

OS AA01

Statement of details of parent law and other information for an overseas company



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WED THURSDAY



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A18 14/07/2016 #78

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L5A5VYW8

LD6 29/06/2016 #30

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☒ **What this form is for**
You may use this form to
accompany your accounts
disclosed under parent law

☒ **What this form is NOT for**
You cannot use this form to register
an alteration of manner of company
with accounting requirements

Part 1 Corporate company name

Corporate name of
overseas company ¹

CIRCLE HOLDINGS PLC

UK establishment
number

B R 1 5 3 3 2

→ **Filing in this form**
Please complete in typescript or in
bold black capitals

All fields are mandatory unless
specified or indicated by *

¹ This is the name of the company in
its home state

Part 2 Statement of details of parent law and other information for an overseas company

A1 Legislation

Please give the legislation under which the accounts have been prepared and,
if applicable, the legislation under which the accounts have been audited

Legislation ²

UK GAAP & COMPANIES (JERSEY) LAW 1991

² This means the relevant rules or
legislation which regulates the
preparation and, if applicable, the
audit of accounts

A2 Accounting principles

Accounts

Have the accounts been prepared in accordance with a set of generally accepted
accounting principles?

Please tick the appropriate box

☐ No Go to Section A3

☒ Yes Please enter the name of the organisation or other
body which issued those principles below, and then go to Section A3

³ Please insert the name of the
appropriate accounting organisation
or body

Name of organisation
or body ³

FRS101 Reduced disclosure
Framework

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box

☐ No Go to Section A5

☒ Yes. Go to Section A4

OS AA01

Statement of details of parent law and other information for an overseas company

A4**Audited accounts**

Audited accounts

Have the accounts been audited in accordance with a set of generally accepted auditing standards?

Please tick the appropriate box

☐ No Go to Part 3 'Signature'☒ Yes. Please enter the name of the organisation or other body which issued those standards below, and then go to Part 3 'Signature'

Please insert the name of the appropriate accounting organisation or body

Name of organisation or body

UNITED KINGDOM GENERALLY ACCEPTED PRACTICE - ISSUED BY THE ACCOUNTING STANDARDS BOARD (ASB)

A5**Unaudited accounts**

Unaudited accounts

Is the company required to have its accounts audited?

Please tick the appropriate box

☐ No.☐ Yes**Part 3****Signature**

I am signing this form on behalf of the overseas company

Signature

Signature

X R. Ching X

This form may be signed by
Director, Secretary, Permanent representative

OS AA01

Statement of details of parent law and other information for an overseas company



Presenter information

You do not have to give any contact information, but if you do it will help Companies House if there is a query on the form. The contact information you give will be visible to searchers of the public record.

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Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The company name and, if appropriate, the registered number, match the information held on the public Register
- ☐ You have completed all sections of the form, if appropriate
- ☐ You have signed the form



Important information

Please note that all this information will appear on the public record



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139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
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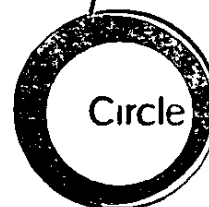
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Circle Holdings



Annual Report and
financial statements 2015

**THE HEALTHCARE
PARTNERSHIP**

WED TH

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"A5B/8/UA"

14/07/2016

#88

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"L5A5VYW0"

29/06/2016

#29

COMPANIES HOUSE



OUR CREDO

OUR PURPOSE To build a great company dedicated to our patients. **OUR PARAMETERS** We focus our efforts exclusively on what we are passionate about. What we can become best at. What drives our economic sustainability. **OUR PRINCIPLES** We are, above all, the agents of our patients. We aim to exceed their expectations every time so that we earn their trust and loyalty. We strive to continuously improve the quality and the value of the care we give our patients. We empower our people to do their best. Our people are our greatest asset. We should select them attentively and invest in them passionately. As everyone matters, everyone who contributes should be a partner in all that we do. In return, we expect them to give their patients all that they can. We are unrelenting in the pursuit of excellence. We embrace innovation and learn from our mistakes. We measure everything we do and we share the data with all to judge. Pursuing our ambition to be the best healthcare provider is a never-ending process. 'Good enough' never is.

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CIRCLEBATH



CIRCLEREADING

**NHS PATIENTS
COMING THROUGH E-REFERRAL**
NHS PATIENTS WHO ACTIVELY
CHOSE TO BE TREATED AT CIRCLE

PATIENT EXPERIENCE



"EXCELLENT SERVICE FROM START TO FINISH"

The atmosphere at Circle is relaxing, clean and fresh, from the pre-op check until the day of the surgery, everything was made simple and clear. All the staff were so helpful and kind, it was the best choice we made coming here.

GASTROINTESTINAL AND LIVER PATIENT
CIRCLENOTTINGHAM

HIGHLIGHTS

Group revenue

+15%

with total revenue increased to £127.8 million
(2014: £111 million)

Group EBITDA* losses for the year more than halved to

£4.9m

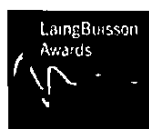
(2014: £10.4 million)

Patient volumes

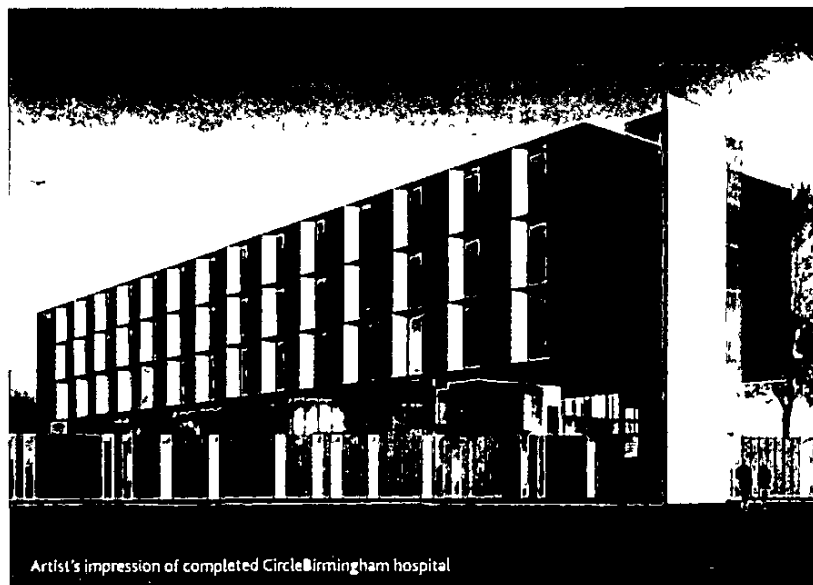
+8%

to 18,433 day cases (2014: 45,173) and
292,472 outpatients (2014: 269,316)

Won the LaingBuisson Award for 'Private Hospital Group of the Year'



- All business segments now EBITDA positive, excluding Head Office
- Clinical performance consistently high, with patient recommendation rate above 98% across the Group, above NHS and private averages
- 100% of CircleBedfordshire MSK patients triaged within 24 hours
- Nottingham one of few centres in the country to gain 'outstanding' rating for surgery service from the Care Quality Commission ('CQC')
- Planning permission secured for CircleBirmingham, Circle's fourth new-build hospital



Artist's impression of completed CircleBirmingham hospital

* Earnings before interest, tax, depreciation and amortisation, excluding exceptional items and IFRS 2 share-based payment charge for share options granted ('Project Reset items')

CHAIRMAN'S LETTER

In 2015, Circle continued to grow its existing operations. Pleasingly, Bath, Nottingham and Bedfordshire MSK are now contributing positive EBITDA, and the Group's growth performance in revenues and patient volumes outperformed the sector in general – though the Group has yet to reach a scale that fully covers central costs. Further discussion of operational and financial performance can be read in the *Chief Executive Officer's report*.

Clinical performance remains consistently high. Notable outcomes included the exceptional patient satisfaction levels across the Group and the 'outstanding' CQC rating achieved for surgery at CircleNottingham.

During the year, the Board and management conducted an extensive review of the business. The review included an analysis of the competitive environment, options for inorganic growth, and examining opportunities to utilise our operational expertise, both in the UK and abroad.

In the UK, the pressures facing healthcare are expected to grow. We anticipate increasing patient demand, tighter public finances, radical changes in technology, and a shift towards more integrated healthcare.

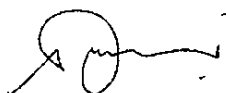
The review concluded that in this environment, Circle's core principles of a relentless patient focus, outstanding hospitality and design, persistent innovation, and clinical leadership, along with increasing expertise in musculoskeletal ('MSK') care, were developing a solid platform for further growth.

To ensure adequate scale in this respect, we expect to commence construction work on our fourth new-build hospital in Birmingham during 2016. To further grow and optimise utilisation of our facilities, we are examining a partnership opportunity with a major healthcare group to extend our current acute offering into post-acute care, at our existing and new-build operations.

The emphasis in our business model on a wide clinician partnership, commissioning and operating expertise, and high patient satisfaction, has attracted attention from overseas interests. We are currently examining opportunities for Circle to engage with highly credible financial and operational partners in major economies, where our investment would be primarily in the form of our intellectual property.

In summary, we believe Circle – after a period of maturation – is currently well poised to realise its potential through a sustainable business model, while generating consistent returns for our shareholders.

In closing, I must pay tribute to our excellent executive team and their colleagues throughout the organisation for a year of hard work, strong operational performance, and for their full commitment to our strategic direction and identification of new opportunities. Likewise, I am hugely indebted to my Board colleagues for their commitment, wise counsel and full engagement in our mission.



Michael Kirkwood CMC
Chairman
29 March 2016



Q In summary, we believe Circle – after a period of maturation – is currently well poised to realise its potential through a sustainable business model, while generating consistent returns for our shareholders.

MICHAEL KIRKWOOD CHAIRMAN



PLANNING PERMISSION GRANTED FOR
CIRCLEBIRMINGHAM

DESIGN AND BUILD

**"AS A TYPICAL MAN AND NOT
OVERENTHUSIASTIC ABOUT
VISITING MEDICAL FACILITIES,**

I came away from my visit yesterday to the
treatment centre with a sense of renewed



confidence with the facilities
I can choose as a NHS patient...
the centre is spotlessly clean and
with a calming ambience to make
my visit as stress-free as possible.
Treatment as it should be."

**ORTHOPAEDIC PATIENT
CIRCLENOTTINGHAM**

**I WOULD HAVE
NO HESITATION IN
RECOMMENDING THIS
HOSPITAL TO ANYONE;**

it was so nice to see such a friendly
and clean environment.

**ORTHOPAEDIC PATIENT
CIRCLEREADING**



CHIEF EXECUTIVE OFFICER'S REPORT



Delayed transfers of care ('DTOC')

+15%

to 1.6 million bed days

Patients awaiting further non-acute NHS care is the single largest reason for delayed days in 2014/15 (20.1% of all delayed days). Of all the reasons for DTOC, at least four areas could be significantly improved by the implementation of post-acute care services (see below).



— Patients awaiting non-acute NHS care completion of assessment, care package in own home or community equipment and adaptations

Source: NHS England, Delayed Transfers of Care Annual Report 2013/14 and 2014/15

Operating overview

In 2015, we made encouraging progress in our core business, and developed significant opportunities for further growth.

Circle's management model has always emphasised a number of key principles. We believe that we offer better, more efficient care by focusing, above all else, on patients. We believe that excellent hospitality and design are essential to an excellent patient experience. We believe in clinical leadership, and constant innovation. And finally, we have built up a particular expertise in MSK care, beyond the orthopaedic surgery many private hospital groups offer.

In 2015, we consolidated this operational expertise and, as a result, we have delivered solid financial results.

Operating outlook

Our core strengths have enabled the Group to deliver excellent growth and improved results in 2015, both in our hospitals and in delivering integrated care.

Our aim is to use the skills we have developed in these operations to further grow our core business, and to add logical extensions to our current services.

Continued organic growth at hospital sites

CircleBath will continue to secure its status as a clinical centre of excellence, pursuing higher acuity work that delivers strong margins to the Group. The hospital will continue to work on efficiency projects throughout 2016 to further improve financial performance.

CircleReading will see a continued strong rate of growth in both patient volumes and revenue, as we continue to attract patients from an expanding catchment area. We expect the facility will further benefit from Circle's planned rehabilitation service, which is outlined below.

We have recently launched a new range of all-inclusive self-pay packages, with the aim of growing this payor group. Current self-pay patients account for 10% of the patient mix across the two hub hospitals for total patient procedures, and we, therefore, see an opportunity to grow this figure. These packages offer excellent value and promote the outstanding hospitality and quality care that are Circle's hallmarks.

CircleNottingham will continue with its integration into the local healthcare economy throughout 2016. It is expected that the hospital can leverage our core expertise to develop further opportunities in orthopaedic work, and it will drive efficiencies in the facility to accommodate continued volume growth.

Provisional contracts are in place for construction on CircleBirmingham. The concept has adapted to be a multi-use facility, to allow for expansion with an integrated rehabilitation centre. Building works will commence in the third quarter of 2016.

Further MSK contracts

Our Bedfordshire MSK contract has seen the Group transfer our strength of MSK knowledge and innovation from solely acute care to primary, community and secondary care. This represents unique operational knowledge and insight into the benefits and challenges of integrating care, from referral to triage, through to treatment completion.

The Group is actively working on securing additional MSK services, and we expect further opportunities in integrated MSK work to come to market in the next 12 months. Circle's experience puts us in a prime position to secure further work, and we expect to do so. We will assess opportunities individually to ensure they are viable and that they genuinely offer shared benefits for both the NHS commissioner and the provider.

Improving post-acute care in the UK

Our experience in acute care has led to the insight that UK patients would benefit from improved rehabilitation services

There are some rehabilitation centres in the UK, but they tend to focus on drug, alcohol or mental health, and tend to be small centres disconnected from mainstream acute hospitals. Hospitals do provide some rehabilitation services for serious neurological conditions, but the UK could significantly improve its record on patients who fail to return to health after surgery. The NHS also faces recurrent problems of medically healthy patients in acute hospitals awaiting discharge, who cannot access social, step-down or reablement care. With an ageing population, these problems will only grow.

This combination of demographic trends, gaps in current provision, and a growing crisis in post-acute patients suggest there is significant potential demand for better rehabilitation services.

Circle expects to enter into a partnership with a major European provider of medical rehabilitation, with an extensive track

record in providing public and private healthcare services.

This will complement Circle's experience in hospital care and orthopaedic work, and offer one of the UK's only dedicated service to meet demand for intensive, medically-driven rehabilitation.

Circle expects to open rehabilitation facilities in Reading, Bath and Birmingham. We are finalising the terms of the partnership, and expect to confirm further details in the coming weeks.

Bringing next generation proton beam therapy to Harley Street

Circle's desire to innovate also sees us partnering with Advanced Oncotherapy ('AVO'), who are developing a next-generation proton beam therapy system, incorporating technology licensed from CERN. This reduces the size and cost of the proton beam machine considerably, enabling AVO to install a facility in Harley Street.

AVO's technology development remains on track, and we are supporting AVO's efforts to obtain finance for its technology.

Using Circle's operational knowledge abroad

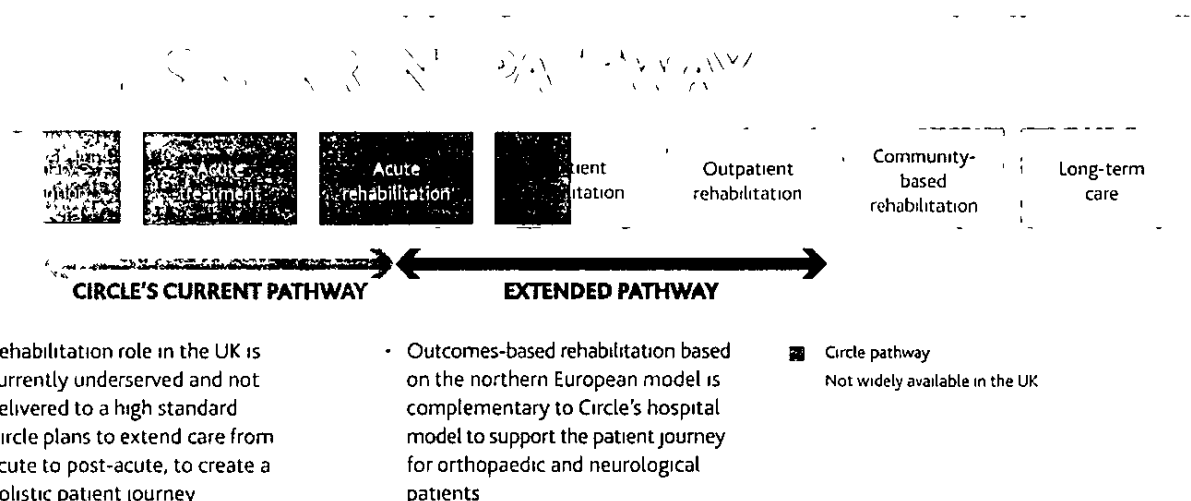
Circle has demonstrated its operational expertise and, as mentioned in our 2014 results, we continue to explore opportunities in China to build on our UK platform. We expect to provide a subsequent update on these international opportunities in the coming months.

2016 will be another important year for us. Our track record of growth, our commitment to excellent patient care and strategy to use our existing expertise to unlock further partnerships and growth, provides Circle with a clear path to sustained profitability.

Together with a dedicated and talented team, we are excited about the opportunities that the next 12 months will bring.



Steve Melton
Chief Executive Officer
29 March 2016



CircleBath

Revenue growth

+12%

Patient volumes

+3%

Patient recommendation rate

99%

Revenues at CircleBath grew at a greater rate than patient volumes, 12% and 3% respectively, reflecting a shift towards higher acuity work. On average, the hospital now performs 100 hip and knee joint replacements a month, and has doubled the volumes of spinal procedures performed from the previous year.

A clear majority (85%) of NHS revenue is derived from patients individually choosing CircleBath, as opposed to a trust transferring waiting list work to the hospital. The hospital continues to capture orthopaedic market share, which

now stands at 54% of the local market, up from 44% in the previous year.

CircleBath still faces challenges over agency staff expenses, in common with many other hospitals across the UK, however, we have resolved this issue in priority areas, and are ensuring a staffing and skill mix that ensures patient safety.

The patient recommendation rate at the hospital remains strong at 99%, and we are proud that almost 80% of our staffs would recommend working at Circle to their friends and family.



CircleReading

Revenue growth

+9%

Patient volumes

+16%

Patient recommendation rate

99.6%

CircleReading, our newest hospital, secured £22.9 million revenue in its third full year of operations.

Patient volumes increased 16%. In particular, the hospital saw a significant uplift in the number of day case procedures, as it expanded the range of NHS services offered. Like CircleBath, CircleReading attracts a large number of patients who choose the hospital: roughly 80% of CircleReading's NHS patients come through the NHS e-Referral system, formerly known as Choose and Book.

We were pleased to see an 8% point improvement in gross margin. This is primarily due to a number of efficiency measures, such as standardising consumable and prosthesis compliance towards industry standards – which in turn, we attributed to a model of clinical engagement. Agency staffing costs also reduced from £11 million in 2014 to £0.4 million in 2015.

Patient and staff satisfaction both remain extremely high at 99.6% and 79% respectively.

CircleNottingham

Revenue growth

+11%

Patient volumes

+7%

Patient recommendation rate

97%

As mentioned in our interim results, CircleNottingham received a rating of 'outstanding' from the CQC for its core service of surgery. It is only one of a handful of facilities in the country to receive this rating. This was one highlight in a year of consistently strong clinical performance, also reflected in a strong patient recommendation rate of 97%.

