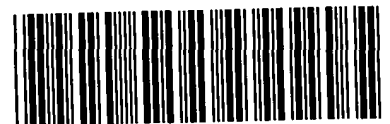


**Circle Nottingham Limited**  
**Annual report and financial statements**  
**for the year ended 31 December 2015**

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# Circle Nottingham Limited

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# Circle Nottingham Limited

## Company information

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### **Directors**

Helen Tait  
Paul Manning  
Steve Melton

### **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 2015

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The directors present the strategic report and financial statements for Circle Nottingham Limited (the 'company') for the year ended 31 December 2015.

### Principal activity 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.

Circle's Nottingham NHS Treatment Centre is one of the biggest independent treatment centres in Europe, providing services including Orthopaedic Surgery, General Surgery, Endoscopy, Digestive Diseases, Gynaecology and Dermatology.

The year ended 31 December 2015 was the second full year of operations for Circle's Nottingham NHS Treatment Centre in its new Payment by Result contract. Patient volumes continued to grow with daycase and inpatients up 7.5% to 32,712 (2014: 30,416) and outpatient procedures up 7.5% to 194,795 (2014: 181,275). At the same time, patient recommendations averaged 98% (2014: 98%).

The increase in volumes, contributed to the increase in revenue this year of 11.4% (2014: 10.9%) to £51,295,000 (2014: £46,056,000). Profit on ordinary activities before taxation decreased by 10.5% to £1,802,000 (2014: £2,014,000) due to the grant of share options to Circle Nottingham employees and partners, resulting in a share based charge of £392,000 and NI accrual of £54,000 in 2015 (2014: £Nil).

### 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 customer feedback rating, revenues and profit for the year, all of which are summarised above.

### Results and dividends

The profit for the financial year amounted to £1,775,000 (2014: £2,082,000). The Directors do not recommend the payment of any dividends (2014: £nil).

The Company has net assets of £14,303,000 as at 31 December 2015 (2014: net assets of £12,136,000).

### 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 Limited group, of which the Company is a subsidiary, has an Integrated Corporate Governance structure which is chaired by the Medical Director, Massoud Fouladi. This Integrated Corporate Governance structure includes senior staff across the operational, clinical and central support teams. The clinic has its own local governance structure, whilst a team of clinical care quality specialists is dedicated to developing up to date and consistent policies across all sites.

Local governance committees work to a rigorous assurance framework, manage day to day clinical risks through a risk register, provide appropriate training to staff and consultants and report their findings to the Circle Health Limited group's Integrated Governance Committee. A summary of the relevant findings is in turn presented to the principal shareholders of Circle Health Limited, Circle Holdings plc.

#### Business growth risk

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

# Circle Nottingham Limited

## Strategic report for the year ended 31 December 2015 (continued)

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### Principal risks and uncertainties (continued)

#### Government policy and regulatory risk

The risk that the Nottingham NHS Treatment Centre 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 23), 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 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



Steve Melton

Director

21 September. 2016

# Circle Nottingham Limited

## Directors' report for the year ended 31 December 2015

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The Directors present their Annual Report and the audited financial statements for the year ended 31 December 2015 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 Holdings plc (the 'Circle Holdings group').

### Future developments

In February 2013 the Company was selected as the preferred bidder by NHS commissioners to provide renewed services at the Nottingham Treatment Centre for a further five years until July 2018.

The renewed Nottingham NHS Treatment Centre contract rebased the price per episode to the National tariff from July 2013.

### Dividends

The Directors do not recommend the payment of any dividends (2014: £nil).

