

6108 001455/20
OS IN01

**Registration of an overseas company opening a
UK establishment**



A fee is payable with this form
Please see 'How to pay' on the last page

☒ **What this form is for**
You may use this form to register a
UK establishment

☐ **What this form is for**
You cannot use this form to register
the details of an existing officer or establishment



LD2 *L5QZTVY1* 19/07/2011 89

A23 05/07/2011 139

COMPANIES HOUSE

LD2 23/06/2011 29

COMPANIES HOUSE

Part 1 Overseas company details (Name)

For official use

Do you propose to carry on business in the UK under the corporate name as
incorporated in your home state or country, or under an alternative name?

- To register using your corporate name, go to **Section A1**
- To register using an alternative name, go to **Section A2**

→ Filling in this form

Please complete in typescript (10pt
or above), or in bold black capitals

All fields are mandatory unless
specified or indicated by *

A1 Corporate company name

Corporate name¹

1 This must be the corporate name in
the home state or country in which
the company is incorporated under
which you propose to carry on
business in the UK

A2 Alternative name

The company wishes to register an alternative name under which it proposes to
carry on business in the UK under section 1048 of the Companies Act 2006

Corporate name²

CIRCLE HOLDINGS PLC

Alternative name
(if applicable)³

CIRCLE HOLDINGS (UK) PLC

2 Please give your corporate name
as incorporated in your home state
or country

3 A company may register an
alternative name under which it
proposes to carry on business in the
United Kingdom under Section 1048
of the Companies Act 2006

A3 Overseas company name restrictions⁴

This section does not apply to a European Economic Area (EEA) company
registering its corporate name

Please tick the box only if the proposed company name contains sensitive or
restricted words or expressions that require you to seek comments of a
government department or other specified body

☐ I confirm that the proposed company name contains sensitive or restricted
words or expressions and that approval, where appropriate, has been
sought of a government department or other specified body and I attach a
copy of their response

**4 Overseas company name
restrictions**
A list of sensitive or restricted words
or expressions that require consent
can be found in guidance available
on our website
www.companieshouse.gov.uk

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B1	Particulars previously delivered
----	----------------------------------

→ **No** Go to **Section B2**
→ **Yes** Please enter the registration number below and then go to **Part 5** of the form. Please note the original UK establishment particulars must be filed up to date

① The particulars are legal form, identity of register, number in registration, director and secretaries details, whether the company is a credit or financial institution, law, governing law, accounting requirements, objects, share capital, constitution, and accounts

B	R							
---	---	--	--	--	--	--	--	--

Is the company a credit or financial institution? ☐

☐ Yes
☒ No

② Please tick one box

If the company is registered in its country of incorporation, please enter the details below

PUBLIC LIMITED COMPANY

JERSEY, CHANNEL ISLANDS

JFSC COMPANIES REGISTRY

1	0	0	0	1	6				
---	---	---	---	---	---	--	--	--	--

② This includes whether the company is a private or public company or whether or not the company is limited

② This will be the registry where the company is registered in its parent country

Was the company formed outside the EEA?

→ Yes Complete Sections B5 and B6
→ No Go to Section B6

Please give the law under which the company is incorporated

COMPANIES (JERSEY LAW) 1991

Is the company required to prepare, audit and disclose accounting documents under parent law?

→ **Yes** Complete the details below
→ **No** Go to **Part 3**

⑤ This means the relevant rules or legislation which regulates the incorporation of companies in that state

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Please give the period for which the company is required to prepare accounts by parent law

From	^d 0	^d 1	^m 0	^m 1
To	^d 3	^d 1	^m 1	^m 2

Please give the period allowed for the preparation and public disclosure of accounts for the above accounting period

Months	0	6
--------	---	---

B6**Latest disclosed accounts**

Are copies of the latest disclosed accounts being sent with this form? Please note if accounts have been disclosed, a copy must be sent with the form, and, if applicable, with a certified translation ❶

☒ Yes

Please indicate what documents have been disclosed

☒ Please tick this box if you have enclosed a copy of the accounts

☐ Please tick this box if you have enclosed a certified translation of the accounts

☐ Please tick this box if no accounts have been disclosed

❶ Please tick the appropriate box(es)