The hospital continues to increase its patient volumes, despite its contract having no guaranteed volumes; again, this is a testament to the patient care offered and the active choice of GPs,

and patients to be treated by us. To offer greater patient choice, we are offering operations on weekday evenings, and all day on Saturdays.

EBITDA increased by £0.5 million to £3 million, supported by efficiencies in the treatment centre. We also seek further opportunities to support the local healthcare economy, and consider the treatment centre to be a prime example of the independent sector working closely with the NHS to offer excellent care.

Circle Bedfordshire MSK

Patients offered choice of treatment provider verbally by a patient advisor

98%

Patient recommendation rate

97%

We are now two years into our five-year Bedfordshire MSK contract. The purpose of the contract is to make the system for MSK services more coherent for the patient, while capping the contract value – and thus the cost to taxpayers – beneath previously anticipated projections of MSK spending.

Total MSK referrals increased 6% in 2015 on prior year, and were up 17% compared to the 2013 calendar year. Despite this increase in patients, we achieved a number of improvements to MSK care.

We improved the triage process, so that every patient who was referred via our hub is triaged within 24 hours. At the same time, all patients requiring secondary care were offered a genuine choice of treatment providers – with 98% offered choice verbally by a patient advisor.

A number of operational issues were also resolved. Previously, we reported our challenge in convincing all local partners to use our triage hub. Following discussions with the local clinical commissioning group (CCG),

we launched a prior approval scheme which has reduced the level of patients circumventing the hub, and improved choice for a larger number of patients.

We also saw improvements in outcome collection, such as a new MSK patient-reported outcome measure developed by Oxford and Keele Universities, and using technology to improve community care outcome collection, where data has traditionally been poor. With this improved triage, better engagement with patients, greater control of the system, and stronger outcomes collection, we saw significant shifts towards more clinically-appropriate care.

In 2013, the year before the contract, 11% of all MSK patients were treated in community care, with 18% in physiotherapy, and 65% in surgery or outpatient care. By 2015, this had moved to 18% in community care, 20% in physiotherapy, and 55% in surgery or outpatient care.

These shifts make the MSK service more cost efficient than the previous system, as

it moves activity towards more clinically-appropriate treatments, and reduces unnecessary surgery. This underpins our ability to manage MSK services within the capped budget. This is in line with our contract and half the rate of activity increase.

More importantly, this shift in referral patterns is also better for patients, which is reflected in outcomes such as patient recommendation rates – where 97% of patients in our triage hub saying they would recommend our care – and country-wide measures such as EQ-5D scores, which ask patients to report on their health before and after care. In 2014, 73% of Bedford area patients reported health improvements following a course of physiotherapy, this rose to 78% in 2015.

In short, we believe the Bedfordshire contract is starting to deliver its proposed model of improved outcomes for capped spending, even as activity rises, with benefits shared between the NHS and the provider.



9.5M

**WORKING
DAYS
LOST**

**RELATED TO MSK
DISORDERS IN 2015**

Source: Work related Musculoskeletal
Disorder (WRMSDs) Statistics
Great Britain, 2015 report



CIRCLEBATH CAPTURES

54%
OF THE LOCAL
ORTHOPAEDIC
MARKET

UP FROM 44% IN 2014

1,007

**HIP AND KNEE
JOINT REPLACEMENT
PROCEDURES COMPLETED**

AT CIRCLEBATH IN 2015 (2014 793)



MUSCULOSKELETAL EXPERTISE

**"TOP OF THEIR CLASS
IN CARE AND FACILITIES,
WITH EFFICIENT AND
FRIENDLY STAFF.**

I have just had a hip replaced and would not hesitate recommending Circle. From the initial consultation, through to the operation and discharge, the staff were fantastic, especially my surgeon who has done a great job

THANKS!"

ORTHOPAEDIC PATIENT CIRCLE READING

100%

of referrals coming
through the Bedfordshire
hub are triaged within

24 HOURS



3 BEDFORDSHIRE MSK PATIENT PATHWAY

For low to moderate risk knee requiring community treatment

BEFORE

PRE-CIRCLE MSK PATIENT PATHWAY

Time to right treatment 20-35 weeks

Patient experience Poor

- Non-integrated patient pathway with no standardised assessment of patients to ensure correct clinical pathway delivered first time
- No independent assessment of patients leading to unnecessary surgeries
- High cost settings for patients treated in a hospital setting

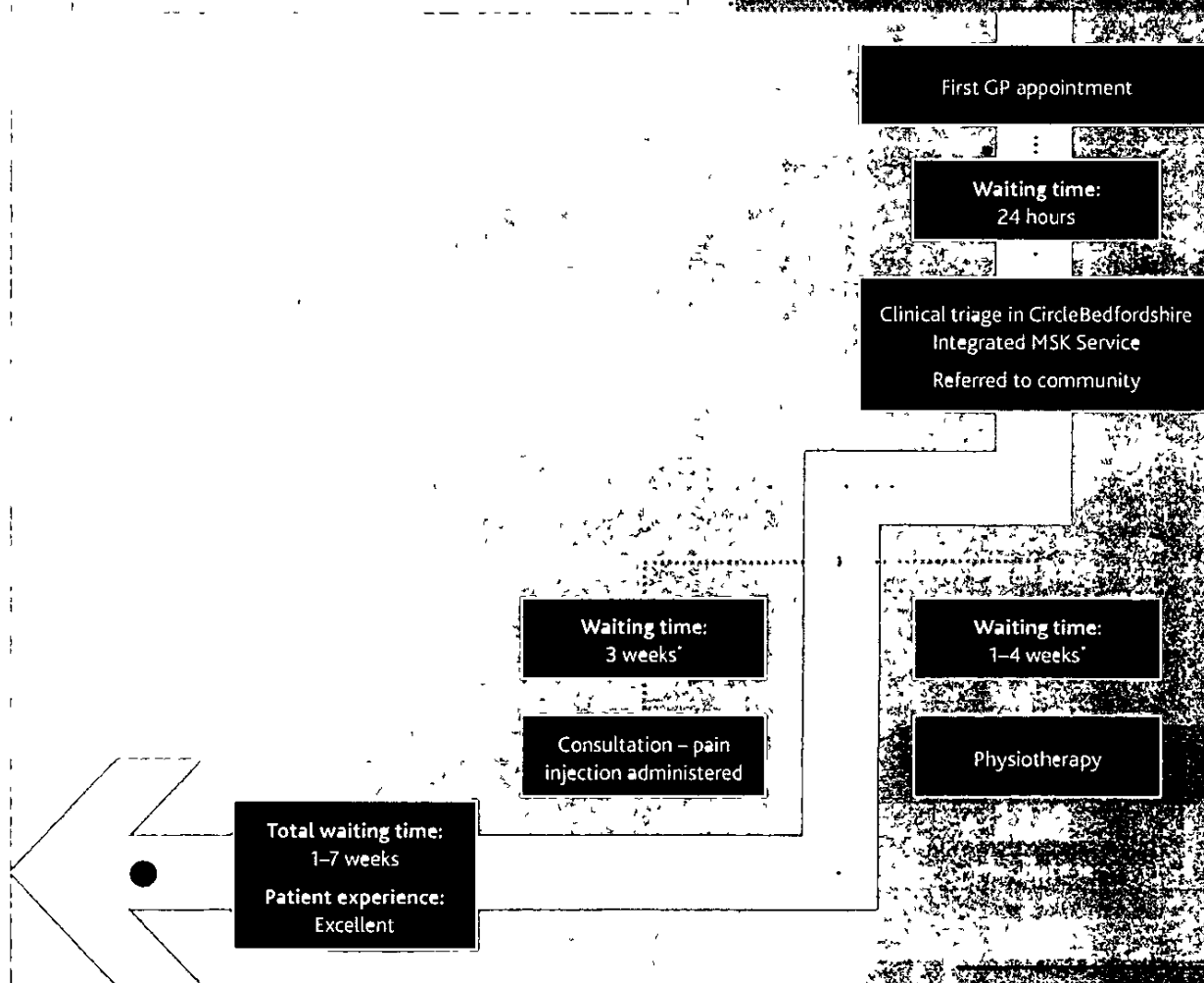
AFTER

THE CIRCLE MSK PATIENT PATHWAY

Time to right treatment 1-4 weeks

Patient experience Excellent

- Patient pathway now integrated with patients receiving clinical triage within 24 hours of referral
- Initial assessments by independent specialised staff lead to reduced number of unnecessary surgeries
- Increase in low-cost treatments such as physiotherapy, while delivering improved quality of life for patients
- Many procedures shifted away from high-cost hospitals into community setting



*Indicative times

CHIEF FINANCIAL OFFICER'S REPORT

Financial review

2015 has been a year of progress. We achieved revenue growth across all sites, we improved gross profit margins, and we further reduced operating overheads, all of which contributed to a 42% reduction in total losses. These results were achieved through increasing patient volumes and cost savings across many areas of our business.

Last year, for the first time, we reported a positive EBITDAR¹. In 2015, we improved on this milestone with a positive EBITDAR of almost four times higher at £5.5 million, and a positive EBITDA of £1.8 million, excluding our Head Office recharges.

As anticipated in the 2014 Annual Report, growth in revenue and improvement in operational efficiency continued at every hospital site in 2015. NHS patient volumes continue to grow as a result of patient choice and our support of surrounding NHS trusts. A key milestone was achieved in 2015 with CircleBath realising a full-year positive EBITDA of £0.3 million, a turnaround from EBITDA loss of £0.8 million in the prior year. CircleNottingham and CircleReading continue to experience encouraging organic growth. Compared to prior year, CircleNottingham's EBITDA increased by 20% to £3 million, while CircleReading's EBITDA loss reduced by 38% to £2.8 million.

The Group generated an operating loss before exceptional and Project Reset items² of £8 million, an improvement of 40% on 2014. We are pleased with the financial progress made in 2015, while maintaining patient satisfaction levels at 99%. This positive growth provides solid grounding for 2016 and beyond, as we seek to maximise the scale of our provisions to cater to the full patient experience.

Patient procedures

	Year to 31 December 2015 Number	Year to 31 December 2014 Number	Change
Day case and inpatients	48,433	45,173	7%
Outpatients	292,472	269,316	9%
Total procedures	340,905	314,489	8%

Patient volumes continue to grow at a steady rate, particularly NHS volumes, as more patients are actively selecting Circle as their healthcare provider of choice. At CircleReading and CircleBath, NHS e-Referral orthopaedic appointments booked have risen on average 40% and 11% respectively, year-on-year. This reflects our growing orthopaedic market share.

Total day case and inpatient volumes increased by 7% on prior year. Particularly encouraging growth in inpatients was seen at CircleNottingham, where the number of inpatients increased by more than threefold on prior year. In addition, CircleNottingham has achieved year-on-year growth of 6%, which is very pleasing for a mature asset.

Fee pressures were evident across the market in 2015, and we expect these to continue. After consecutive years of decreasing NHS tariffs, we take note of Monitor's proposal for the 2016/17 financial year³.



Closing cash balance
as at year-end

£15M

All business segments
are now reporting positive
EBITDA of

£1.8M

Excluding Head Office

Total day case and inpatient
volumes increased by

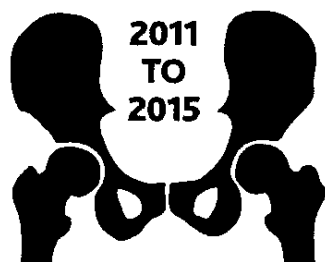
+7%

CHIEF FINANCIAL OFFICER'S REPORT

Continued

ORTHOPAEDIC OPERATIONS

+19%



Source: National Joint Registry

CircleBath saw a total volume growth of 3% to 49,052. Average inpatient and day case revenue increased in both NHS and private medical insurance ('PMI') segments, due to changes in procedure mix, with a higher proportion of orthopaedic procedures than prior year. Growth in patient volumes at CircleReading was largely in specialties that are predominantly day case procedures.

While we have seen strong growth in our NHS day case and inpatient procedure volumes across all three hospital sites, overall PMI volumes have remained flat with self-pay volumes falling slightly on prior year.


We have also seen a positive increase in outpatient volumes, increasing by 9% to 292,472 year-on-year, with a corresponding 10% growth in outpatient revenues.

Overall, we are encouraged by the continuing steady growth at all our hospital sites. All assets, in particular CircleReading, have potential for increased utilisation, so as we move into 2016, we expect to see continued growth.

Group results

2015 continues the trend of positive growth from 2014. EBITDA loss before exceptional items reduced by more than half as the Group continues to grow in its core operations, while achieving operating efficiencies. Cash balance as at end of December was £15 million with no restricted cash reserves.

	Year to 31 December 2015 £'000	Year to 31 December 2014 £'000	Difference £'000	Difference %
Group revenue	127,790	110,983	16,807	15%
EBITDAR before exceptional items and Project Reset charge	5,530	1,152	4,378	380%
EBITDA before exceptional items and Project Reset charge	(4,915)	(10,427)	5,512	(53%)
Total operating loss before exceptional items and Project Reset items	(7,967)	(13,329)	5,362	(40%)
Exceptional items	(389)	(5,341)	4,952	(93%)
Loss and total comprehensive loss for the financial year	(11,656)	(20,155)	8,499	(42%)
Net assets	25,411	34,374	(8,963)	(26%)

 Patient volumes continue to grow at a steady rate, particularly NHS volumes, as more patients are actively selecting Circle as their healthcare provider of choice.

PAOLO PIERI CHIEF FINANCIAL OFFICER

Like-for-like⁴ revenue increase at the current hospital sites was 11%, reflecting the strength of our core business. At CircleBath and CircleReading, 85% and 80% respectively of our revenues came from patients who chose these facilities through the NHS e-Referral system. While reassured by our progress on revenues, we acknowledge that gross margin growth has been slower to materialise than anticipated. This is partly due to challenges around agency costs and achieving sufficient scale, as addressed in the Chairman and CEO's reports.

Like-for-like gross margin is at 34% for the year ended 2015, compared to 33% in 2014. After removing the one-off impact of benefits received in 2014 in relation to the old Nottingham contract, like-for-like margins improved by 3% in the period.

Group EBITDAR continues to improve at an encouraging rate, rising by nearly four times the EBITDAR of the prior year. EBITDA loss has also more than halved. The improvement in performance is driven by EBITDA progress across all hospital sites and facilities.

The Bedfordshire MSK service operated for a full financial year in 2015, and completed its first year of operation in April 2015. The operational challenges that we faced in 2014 have been largely resolved, and we can now concentrate on implementing our planned initiatives to improve care and reduce surgeries in a growing population.

We are pleased that this success led to EBITDA of £1.3 million. In a capped budget model where overall activity was up 17% since calendar year 2013, this represents benefits genuinely shared between the independent provider and the NHS commissioner. We also continue to work closely with the CCG to engage Bedford GPs to utilise the referral process managed by Circle.

The Company issued initial allocations of options under its Management Incentive Plan ('MIP') and Partnership Incentive Plan ('PIP') share schemes during 2015. The total share option charge recognised in 2015 amounted to £2.5 million.

Together with 11.5 million 2016 convertible shares that will automatically convert into ordinary shares of the Company in June 2016, up to 20 million options may vest and become eligible to exercise in 2016 (approximately 13 million of which are subject to performance conditions that

may or may not be satisfied). Both the 2016 convertible shares and the ordinary shares into which these options will be exercised are currently issued and held by the Circle Partnership Benefit Trust (the 'CPBT'), on behalf of scheme beneficiaries, and are non-dilutive.

With the aid of future plans to maximise scale, and also current strategies to reduce staffing costs, while simultaneously maintaining our high-quality clinical care, we are confident that we have the resources to achieve sustainable growth.

Exceptional items

During 2015, net exceptional costs of £0.4 million were recognised in relation to:

- a gain due to lower than expected costs in 2014 for advisory fees to assist the Group's consideration of potential acquisitions, and
- the IFRS 2 share-based charge on the share options awarded to the Group's Chief Financial Officer.

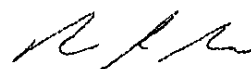
Cash flow

Net cash outflow from operating activities amounted to £4.6 million (2014: £8.4 million), showing an improvement on prior year as a result of improved operational performance.

At 31 December 2015, the only borrowings relate to finance leases of clinical equipment. Our cash flow forecasts have been prepared, based on the expected cash flows from the Group's existing operating businesses, and the commitments associated with new projects, as discussed in the Chairman's and Chief Executive Officer's reports. Should any adverse variances to expected cash flows materialise, a number of actions could be taken to mitigate the negative impact. Actions include reducing Head Office costs, reducing the scale or timing of investment in new projects, or seeking further funding opportunities. There is

also potential to generate additional capital through the sale of land in Manchester. We continue to evaluate our growth options to maintain a balance between capital requirements and potential returns.

In early 2016, we marketed the sale of our land in Manchester. We expect to receive offers before we report again at the half year.



Paolo Pieri
Chief Financial Officer
29 March 2016

- 1 Earnings before interest, tax, depreciation, amortisation and rent, excluding exceptional and Project Reset items (Note: Project Reset items relate to the IFRS 2 share-based payment charge for share options granted to Circle employees and clinical partners).
- 2 Project Reset items relate to the IFRS 2 share-based payment charge for share options granted to Circle employees and clinical partners.
- 3 www.england.nhs.uk/resources/pay-sys/tariff-consultation-notice/
- 4 Like-for-like revenue growth refers to revenue growth at Circle Nottingham, Circle Bath and Circle Reading.



**“ THE VALUE THAT WE PLACE ON
OUR CLINICIANS HAS ALWAYS SET US
APART FROM OTHERS IN OUR SECTOR.**

In creating Circle, we realised that when you trust your staff to do well, when you give them the support and freedom to truly thrive in their role, they will be prepared to go that much further for patients. An empowered workforce is at the very heart of Circle's business. In short, our staff are the reason we are successful

”

MASSOUD FOULADI CHIEF MEDICAL OFFICER

CLINICAL ENGAGEMENT

**78% OF
JOINT REPLACEMENTS
USED STANDARDISED
PROSTHESIS**



**“I HAD TO HAVE AN
OPERATION AND WAS
A BIT APPREHENSIVE.**

I shouldn't have been, every member of staff was very professional and efficient. The day care was extremely good and I can praise it to the highest order.”

VASCULAR PATIENT CIRCLEBATH

**80% OF STAFF
WOULD
RECOMMEND**

**CIRCLE TO FRIENDS AND FAMILY
AS A PLACE TO WORK**

BOARD OF DIRECTORS

1 **MICHAEL KIRKWOOD CMG**
Chairman

2 **STEVE MELTON**
Chief Executive Officer

3 **PAOLO PIERI**
Chief Financial Officer

4 **DR MASSOUD FOULADI**
Chief Medical Officer

5 **LORRAINE BALDRY OBE**
Senior Non-Executive Director

6 **LORD HUTTON OF FURNESS**
Non-Executive Director

7 **JUSTIN JEWITT**
Non-Executive Director

8 **ANDREW SHILSTON**
Non-Executive Director



1 MICHAEL KIRKWOOD CMG

Chairman (a), (b), (c)*

Michael Kirkwood is an Economics and Industrial Engineering graduate of Stanford University and a Fellow of the Chartered Institute of Bankers. He joined the Board of Circle Holdings plc as Chairman in June 2011. He is additionally Senior Advisor (formerly Chairman) of Ondra Partners LLP, a non-executive director of AngloGold Ashanti Limited, and an Emeritus Director (formerly Chairman) of British American Business Inc.