### Financial risk management

The Company's operations expose it to a variety of financial risks. The ultimate parent undertaking of the Company, Circle Holdings plc has in place a group risk management programme that seeks to limit the adverse effects on the financial performance of the Circle Holdings group by monitoring levels of debt finance and the related finance costs. Details of the risk management policy are included on pages 28 to 29 of the Circle 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 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 the date of signing the Company financial statements for the year ended 31 December 2015. The forecasts have been prepared based on the expected cash flows from the Group's existing operating businesses, as well as commitments associated with new projects. Management believes that if any significant variances from the underlying assumptions of the forecasts were to materialise, the negative impact to cash flows could be mitigated by undertaking a number of actions, including reducing Head Office costs, reducing the scale or timing of investments in new projects, or seeking further funding opportunities. The directors are also seeking to generate further capital through the sale of land in Manchester. The Company continues to evaluate growth options available in the market, and ensures a balance between capital requirements and potential returns.

Accordingly, the Directors of Circle Nottingham Limited 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

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and the health care sector, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities reported at the balance sheet date of 31 December 2015.

# Circle Nottingham Limited

## Directors' report for the year ended 31 December 2015 (continued)

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### Directors

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

Helen Tait  
Paul Manning  
Steve Melton

In its Articles, 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 £400 (2014: £100) 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 and economic factors affecting the Company plays a major role in maintaining its. The ultimate parent company, Circle Holdings plc, also encourage the involvement of all employees within the Group, further details of this can be found in the Circle Holdings plc annual report.

# Circle Nottingham Limited

## Directors' report for the year ended 31 December 2015 (continued)

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### Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law, the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101).

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, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- notify the company's shareholders in writing about the use of disclosure exemptions, if any, of FRS 101 used in the preparation of 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 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 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



Steve Melton

Director

21 September 2016



# Circle Nottingham Limited

## Independent auditors' report to the members of Circle Nottingham Limited

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### Report on the financial statements

#### Our opinion

In our opinion, Circle Nottingham Limited's financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2015 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.

#### What we have audited

The financial statements, included within the Annual Report and Financial Statements (the 'Annual Report'), comprise:

- the Statement of financial position as at 31 December 2015;
- the Statement of comprehensive income for the year then ended;
- the Statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include other explanatory information

The financial reporting framework that has been applied in the preparation of the financial statements is United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law (United Kingdom Generally Accepted Accounting Practice).

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### Other matters on which we are required to report by exception

##### Adequacy of accounting records and information and explanations received

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, 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.

We have no exceptions to report arising from this responsibility.

##### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

# Circle Nottingham Limited

## Independent auditors' report to the members of Circle Nottingham Limited (continued)

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### Responsibilities for the financial statements and the audit

#### Our responsibilities and those of the directors

As explained more fully in the Statement of the Directors' Responsibilities, 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) ("ISAs (UK & 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.

#### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.



Simon O'Brien (Senior Statutory Auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

21 September 2016

# Circle Nottingham Limited

## Statement of comprehensive income for the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Revenue</b>	4	<b>51,295</b>	46,056
Cost of sales		(35,521)	(31,420)
<b>Gross profit</b>		<b>15,774</b>	14,636
Administrative expenses		(13,927)	(12,610)
<b>Operating profit</b>	5	<b>1,847</b>	2,026
Interest receivable and similar income	8	3	4
Interest payable and similar charges	9	(48)	(16)
<b>Profit on ordinary activities before taxation</b>		<b>1,802</b>	2,014
Tax on profit on ordinary activities	10	(27)	68
<b>Profit and total comprehensive income for the financial year</b>		<b>1,775</b>	2,082

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

There is no difference between the profit on ordinary activities before taxation and the profit for the financial year stated above (2014: no difference), and their historical cost equivalents.

There is no other comprehensive income arising and, therefore, no separate statement of other comprehensive income has been prepared.

The notes on pages 14 to 29 form part of these financial statements.

