	<u>1,719</u>
Closing shareholders' deficit	<u>(2,623)</u>	<u>(4,994)</u>

### 19 Capital commitments

At 31 December 2011, the Company had no capital commitments (2010 £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 £96,000 (2010 £84,000). There were no outstanding or prepaid contributions as at 31 December 2011 (2010. £nil)

# Nations Healthcare (Nottingham) Limited

## Notes to the financial statements for the year ended 31 December 2011 (continued)

### 21 Operating lease commitments

At 31 December 2011, the Company had annual commitments under non cancellable operating leases as follows

	Land and buildings		Other	
	2011 £'000	2010 £'000	2011 £'000	2010 £'000
Expiry date:				
During years two to five	206	168	2,102	2,102
	<u>206</u>	<u>168</u>	<u>2,102</u>	<u>2,102</u>

#### Land and buildings

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

The Strategic Health Authority recently announced a public tender for services to be provided from the Nottingham Treatment Centre following contract expiration in July 2013. The Company intends to bid for the new contract and has recently submitted its Pre-Qualification Questionnaire submission.

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 2011.

### 24 Ultimate parent undertaking and controlling party

The Company's intermediate 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.

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 2011, the Directors regard Circle Holdings plc, a company registered in Jersey, as the Company's ultimate parent undertaking and controlling party.