Michael joined Citigroup in 1977 from where he retired at the end of 2008. Prior to Citigroup, he spent a number of years in Asia with Bowater-Ralli Group, having started his career at HSBC. He was previously a non-executive director of UK Financial Investments Ltd (UKFI), Eros International plc, Kidde plc, and Deputy Chairman of PricewaterhouseCoopers LLP's Advisory Board. He is a member of the Advisory Board of the Association of Corporate Treasurers and a patron of poverty housing charity, Habitat for Humanity. During his City career, he served as Deputy Chairman of the British Bankers Association, President of the Chartered Institute of Bankers, Chairman of the Association of Foreign Banks, and as a member of the CBI's Financial Services Council.

A Freeman and former HM Lieutenant for the City of London in 2004, Michael was appointed a Companion of the Order of St Michael and St George (CMG) in HM The Queen's 2003 Birthday Honours.

2 STEVE MELTON

Chief Executive Officer

Steve Melton was appointed as Chief Executive Officer in December 2012, after previously holding the roles of Head of Mobilisation and Chief Operating Officer since joining Circle in 2008. Steve has

over 30 years of experience leading transformational change and operations in the retail, consumer goods and healthcare sectors. Prior to Circle, he was the Supply Chain Director at Argos, where he also led a number of group-wide business excellence programmes.

Previously, he was Supply Chain Director at Scottish Courage, and General Manager, Non-Food Supply Chain at Asda. He began his career on Unilever's Management Trainee Programme and, subsequently, held a number of roles at Unilever, working internationally across the personal products business. Steve holds an MA (First Class) in Chemical Engineering from the University of Cambridge.

3 PAOLO PIERI

Chief Financial Officer

Paolo Pieri joined Circle after spending over five years at lastminute.com. He spent the majority of this time as the UK Finance Director and, subsequently, took on a number of operational roles, including the Managing Director of some European divisions.

Prior to this, Paolo spent seven years in the Virgin organisation, principally within the retail and cinema operations, where he spent three years as Finance Director of the Virgin Megastore business.

Paolo has a Bachelor of Accountancy from Glasgow University, and is a member of the Institute of Chartered Accountants for Scotland.

4 DR MASSOUD FOULADI

Chief Medical Officer

Dr Massoud Fouladi is a co-founder of Circle and Group Medical Director. He also serves as the initial director representative of the CPBT, the Group's largest single shareholder.

Massoud graduated from Bristol Medical School in 1990, and completed his ophthalmology training at Birmingham and Midland Eye Centre in 1999. He was also awarded a Masters in Health Services Management by Birmingham Health Services Management Centre in 1998.

In 2001, Massoud founded the Ophthalmic Clinical Leads Forum at the King's Fund. He was Chairman of the Association of Ophthalmologists UK from 2003 to 2007. He remains an active consultant specialising in ophthalmic surgery.

5 LORRAINE BALDRY OBE

Senior Non-Executive Director (a), (b)*, (c)

Lorraine Baldry is Chairman of London and Continental Railways Limited, Schroders Real Estate Investment Trust, Inventa Partners Limited and Tri-Air Developments Limited. She is also a Board member of Thames Water Utilities Ltd. She was previously Senior Independent Non-Executive Director of DTZ Holdings plc, and Chairman of the London Thames Gateway Development Corporation.

Prior to that, Lorraine was Chief Executive of Chesterton International plc, a senior advisor at Morgan Stanley, investment banking division, and Managing Director and a member of the Executive Committee of Regus. Lorraine joined Regus from Prudential Corporation, where she held a number of posts, including Managing Director of Prudential Corporate Pensions, Chief Operating Officer of Prudential Portfolio Managers (now M&G), and Managing Director of its property investment division.

She was awarded OBE in the Queen's Jubilee Honours, and is an Honorary Member of the Royal Institution of Chartered Surveyors and a past president of the British Property Federation.

BOARD OF DIRECTORS

Continued

6 LORD HUTTON OF FURNESS

Non-Executive Director (b), (c)

Lord Hutton served as a member of the British House of Commons from 1992 to 2010. During his time in government, he held several prominent Cabinet positions, including Secretary of State for Defence, Business, Enterprise and Regulatory Reform, and Work and Pensions. Lord Hutton was also a minister in the UK Department of Health from 1998 to 2005, where he helped lead the modernisation of the National Health Service. Prior to public service, Lord Hutton worked as a senior law lecturer at Northumbria University, and served as a legal adviser to the Confederation of British Industry. Between 2010 and 2011, Lord Hutton was the Chairman of the Independent Public Service Pensions Commission.

He is currently Chairman of the Nuclear Industry Association, a non-executive director of Sinus Minerals plc and Arthurian Life Sciences Ltd. Lord Hutton also holds advisory positions at Bechtel Corporation, PricewaterhouseCoopers and Lockheed Martin. Lord Hutton graduated from Magdalen College, Oxford University, in 1978 with an MA and a Bachelor in Civil Law.

7 JUSTIN JEWITT

Non-Executive Director (a)

Justin Jewitt has extensive commercial knowledge and practical experience in the delivery and creation of public and private health services. He graduated from Leicester University in 1975, joining Mobil Oil Company Limited as a graduate trainee, where he occupied various roles for 12

years. In 1986, he joined Thorn Emi plc in their retail/rental division, moving through various senior management roles.

In 1992, Justin became Managing Director of two B E T plc companies, Laundrycraft and Initial Healthcare (Textile) Ltd. Justin joined Nestor Healthcare Group plc in 1994, where he worked for 10 years as Chief Executive Officer of the Group, building it into a FTSE 250 listed company. Justin also held several non-executive director positions in both private and public healthcare companies. Justin is currently a visiting professor for the Welsh Institute for Health and Social Care, University of South Wales, a member on the Quality Committee of an NHS CCG, and a senior independent director of NHS Shared Business Services Ltd.

8 ANDREW SHILSTON

Non-Executive Director (a), (b), (c)

Andrew Shilston graduated from the University of Oxford in 1977 with an MA in Engineering Sciences, and is a member of the Institute of Chartered Accountants of England and Wales, and a Fellow of the Association of Corporate Treasurers.

Andrew joined Rolls-Royce Group plc in 2002 and was appointed Group Finance Director in 2003, where he remained until 2011. He was Finance Director at Enterprise Oil Ltd from 1993 to 2002. Andrew was an independent non-executive director of Cairn Energy plc between 2004 and 2008, and is currently Chairman of Morgan Advanced Materials plc and Independent Non-Executive and Senior Independent Director of BP plc.

(a) Member of Audit and Risk Committee

(b) Member of Remuneration Committee

(c) Member of Nomination Committee

• Denotes Chair of respective committee

DIRECTORS' REPORT

The directors present their Annual Report and audited financial statements for the Group for the year ended 31 December 2015

The Group financial statements consolidate the financial statements of Circle Holdings plc (the 'Company') and its subsidiary undertakings ('subsidiaries') drawn up to 31 December 2015. Together, these make up 'Circle' or the 'Group'.

Principal activities

The Group is a provider of healthcare services in the UK, treating privately insured, self-pay and NHS-funded patients. The Group's business strategy is founded on the belief that the best way to deliver great patient care is to empower the doctors, nurses and all other staff who work in our hospitals and treatment, to put patients' needs first.

Business review

The information that fulfils the requirements of the business review can be found in the operating review on pages 10 to 15. Information on environmental matters, employees, community and social issues is given in the *Report on corporate governance* on pages 32 to 35.

Results and dividends

The total loss for the financial year amounted to £11,656,000 (2014 £8,055,000). The directors do not recommend the payment of any dividends (2014 £nil).

Cash flow

The total cash balance at 31 December 2015 is £14,998,000 (2014 £24,496,000). Net cash used in operating activities totalled £4,642,000 (2014 £8,361,000).

Share capital and control

As at 31 December 2015, the Company's authorised share capital comprised 325,000,000 (2014 325,000,000) ordinary shares of £0.02 each, 12,500,000 convertible shares (18 months) of £0.02 each, and 12,500,000 convertible shares (18 months) of £0.02 each, of which

247,797,188 (2014 247,797,188) (note 22) were in issue. Shareholders are entitled to receive the Company's *Annual Report and financial statements*, attend and speak at general meetings, appoint proxies, and exercise voting rights. The Company's shares do not carry any special rights with regard to control of the Company.

The appointment and replacement of directors is governed by the Company's Articles of Association. Any changes to the Articles of Association must be approved by the shareholders in accordance with the legislation in force at the time. The directors have authority to issue and allot ordinary shares pursuant to Article 7 of the Company's Articles of Association.

Policy and practice on payment of creditors

It is the Group's and Company's policy to abide by the payment terms agreed with suppliers wherever it is satisfied that the supplier has provided goods and services in accordance with agreed terms and conditions. A number of significant purchases and commitments under operating leases are paid by direct debit. At 31 December 2015, the Group had 20 equivalent days (2014 30 days) of purchases outstanding, and the Company had 16 equivalent days (2014 46 days).

At 31 December 2015, trade creditors in the Group and Company were £6,840,000 and £59,000 respectively (2014 £6,666,000 and £133,000).

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will continue in operational existence for the foreseeable future. The directors have prepared cash flow forecasts for a period of not less than 12 months from the date

of the signing of the financial statements for the year ended 31 December 2015.

These forecasts have been prepared based on the expected cash flows from the Group's existing operating businesses, as well as the commitments associated with new projects as discussed on pages 10 to 11. 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 investment 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 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 accounts to be prepared on a going concern basis.

Events after the balance sheet date

In January 2016, marketing for the sale of the land held by Health Properties (South Manchester) Limited commenced. It has a carrying value of £5,000,000, and the directors believe the sales proceeds will support the carrying value.

Directors

The directors who served during the year and up to the date of signing the financial statements were as per the table on the following page.

DIRECTORS' REPORT

Continued

Steve Melton	Chief Executive Officer
Massoud Fouladi	Chief Medical Officer
Paolo Pieri	Chief Financial Officer
Michael Kirkwood CMG	Non-Executive Chairman (independent)
Lorraine Baldry OBE	Senior Non-Executive Director (independent)
Andrew Shilston	Non-Executive Director (independent)
Lord Hutton of Furness	Non-Executive Director (independent)
Justin Jewitt	Non-Executive Director (independent)

Biographies of the current directors are detailed on pages 24 to 26, and directors' beneficial interests in the Group's share capital and warrants are detailed on pages 36 to 39 of the *Directors' remuneration report*

Directors' indemnity

In its Articles of Association, the Company has granted an indemnity to every present and former officer in respect of proceedings brought by third parties. The Company has procured liability insurance for all directors and officers of the Company, and all Group companies. There are no outstanding claims or provisions as at the balance sheet date.

Donations

The Group made charitable donations totalling £845 (2014: £1,142) during the year to a number of charitable organisations within the UK.

No donation was made to any political party registered in the UK under the Political Parties, Elections and Referendums Act 2000 by either the Company or its subsidiaries.

Principal risks and uncertainties

Enterprise risk identification and management

The Group has an effective system of risk management in terms of identifying risks and monitoring actions to manage these

risks. Further details of the Group's risk management process can be found in the *Report on corporate governance* on pages 32 to 35.

Risk is an unavoidable element of doing business. The Group's risk management system aims to provide assurance to the Board regarding the effectiveness of the Group's ability to manage risk. The system includes the controlled prioritisation of issues, review of key operational metrics in relation to clinical outcomes, patient experience, staff engagement and value for money (together known as the Quality Quartet ['QQ'] review), mitigation, sharing of best practice and effective crisis management.

The following provides an overview of the principal business risk factors facing the Group, along with a description, where relevant, of the mitigating actions in place.

Financial risks

The Group's operations expose it to a variety of financial risks that include working capital and funding risk. The Group has implemented a comprehensive strategic planning and budgeting system to monitor and limit the adverse effects of the below risks, the results of which are presented to and approved by the Board Management and the Board monitor performance against budget and key financial benchmarks through monthly

reporting routines, detailed business reviews and variance analysis.

Working capital and funding risk

Working capital and funding risk is the risk that the Group will encounter in the event of difficulty in meeting obligations associated with financial liabilities, or will be unable to obtain sufficient funding to pursue its growth plans and expansion opportunities. The Group aims to mitigate this risk by robustly managing cash generation across its operations through detailed budgeting and tight cost control, as well as applying cash collection targets throughout the Group. Where the need arises, significant cost savings are made in the short term by reducing Head Office costs. The Group is also backed by leading UK institutional investors that have provided finance through several financing rounds over the past 11 years.

Contract risk

Contract risk exists where the Group is unable to renew the NHS contracts at the end of their fixed tenure. The Group aims to mitigate this risk by maintaining good relationships with contracting parties and actively pursuing contract renewals and extensions ahead of time. During 2013, the Group won the retender to provide renewed services at the Nottingham NHS Treatment Centre for a further five years until July 2018. The Group also operates a five-year integrated MSK service contract in Bedfordshire, which ends in March 2019.

Owing to the complexity of delivering NHS-funded services, there is inherent contractual risk arising from the Group's existing NHS contracts. Default and termination of these contracts could occur as a result of clinical or operational failures. The Group continues to mitigate these risks by focusing on its business model of delivering high-quality care at the best value.

Clinical quality risk

As with all medical providers, clinical quality risk is a major consideration. The Group has an integrated corporate governance structure which is chaired by the Chief Medical Officer, who also sits on the Board. This structure includes senior staff across the operational, clinical and central support teams. Each hospital site has its own local governance structure, while a team of clinical care quality specialists is dedicated to developing up-to-date and consistent clinical and operational 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 Group's Integrated Governance Committee ('IGC'). This committee, in turn, provides written risk assurance reports to the Boards of the relevant Circle Group companies and the Audit and Risk Committee.

Price risk

The Group generally seeks to price contracts at levels that take account of increasing prices and, where appropriate, establish contract terms that enable revenues to be adjusted as a result of any future increasing price levels. As the volume of patients is anticipated to increase, the Group will be increasingly subject to pricing changes from private insurance companies and the NHS pricing tariff.

The Bedfordshire MSK contract operates under a capped revenue budget. The underlying principle assumes that the

service can be run more efficiently, improving the patient experience and reducing operational costs. Nevertheless, the Group bears the risk of rising operational prices as the baseline revenue is fixed, subject to local demographic or service portfolio changes.

Government policy and regulatory risk

There are risks that political or policy changes may mean that the number and size of contracts awarded to the Group are diminished, and that fewer services provided by the Group are contracted by the public sector.

New regulations may be introduced which could have an adverse effect on the Group's operational and compliance costs. In addition, the Group relies on the ability and willingness of government-funded bodies, such as CCGs and NHS trusts, to pay for the Group's services.

Reputational risk

Reputational risk associated with poor clinical outcomes or patient satisfaction is mitigated by the focus on providing high-quality medical care at the Group's facilities, and constantly seeking to improve clinical services through the activities of the IGC and the QQ reviews.



Steve Melton
Chief Executive Officer
29 March 2016

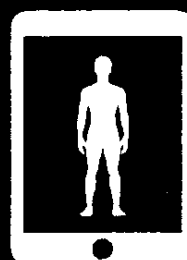
**WE ARE
DELIGHTED TO
PARTNER WITH CIRCLE,**

who have a proven track record of innovation in healthcare delivery. Our plans are to focus on creating and adopting new technologies from around the world into the UK healthcare market – which is facing unprecedented pressures on its finances. We felt that Circle were the best partner to work with.

RAJIB BHATTACHARYA VICE PRESIDENT,
TECH MAHINDRA

"One of our big successes in Bedfordshire has been an outcomes app for physios. Previously, outcomes were not being formally monitored, and physios were understandably resistant to time-consuming form-filling. So, we deployed an app where they can type in outcomes on a tablet while they're with the patient, and send it in to the Circle team – so we have a data-rich understanding of quality in community care. Thanks to this technology, we're now able to steer physios across the county towards the best outcomes and share best practice."

ZARA THOMAS MSK
TECHNOLOGY LEAD,
CIRCLEBEDFORDSHIRE MSK



INNOVATION



**ONE ANSWER
TO THE NHS'
EFFICIENCY
CHALLENGE
IS TO USE TECHNOLOGY
TO MAKE SURE
CONSULTANTS' TIME IS
FOCUSED.**

OUR TELEDERM SERVICE, LAUNCHED IN AUTUMN 2015,

gives GPs in Nottingham a specialist bit of equipment – a dermatoscope – attached to a very common technology – an iPhone.

The practice takes images of a skin condition, and sends it in to our team for review. They are checked within 48 hours, and either asked to come in to hospital, or told it's not urgent and can be treated in primary care.

This way, we speed up diagnosis of conditions, and can fast-track patients with conditions like skin cancer – but ensure that those who have benign conditions don't unnecessarily see a consultant, and don't spend weeks worrying they might have a serious illness. The overall effect is faster care, better care, and cheaper care.

NIKKI LUCAS TELEDERM LEAD, CIRCLENOTTINGHAM







REPORT ON CORPORATE GOVERNANCE

General

The Company, being quoted on AIM, is not required to comply with the provisions of the UK Corporate Governance Code (the 'Code'). Nevertheless, the directors are committed to the highest standards of corporate governance, and have voluntarily complied with elements of the Code issued by the Financial Reporting Council where relevant and appropriate to the Company. As envisaged by the Code, the Board has established three committees: an Audit and Risk Committee, a Remuneration Committee and a Nomination Committee. In addition, the Board has authorised a Market Disclosure Committee and the IGC, with the latter reporting on clinical, operational and financial matters into the Audit and Risk Committee. These committees operate within defined terms of reference, as determined by the Board, details of which are publicly available at the Group's registered office. The functions and responsibilities of each committee are described below, and the members of each committee are listed in the biographies of the *Board of Directors* on pages 24 to 26.

The Board

The Board of Directors comprises a non-executive chairman, four independent non-executive directors, and three executive directors (Chief Executive Officer, Chief Medical Officer and Chief Financial Officer). The profiles of the current executive directors and non-executive directors are set out on pages 24 to 26. The Articles of Association allow no fewer than three directors.

The Code recommends that the Board should comprise at least two non-executive directors, determined by the Board to be independent in character and judgement, and free from relationships or circumstances which may affect, or could appear to affect, the directors' judgement. The Board considers that the Company complies with the requirements of the Code in this regard.

The non-executive directors contribute a wide range of skills and experience, forming a strong and independent element within the Board. The non-executive directors receive a fixed fee for services rendered, are appointed for an initial period of three years, which may be extended by agreement with the Board, are subject to re-election by shareholders at the Annual General Meeting ('AGM'), and are not employees of the Company at the time. Their opinions carry significant weight in the decision-making processes, both operational and financial, and they are free from any business or personal relationships that could interfere with their independent judgement. The non-executive directors ensure that some meetings are set aside during the year without the executive directors present. Lorraine Baldry OBE, is the nominated senior independent non-executive director to whom shareholders, directors and employees may raise concerns which normal channels have failed to resolve or are otherwise not appropriate.

The Chairman is responsible for leadership of the Board and ensuring its effectiveness in all aspects of the role, including

- managing the Board,
- ensuring that sufficient time is allowed for the discussion of complex or contentious issues,
- ensuring a regular evaluation of the performance of the Board as a whole, its committees and individual directors, and
- taking the lead in identifying and meeting the development needs of individual directors and the Board as a whole.

The Board and its subcommittees meet at regular intervals throughout the year and have reserved for their consideration matters including

- the responsibility for the overall strategy of the Group,

- significant capital expenditure projects, budget approval and any major financial proposals,
- ensuring effective systems of internal control and risk management,
- regulatory compliance,
- approval of public announcements and communications with shareholders,
- approval of the *Annual Report and financial statements*, and
- remuneration of key senior employees.

Detailed monthly operational, clinical and financial information is provided to the Board in a timely manner to enable it to discharge its duties. This includes information on the historic, budgeted and forecast financial performance of the business, as well as key performance indicators covering volumes, revenue and EBITDA, to allow the Board to challenge Group management effectively. A budget is agreed by the Board annually, and performance against budget is reported monthly.