# Circle Nottingham Limited

## Statement of financial position as at 31 December 2015

	Note	2015 £'000	2014 £'000
<b>Fixed assets</b>			
Property, plant and equipment	11	2,573	2,214
		<u>2,573</u>	<u>2,214</u>
<b>Current assets</b>			
Inventories	12	461	395
Trade and other receivables	13	13,090	8,236
Cash and cash equivalents		1,837	4,377
		<u>15,388</u>	<u>13,008</u>
<b>Non-current assets</b>			
Deferred tax asset	16	1,690	1,717
<b>Creditors: amounts falling due within one year</b>	14	(4,546)	(4,208)
<b>Net current assets</b>		<u>10,842</u>	<u>8,800</u>
<b>Total assets less current liabilities</b>		<u>15,105</u>	<u>12,731</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(752)	(545)
<b>Provisions for liabilities</b>	17	(50)	(50)
<b>Net assets</b>		<u>14,303</u>	<u>12,136</u>
<b>Equity</b>			
Share capital	19	500	500
Retained earnings		13,411	11,636
Capital contribution		392	-
<b>Total shareholders' funds</b>		<u>14,303</u>	<u>12,136</u>

The financial statements of Circle Nottingham Limited (Company registration no: 05153608) were approved by the board of directors and authorised for issue on 21 September 2016. They were signed on its behalf by:



Steve Melton, Director  
Circle Nottingham Limited

# Circle Nottingham Limited

## Statement of changes in equity for the year ended 31 December 2015

	Share capital	Retained earnings	Capital Contribution	Total shareholder s' funds
	£'000	£'000	£'000	£'000
<b>At 1 January 2014</b>	500	9,554	-	10,054
Total comprehensive income for the year	-	2,082	-	2,082
<b>At 1 January 2015 and 31 December 2014</b>	500	11,636	-	12,136
Total comprehensive income for the year	-	1,775	-	1,775
Share-based payments charge (note 20)	-	-	392	392
<b>At 31 December 2015</b>	<b>500</b>	<b>13,411</b>	<b>392</b>	<b>14,303</b>

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015

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### 1. General information

Circle Nottingham Limited (the Company) is a Company incorporated 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.

### 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 2015. 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:

- 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.

#### Basis of consolidation

The company is a wholly-owned subsidiary of its ultimate parent, Circle Holdings plc. It is included in the consolidated financial statements of Circle Holdings plc which are publicly available. Therefore the company is exempt by virtue of section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. These financial statements are separate financial statements.

#### 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.

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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### 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 allowance for impairment is the difference between the asset's carrying amount and the present value of estimated cash flows, discounted at the original effective interest rate. The movement in the allowance for impairment is taken to administrative expenses.

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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### 2. Significant accounting policies (continued)

#### Cash and cash equivalents

Cash and cash an equivalent 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 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 2015 (continued)

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### 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) 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.

##### (b) 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.

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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### 3. Critical accounting estimates and assumptions (continued)

#### *(c) 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.

#### *(d) 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 9 for the net carrying amount of the receivables and associated impairment provision.

#### *(e) 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.

#### **Critical judgements in applying the entity's accounting policies**

The key judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed 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 activity levels. Revenue is recognised based on activity performed in the month which had not been approved at the end of the year.

### 4. Revenue

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

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 5. Operating profit

Operating profit is stated after charging:

	2015 £'000	2014 £'000
Depreciation of property, plant and equipment (note 10)	745	503
Loss on disposal of property, plant and equipment	1	-
Movement in bad debt provision (note 13)	240	46
Operating lease charges (note 23)		
- plant and machinery	541	693
- land and buildings	1,999	1,864
Staff costs (note 6)	14,746	11,922

The auditors' remuneration of £42,700 payable to PricewaterhouseCoopers LLP (2014: £41,000) in relation to the provision of audit services was borne by Circle Holdings plc, the ultimate Parent of the company. No non-audit services were provided during the year (2014: none).

### 6. Employees

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

	2015 Number	2014 Number
Clinical staff	269	304
Administrative staff	243	199
	512	503

Their aggregate remuneration comprised:

	2015 £'000	2014 £'000
Wages and salaries	12,878	10,401
Social security costs	1,108	867
Other pension costs (note 22)	760	654
	14,746	11,922

In 2014 and 2015, all staff costs were incurred by the Company.