The Board ensures that all directors receive appropriate training and induction, as required, and that they are able to take independent professional advice in the furtherance of their duties. The Board may appoint a director and revoke or terminate the appointment of a director as it thinks fit. Any director so appointed shall offer himself or herself for reappointment at the first AGM following appointment. No director shall remain in office for longer than three years since their last election or re-election without submitting themselves for re-election. The shareholders may also remove a director by ordinary resolution.

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's *Annual Report and financial statements*, considering the scope of the annual audit and the extent of the

REPORT ON CORPORATE GOVERNANCE

Continued

non-audit work undertaken by external auditors, advising on the appointment of external auditors, reviewing the effectiveness of the internal control systems in place within the Group, and determining and reviewing the nature and extent of the risks facing the Group. The Audit and Risk Committee meets not less than four times a year.

The Code recommends that all members of the Audit and Risk Committee be non-executive directors, and that the committee is not chaired by the Chairman of the Board. The Company complies with the requirements of the Code in this regard.

Reporting into the Audit and Risk Committee is the IGC, which is chaired by the Chief Medical Officer, Dr Massoud Fouladi, who also sits on the Board. Further details are provided in the principal risks and uncertainties section of the *Directors' report* on pages 28 to 29.

Remuneration Committee

The Remuneration Committee recommends policies the Group should adopt on executive remuneration, determines the levels of remuneration for each of the executive directors, and is also invited to attend meetings of the Remuneration Committee of Circle Health Limited. The Remuneration Committee generates an annual

remuneration report to be approved by the members of the Company at the AGM. The minutes of the Remuneration Committee are circulated to, and reviewed by, the Board. The Remuneration Committee meets not less than twice a year, and the *Directors' remuneration report* is set out on pages 36 to 39.

The Code recommends that all members of the Remuneration Committee be non-executive directors, and the Group complies with the requirements of the Code in this regard.

Nomination Committee

The Nomination Committee assists the Board in determining its composition, desired balance of skills and potential Board candidates as the need may arise, and formulates the succession plans for the Chairman. It recommends to the Board the succession plans for the Chief Executive Officer. The Nomination Committee meets at least once a year and whenever necessary to fulfil its responsibilities.

The Code recommends that a majority of the Nomination Committee be non-executive directors, and the Group complies with the requirements of the Code in this regard.

Market Disclosure Committee

The Market Disclosure Committee assists the Group in meeting its obligations to announce price-sensitive and other significant information, and decide quickly whether an announcement obligation has arisen under the AIM Rules for Companies and related legislation.

The Code does not require companies to have a Market Disclosure Committee, but the directors consider it best practice to have such a committee.

Performance evaluation and attendance

The Board has undertaken a formal evaluation of its own performance and that of its committees through the circulation and completion of a comprehensive questionnaire. Having considered the results of the questionnaire, the directors have concluded that the Board and its committees continue to function effectively, and that the other commitments of the Chairman and directors are such that all directors are capable of devoting sufficient time to the Company.

Attendance by the directors at the various committees during the year was as follows:

	Board	Market Disclosure Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Lorraine Baldry	11	N/A	4	4	3
Massoud Fouladi	10	N/A	N/A	N/A	N/A
Lord Hutton	10	N/A	N/A	3	2
Justin Jewitt	11	N/A	4	N/A	N/A
Michael Kirkwood	11	2	N/A	4	3
Steve Melton	11	2	N/A	N/A	N/A
Paolo Pieri	11	2	N/A	N/A	N/A
Andrew Shilston	11	N/A	4	4	3
Total meetings held	11	2	4	4	3

Relations with shareholders

The Company maintains a regular dialogue with fund managers, other investors and analysts, usually following the announcement of interim and final results, to ensure that the investing community receives a balanced and consistent view of the Group's performance. The principal documents received by shareholders are the *Interim Report*, *Annual Report and financial statements*, and any circulars as appropriate. The Company's AGM provides an opportunity to respond to shareholders' questions.

Employee involvement

Circle is a socially responsible employer, and various initiatives are in place to ensure that staff are treated fairly as they are critical to its clinical, commercial and operational success. Communication is critical to employee relations, and the Group uses bi-weekly business updates with all sites present via teleconference to ensure employees are fully informed about plans and progress. Communications from the Human Resources Department notify all staff of any changes to personnel during the year. Semi-annual off-site meetings are held for management and directors to review strategy implementation and key business opportunities. Annual performance reviews are conducted for employees, and individual training and development needs are identified to ensure staff receive supplementary training.

The Group is 25% owned by the CPBT, which holds shares on behalf of employees and clinicians who work in the Group's facilities, and who receive share options linked to their performance. This performance-based incentive scheme strengthens our identity and ethos as an employee co-owned company.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons, where the candidate's particular aptitudes and abilities are consistent with adequately meeting the requirements of the job. Opportunities are available to disabled employees for training, career development and promotion.

Where existing employees become disabled, it is the Group's policy to provide continuing employment wherever practicable in the same or an alternative position, and to provide appropriate training to achieve this aim.

Equality

Circle seeks to be a socially responsible Group which has a positive impact on the communities it operates in. We look to employ a workforce which reflects the diversity of the Group's communities. No discrimination is tolerated, and we endeavour to give all employees the opportunity to develop their capabilities.

Environmental matters

The services provided by the Group have minimal environmental impact. However, the Board believes that good environmental practices support the Group's strategy by enhancing the reputation of the Group and improving the efficiency of running hospitals. Consequently, the Group continues to put environmental responsibilities high on the agenda.

The Group and its employees try to ensure that both services and products are procured in an environmentally friendly manner, and that waste materials are disposed of appropriately, including recycling where economically possible.

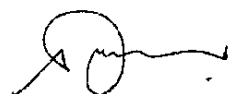
The Group makes extensive use of electronic communications to reduce the amount of printing waste produced. Where appropriate, electronic communication methods such as email, telephone and video conference facilities are used to avoid non-essential travel. The Group does not offer a Company car scheme to employees, and encourages its employees to travel to work using public transport or a 'bike-to-work' scheme.

Ethical conduct

The Board is committed to uphold ethical conduct throughout the Group, and has in place confidential whistleblowing and anti-bribery policies that enable unresolved concerns to be escalated to the Board's senior independent non-executive director. These policies are made available to all employees via a web-based policy management system that enables periodic monitoring.

Health and safety

The Group is committed to protecting and enhancing the health and safety of its employees, and all patients who are treated in the facilities it operates. The Group operates a formal health and safety risk assurance framework, which is regularly monitored by a dedicated health and safety officer who provides monthly reports to the management teams at the operational level, and quarterly reports to the Group's IGC. Under the framework, significant incidents are reported without delay to the Board.



Michael Kirkwood CMG
Chairman
29 March 2016



DIRECTORS' REMUNERATION REPORT

This report sets out the Group's remuneration policy and details of directors' remuneration.

The Chapel, Circle Head Office, London

Remuneration Committee

The members of the Remuneration Committee are set out on pages 24 to 26, and the role of the Remuneration Committee is set out in the *Report on corporate governance* on page 34

Remuneration policy

Executive remuneration packages are designed to attract, motivate and retain directors, and to reward them for enhancing value to shareholders. The performance measurement of the executive directors and key members of senior management, and the determination of their annual remuneration package, is undertaken by the Remuneration Committee. The Board determines the remuneration of the non-executive directors.

There are several elements to the remuneration policy

Basic salary

Executive directors' base salaries are set by the Remuneration Committee, taking into account the individual's level of responsibility, experience and performance. Salary levels are reviewed annually. In setting base salary levels, the Remuneration Committee also takes into account salary levels in comparable companies.

Pension scheme

The Group made contributions on behalf of executive directors during the year to a defined contribution pension scheme which was introduced in 2012.

Taxable and other benefits

These include items such as private medical insurance and dental plans. These benefits are in line with the remuneration policy framework.

Share incentive plans

The CPBT holds a 25% interest in the issued share capital of the company, in the form of convertible and ordinary

Non executive director	Number of ordinary shares held on 31 December 2014 and 31 December 2015
Michael Kirkwood	94,157
Lorraine Baldry	47,078
Andrew Shilston	47,078

shares, on behalf of employees and clinicians. The ordinary shares are to be used to satisfy options granted under the Company's share incentive plans in accordance with the terms previously approved by the Company's shareholders. It enables the participants (including executive directors) who contribute to the success and growth in value of the Group to be owners of the business. The convertible shares automatically convert in two equal tranches in June 2016 and December 2017 into ordinary shares.

Share issue to non-executive directors

There have been no shares issued to non-executive directors during the year.

The ordinary shares granted to non-executive directors cannot be sold or transferred until one year following the end of the non-executive directors' term of service. The named non-executive directors do not hold any other interests in the ordinary share capital of the Company.

Share issue to directors

In December 2013, the Company agreed to grant to the Group's Chief Financial Officer

options to subscribe for 2,200,000 ordinary shares at an exercise price of £0.02 per ordinary share. This separate incentive arrangement was agreed, given he was not a participant in the Group's former share scheme, nor had he previously received as remuneration any shares or options in the Company since joining in 2010. The options were granted in December 2014, and vested in two equal tranches in December 2014 and December 2015. An IFRS 2 charge of £485,000 (excluding National Insurance contribution costs) was recognised in the year (2014: £572,100).

In January 2015, the Company agreed to grant share options to the Group's executive directors under a MIP. In accordance with the terms of the MIP, a combination of options with exercise prices of £0.02 and £0.50 were granted in June 2015, and will vest based on a required holding period and certain share price triggers. The earliest exercise date is 1 December 2016. The IFRS 2 charge recognised during 2015 in relation to the share options granted to the Group's directors under the MIP scheme was £633,000 (2014: nil).

Shares in Circle Holdings plc

	Circle Holdings plc convertible (18 months) shares	Circle Holdings plc convertible (36 months) shares	Total convertible shares
Massoud Fouladi	1,181,233	1,181,233	2,362,466
Steve Melton	197,944	197,944	395,888

DIRECTORS' REMUNERATION REPORT

Continued

Share options in Circle Holdings plc

2015	Share options award name	Exercise price Pence	Earliest date vesting	At 1 January 2015 Number	Awards in year Number	At 31 December 2015 Number
Massoud Fouladi	MIP	2	Dec 16	–	1,000,000	1,000,000
	MIP	50	Dec 16	–	1,344,090	1,344,090
				–	2,344,090	2,344,090
Steve Melton	MIP	2	Dec 16	–	2,500,000	2,500,000
	MIP	50	Dec 16	–	1,254,782	1,254,782
	MIP CSOP	50	Jun 18	–	60,459	60,459
				–	3,815,241	3,815,241
Paolo Pieri	CFO share option award	2	Dec 15	2,200,000	–	2,200,000
	MIP	2	Dec 16	–	1,150,000	1,150,000
	MIP	50	Dec 16	–	486,281	486,281
				2,200,000	1,636,281	3,836,281
				2,200,000	7,795,612	9,995,612

Share warrants

Health Trust (Jersey) holds a total of 2,340,765 share warrants at an exercise price of £1.52, which entitles it to an equivalent number of ordinary shares in the Company. None of the warrants have been exercised to date.

Service contracts

The Company's policy is for executive directors' service contract notice periods to be no longer than 12 months, with the directors having to give not less than six months' written notice. In the event of termination, the Company will seek fair mitigation of contractual rights. Within legal constraints, the Remuneration Committee tailors its approach, in the event of early termination, to the circumstances of each individual case.

The contracts of executive directors do not provide for any enhanced payments in the event of a change of control in the Company.

Non-executive directors

Non-executive directors are appointed for an initial period of three years, which may be extended by agreement with the Board, subject to re-election by shareholders at the AGM. Such appointment may be terminated by the Board or the director with one month's notice. None of the non-executive directors is engaged on a service contract with the Company.

The Chairman's remuneration was determined by the Board, based on industry practice and taking into account relevant responsibilities and time commitment.

The remuneration for non-executive directors consists of fees for services in connection with Board and committee meetings, and share options. Fees for non-executive directors are determined by the Board, within the restrictions contained in the Articles of Association. The levels of remuneration for the non-executive directors reflect the time commitment and responsibilities of the role. The non-executive directors are not involved in deciding their fees.

Individual emoluments for the year

The table below shows a breakdown, including taxable and other benefits, for each director for the year.

2015	Annual contracted salaries/fees £ 000	Annual salaries/fees £ 000	Pension scheme £ 000	Other £'000	Total salary and other benefits £'000
Executive					
Steve Melton	339	339	–	2	341
Massoud Fouladi	158	158	24	–	182
Paolo Pieri	210	210	32	1	243
Non-executive					
Michael Kirkwood	100	100	–	–	100
Lorraine Baldry	53	53	–	–	53
Lord Hutton of Furness	40	40	–	–	40
Justin Jewitt	40	40	–	–	40
Andrew Shilston	48	48	–	–	48
	988	988	56	3	1,047
<hr/>					
2014	Annual contracted salaries/fees £ 000	Annual salaries/fees £'000	Pension scheme £ 000	Other £'000	Total salary and other benefits £'000
Executive					
Steve Melton	339	328	15	2	345
Massoud Fouladi	158	158	24	–	182
Paolo Pieri	210	210	31	1	242
Non-executive					
Michael Kirkwood	100	100	–	–	100
Lorraine Baldry	53	53	–	–	53
Lord Hutton of Furness	40	23	–	–	23
Justin Jewitt	40	23	–	–	23
Andrew Shilston	48	48	–	–	48
Tony Bromovsky	40	17	–	–	17
Tim Bunting	–	–	–	–	0
	1,028	960	70	3	1,033

No directors waived emoluments in respect of the year ended 31 December 2015 (2014: none)

L Baldry

Lorraine Baldry OBE
Chair, Remuneration Committee
29 March 2016

- * On 4 December 2014 Circle Holdings plc acquired all the issued shares of Circle Partnership Limited by means of a Scheme of Arrangement. As consideration the Company issued convertible shares (18 months) and convertible shares (36 months) of £0.02 each.
Convertible (18 months) shares – the shares of £0.02 par value each in the capital of Circle Holdings plc which are convertible into Circle Holdings shares in accordance with the provisions of the Circle Holdings New Articles, either on such date as is 18 months from the date of their issue, or otherwise as provided in the Circle Holdings New Articles.
Convertible (36 months) shares – the shares of £0.02 par value each in the capital of Circle Holdings plc which are convertible into Circle Holdings shares in accordance with the provisions of the Circle Holdings New Articles, either on such date as is 36 months from the date of their issue, or otherwise as provided in the Circle Holdings New Articles.
- ** During 2015 no share options were exercised by the directors of Circle Holdings plc



Q The gift of sight on one's birthday is special. Caring staff, hygienic surroundings, and an excellent surgeon and medical team were all I could have asked for.

OPHTHALMOLOGY PATIENT CIRCLE AT THE

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the financial statements in accordance with applicable law and regulations

Directors are required by Companies (Jersey) Law 1991 to prepare financial statements for each financial year. The directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards ('IFRSs'), as adopted by the European Union and the Company financial statements, in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework* (FRS 101), as well as 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 Group and the Company, and the profit or loss of the Group 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 estimates that are reasonable and prudent,
- state whether applicable IFRSs and FRS 101 as appropriate, 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 the Company and the Group will continue in business

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions, and disclose with reasonable accuracy, at any time, the financial position of the Group and the Company, and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. 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.

The directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Each of the directors, whose names and functions are listed in the Board of Directors' report, confirm that, to the best of their knowledge

- the Group financial statements, which have been prepared in accordance with IFRSs, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and loss of the Group, and
- the *Directors' report* includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces

Disclosure of information to auditors

So far as the directors are aware, at the time the report is approved

- 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 the information

Independent auditors

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

On behalf of the Board



Steve Melton
Chief Executive Officer
29 March 2016

INDEPENDENT AUDITORS' REPORT

To the members of Circle Holdings plc

Report on the Group financial statements

Our opinion

In our opinion, Circle Holdings plc's Group financial statements (the 'financial statements')

- give a true and fair view of the state of the Group's affairs as at 31 December 2015, and of its loss and cash flows for the year then ended,
- have been properly prepared in accordance with IFRSs, as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991

What we have audited

The financial statements, included within the Annual Report, comprise

- the consolidated balance sheet as at 31 December 2015,
- the consolidated income statement for the year then ended,
- the consolidated statement of cash flow for the year then ended, the consolidated statement of changes in equity for the year then ended, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law

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

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

Other matters on which we are required to report by exception

Accounting records and information and explanations received

Under the Companies (Jersey) Law 1991, 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
- proper accounting records have not been kept, or
- proper 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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the *Statement of directors' responsibilities* set out on page 41, 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 ('ISAs') (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 Article 113A of the Companies (Jersey) Law 1991 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 and 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 Group'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.

Other matter

We have reported separately on the Company financial statements of Circle Holdings plc for the year ended 31 December 2015.



Simon O'Brien (Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Recognised Auditors
London
29 March 2016

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Revenue	4	127,790	110,983
Cost of sales		(90,335)	(80,373)
Gross profit		37,455	30,610
Administrative expenses before exceptional items		(47,934)	(43,939)
Operating loss before exceptional items	5	(10,479)	(13,329)
Exceptional operating items	6	(389)	(5,341)
Operating loss	5	(10,868)	(18,670)
Finance income	10	5	181
Finance costs	9	(793)	(911)
Exceptional finance items	6	–	(625)
Provision for joint venture deficit	15	–	(130)
Loss before taxation		(11,656)	(20,155)
Income tax	12	–	–
Loss for the financial year		(11,656)	(20,155)
Loss for the year attributable to			
– Owners of the parent		(11,656)	(8,055)
– Non-controlling interests		–	(12,100)
		(11,656)	(20,155)
Basic and diluted loss per ordinary share attributable to the owners of the parent (pence)	11	(4.7)	(4.3)

There is no other comprehensive income arising in the Group (2014: £nil) and, therefore, no separate statement of other comprehensive income has been prepared.

CONSOLIDATED BALANCE SHEET

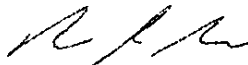
As at 31 December 2015

	Note	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	13	5,340	5,562
Property, plant and equipment	14	17,550	17,498
Trade and other receivables	17	2,500	2,500
		25,390	25,560
Current assets			
Inventories	16	1,876	1,806
Trade and other receivables	17	14,692	16,683
Cash and cash equivalents	18	14,998	24,496
		31,566	42,985
Total assets		56,956	68,545
Current liabilities			
Trade and other payables	19	(19,902)	(21,256)
Loans and other borrowings	20	(2,332)	(1,922)
		(22,234)	(23,178)
Non-current liabilities			
Trade and other payables	19	(1,979)	(2,074)
Loans and other borrowings	20	(7,282)	(8,869)
Provisions	21	(50)	(50)
		(9,311)	(10,993)
Total liabilities		(31,545)	(34,171)
Net assets		25,411	34,374
Share capital	22	4,956	4,956
Share premium	22	236,795	236,795
Other reserves	22	22,182	22,182
Warrant reserve	23	22,703	22,703
Share-based charges reserve	24	4,535	1,842
Treasury share reserve	22	(9,587)	(9,587)
Retained deficit		(256,173)	(244,517)
Equity attributable to owners of the parent		25,411	34,374
Non-controlling interests		–	–
Total equity		25,411	34,374

The financial statements on pages 44 to 86 were approved by the Board of Directors on 29 March 2016 and were signed on its behalf by



Steve Melton
Chief Executive Officer
Circle Holdings plc
Registered number 100016 (Jersey)



Paolo Pieri
Chief Financial Officer

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Other reserves £'000	Warrant reserve £'000	Treasury share reserve £'000	Share based charges reserve £'000	Retained deficit £'000	Equity attributable to owners of the parent £'000	Non- controlling interests £'000	Total equity £'000
At 1 January 2014	2,616	193,145	22,182	22,703	–	151	(169,980)	70,817	(42,950)	27,867
Loss and total comprehensive loss for the year	–	–	–	–	–	–	(8,055)	(8,055)	(12,100)	(20,155)
Transactions with owners										
Issue of shares in relation to fundraising (note 22)	1,100	26,400	–	–	–	–	–	27,500	–	27,500
Capitalised costs in relation to fundraising (note 22)	–	(1,280)	–	–	–	–	–	(1,280)	–	(1,280)
Effect of shares vesting in the period (note 23)	–	–	–	–	–	–	6,439	6,439	(6,439)	–
Issue of shares in respect of Project Reset (notes 22 and 23)	1,239	19,780	–	–	(9,587)	–	(72,921)	(61,489)	61,489	–
Issue of shares to acquire unvested shares in Circle Partnership Limited in respect of Project Reset (note 24)	–	–	–	–	–	1,105	–	1,105	–	1,105
Capitalised costs in relation to Project Reset (note 23)	–	(1,250)	–	–	–	–	–	(1,250)	–	(1,250)
Issue of shares in respect of awards to non-executive directors (note 23)	1	–	–	–	–	14	–	15	–	15
Other share-based charges (note 24)	–	–	–	–	–	572	–	572	–	572
At 1 January 2015	4,956	236,795	22,182	22,703	(9,587)	1,842	(244,517)	34,374	–	34,374
Loss and total comprehensive loss for the year	–	–	–	–	–	–	(11,656)	(11,656)	–	(11,656)
Transactions with owners										
Share-based charges (note 24)	–	–	–	–	–	2,693	–	2,693	–	2,693
At 31 December 2015	4,956	236,795	22,182	22,703	(9,587)	4,535	(256,173)	25,411	–	25,411

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2015

	Note	2015 £ 000	2014 £'000
Cash flows from operating activities			
Net cash outflow from operating activities	27	(4,642)	(8,361)
Interest paid		(793)	(1,536)
Net cash used in operating activities		(5,435)	(9,897)
Cash flows from investing activities			
Purchase of computer software	13	(51)	(112)
Purchase of property, plant and equipment		(1,998)	(1,383)
Net cash used in investing activities		(2,049)	(1,495)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	22	–	27,500
Capitalised costs in relation to fundraising	22	–	(1,280)
Capitalised costs in relation to Group restructuring		–	(1,250)
Repayment of borrowings	28	–	–
Repayment of finance lease	28	(2,019)	(1,660)
Interest received	10	5	181
Movement in restricted cash			
– Release of minimum balance – GE Capital Equipment Finance Limited ('GE')	28	–	1,800
– Release of committed cash in respect of Hinchingsbrooke Health Care NHS Trust deposit	28	–	2,000
Net cash (outflow)/inflow from financing activities		(2,014)	27,291
Net (decrease)/increase in unrestricted cash and cash equivalents		(9,498)	15,899
Unrestricted cash and cash equivalents at the beginning of the year		24,496	8,597
Unrestricted cash and cash equivalents at the end of the year		14,998	24,496
Cash and cash equivalents consist of			
Cash at bank and in hand		14,998	24,496
Unrestricted cash at bank and in hand		14,998	24,496



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2014

1 GENERAL INFORMATION

Circle Holdings plc (the 'Company'), its subsidiaries and joint venture (together the 'Group') provide healthcare services in the UK

The Company is a public limited company and is incorporated in Jersey, however, it is resident in the UK for tax purposes. The registered office is 12 Castle Street, St Helier, Jersey, JE2 3RT

2 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to both years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements have been prepared in accordance with IFRSs, as adopted by the European Union and IFRIC interpretations, Companies (Jersey) Law 1991, on a going concern basis and under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments). In their preparation, management must make certain critical accounting estimates and exercise judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement, assumption or estimates which are significant to the consolidated financial statements are set out at the end of note 2.

Items included in the results of each of the Group's subsidiaries are measured using the functional currency, which in all instances is Sterling. The Group's consolidated financial statements and parent company statements are presented in Sterling. All financial

information presented has been rounded to the nearest thousand.

New standards, amendments and interpretations

These consolidated financial statements are prepared in accordance with IFRSs, as issued by the International Accounting Standards Board ('IASB'), and as adopted by the European Union as at 31 December 2015. The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2015, but have not had material impact on the Group.

- Amendments to IFRSs Annual Improvements to IFRSs 2010–2012 cycle
- Amendments to IFRSs Annual Improvements to IFRSs 2011–2013 cycle

New standards and

interpretations not yet adopted
A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2015, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, although the full impact is currently still under review.

- IFRS 9 *Financial Instruments* (as revised in 2014) will supersede IAS 39 *Financial Instruments: Recognition and Measurement*, upon its effective date (annual periods beginning on or after 1 January 2018)
- IFRS 15 *Revenue from Contracts with Customers* is a converged standard from the IASB and Financial Accounting Standards Board ('FASB') on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in

financial statements globally. Effective date is expected to be annual periods beginning on or after 1 January 2017. The impact of this standard is currently under review.

- Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations* provide guidance on how to account for the acquisitions of a joint operation that constitutes a business, as defined in IFRS 3 *Business Combinations*. Effective for annual periods beginning on or after 1 January 2016.
- Amendments to IAS 1 *Disclosure Initiative* give some guidance on how to apply the concept of materiality in practice. It is effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. This is effective for annual periods beginning on or after 1 January 2016.
- Annual Improvements to IFRSs 2012–2014 cycle
- IFRS 16 *Leases* issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

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 27.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Basis of consolidation

Subsidiaries

The results of subsidiaries (defined as entities over which the Group has the power to govern the financial and operating policies of the subsidiary) are consolidated from the date on which control of the net assets and operations of the acquired company are effectively transferred to the Group. Similarly, the results of subsidiaries disposed of cease to be consolidated from the date on which control of the net assets and operations are transferred out of the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the business and the equity interests issued by the Group. Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date. Acquisition-related costs are expensed as incurred.

The results of the subsidiaries are measured as at the same reporting date as the parent company using consistent accounting policies. Intra-group transactions and balances are eliminated on consolidation.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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 provided are not exempt). Revenue can be broken down into the following categories:

Any qualified provider

Any provider who is able to provide a specific service that meets the required minimum standards can be listed as a possible provider to deliver healthcare on behalf of the NHS at tariff. Patients choose their preferred provider under the national e-Referral system (formerly Choose and Book). Following the patients' treatment and subsequent discharge from hospital, the Group will invoice the CCG directly at tariff for the medical procedure performed. No provider is guaranteed any volume or exclusivity.

For non-fixed payments at treatment centres, outpatient revenue is recognised for a bundle consisting of an initial appointment and follow-ups, at completion of the first appointment, with any uplifts for outpatient procedures recognised at the time of the procedure.

Contracts with guaranteed payments

The new Bedfordshire MSK contract has a term of five years. The contract aims to create a 'prime provider' which takes responsibility for co-ordinating and managing the rest of the system. The main contracting parties are Bedford CCG and local care providers. The contract revenue is spread over the term of the contract on a straight-line basis, as activity is expected to increase by demographic growth only over the five-year contract period. Additional revenue has been recognised, only to the extent that there is a high probability of receiving the revenue, and where it can be measured accurately.

Additional revenue has been recognised in the financial statements relating to groups of patients that fall outside the initial contract scope.

Circle bears the risk and rewards of the revenue and costs, meaning that an agency relationship between Circle, Bedford CCG and the providers does not exist. As such, Circle has recognised the revenue and cost separately in the profit and loss account.

Private and self-pay

Payment is based on procedures performed, either at contractually agreed insurance prices or self-pay rates, which are determined by the specific procedure undertaken.

In the case of private revenue, the insurance companies pay the consultants directly, and Circle recognises revenue for use of the hospital, consumables and other clinical services.

For self-pay, Circle recognises that all the revenue and cost of the consultant is charged to cost of sales.

Other miscellaneous income

Other miscellaneous income primarily relates to car parking revenue and delicatessen revenue. This income is recognised at the point of sale. Consulting projects are recognised by percentage of completion.

Exceptional items

Exceptional items are disclosed and described separately in the financial statements where it is necessary to do so, to provide further understanding of the financial performance of the Group. They are items of income or expense, either one-off in nature, non-cash, or of such magnitude that the directors believe separate disclosure is required to allow readers to gain an understanding of the underlying results of the business.

The exceptional cost in the year ended 31 December 2015 was £389,000 (2014 £5,341,000)

There are no exceptional finance costs during 2015 (2014 625,000)

Finance costs

Finance costs are recognised on an effective interest rate basis in the period in which they are incurred, except where they are directly attributable to the acquisition or production of a qualifying asset, which takes a substantial period of time to get ready for intended use, such as the construction of a hospital. In such cases, borrowing costs are capitalised as part of the cost of that asset from the first date on which expenditure is incurred for the asset, provided that the asset is determined to be economically viable. Capitalisation ceases when all the activities that are necessary to prepare the asset for use are complete.

Finance income

Finance income is recognised as earned

Intangible assets

Intangible assets comprise

Goodwill

Goodwill represents the excess of the fair value of the consideration of a business combination over the Group's share of the fair value of identifiable assets, liabilities, and contingent liabilities of the business acquired at the date of acquisition. At the date of acquisition, goodwill is allocated at the lowest levels for which there are separate identifiable cash flows for the purpose of impairment testing.

Computer software

Computer software (defined as software that is not considered an integral part of the hardware equipment) represents third-party costs incurred in relation to the Group's information technology ('IT') systems

Other intangible assets

Other intangible assets comprise third-party 'know-how' costs which meet the criteria of IAS 38 *Intangible Assets*. Know-how costs are incurred in creating a 'new-build programme' to standardise the design of future world-class hospitals, by building them within a shortened time frame, utilising standard build components which have been manufactured off-site.

Impairment and amortisation

Assets that have an indefinite useful life such as goodwill, or intangible assets that are still in their development phase, are not subject to amortisation, but are tested annually for impairment, or more frequently if there are indications of impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less cost to sell, and value in use.

Goodwill is initially recognised at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The value in use is calculated using an appropriate pre-tax discount rate. Gains and losses on disposal of a business include the carrying amount of goodwill relating to the business sold.

Computer software and other intangible assets are stated at historic cost less accumulated amortisation and impairment losses. Once the asset is complete, amortisation is provided on a straight-line basis to allocate the cost of the asset over its estimated useful life, and the charge

is taken to administrative expenses. The intangible asset is assessed for impairment whenever there is an indication that the asset may be impaired.

The useful economic life of the Group's intangible assets is as follows:

Computer software	Three years
New-build programme know-how	Five years

Property, plant and equipment

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 land	Life of lease
Leasehold improvements	Shorter of lease life or expected useful life (five to ten years)
Clinical equipment	Three to five years
Furniture, fittings and office equipment (including commissioning costs)	Three to ten years

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

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.

Assets under construction

Commissioning costs in course of construction

Commissioning costs comprise staff, property, consultancy and operational costs directly related to the commissioning of new-build hospitals. Such costs are capitalised, provided the asset is determined to be economically viable, up to the point that the commissioning is complete and the hospital is fully open for business, subsequent to which further such expenditure is charged to the income statement. Once commissioned, the asset is reclassified from 'assets under construction' to the relevant property, plant and equipment category, and depreciated on a straight-line basis in accordance with the estimated useful lives as outlined above.

Development costs in course of construction

Development costs which are directly attributable to the development of property are capitalised as part of the cost of the property. The commencement of capitalisation begins when development costs for the property are being incurred, and activities that are necessary to prepare the asset ready for use are in progress. Capitalisation ceases when all the activities that are necessary to prepare the asset for use are complete.

Leases

Where substantially all the risks and rewards of ownership of the leased item are transferred to the Group, 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 Group 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.

Where title never transfers to the Group, consignment stock is held off balance sheet.

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 Group 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.

Trade receivables are presented as current where collection is expected within one year or less, otherwise they are presented as non-current.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, overnight deposits, and other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities.

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables 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.

Pension costs

The Group 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 Group has no further payment obligation once the contributions have been paid.

Current and deferred income taxation
Tax expense comprises current and deferred tax. The charge for current income tax is based on the results for the period, as adjusted for items which are taxable or deductible in other accounting periods, and items not taxed or disallowed. The charge is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is accounted for using the liability method in respect of temporary differences arising from differences between the tax bases of assets and liabilities, and their carrying amounts in the consolidated financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference is due to the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction (other than a business combination), which at the time of the transaction does not affect either taxable or accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities, and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity, or different taxable entities where there is an intention to settle the balances on a net basis.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled using rates enacted, or substantively enacted, at the end of the reporting period. Deferred tax is charged or credited in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date, and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be recovered.

Provisions for other liabilities and charges

Provisions are recognised when the Group has a present obligation in respect of a past event, when it is probable that an outflow of resources will be required to settle the obligation and it can be reliably estimated. Provisions are discounted where the time value of money is considered to be material, using an appropriate rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The unwinding of the discount is recognised as a finance cost.

Warrants

A warrant is an instrument issued by the Company which gives the holder the right to purchase shares in the Company at a specific price at a future date. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. A warrant is treated as a financial liability if

- it is a non-derivative and the Group is obliged to deliver a variable number of its shares, or
- it is a derivative that will be settled other than by a fixed amount of cash or other assets for a fixed number of the Company's own shares.

Transaction costs are apportioned between the liability and equity components of the instrument, based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Equity warrants

The proceeds on issue of equity warrants are included within shareholders' equity, net of transaction costs. The fair value of the equity component is not remeasured in subsequent years. The fair value of warrants is credited to equity with the debit being charged to the income statement or taken to liabilities where the warrants are linked to a loan.

Equity warrants are valued using an appropriate valuation methodology on a diluted pricing basis, based on the relevant share price at the time of issue or based on an assessment of the market price at the time of issue.

Share-based charges

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

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

Dividends

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders

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

Treasury shares

Following Project Reset, the CPBT was issued with shares in the Company. The Trust is consolidated in the financial statements and, accordingly, shares held by the Trust are recognised at cost as a debit to equity in the Treasury share reserve

Significant accounting

judgements and estimates

In the process of applying the Group's accounting policies, the directors make judgements and estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following judgements

and estimates have the most significant effect on the amounts recognised in the consolidated financial statements

Judgements

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

i 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 three months when the CCGs then approve the activity levels. Revenue is estimated and recognised based on activity performed in the month, which had not been approved at the end of the year.

The Bedfordshire MSK contract entitles Circle to a revenue stream that is pre-determined by the programme budget ('capped' budget). The annual revenue is spread across the term of the contract, and incorporates monthly seasonal fluctuations and demographic growth. In addition to this, the contract allows for one-off payments from Bedford CCG to Circle, in respect of treating inherited activity outside the initial scope of the contract. A judgement has been taken on the income per procedure, which is expected to be recovered from the CCG with reference to the income recovered from similar procedures.

Estimates

The key assumptions and estimates at the end of the reporting period, 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

i Tax

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. A deferred tax asset has not been recognised in the financial statements due to uncertainty over the availability of suitable future taxable profits against which they will reverse.

ii Provisions

Provisions are assessed annually in accordance with the Group'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.

iii Valuation of property, plant and equipment

Freehold and leasehold land are held at cost less accumulated impairment losses. These were subject to valuations at 31 December 2012 by third-party professional valuers to assess for any indications of impairment. The valuations were based on a number of factors, including intended usage for the site, potential rental value and, where applicable, the length of the lease. In the event that estimates are wrong, this may impact the financial statements in future years.

iv 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.

v Useful lives and recoverability

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.

vi 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.

vii Goodwill and intangibles

Goodwill and intangibles are recognised at cost less accumulated amortisation and impairment losses. The carrying amount of goodwill is assessed annually based on value-in-use calculations, using cash flow projections based on five-year financial forecasts prepared by management. Key assumptions relating to forecasts in revenue growth and decline are used, which include discounting back to present value using a risk-adjusted pre-tax discount rate of 10%, and assumptions in terms of volume and cost savings. In the event that these estimates are wrong, this may impact the financial statements in future years.

Intangible assets that are subject to amortisation are considered for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

3 SEGMENTAL REPORTING

The chief operating decision-maker has been identified as the Board. The Board reviews the Group's internal reporting in order to assess performance and allocate resources, and has divided the Group into three reportable business segments based on the Group's management and internal reporting structure. The Board assesses the performance of the segments based on revenue, gross profit, EBITDA before exceptional items and operating (loss)/profit. Measures of assets and liabilities for each reportable segment is not reviewed by the Board in the Group's internal reporting. All measures are prepared on a basis consistent with that of the consolidated income statement. Revenue charged between segments has been charged at arm's length and eliminated from the Group financial statements.

Revenue from external customers in the segmental analysis is also measured in a manner consistent with the income statement. This is split by hospital rather than by patient. Circle hospital services include CircleReading, CircleBath and CircleNottingham. Other Circle services include other non-hospital management services such as the contract with Bedfordshire CCG to provide MSK services to patients in Bedfordshire. Geographic factors are not considered, as the vast majority of the Group's operations take place within the United Kingdom.