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 7. Directors' emoluments

The directors' emoluments were as follows:

	2015 £'000	2014 £'000
Total salary and other benefits	602	716
Share-based payment charge	318	-
Company pension contributions to defined contribution scheme	7	30
Aggregate emoluments	<u>927</u>	<u>746</u>

Post-employment benefits are accruing for three (2014: four) under a defined contribution scheme.

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

	2015 £'000	2014 £'000
Total salary and other benefits	342	330
Share-based payment charge	318	-
Company pension contributions to defined contribution scheme	-	15
Highest Director aggregate emoluments	<u>660</u>	<u>345</u>

No share options were exercised by the directors during the financial year.

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. Details of the Directors' aggregate emoluments are disclosed in the Circle Holdings plc financial statements.

Directors' emoluments in 2015 were paid and expensed in Circle Health Limited and Circle Nottingham Limited. Of the total aggregate emoluments £267,000 was paid and expensed in Circle Nottingham Limited.

### 8. Interest receivable and similar income

	2015 £'000	2014 £'000
Bank interest receivable	<u>3</u>	<u>4</u>

### 9. Interest payable and similar charges

	2015 £'000	2014 £'000
Finance lease interest	<u>48</u>	<u>16</u>

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 10. Tax on profit on ordinary activities

#### Tax charge/(credit) included in profit or loss

	2015 £'000	2014 £'000
<b>Current tax</b>		
UK Corporation tax on profits for the year	-	-
<b>Deferred tax</b>		
Current year	(168)	(80)
Adjustments in respect of prior years	5	7
Effect of changes in tax rate	190	5
<b>Income tax charge/(credit) on profit for the year</b>	<b>27</b>	<b>(68)</b>

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

The tax assessed for the year is lower (2014: lower) than the standard rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 £'000	2014 £'000
Profit on ordinary activities before taxation	<b>1,802</b>	<b>2,014</b>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	<b>365</b>	<b>433</b>
Effects of:		
Expenses not deductible for tax purposes	30	10
Adjustments in respect of prior years	5	7
Income not subject to tax	(1)	-
Tax rate changes	190	5
Effects of group relief	(562)	(523)
<b>Total adjustments</b>	<b>(338)</b>	<b>(501)</b>
<b>Tax charge/(credit) for the year</b>	<b>27</b>	<b>(68)</b>

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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### 10. Tax on profit on ordinary activities (continued)

#### Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21.0% to 20.0% (and was unified with the small companies rate) with effect from 1 April 2015.

Legislation was enacted during 2015 to reduce further the rate of corporation tax. The rate will reduce to 19% from 1 April 2017 and to 18% from 1 April 2020.

As these rate changes had been substantively enacted at the balance sheet date, their effects have been included in these financial statements.

On 16 March 2016, a further rate change was announced in the 2016 Budget statement. The rate of corporation tax will be reduced from 18% to 17% from 1 April 2020. As this rate change had not been substantively enacted at the balance sheet date, its effects have not been included in these financial statements. The proposed rate change may affect future tax charges. In addition the utilisation of any tax losses and temporary differences for which no deferred tax asset has been recognised may also affect future tax charges.

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 11. Property, plant and equipment

	Leasehold improvements	Clinical equipment	Fixtures, fittings and office equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
At 1 January 2015	1,032	1,942	1,193	4,167
Additions	116	841	149	1,106
Disposals	-	-	(2)	(2)
<b>At 31 December 2015</b>	<b>1,148</b>	<b>2,783</b>	<b>1,340</b>	<b>5,271</b>
<b>Accumulated Depreciation</b>				
At 1 January 2015	202	826	925	1,953
Depreciation charge for the year	112	509	124	745
Disposals	-	-	-	-
<b>At 31 December 2015</b>	<b>314</b>	<b>1,335</b>	<b>1,049</b>	<b>2,698</b>
<b>Net book amount</b>				
<b>At 31 December 2015</b>	<b>834</b>	<b>1,448</b>	<b>291</b>	<b>2,573</b>
At 31 December 2014	830	1,116	268	2,214

The net carrying amount of assets held under finance leases included in clinical equipment is £1,219,000 (2014: 738,000).