2015	Circle hospital services £'000	Other Circle services £'000	All other segments and unallocated items £'000	Total Group £'000
Revenue from external customers	98,952	28,771	67	127,790
Cost of sales	(65,511)	(24,824)	-	(90,335)
Gross profit	33,441	3,947	67	37,455
Administrative expenses before exceptional items, depreciation and amortisation	(32,904)	(2,641)	(9,338)	(44,883)
EBITDA before exceptional items	537	1,306	(9,271)	(7,428)
Depreciation and amortisation charge	(2,782)	(16)	(253)	(3,051)
Operating loss before exceptional items	(2,245)	1,290	(9,524)	(10,479)
Exceptional items	-	-	(389)	(389)
Operating loss	(2,245)	1,290	(9,913)	(10,868)
Finance income				5
Finance costs				(793)
Loss before taxation				(11,656)
Other information				
Capital additions	1,653	56	1,182	2,891

3 SEGMENTAL REPORTING continued

2014	Circle hospital services £ 000	Other Circle services £'000	All other segments and unallocated items £'000	Total Group £ 000
Revenue from external customers	89,407	21,557	19	110,983
Cost of sales	(60,212)	(20,161)	–	(80,373)
Gross profit	29,195	1,396	19	30,610
Administrative expenses before exceptional items, depreciation, amortisation and charge recognised in respect of amounts recoverable on contract	(32,075)	(2,547)	(6,415)	(41,037)
EBITDA before exceptional items	(2,880)	(1,151)	(6,396)	(10,427)
Depreciation, amortisation and charge recognised in respect of amounts recoverable on contract	(2,448)	(2)	(452)	(2,902)
Operating loss before exceptional items	(5,328)	(1,153)	(6,848)	(13,329)
Share-based charges in respect of awards and warrants issued	–	–	(1,756)	(1,756)
Impairment of non-current assets	–	–	(2,907)	(2,907)
Provision for receivables	–	–	(5,000)	(5,000)
Other exceptional items	–	–	4,322	4,322
Operating loss	(5,328)	(1,153)	(12,189)	(18,670)
Finance income				181
Finance costs				(911)
Exceptional finance costs				(625)
Provision for joint venture deficit				(130)
Loss before taxation				(20,155)
Other information				
Capital additions	2,070	29	210	2,309

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

4 REVENUE

	2015 £'000	2014 £'000
Provision of healthcare services	127,321	110,547
Other miscellaneous income	469	436
	127,790	110,983

5 OPERATING LOSS

	Note	2015 £ 000	2014 £ 000
Operating loss is stated after charging/(crediting)			
Amortisation of intangible assets	13	273	451
Depreciation of property, plant and equipment	14	2,779	2,451
Auditors' remuneration (see below)		291	564
Movement in provision for bad debts	17	222	(73)
Operating lease rental		10,445	11,579
Exceptional operating items	6	389	5,341
Auditors' remuneration payable to PricewaterhouseCoopers LLP			
Fees payable to Company's auditors for the parent company and consolidated financial statements			94
Fees payable to the Company's auditors for other services			
– The audit of Company's subsidiaries		182	203
– Audit-related assurance services		–	234
– Tax advisory services		11	33
		291	564

6 EBITDA AND EXCEPTIONAL ITEMS

Exceptional operating items

	Note	2015 £'000	2014 £'000
Impairment of property, plant and equipment	14	–	2,907
Impairment of Hinchingsbrooke working capital contributions		–	5,000
Share-based charges	24	552	651
Provision for under-declared VAT in prior periods	21	–	(226)
Restructuring costs		–	1,105
Gain on the wind-up of joint venture activities (net of professional fees)		–	(4,750)
Other exceptional (income)/expense		(163)	654
		389	5,341

An IFRS 2 charge for the share options granted to the Group's Chief Financial Officer in the prior year amounted to £552,000, including National Insurance contributions costs (2014 £651,000)

Other exceptional costs incurred relates to the release of a provision for advisory fees to assist the Group's consideration of potential acquisitions. This provision was recognised as an exceptional item in 2014 (2014 £654,000 exceptional cost recognised in relation to advisory fees)

Exceptional finance items

	2015 £'000	2014 £'000
Financing costs paid in respect of the final recourse guarantee in relation to the wind-up of activities in Health Properties (Bath) Limited ('HP Bath')	–	625
	–	625

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

7 EMPLOYEE INFORMATION

Staff costs

	Note	2015 £'000	2014 £'000
Wages and salaries		29,487	25,695
Share-based charges	24	2,512	14
Social security costs		2,715	2,404
Other pension costs	25	1,452	1,492
		36,166	29,605

Monthly average number of employees

	2015 Number	2014 Number
Administrative	529	451
Clinical	516	523
	1,045	974

The average number of employees includes directors on a service contract

8 DIRECTORS' EMOLUMENTS

	2015 £'000	2014 £'000
Total salary and other benefits	1,047	1,033
IFRS 2 share-based payment charge	1,118	583
Aggregate emoluments	2,164	1,616

Directors' emoluments relate to the non-executive and executive directors, who are remunerated by Circle Holdings plc and Circle Health Limited

The directors had retirement benefit contributions during the year of £55,000 (2014 £70,000)

During 2015, no share options were granted to non-executive directors (2014 £11,000) Share-based payment charge recognised in relation to the executive directors was £1,118,000 (2014 £572,000) No share options were exercised by the directors of the Group during 2015

Please refer to the *Directors' remuneration report* for further details

8 DIRECTORS' EMOLUMENTS continued

Compensation of key management personnel

The Group made payments to key management personnel, defined as the key executive partners of the business, for services provided to the Group as follows

	2015 £'000	2014 £'000
Total salary and other benefits	766	755
IFRS 2 share-based payment charge	1,118	583
Short-term employment benefits	1,884	1,338

All key management personnel were also directors of the company in the year and, therefore, their remuneration has also been disclosed within aggregate emoluments of the previous section

9 FINANCE COSTS

	2015 £'000	2014 £'000
Finance lease interest	745	895
Other bank charges	48	16
	793	911

10 FINANCE INCOME

	2015 £'000	2014 £'000
Bank interest receivable	5	118
Other interest income	–	63
	5	181

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

11 LOSS PER SHARE

Basic loss per ordinary share is calculated by dividing the loss attributable to owners of the parent by the weighted average number of ordinary shares in issue during the year. Diluted loss per ordinary share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume the conversion of all potentially dilutive ordinary shares. Share warrants and options in issue represent the only category of potentially dilutive ordinary shares for the Group.

The following table sets out the computation for basic and diluted net loss per share for the year

	2015	2014
Loss and total comprehensive loss for the year attributable to owners of the parent (£000's)	(11,656)	(8,055)
Weighted average number of ordinary shares in issue (number)	247,797,188	186,911,084
Basic and diluted loss per ordinary share (pence)	(4.7)	(4.3)

There is no difference in the weighted average number of ordinary shares used for basic and diluted net loss per ordinary share, as the effect of all potentially dilutive ordinary shares outstanding is anti-dilutive.

12 TAXATION

i Analysis of income tax charge in year

	2015 £'000	2014 £'000
Current tax		
UK corporation tax on profit	–	–
Deferred tax		
Originating and reversal of timing differences	–	–
Income tax charge on loss for the year	–	–

ii Factors affecting the current tax charge for the year

Although the parent company is registered in Jersey, it is resident in the UK for tax purposes and is subject to UK corporation tax. The tax assessed on the Group's loss before taxation differs from the average standard rate of UK corporation tax of 20.25% (2014: 21.5%). The differences are explained below.

	2015 £'000	2014 £'000
Loss before taxation	(11,656)	(20,155)
Loss before taxation multiplied by the average standard rate of corporation tax in the UK of 20.25% (2014: 21.5%)	(2,360)	(4,333)
Effects of		
Expenses not deductible for tax purposes	440	1,407
Temporary differences for which no deferred tax recognised	456	175
Tax losses for which no deferred tax recognised	1,463	3,862
Effect of Jersey tax at 0%	1	(1,111)
Total income tax charge for the year	–	–

12 TAXATION continued

iii Factors that may affect future tax charges

The standard rate of corporation tax in the UK changed from 21% to 20% (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

iv Deferred tax

UK deferred tax has been calculated at the rates of tax at which assets/(liabilities) are expected to reverse, based on enacted tax rates. Deferred tax has been calculated at a rate of 18% (2014: 20%). The net deferred tax recognised in the balance sheet is as follows

	2015 £'000	2014 £'000
At 1 January	-	-
Recognised during the year	-	-
At 31 December	-	-

The deferred tax asset not recognised in the financial statements is as follows

	2015 Tax value £'000	2015 Gross £'000	2014 Tax value £'000	2014 Gross £'000
Tax losses carried forward	27,662	153,677	29,480	147,400
Deductible temporary differences	2,876	15,977	4,129	20,645
	30,538	169,654	33,609	168,045

A deferred tax asset has not been recognised in the financial statements due to the uncertainty over the availability of suitable future taxable profits against which the asset will reverse

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

13 INTANGIBLE ASSETS

	Goodwill £ 000	Computer software £ 000	Other intangible assets £'000	Total £ 000
Cost				
At 1 January 2014	8,183	1,801	166	10,150
Additions	–	112	–	112
As at 1 January 2015	8,183	1,913	166	10,262
Additions	–	51	–	51
As at 31 December 2015	8,183	1,964	166	10,313
Accumulated amortisation and impairment				
At 1 January 2014	3,212	890	66	4,168
Amortisation charge for the year	–	432	19	451
Impairment charge for the year	–	–	81	81
As at 1 January 2015	3,212	1,322	166	4,700
Amortisation charge for the year	–	273	–	273
As at 31 December 2015	3,212	1,595	166	4,973
Net book amount				
At 31 December 2015	4,971	369	–	5,340
At 31 December 2014	4,971	591	–	5,562
At 1 January 2014	4,971	911	100	5,982

The amortisation charge for the year is included within the income statement within administrative expenses before exceptional items

13 INTANGIBLE ASSETS continued**i Goodwill**

Goodwill acquired in a business combination is allocated to the cash-generating units ('CGUs') that are expected to benefit from that business combination. CGUs are independent sources of income streams and represent the lowest level within the Group at which the associated goodwill is monitored for management purposes. The carrying amount of goodwill has been allocated to the following CGU.

	2015 £'000	2014 £'000
Circle's Nottingham NHS Treatment Centre	4,971	4,971

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. The recoverable amounts of all CGUs are determined based on value-in-use calculations, using pre-tax cash flow projections based on management approved financial forecasts for the period of the contract. The key assumptions for these forecasts are those relating to revenue growth and decline, based on past experience and expectations of future changes in relevant CGUs. The Group prepares cash flow forecasts derived from the most recent financial plans approved by management for the period of the contract. Cash flows are discounted back to present value using a risk-adjusted pre-tax discount rate of 10%, which represents an internally computed rate, based on gearing levels and loan interest rates.

The financial plans reflect past experience and incorporate assumptions in terms of volumes and tariff changes. Volume increase is reasonably assumed to be 5%, and tariff inflation at 1.2% for 2016, and assumed flat thereafter. The value in use calculations are sensitive to changes in the key assumptions used, however, management's sensitivity analysis shows that a reasonable change in key assumptions will not cause an impairment in the goodwill related to Circle's Nottingham NHS Treatment Centre.

ii Computer software

Computer software represents third-party costs incurred in relation to the Group's IT systems.

iii Other intangible assets

Other intangible assets include the development of 'know-how' for a new programme to build hospitals within a shortened time frame. This is achieved by utilising standard build components which have been manufactured off-site at a reduced cost, and reducing the amount of build time on-site. During 2014, this was fully impaired.

Assets held under finance lease have the following net book amounts:

	2015 £ 000	2014 £ 000
Computer software	261	382
	261	382

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land £'000	Assets under construction £'000	Leasehold improvements £'000	Clinical equipment £'000	Furniture fittings and office equipment £'000	Total £'000
Cost						
At 1 January 2014	11,842	3,307	3,216	8,846	15,934	43,145
Additions	-	69	137	1,558	433	2,197
Disposals	-	-	-	(42)	-	(42)
At 1 January 2015	11,842	3,376	3,353	10,362	16,367	45,300
Additions	-	1,128	116	1,231	365	2,840
Disposals	-	-	-	(7)	(2)	(9)
At 31 December 2015	11,842	4,504	3,469	11,586	16,730	48,131
Accumulated depreciation and impairment						
At 1 January 2014	2,385	165	2,405	2,734	14,781	22,470
Depreciation charge for the year	35	-	104	1,826	486	2,451
Impairment charge for the year	-	2,907	-	-	-	2,907
Disposals	-	-	-	(26)	-	(26)
At 1 January 2015	2,420	3,072	2,509	4,534	15,267	27,802
Depreciation charge for the year	35	-	113	2,189	442	2,779
Impairment charge for the year	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
At 31 December 2015	2,455	3,072	2,622	6,723	15,709	30,581
Net book amount						
At 31 December 2015	9,387	1,432	847	4,863	1,021	17,550
At 31 December 2014	9,422	304	844	5,828	1,100	17,498
At 1 January 2014	9,457	3,142	811	6,112	1,153	20,675

The depreciation charge for the year is included in the income statement within administrative expenses before exceptional items (note 5)

Freehold and leasehold land were valued at 31 December 2012 by a third-party valuer. Management believes these to be appropriate on the basis that there have not been decreases in land values in the areas since

14 PROPERTY, PLANT AND EQUIPMENT continued

Assets held under finance leases have the following net book amounts

	2015 £ 000	2014 £ 000
Leasehold land	4,237	4,272
Clinical equipment	3,994	4,686
Furniture, fittings and office equipment	395	469
	8,626	9,427

The additions during the year comprise lease agreements with Shawbrook Bank Limited and Close Leasing Limited to finance the purchase of clinical equipment at the CircleReading and CircleNottingham hospitals

Freehold and leasehold land can be split into the following net book amounts

	2015 £'000	2014 £ 000
Freehold	5,150	5,150
Leasehold	4,237	4,272
	9,387	9,422

15 PROVISION FOR JOINT VENTURE DEFICIT

	2015 £ 000	2014 £ 000
At 1 January	-	(4,685)
Gain on wind-up of activities in HP Bath	-	4,685
At 31 December	-	-
Group's share of results of joint venture (38.7%)		
Revenue	-	716
Operating expenses	-	(21)
Finance costs	-	(825)
Group's share of loss after tax of joint venture	-	(130)

During 2014, the activities of HP Bath were wound up, therefore, there is no longer a provision for a joint venture deficit as at 31 December 2015

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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16 INVENTORIES

	2015 £'000	2014 £'000
Consumables	1,876	1,806

At 31 December 2015, an amount of £nil (2014: nil) has been provided against the gross cost of inventories
The cost of inventories recognised as an expense in the year is £14,051,000 (2014: £13,096,000)

17 TRADE AND OTHER RECEIVABLES

	Note	Current		Non-current	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade receivables		10,111	10,906	–	–
Less: allowance for impairment of trade receivables		(409)	(187)	–	–
Net trade receivables		9,702	10,719	–	–
Prepayments and accrued income		4,335	4,843	2,500	2,500
Other receivables		655	1,108	–	–
Amounts owed by joint venture		–	13	–	–
		14,692	16,683	2,500	2,500

The directors consider the carrying amount of trade and other receivables to approximate to their fair value. Long-term receivables are discounted where the time value of money is considered to be material using a risk-adjusted post-tax discount rate of 10%.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	2015 £'000	2014 £'000
At 1 January	187	260
Increase/(decrease) in the year	222	(73)
At 31 December	409	187

17 TRADE AND OTHER RECEIVABLES continued

At 31 December, the ageing analysis of trade receivables was as follows

	2015 £'000	2014 £'000
Not past due	5,536	3,660
Past due 0–30 days, but not impaired	1,052	4,493
Past due 31–60 days, but not impaired	960	748
Past due by more than 60 days, but not impaired	2,153	1,818
	9,702	10,719

Trade receivables are non-interest bearing, and credit terms are generally 30 days. The above receivables are not impaired because management believes they are fully recoverable.

18 CASH AND CASH EQUIVALENTS

	2015 £'000	2014 £'000
Cash and cash equivalents	14,998	24,496

The directors consider the carrying amount of cash and cash equivalents approximate to their fair value. There is no unrestricted cash in 2015 and 2014.

19 TRADE AND OTHER PAYABLES

	Note	Current		Non current	
		2015 £'000	2014 £'000	2015 £'000	2014 £'000
Trade payables		6,840	6,666	–	–
Deferred income		847	787	–	–
Accruals		10,969	12,319	1,979	2,074
Social security and other taxation		1,246	1,319	–	–
Amounts owed to other related parties	30	–	165	–	–
		19,902	21,256	1,979	2,074

Trade payables, accruals and amounts owed to other related parties are unsecured and interest free.

The directors consider the carrying amount of trade and other payables approximate to their fair value. Long-term payables have been discounted where the time value of money is considered to be material.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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20 LOANS AND OTHER BORROWINGS

	Current		Non current	
	2015 £ 000	2014 £ 000	2015 £ 000	2014 £ 000
Secured finance leases	2,332	1,922	7,282	8,869
	2,332	1,922	7,282	8,869

Finance leases

Finance leases comprise various lease agreements with Close Leasing Limited, Shawbrook Bank Limited and GE, to finance the purchase of IT assets, fixtures, fittings and furniture, and medical equipment, for the commissioning of CircleReading hospital and the 125-year lease for land in Birmingham entered into with Pebble Mill Investments Limited ('Pebble Mill') in November 2011. During 2015, CircleReading and CircleBath signed new finance leases with Shawbrook Bank Limited to purchase medical equipment and furniture respectively. CircleNottingham also signed two new finance leases for medical equipment with GE.

	2015 £'000	2014 £ 000
Gross finance lease liabilities – minimum lease payments		
Falling due		
– No later than one year	2,987	2,711
– Later than one year and no later than five years	4,093	5,837
– Later than five years	9,323	9,691
	16,403	18,239
Future finance charges on finance leases	(6,789)	(7,448)
	9,614	10,791

The breakdown of the present value of finance leases

Falling due		
– No later than one year	2,332	1,922
– Later than one year and no later than five years	2,697	4,028
– Later than five years	4,585	4,841
	9,614	10,791

20 LOANS AND OTHER BORROWINGS continued

The Group signed a finance lease commitment with GE on 11 June 2012 for a total facility of £5,000,000 to lease medical equipment over a five-year period. On 13 July 2012, the Group signed a finance lease commitment with Close Leasing Limited for a total facility of £2,000,000 to lease IT equipment and fixtures, fittings and furniture over a five-year period.

In June 2015, CircleBath signed a finance lease commitment for a facility of £21,000 over a three-year period. In July 2015, CircleReading signed a new finance lease with Shawbrook Bank Limited for a facility of £45,000 over a five-year period. In addition, in November, the Group signed finance lease commitments with GE for a total facility of £800,000 to lease medical equipment at CircleNottingham until June 2018.

The Pebble Mill site lease liabilities are unsecured, but are guaranteed by Circle Holdings plc. The Group can terminate the lease on 1 August 2046 or 1 August 2071, by giving at least six months' written notice to the landlord. In addition, the Group has two opportunities to reduce the annual rent: the first buy-down right is within a period of five years from the date of the lease, and the second buy-down right is within a period of six months prior to the first lease break date in 2046. Both instances require payment of a premium calculated in accordance with a formula set out in the lease and adjusted using the RPI index. There are no contingent rents. The value of the finance lease creditor is £4,895,000 (2014 £4,946,000).