### 12. Inventories

	2015 £'000	2014 £'000
Consumables	461	395

There is no significant difference between the replacement cost of consumables and their carrying amount. The cost of inventory recognised as an expense in the year is £5,626,000 (2014: £4,887,000).

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 13. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	2,040	331
Amounts owed by group undertakings	10,342	7,246
Other debtors	107	253
Prepayments and accrued income	601	406
	<u>13,090</u>	<u>8,236</u>

Trade receivables are stated after provisions for impairment of £285,000 (2014: £46,000).

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

	2015 £'000	2014 £'000
Trade creditors	2,112	424
Amounts owed to group undertakings	218	258
Other creditors	473	314
Secured finance lease creditor	482	202
Accruals and deferred income	1,261	3,010
	<u>4,546</u>	<u>4,208</u>

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

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

	2015 £'000	2014 £'000
Secured finance lease creditor	<u>752</u>	<u>545</u>

During 2015, Circle Nottingham signed two new finance leases for medical equipment with GE Capital Equipment Limited.



# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 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 2015	1,717
Charge to the statement of comprehensive income	(27)
<b>Deferred tax asset at 31 December 2015</b>	<b>1,690</b>

The deferred tax asset comprises of:

	2015 £'000	2014 £'000
Fixed assets	(1,609)	(1,709)
Other temporary differences	(81)	(8)
<b>Deferred tax asset</b>	<b>(1,690)</b>	<b>(1,717)</b>

Movement in Deferred tax assets:

	Fixed Assets £'000	Other £'000	Total £'000
Opening balance 1 January 201	(1,709)	(8)	(1,717)
Charged / (credited) to statement of comprehensive income	100	(73)	27
<b>Closing balance 31 December 2015</b>	<b>(1,609)</b>	<b>(81)</b>	<b>(1,690)</b>

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.

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 17. Provisions for liabilities

	Dilapidation provision £'000	Total £'000
At 1 January 2015	50	50
Released to the statement of comprehensive income	-	-
Utilised during the year	-	-
<b>At 31 December 2015</b>	<b>50</b>	<b>50</b>

### 18. Finance Leases

The future minimum lease payments are as follows:

	2015 £'000	2014 £'000
No later than 1 year	562	243
Later than 1 year and no later than 5 years	834	589
<b>Total gross payments</b>	<b>1,396</b>	<b>832</b>
Impact of finance charges	(135)	(85)
<b>Carrying value of finance lease liability</b>	<b>1,261</b>	<b>747</b>

### 19. Share Capital

	2015 £'000	2014 £'000
<b>Ordinary share capital</b>		
<b>Authorised</b>		
500,000 (2014: 500,000) ordinary shares of £1 each	500	500
<b>Issued and fully paid</b>		
500,000 (2014: 500,000) ordinary shares of £1 each	500	500

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 20. Share based payments

Shares, shares options and share warrants of Circle Holdings plc are issued by the Group to directors, employees, clinicians and external investors who contribute 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, qualifies as equity-settled share-based payment transactions and falls within the scope of IFRS 2 'Share-based payment'. Note there is no charge associated with the transaction where the employees subscribe for the shares at full market value.

The company recognises 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 2015, £392,000 was the IFRS 2 share based payment charge for share options issued to Circle Nottingham Limited directors, employees and partners.

On exercise of the shares by the directors, employees, clinicians and external investors, the company is charged the intrinsic value of the shares by Circle Holdings plc. This amount is treated as a reduction of the capital contribution and is recognised directly in equity.

None of the 2,709,000 outstanding options (2014: Nil), were exercisable as at the 31 December 2015.