Maturity profile

Under the terms of the loans, the amounts fall due as follows:

	Less than one year £'000	Between one to two years £'000	Between two to three years £'000	Greater than four years £'000	Total £'000
2015					
Finance leases	2,332	2,031	664	4,587	9,614
	2,332	2,031	664	4,587	9,614
2014					
Finance leases	1,922	2,011	1,967	4,891	10,791
	1,922	2,011	1,967	4,891	10,791

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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21 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2015 £ 000	2014 £ 000
Current	–	–
Non-current	50	50
	50	50

	Dilapidations £'000	Under declared VAT £'000	Total £ 000
At 1 January 2014	159	496	655
Released to the income statement	–	(226)	(226)
Utilised during the year	(109)	(270)	(379)
At 1 January 2015	50	–	50
Released to the income statement	–	–	–
Utilised during the year	–	–	–
At 31 December 2015	50	–	50

Dilapidations

This provision relates to the expected cost of returning various leased properties to their former state when the Group exits the leases

22 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

Authorised

	2015 £ 000	2014 £ 000
Ordinary shares of £0.02 each	6,500	6,500
Convertible shares (18 months) of £0.02 each	250	250
Convertible shares (36 months) of £0.02 each	250	250
	7,000	7,000

	Number	Number
Ordinary shares of £0.02 each	325,000,000	325,000,000
Convertible shares (18 months) of £0.02 each	12,500,000	12,500,000
Convertible shares (36 months) of £0.02 each	15,500,000	12,500,000
	350,000,000	350,000,000

Allotted and fully paid up

	Par value	Share Number	Share capital £ 000	Share premium £ 000	Treasury shares £ 000	Other reserves £ 000	Total £ 000
Ordinary shares							
At 1 January 2014		130,785,122	2,616	193,145	–	22,182	217,943
Fundraise – 9 January 2014 (net of costs)	£0.02	55,000,000	1,100	25,120	–	–	26,220
Shares issued – 16 June 2014 (net of costs)	£0.02	62,769	1	–	–	–	1
Project Reset – ordinary shares issued – 8 December 2014 (net of costs)	£0.02	38,855,367	777	7,560	(9,587)	–	(1,250)
Project Reset – convertible shares issued – 8 December 2014 (net of costs)	£0.02	23,093,930	462	10,970	–	–	11,432
At 31 December 2014		247,797,188	4,956	236,795	(9,587)	22,182	254,346
At 31 December 2015		247,797,188	4,956	236,795	(9,587)	22,182	254,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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22 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES continued

The following table details the movement in share capital (ordinary and convertible) in the year ending 31 December 2015 by major shareholder

	At 1 January 2015 Number	Additional purchases/ (sales) Number	At 31 December 2015 Number
Lansdowne Partners	54,167,008	–	54,167,008
Invesco Perpetual	53,268,920	(35,000,000)	18,268,920
Odey Asset Management	27,447,406	(27,447,406)	–
Toscalfund	–	62,397,297	62,397,297
Balderton Capital	16,756,534	–	16,756,534
BlueCrest Capital Management	9,252,685	–	9,252,685
BlackRock	5,781,380	(157,110)	5,624,270
Polar Capital	1,000,000	400,000	1,400,000
Circle Partnership Benefit Trust	61,949,297	–	61,949,297
Henderson	5,200,000	(5,200,000)	–
Other	12,973,958	5,007,219	17,981,177
	247,797,188	–	247,797,188

The following table details the movement in ordinary share capital in the year ending 31 December 2014 by major shareholder

	At 1 January 2014 Number	9 January 2014 (at £0.02 each) Number	16 June 2014 (at £0.02 each) Number	8 December 2014 (at £0.02 each) Number	Additional purchases/ (sales) Number	At 31 December 2014 Number
Lansdowne Partners	37,967,008	16,200,000	–	–	–	54,167,008
Invesco Perpetual	30,368,920	22,900,000	–	–	–	53,268,920
Odey Asset Management	27,542,881	–	–	–	(95,475)	27,447,406
Balderton Capital	12,756,534	4,000,000	–	–	–	16,756,534
BlueCrest Capital Management	9,252,685	–	–	–	–	9,252,685
BlackRock	6,997,555	–	–	–	(1,216,175)	5,781,380
Polar Capital	1,000,000	400,000	–	–	(400,000)	1,000,000
Circle Partnership Benefit Trust	–	–	–	61,949,297	–	61,949,297
Henderson	–	5,200,000	–	–	–	5,200,000
Numis	–	1,150,000	–	–	(1,150,000)	–
Singers	–	150,000	–	–	(150,000)	–
Broker Option	–	5,000,000	–	–	(5,000,000)	–
Other	4,899,539	–	62,769	–	8,011,650	12,973,958
	130,785,122	55,000,000	62,769	61,949,297	–	247,797,188

23 WARRANTS

The Group issues warrants which give the holders the right to purchase shares for a specific price at a future date. The warrants are treated either as equity instruments and recorded in the warrant reserve, or as financial liabilities and recorded in liabilities, depending on certain criteria, as outlined in the Group's accounting policies. There are no remaining warrants issued as financial liabilities.

Warrants treated as equity instruments

Movements in the warrant reserve during the year are as follows

	2015 £'000	2014 £'000
At 1 January and at 31 December	22,703	22,703

The following table details all share warrants issued by the Group which are recognised in equity, none of which have been exercised to date

		Exercise price	Original warrants	Modified	Revised warrants	Warrant reserve At 1 January 2015 £'000	Share based charges £'000	At 31 December 2015 £'000
Note		£	Number	Number	Number			
Beneficiary								
Warrants issued in 2008								
Balderton Capital	b	£1.52	523,460	–	523,460	4,111	–	4,111
Lansdowne Partners	b	£1.52	99,630	–	99,630	783	–	783
JCAM		£10.31	238,930	–	238,930	1,616	–	1,616
Warrants issued in 2009								
Balderton Capital	b	£1.52	172,355	–	172,355	675	–	675
Lansdowne Partners	b	£1.52	172,355	–	172,355	479	–	479
BlueCrest Capital Management	b	£1.52	75,510	–	75,510	296	–	296
Warrants modified in 2011								
Health Trust (Jersey)	a, b	£1.52	–	2,340,765	2,340,765	14,743	–	14,743
			1,282,240	2,340,765	3,623,005	22,703	–	22,703

a The 2,340,765 share warrants vested over a 24-month period from May 2011 until May 2013, and were exercisable from the date they vest (1/24 every month from May 2011) and do not have any expiry date. None of the warrants were exercised during 2015 (2014: nil).

b In May 2011, after the initial public offering ('IPO'), the existing share warrants, which consisted of warrants issued in 2008 and 2009 to Health Trust (Jersey) and Health Trust (Jersey) option pool, were modified, adjusting both the exercise price and vesting conditions. Under the terms of the modification, the existing share warrants were replaced with warrants issued exclusively to Health Trust (Jersey), and the exercise price was set to the IPO price of £1.52 per new ordinary share issued. The modified share warrants do not have any expiry date or any conditions attached. A fair value assessment was completed, based on the value of the existing warrants prior to IPO, and the fair value of the modified warrants determined using Black-Scholes on a diluted pricing basis. The incremental fair value of the modification was recognised on a straight-line basis over a 24-month period from May 2011 until May 2013, in line with the revised vesting timetable (1/24 every month from May 2011).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 SHARE-BASED CHARGES

Shares, shares options and share warrants are issued 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*. The impact on the income statement in respect of share-based charges is as follows. Note: there is no charge associated with the transaction where the employees subscribe for the shares at full market value.

	Note	Type	2015 £'000	2014 £'000
Issued as part of Project Reset	a	Shares	–	1,105
Awarded to non-executive directors	b	Shares	–	14
Share options issued to Circle employees and partners	c	Share options	2,693	572
			2,693	1,691

a Project Reset

Shares were issued in 2014 as part of Project Reset. Of the total number of Circle Partnership Limited ('CPL') shares which were acquired by the Group, 5,118,739 were partially vested. The unvested portion of these shares in CPL were accelerated as part of Project Reset, and exchanged for 2,231,770 Circle Holdings plc convertible shares at £0.02 each. A share-based charge of £1,105,000 was recognised to record the incremental fair value of shares given to members of the CPL share scheme. The charge was calculated, based on the share price on 4 December 2014, the date of Project Reset completion.

b Non-executive directors

The Group operated an equity-settled, share-based compensation plan for its non-executive directors. The entity receives services from these directors as consideration for shares in the Group. The fair value of the services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted. No share options were granted to the non-executive directors during 2015.

c Share options issued to Circle employees and partners

During 2015, a number of share option awards were granted to Circle employees and Circle partners. There are two main share option schemes: PIP and MIP. The MIP scheme has market conditions attached. In accordance with the terms of the MIP, the granted options will vest, based on a required holding period and certain share price triggers. The earliest exercise date is 1 December 2016.

Included within exceptional items is an IFRS 2 share-based payment charge for share options granted to the Chief Financial Officer in December 2014, and vested in December 2015.

	2015 £'000	2014 £'000
Share-based charges reserve		
At 1 January	1,842	151
Share-based charges	2,693	1,691
At 31 December	4,535	1,842

24 SHARE-BASED CHARGES continued

The parameters on which the fair values of the various share option schemes were calculated are detailed below
 The fair value of a share option disclosed below represents the value of the share option as determined by IFRS 2,
 minus the strike price payable by the holder of the option upon exercise

Share options granted to Chief Financial Officer

Stock price at grant date (1 December 2014)	£0.50
Exercise price	£0.02
Expected volatility	50%
Risk-free interest rate	5%
Vesting period	1 year
Fair value of share option	£0.50

2013 and 2014 share option awards – £0.02

Stock price at grant date (30 April 2015)	£0.49
Exercise price	£0.02
Expected volatility	79.1%
Risk-free interest rate	0.447%
Vesting period	8 months
Fair value of share option	£0.47

2013 and 2011 share option awards – £0.50

Stock price at grant date (30 April 2015)	£0.49
Exercise price	£0.50
Expected volatility	79.1%
Risk-free interest rate	0.447%
Vesting period	8 months
Fair value of share option	£0.12

2015 share option awards – £0.02

Stock price at grant date (25 September 2015)	£0.38
Exercise price	£0.02
Expected volatility	79.1%
Risk-free interest rate	0.620%
Vesting period	2 years
Fair value of share option	£0.36

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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24 SHARE-BASED CHARGES (continued)

2015 share option awards – £0.50

Stock price at grant date (25 September 2015)	£0.38
Exercise price	£0.50
Expected volatility	79.1%
Risk-free interest rate	0.620%
Vesting period	2 years
Fair value of share option	£0.13

MIP (with market conditions attached) – £0.02

Stock price at grant date (23 June 2015)	£0.48
Exercise price	£0.02
Expected volatility	79.1%
Risk-free interest rate	0.72%
Vesting period	2 years
Fair value of share option	£0.39

MIP (with market conditions attached) – £0.50

Stock price at grant date (23 June 2015)	£0.48
Exercise price	£0.50
Expected volatility	79.1%
Risk-free interest rate	0.72%
Vesting period	2 years
Fair value of share option	£0.23

25 PENSION COMMITMENTS

The Group participates in two personal defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The contributions by the Group for the year were £1,452,000 (2014: £1,492,000). As at 31 December 2015, outstanding contributions totalled £127,000 (2014: £140,000).

26 OPERATING LEASE COMMITMENTS

The Group has entered into various non-cancellable operating leases of equipment, land and buildings with varying terms, escalation clauses and renewal rights. The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Plant and machinery		Land and buildings	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000
No later than one year	547	730	10,283	9,985
Later than one year and no later than five years	724	1,272	37,327	37,995
Later than five years	–	–	142,964	151,493
	1,271	2,002	190,574	199,473

27 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Note	2015 £'000	2014 £'000
Loss before taxation		(11,656)	(20,155)
Provision for joint venture deficit		–	130
Exceptional finance items		–	625
Finance costs		793	911
Finance income		(5)	(181)
Amortisation of intangible assets	13	273	451
Depreciation of property, plant and equipment	14	2,779	2,451
Loss on sale of tangible fixed assets		9	16
Impairment of property, plant and equipment	14	–	2,907
Impairment of intangible assets	13	–	81
Share-based charges	24	2,693	1,691
Gain on the wind-up of joint venture activities		–	(4,750)
Provision for VAT	21	–	(226)
Movements in working capital			
– Increase in inventories		(70)	(161)
– Increase in trade and other receivables		1,990	(1,159)
– (Increase)/decrease in trade and other payables		(1,448)	9,387
– Decrease in provisions		–	(379)
Net cash outflow from operating activities		(4,642)	(8,361)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

28 RECONCILIATION AND ANALYSIS OF NET DEBT

	2015 £'000	2014 £'000
(Decrease)/increase in unrestricted cash in the year	(9,498)	15,899
(Decrease) in restricted cash in the year	-	(3,800)
Repayment of finance lease	2,019	1,660
Movement in net debt from cash flow	(7,479)	13,759
Other non-cash movements	(842)	(922)
Movement in net debt	(8,321)	12,837
Net debt at 1 January	13,705	868
Net debt at 31 December	5,384	13,705

2015	At 1 January £'000	Cash flow £'000	Reclassifications £'000	Other non cash changes £'000	At 31 December 2015 £'000
Liquid resources					
Unrestricted cash	24,496	(9,498)	-	-	14,998
Debt due within one year					
Finance leases	(1,922)	2,019	(2,152)	(277)	(2,332)
Debt due after one year					
Finance leases	(8,869)	-	2,152	(565)	(7,282)
Net debt	13,705	(7,479)	-	(842)	5,384

28 RECONCILIATION AND ANALYSIS OF NET DEBT continued

2014	At 1 January £'000	Cash flow £ 000	Reclassifications £'000	Other non cash changes £'000	At 31 December 2014 £'000
Liquid resources					
Unrestricted cash	8,597	15,899	–	–	24,496
Restricted cash	3,800	(3,800)	–	–	–
Debt due within one year					
Finance leases	(1,547)	1,660	(1,801)	(234)	(1,922)
Debt due after one year					
Finance leases	(9,982)	–	1,801	(688)	(8,869)
Net debt	868	13,759	–	(922)	13,705

29 FINANCIAL RISK MANAGEMENT**Financial risk factors**

The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk and interest rate risk. The Group seeks to limit the adverse effects of these risks by monitoring levels of debt finance and the related finance costs, and by matching the risks of the financing with the risks and return profiles of the assets. The risks are monitored by management throughout the year via monthly reviews of operational performance, cash flows, levels of individual debt instruments and overall debt levels.

Classes of financial instruments

The Group's financial instruments comprise financial assets such as cash, short-term deposits, trade and other receivables, and financial liabilities, such as bank loans, loan notes, and trade and other payables. In addition, the Group was party to interest rate swaps to manage the Group's interest rate risks arising from the Group's sources of finance.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

29 FINANCIAL RISK MANAGEMENT continued

The following tables classify the Group's financial instruments according to IAS 39 *Financial Instruments, Recognition and Measurement*

	Note	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total £'000
As at 31 December 2015					
Financial assets					
Trade and other receivables	17	10,357	–	–	10,357
Cash and cash equivalents	18	14,998	–	–	14,998
Total financial assets		25,355	–	–	25,355

Financial liabilities					
Trade and other payables	19	–	–	(6,840)	(6,840)
Finance lease liabilities	20	–	–	(9,614)	(9,614)
Total financial liabilities		–	–	(16,454)	(16,454)

	Note	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total £'000
As at 31 December 2014					
Financial assets					
Trade and other receivables	17	11,840	–	–	11,840
Cash and cash equivalents	18	24,496	–	–	24,496
Total financial assets		36,336	–	–	36,336

Financial liabilities					
Trade and other payables	19	–	–	(6,831)	(6,831)
Finance lease liabilities	20	–	–	(10,791)	(10,791)
Total financial liabilities		–	–	(17,622)	(17,622)

a Market risk

Market risk is the risk that changes in market prices, such as interest rates or other price risks, and will affect the income from or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Group is primarily impacted by interest rate risk and other price risks which are outlined below.

29 FINANCIAL RISK MANAGEMENT continued**1) Interest rate risk**

Financial instruments affected by interest rate risk include short-term deposits. The Group is primarily sensitive to changes in UK interest rates. This affects future cash flows from short-term cash deposits held. As at 31 December 2015, the Group, excluding the joint venture, does not hold any long-term loans. Previously, the Group has managed this risk, where significant, by holding long-term loans and entering into interest rate swaps in order to fix the interest payable on these. These swaps have now all expired. The Group also manages the interest rate risk through financing assets through finance leases which have fixed rates of interest, rather than through loans.

The following table summarises the fixed and variable rate loans

	Variable £'000	Fixed £'000	Interest free £'000	Total £'000
At 31 December 2015				
Loans and other borrowings	–	9,614	–	9,614
At 31 December 2014				
Loans and other borrowings	–	10,791	–	10,791

2) Other price risks

The Group has a number of long-term contracts containing fixed indexation provisions. The Group generally seeks to price contracts at levels that take account of increasing prices. As the volume of private patients is anticipated to increase, the Group will be increasingly subject to pricing changes from private insurance companies.

The new Bedfordshire MSK contract operates under a capped revenue budget. The underlying principle assumes that the service can be run more efficiently, improving the patient experience and reducing operational costs. Nevertheless, the Group bears the risk of rising operational prices as the baseline revenue is fixed, subject to local demographic or service portfolio changes.

b Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash deposits, with their maximum exposure being represented by their carrying amount.

The Group has policies with customers that require upfront payment, where appropriate. Credit control procedures are designed to ensure that invoiced revenue is collected according to agreed terms, that policies exist to limit exposure to any one party, and ensure approved credit limits are reviewed regularly. These all help to eliminate significant concentrations of credit risk.

Most revenues arise from insured patients' business and the NHS. Insured patients give rise to trade receivables which are mainly due from large insurance institutions, who have high credit worthiness. The remainder of revenues arise from individual self-pay patients.

When utilising bank accounts and cash deposits, the Group transacts with counterparties who have sound credit profiles. Such counterparties are primarily large, highly-rated financial institutions. In relation to financial institutions, the Group allocates a credit limit based on external credit ratings. The counterparty's total outstanding transactions with the Group, including bank accounts and cash deposits, must not exceed limits agreed by the Board of Directors.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

29 FINANCIAL RISK MANAGEMENT continued

c Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's approach to liquidity is to manage short and long-term borrowings to ensure that it will always have sufficient liquidity to meet its liabilities when due, without incurring unacceptable losses or risk damaging the Group's reputation.

This is achieved by robustly managing cash generation across its operations, by applying cash collection targets throughout the Group, and by managing liquidity risk via long-term debt and equity funding from shareholders.

The Group has received strong support from its shareholders, who have provided equity cash funding when necessary to fund the Group's activities. These funds have been utilised to support the business plans of the Group in accordance with the Group's financial projections, which are updated on a regular basis.

The table below analyses the Group's non-derivative and derivative financial liabilities into relevant maturity groupings, based on the remaining period at the balance sheet date to the contract maturity date. The amounts included in the table are the contractual undiscounted cash flows.

	Less than one year £'000	Between one to two years £'000	Between two to three years £'000	Between three to four years £'000	Between four to five years £'000	Over five years £'000
At 31 December 2015						
Trade and other payables	(6,840)	-	-	-	-	-
Finance lease	(2,987)	(2,635)	(696)	(389)	(374)	(9,323)
Net outflows	(9,827)	(2,635)	(696)	(389)	(374)	(9,323)
At 31 December 2014						
Trade and other payables	(5,465)	-	-	-	-	-
Finance leases	(2,450)	(2,450)	(2,390)	(2,033)	(395)	(10,059)
Net outflows	(7,915)	(2,450)	(2,390)	(2,033)	(395)	(10,059)

Included in the previous tables are the cash flows in respect of the Birmingham lease. There are various buy-down options over the term of the lease, and management's intention has been reflected in the cash flows set out above.

ii Capital risk management

The primary objective of the Group's management of debt and equity is to ensure the continued growth of the business, including the financing of new hospitals, equipment, start-up costs, and Head Office overheads, in order to provide returns for the Group's shareholders and other stakeholders. The Group raises financing, when needed, through a combination of equity and debt.

Objectives are set out at the beginning of each year, in line with the imposed requirements and covenants of the shareholder agreements. Covenants on the CircleBath rental agreement with Medical Properties Trust are tested monthly. No long-term debt exists elsewhere in the Group.

30 RELATED PARTY TRANSACTIONS

Subsidiaries

Details of the investments in which the Group holds 20% or more of the nominal value of any class of share capital and quasi-subsidiaries are as follows

Name of company	Holding	Nature of business	Proportion of voting rights held	Country of incorporation
Circle International plc	Ordinary shares	Holding and management	100%	United Kingdom
Health Properties Limited*	Ordinary shares	Holding and management	100%	Jersey
Circle Health Limited	Ordinary shares	Holding and management	100%	United Kingdom
Nations Healthcare Limited	'A' ordinary shares	Holding and management	100%	United Kingdom
Circle Nottingham Limited	'C' preferred shares	Holding and management	N/A	United Kingdom
Circle Nottingham Limited	Ordinary shares	Medical practice services	100%	United Kingdom
Circle (Welbeck) Limited	Ordinary shares	Finance company	100%	United Kingdom
Circle (Welbeck) Limited	Preference shares	Finance company	N/A	United Kingdom
Circle Hospital (Bath) Limited	Ordinary shares	Medical practice services	100%	United Kingdom
Circle Hospital (Reading) Limited	Ordinary shares	Medical practice services	100%	United Kingdom
Circle Clinical Solutions Limited	Ordinary shares	Property development	100%	United Kingdom
Circle Birmingham Limited	Ordinary shares	Property development	100%	United Kingdom
Health Properties (South Manchester) Limited	Ordinary shares	Property ownership and development	100%	Jersey
Circle Partnership Limited	Ordinary shares	Former employee share ownership plan	100%	British Virgin Islands

Trading transactions

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties

Transactions entered into and trading balances outstanding are as follows

	Note	Amounts owed by related party £'000	2015 Amounts owed to related party £'000	Amounts owed by related party £'000	2014 Amounts owed to related party £'000
HP Bath	a	—	—	13	—
Capita	b	—	—	—	(1)
Hinchingbrooke Health Care NHS Trust	c	—	—	4,836	(164)
		—	—	4,849	(165)

* Jersey Financial Services Commission

** Following the completion of Project Reset in 2014 the CPBT through which staff are awarded share options in Circle became a major shareholder in Circle Holdings plc. CPL is an historic entity from the prior structure and we expect it to be wound up in 2016

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Continued

30 RELATED PARTY TRANSACTIONS continued

a Health Properties (Bath) Limited

HP Bath is a joint venture of the Group which owned the Bath hospital that was sold during 2014

As at 31 December 2015, an amount of nil was outstanding (2014 £13,000)

b Capita

During 2015, the Group was charged £85,000 (2014 £96,000) by Capita for fiduciary services provided to companies within the Group during the year. The amount outstanding at 31 December 2015 was £nil (2014 £nil)

The Capita Group also provided IT data hosting services during the year. The Group was charged £514,000 (2014 £540,000) for these services provided during the year. The amount outstanding at 31 December 2015 was nil (2014 £1,750)

c Hinchingbrooke Health Care NHS Trust

During 2015, a settlement agreement relating to the termination of the franchise was agreed. Thereafter, Hinchingbrooke Health Care NHS Trust ceased to be a related party.