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Description	Grant	Vest	Expiry Date	Exercise price in £ per share option	Share options number ('000)
2013 £0.02	30-Apr-15	31-Dec-15	31-Dec-20	£0.02	717
2013 £0.02's in CSOP	30-Apr-15	30-Apr-18	30-Apr-25	£0.415	61
2013 £0.50	30-Apr-15	31-Dec-15	31-Dec-20	£0.50	90
2013 £0.50's in CSOP	30-Apr-15	30-Apr-18	30-Apr-25	£0.50	41
2013 Award (Referring Clinicians)	30-Apr-15	30-Apr-16	30-Apr-17	£0.415	18
2014 £0.02	30-Apr-15	31-Dec-16	31-Dec-21	£0.02	150
2014 £0.02's in CSOP	30-Apr-15	30-Apr-18	30-Apr-25	£0.415	10
2014 £0.50	30-Apr-15	31-Dec-16	31-Dec-21	£0.50	726
2014 £0.50's in CSOP	30-Apr-15	30-Apr-18	30-Apr-25	£0.50	180
2014 Award (Referring Clinicians)	30-Apr-15	30-Apr-16	30-Apr-17	£0.415	2
2014 Catch Up Award £0.02	25-Sep-15	13-Dec-16	31-Dec-21	£0.02	1
2014 Catch Up Award £0.50	25-Sep-15	13-Dec-16	31-Dec-21	£0.50	5
2015 £0.02's	25-Sep-15	25-Sep-17	25-Sep-22	£0.02	401
2015 £0.02's in CSOP	25-Sep-15	25-Sep-18	25-Sep-25	£0.433	1
2015 £0.433's in CSOP (Referring Clinicians)	25-Sep-15	25-Sep-16	25-Sep-17	£0.433	45
2015 £0.50's	25-Sep-15	25-Sep-17	25-Sep-22	£0.50	242
2015 £0.50's in CSOP	25-Sep-15	25-Sep-18	25-Sep-25	£0.50	19

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

### 21. Capital commitments

At 31 December 2015, the Company had capital commitments of £nil (2014: £nil).

### 22. 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 £760,000 (2014: £612,000). There were no outstanding contributions as at 31 December 2015 (2014: £nil).

### 23. Operating lease commitments

At 31 December 2015, the Company had the following future minimum lease payments under non-cancellable operating leases for each of the following periods:

	<b>Land and buildings</b>		<b>Other</b>	
	<b>2015</b>	<b>2014</b>	<b>2015</b>	<b>2014</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Not later than one year	2,175	-	357	183
Later than one year and not later than five years	3,343	2,205	566	357
Later than five years	-	-	-	-
	<b>5,518</b>	<b>2,205</b>	<b>923</b>	<b>540</b>

#### 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 is for five years and is set to expire on 27 July 2018.

#### 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.

# Circle Nottingham Limited

## Notes to the financial statements for the year ended 31 December 2015 (continued)

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### 24. 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.

### 25. Events after the balance sheet date

On 23 June 2016 the UK electorate voted to leave the European Union. This decision commences a process that is likely to take a minimum of two years to complete, and during this time the UK remains a member of the European Union. There will be a resulting period of uncertainty for the UK economy and the health care sector, with increased volatility expected in financial markets. This does not impact the fair value of assets and liabilities reported at the balance sheet date of 31 December 2015.

### 26. Ultimate parent undertaking and controlling party

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

Circle Holdings plc, a company registered in Jersey, is the company's ultimate parent undertaking and controlling party.

### 27. Reconciliation from Existing Accounting Standards to FRS 101

As noted in the accounting policies, the Company has adopted FRS 101. The Company's transition date for the adoption of FRS 101 is 1 January 2014. This transition date has been selected in accordance with FRS 100 'Application of Financial Reporting Requirements' and is the first day of the comparative year of the financial statements.

The Company is required to establish its FRS 101 accounting policies for the years ended 31 December 2014 and 31 December 2015 and apply these retrospectively to determine its opening FRS 101 balance sheet at the transition date of 1 January 2014, unless transition reliefs are available.

There are no differences for the Company between reporting under FRS 101 as compared to reporting under UK GAAP as at 1 January 2014, or for the years ended 31 December 2014 and 31 December 2015.