Health Trust (Jersey)

Health Trust (Jersey) also holds 2,340,765 warrants in the Company (note 23)

Following the completion of Project Reset on 4 December 2014, Health Trust (Jersey) shareholding in CPL was exchanged for 2,309,402 convertible shares in Circle Holdings plc. The previous agreement for Health Trust (Jersey) to own an amount equal to an aggregate 10% of the issued share capital of CPL has now extinguished.

The following are related parties by virtue of their significant shareholding. Notes 22 and 23 provide further details.


	Number of shares held (including convertible shares)	Percentage shareholding	Value of warrants held £
Balderton Capital	16,756,534	7%	4,786
BlueCrest Capital Management	9,252,685	4%	296
Invesco Perpetual	18,268,920	7%	–
Lansdowne Partners	54,167,008	22%	1,262
Toscafund	62,397,297	25%	–
Circle Partnership Benefit Trust	61,949,297	25%	–

Other than the above and the equity transactions detailed in notes 22 and 23, there have been no transactions with these related parties.

31 EVENTS AFTER THE BALANCE SHEET DATE

In January 2016, marketing for the sale of the land held by Health Properties (South Manchester) Limited commenced. It has a carrying value of £5,000,000, and the directors believe the sales proceeds will support the carrying value.



 I felt extremely well looked after and very safe. The consultant and all the nurses were fantastic. Thank you so much.

INPATIENT CIRCLEBATH

Circle Bath

INDEPENDENT AUDITORS' REPORT

To the members of Circle Holdings plc

Report on the Company's financial statements

Our opinion

In our opinion, Circle Holdings plc's Company financial statements (the 'financial statements')

- give a true and fair view of the state of the Company's affairs as at 31 December 2015,
- have been properly prepared in accordance with United Kingdom accounting standards, and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991

What we have audited

The financial statements, included within the Annual Report, comprise

- the Company balance sheet as at 31 December 2015, and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information

Certain required disclosures have been presented elsewhere in the Annual Report, rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited

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

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

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

Other matters on which we are required to report by exception

Accounting records and information and explanations received

Under the Companies (Jersey) Law 1991, 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
- proper accounting records have not been kept, or
- proper 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

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the *Statement of directors' responsibilities* set out on page 41, 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 ISAs (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 Article 113A of the Companies (Jersey) Law 1991 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 and 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.

Other matter

We have reported separately on the Group financial statements of Circle Holdings plc for the year ended 31 December 2015.



Simon O'Brien (Senior Statutory Auditor)
For and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Recognised Auditors
London
29 March 2016



Q I was very impressed with the efficient and professional staff, who were also very friendly and made me feel at ease. The environment was very clean, and I felt safe and well cared for. Thank you for making my experience as stress free and comfortable as possible.

DAY CASE PATIENT CIRCLENOTTINGHAM



COMPANY BALANCE SHEET

As at 31 December 2015

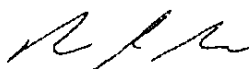
	Note	2015 £'000	2014 £'000
Non-current assets			
Investments	5	–	–
Current assets			
Debtors	6	2,919	101,785
Cash at bank and in hand		8,313	14,180
		11,232	115,965
Creditors – amounts falling due within one year	7	(3,217)	(3,075)
Net current assets		8,015	112,890
Total assets less current liabilities		8,015	112,890
Net assets		8,015	112,890
Capital and reserves			
Called-up share capital	8	4,956	4,956
Share premium	8	236,795	236,795
Other reserves	8	11,303	11,303
Warrant reserve	9, 11	22,703	22,703
Share-based charges reserve	9, 11	4,535	1,842
Treasury share reserve	9	(9,587)	(9,587)
Profit and loss account	9	(262,690)	(155,122)
Total shareholders' funds	10	8,015	112,890

The financial statements on pages 91 to 100 were approved by the Board of Directors on 29 March 2016 and were signed on its behalf by



Steve Melton
Chief Executive Officer

Circle Holdings plc
Registered number 100016 (Jersey)



Paolo Pieri
Chief Financial Officer



NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2015

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements are prepared for Circle Holdings plc (the 'Company') for the year ended 31 December 2015. The Company is the ultimate parent entity of the Circle Holdings plc Group (the 'Group'). 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 following exemptions from the requirements of IFRSs have been applied in the preparation of these financial statements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2 *Share-based Payment*
- IAS 7 *Statement of Cash Flows* and paragraph 10(d) of IAS 1 (statement of cash flows)
- 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.

Accounting convention

These financial statements have been prepared on a historical cost basis in accordance with the Companies (Jersey) Law 1991 and applicable UK accounting standards. The Company has not prepared a separate income statement and cash flow statement, as it is not a requirement under Companies (Jersey) Law 1991.

Going concern

The directors consider it to be appropriate for the Company financial statements to be prepared on a going concern basis,

based on the assumptions considered in the *Directors' report* on page 27.

Investments

Investments in subsidiaries and joint ventures are valued at cost less provision for impairment. The carrying value of fixed asset investments is reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Deferred tax

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 FRS 101.

Warrants

A warrant is an instrument issued by a company, which gives the holder the right to purchase shares in that company at a specific price at a future date. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. A warrant is treated as a financial liability if:

- it is a non-derivative and the entity is obliged to deliver a variable number of the company's own shares, or
- it is a derivative that will be settled other than by a fixed amount of cash or other assets for a fixed number of the company's own shares.

Transaction costs are apportioned between the liability and equity components of the shares, based on the allocation of proceeds to the liability and equity components when the instruments are first recognised.

Equity warrants

The proceeds on issue of equity warrants are included within shareholders' equity, net of transaction costs. The fair value of

the equity component is not remeasured in subsequent years. The fair value of warrants is credited to equity, with the debit being charged to the profit and loss account, or taken to non-current liabilities where the warrants are linked to a loan.

Equity warrants are valued using an appropriate valuation methodology on a diluted pricing basis, based on the relevant share price at the time of issue, or based on an assessment of the market price at the time of issue.

Capital contributions

Share-based incentive schemes for employees are operated by subsidiary undertakings that are settled by equity instruments in the Company. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted, and is recognised over the vesting period, which ends on the date on which relevant employees become fully entitled to the warrants in the Company.

The grant of these warrants in the Company to the employee of the subsidiary undertaking is treated as a capital contribution. The fair value is recognised over the vesting period as an increase to the investment in subsidiary undertaking, with a corresponding credit to equity.

2 PROFIT AND LOSS

The result for the year is a loss of £107,568,000 (2014: loss of £8,083,000). During 2015, the Company provided for a number of intercompany loans. These intercompany loans are to be written off as in accordance with the objectives of Project Reset.

3 OPERATING COSTS

The Company incurred £29,000 (2014: £28,000) in relation to UK statutory audit fees for the year ended 31 December 2015.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

4 DIRECTORS' EMOLUMENTS

During the year, £280,000 (2014 £274,000) was paid to directors of the Company, which includes amounts received in respect of share-based charges. Remuneration was paid to other directors via subsidiary companies, total details of which are included in the *Directors' remuneration report*.

5 INVESTMENTS

Company

	Note	2015 £ 000	2014 £ 000
Cost			
At 1 January		178,029	166,763
Additions – CPL		–	13,066
Wind-up of investment in CH Subco Limited		–	(1,800)
Capital reduction on preference shares in Circle (Welbeck) Limited		(97,791)	
Additions – capital contributions	12	2,208	–
At 31 December		82,446	178,029
Provision for impairment			
At 1 January		178,029	166,763
Provision in the year		2,208	13,066
Capital reduction on preference shares in Circle (Welbeck) Limited		(97,791)	
Wind-up of investment in CH Subco Limited		–	(1,800)
At 31 December		82,446	178,029
Net book amount at 31 December		–	–

The directors consider that the value of the Company's fixed asset investments, which are listed below, is supported by their underlying assets.

Name of company	Holding	Nature of business	Proportion of voting rights held	Country of incorporation
Circle International plc	Ordinary shares	Holding and management	100%	United Kingdom
Health Properties Limited*	Ordinary shares	Holding and management	100%	Jersey
Circle (Welbeck) Limited	Preference shares	Finance company	N/A	United Kingdom
Circle Partnership Limited**	Ordinary shares	Former employee share ownership plan	100%	British Virgin Islands

* Jersey Financial Services Commission

** Following the completion of Project Reset in 2014 the CPBT through which staff are awarded share options in Circle, became a major shareholder in Circle Holdings plc. CPL is an historic entity from the prior structure, and we expect it to be wound up in 2016.

6 DEBTORS

	2015 £'000	2014 £'000
Prepayments and accrued income	20	35
Other debtors	11	59
Amounts owed by Group undertakings	2,888	101,691
	2,919	101,785

Amounts owed by Group undertakings are a combination of interest-bearing and interest-free amounts, unsecured and receivable on demand

7 CREDITORS – AMOUNTS FALLING DUE WITHIN ONE YEAR

	2015 £'000	2014 £'000
Trade creditors	59	133
Amounts owed to Group undertakings	2,639	2,636
Accruals and deferred income	519	306
	3,217	3,075

Amounts owed to Group undertakings are unsecured and repayable on demand

8 CALLED-UP SHARE CAPITAL

Authorised

	2015 £'000	2014 £'000
Ordinary shares of £0.02 each	6,500	6,500
Convertible shares (18 months) of £0.02 each	250	250
Convertible shares (36 months) of £0.02 each	250	250
	7,000	7,000

	2015 Number	2014 Number
Ordinary shares of £0.02 each	325,000,000	325,000,000
Convertible shares (18 months) of £0.02 each	12,500,000	12,500,000
Convertible shares (36 months) of £0.02 each	12,500,000	12,500,000
	350,000,000	350,000,000

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

8 CALLED-UP SHARE CAPITAL continued

Allotted and fully paid up

		Shares Number	Called-up share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Ordinary shares						
At 1 January 2014		130,785,122	2,616	193,145	11,303	207,064
Fundraise – 9 January 2014 (net of costs)	£0.02	55,000,000	1,100	25,120	–	26,220
Shares issued – 16 June 2014 (net of costs)	£0.02	62,769	1	–	–	1
Project Reset – ordinary shares issued – 8 December 2014 (net of costs)	£0.02	38,855,367	777	7,560	–	8,338
Project Reset – convertible shares issued – 8 December 2014 (net of costs)	£0.02	23,093,930	462	10,970	–	–
At 31 December 2014		247,797,188	4,956	236,795	11,303	241,623
At 31 December 2015		247,797,188	4,956	236,795	11,303	241,623

9 RESERVES

	Share premium £'000	Warrant reserve £'000	Other reserves £'000	Treasury share reserve £'000	Share-based charges reserve £'000	Profit and loss account £'000
At 1 January 2015	236,795	22,703	11,303	(9,587)	1,842	(155,122)
Loss for the financial year	–	–	–	–	–	(107,568)
Issue of shares options	–	–	–	–	2,693	–
At 31 December 2015	236,795	22,703	11,303	(9,587)	4,535	(262,690)

During 2015, £2,693,000 was the IFRS 2 share-based payment charge for share options issued to Circle employees and partners. This charge has been passed onto the subsidiary company in which the services are being provided, namely Circle Health Limited, by way of capital contribution.

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	2015 £ 000	2014 £ 000
Loss for the financial year		(107,568)	(8,083)
Awards of shares to non-executive directors	12	–	14
Issue of share options	12	2,693	38,080
Net addition to shareholders' funds		(104,875)	30,011
Opening shareholders' funds		112,890	82,879
Closing shareholders' funds		8,015	112,890

11 WARRANTS

The Company issues warrants which give the holders the right to purchase shares for a specific price at a future date. The warrants are treated either as equity instruments and recorded in the warrant reserve, or as financial liabilities and recorded in liabilities, depending on certain criteria, as outlined in the Company's accounting policies. There are no remaining warrants issued as financial liabilities.

Warrants treated as equity instruments

Movements in the warrant reserve during the year are as follows

	2015 £'000	2014 £'000
At 1 January	22,703	22,703

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

11 WARRANTS (continued)

The following table details all share warrants issued by the Company which are recognised in equity, none of which have been exercised to date

Note	Revised exercise price £	Original warrants, restated for five-for-one split Number	Modified Number	Warrant reserve				
				Revised warrants Number	At 1 January 2015 £'000	Share-based charges £'000	At 31 December 2015 £'000	
Beneficiary								
Warrants issued in 2008								
Balderton Capital	b	£1 52	523,460	–	523,460	4,111	–	4,111
Lansdowne Partners	b	£1 52	99,630	–	99,630	783	–	783
JCAM		£10 31	238,930	–	238,930	1,616	–	1,616
Warrants issued in 2009								
Balderton Capital	b	£1 52	172,355	–	172,355	675	–	675
Lansdowne Partners	b	£1 52	172,355	–	172,355	479	–	479
BlueCrest Capital Management	b	£1 52	75,510	–	75,510	296	–	296
Warrants modified in 2011								
Health Trust (Jersey)	a	£1 52	–	2,340,765	2,340,765	14,743	–	14,743
			1,282,240	2,340,765	3,623,005	22,703	–	22,703

- a The cancellation of the warrants issued to Health Trust (Jersey) and Health Trust (Jersey) option pool, and reissue of warrants to Health Trust (Jersey) are detailed in note 23 of the consolidated financial statements
- b In May 2011, after the IPO, the existing share warrants, which consisted of warrants issued in 2008 and 2009 to Health Trust (Jersey) and Health Trust (Jersey) option pool, were modified, adjusting both the exercise price and vesting conditions. Under the terms of the modification, the existing share warrants were replaced with warrants issued exclusively to Health Trust (Jersey), and the exercise price was set to the IPO price of £1 52 per new ordinary share issued. The modified share warrants do not have any expiry date or any conditions attached. A fair value assessment was completed, based on the value of the existing warrants prior to IPO, and the fair value of the modified warrants determined using Black-Scholes on a diluted pricing basis, using the parameters outlined on the next page. The incremental fair value of the modification was recognised on a straight-line basis over a 24-month period from May 2011 until May 2013, in line with the revised vesting timetable (1/24 every month from May 2011)

12 CAPITAL CONTRIBUTIONS

Shares and share warrants are issued to 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*. The impact on the income statement in respect of share-based charges is as follows. Note: there is no charge associated with the transaction where the employees subscribe for the shares at full market value.

	Note	Type	2015 £'000	2014 £'000
Awarded to non-executive directors	a	Shares	–	14
Other share-based charges	b	Shares	2,693	572
			2,693	586

a Non-executive directors

The Group operates an equity-settled, share-based compensation plan for its non-executive directors. The entity receives services from these directors as consideration for shares in the Group. The fair value of the services received in exchange for the grant of the awards is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the awards granted.

Non-market performance and service conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest, based on the non-market vesting conditions. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. When the vesting conditions are met, the company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

b Other share-based charges

During 2015, £2,693,000 was the IFRS 2 share-based payment charge for share options issued to Circle employees and partners. This charge has been passed onto the subsidiary company in which the services are being provided, namely Circle Health Limited, by way of capital contribution.

Modified warrant issue parameters (reflecting five-for-one share split)

Stock price	£1.52
Exercise price	£1.52
Expected volatility	50%
Risk-free interest rate	5%
Warrant life*	10 years
Fair value of warrant	£1.02

The incremental increase in the fair value was assessed at £1,478,000 and was charged to the income statement over the remaining vesting period, along with the residual charge relating to the fair value at the grant date of the initial warrants. The warrants charge recognised in the income statement for the year to 31 December 2015 is £nil (2014: £nil). There were no new warrant issues qualifying as share-based charges during 2015 (2014: £nil), and none of the warrants were exercised in 2015 (2014: £nil).

* The historical volatility is assumed to be indicative of future trends which may not necessarily be the actual outcome.

** The life of the warrant is based on the expected term and is not necessarily indicative of exercise patterns that may occur.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

Continued

13 RELATED PARTY TRANSACTIONS

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties

Following the group's reorganisation, transactions with some group companies which are now 100% owned by the Company are eligible for exemption from disclosure under IAS 24 *Related Party Disclosures*, and have accordingly been removed from the list of related party transactions

	Note	Amounts owed by related party £'000	2015 Amounts owed to related party £'000	Amounts owed by related party £'000	2014 Amounts owed to related party £'000
Capita	a	–	–	–	–

a Capita

During 2015, the Group was charged £85,000 (2014 £96,000) by Capita for fiduciary services provided to companies within the Group during the year. The amount outstanding at 31 December 2015 was £nil (2014 £nil)

The following are related parties by virtue of their significant shareholding. The Group financial statements provide more details

	Number of shares held	Shareholding	Value of warrants held £
Balderton Capital	16,756,534	7%	4,786
BlueCrest Capital Management	9,252,685	4%	296
Invesco Perpetual	18,268,920	7%	–
Lansdowne Partners	54,167,008	22%	1,262
Toscafund	62,397,297	25%	–
Circle Partnership Benefit Trust	61,949,297	25%	–

Other than the above and the equity transactions detailed in notes 11 and 12, there have been no transactions with these related parties

14 EVENTS AFTER THE BALANCE SHEET

There are no post-balance sheet date events to report

15 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 period of account.

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.



Q Everything was clean and nicely decorated. The ward was so quiet and peaceful.

INPATIENT GIRL READING

COMPANY INFORMATION

NON-EXECUTIVE DIRECTORS

Michael Kirkwood CMG
Lorraine Baldry OBE
Andrew Shilston
Justin Jewitt
Lord Hutton of Furness

EXECUTIVE DIRECTORS

Steve Melton
Massoud Fouladi
Paolo Pieri

COMPANY SECRETARY

Shane Cobb

REGISTRARS

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Recognised Auditors
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ADVISORS

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Channel Islands

Gowling WLG
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REGISTERED OFFICE

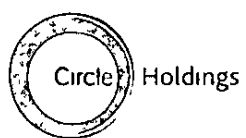
12 Castle Street
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ADMINISTRATIVE OFFICE

32 Welbeck Street
London W1G 8EU

☺☺ A wonderful experience;
☺☺ I cannot thank the staff
enough. Everyone was respectful,
helpful and informative. They
also looked after my wife
whenever she visited. Thanks
again to everyone involved
for making this very worrying
experience as easy as possible.

GENERAL SURGERY PATIENT CIRCLE READING



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