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Part 3 Constitution

C1	Constitution of company The following documents must be delivered with this application - Certified copy of the company's constitution and, if applicable, a certified translation Please tick the appropriate box(es) below <input checked="" type="checkbox"/> I have enclosed a certified copy of the company's constitution ^① <input type="checkbox"/> I enclose a certified translation, if applicable ^②	① A certified copy is defined as a copy certified as correct and authenticated by - the secretary or a director of the company, permanent representative, administrator, administrative receiver, receiver manager, receiver and liquidator ② A certified translation into English must be authenticated by the secretary or a director of the company, permanent representative, administrator, administrative receiver, receiver manager, receiver and liquidator
C2	EEA or non-EEA member state Was the company formed outside the EEA? → Yes Go to Section C3 → No Go to Part 4 'Officers of the company'	
C3	Constitutional documents Are all of the following details in the copy of the constitutional documents of the company? - Address of principal place of business or registered office in home country of incorporation - Objects of the Company - Amount of issued share capital → Yes Go to Part 4 'Officers of the company' → No If any of the above details are not included in the constitutional documents, please enter them in Section C4 The information is not required if it is contained within the constitutional documents accompanying this registration	
C4	Information not included in the constitutional documents Please give the address of principal place of business or registered office in the country of incorporation ^① Building name/number 12 Street CASTLE STREET Post town ST HELIER County/Region JERSEY Postcode J E 2 3 R T Country Please give the objects of the company and the amount of issued share capital Objects of the company ^② HOLDING COMPANY Amount of issued share capital ^③ £ 62,771,049	① This address will appear on the public record ② Please give a brief description of the company's business ③ Please specify the amount of shares issued and the value

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Part 4 Officers of the company

Have particulars about this company been previously delivered in respect of another UK establishment?

- **Yes** Please ensure you entered the registration number in **Section B1** and then go to **Part 5** of this form
→ **No** Complete the officer details

For a secretary who is an individual, go to **Section D1**, for a corporate secretary, go to **Section E1**, for a director who is an individual, go to **Section F1**, or for a corporate director, go to **Section G1**

Continuation pages

Please use a continuation page if you need to enter more officer details

Secretary

D1

Secretary details¹

Use this section to list all the secretaries of the company
Please complete **Sections D1-D3** For a corporate secretary, complete **Sections E1-E5** Please use a continuation page if necessary

Full forename(s)

Surname

Former name(s)²

1 Corporate details

Please use **Sections E1-E5** to enter corporate secretary details

2 Former name(s)

Please provide any previous names which have been used for business purposes during the period of this return. Married women do not need to give former names unless previously used for business purposes.

D2

Secretary's service address³

Building name/number

Street

Post town

County/Region

Postcode

Country

3 Service address

This is the address that will appear on the public record. This does not have to be your usual residential address.

If you provide your residential address here it will appear on the public record.

D3

Secretary's authority

Please enter the extent of your authority as secretary. Please tick one box.

Extent of authority

- ☐ Limited⁴
☐ Unlimited

Description of limited authority, if applicable

Are you authorised to act alone or jointly? Please tick one box.

- ☐ Alone
☐ Jointly⁵

If applicable, name(s) of person(s) with whom you are acting jointly

⁴ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below.

⁵ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below.

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Corporate secretary

E1	Corporate secretary details^① Use this section to list all the corporate secretaries of the company Please complete Sections E1-E5 Please use a continuation page if necessary	① Registered or principal address This is the address that will appear on the public record. This address must be a physical location for the delivery of documents. It cannot be a PO box number (unless contained within a full address), DX number or LP (Legal Post in Scotland) number
Name of corporate body or firm	CAPITA COMPANY SECRETARIAL SERVICES	
Building name/number	THE REGISTRY	
Street	34 BECKENHAM ROAD	
Post town	BECKENHAM	
County/Region	KENT	
Postcode	B R 3 4 T U	
Country	U K	
E2	Location of the registry of the corporate body or firm Is the corporate secretary registered within the European Economic Area (EEA)? → Yes Complete Section E3 only → No Complete Section E4 only	
E3	EEA companies^② Please give details of the register where the company file is kept (including the relevant state) and the registration number in that register	② EEA A full list of countries of the EEA can be found in our guidance www.companieshouse.gov.uk ③ This is the register mentioned in Article 3 of the First Company Law Directive (68/151/EEC)
Where the company/firm is registered ^③	U K	
Registration number	05306796	
E4	Non-EEA companies Please give details of the legal form of the corporate body or firm and the law by which it is governed. If applicable, please also give details of the register in which it is entered (including the state) and its registration number in that register	④ Non-EEA Where you have provided details of the register (including state) where the company or firm is registered, you must also provide its number in that register
Legal form of the corporate body or firm		
Governing law		
If applicable, where the company/firm is registered ^④		
If applicable, the registration number		

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E5

Corporate secretary's authority

	Please enter the extent of your authority as corporate secretary Please tick one box		<p>❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below</p> <p>❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below</p>
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited		
Description of limited authority, if applicable	Are you authorised to act alone or jointly? Please tick one box		
	<input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷		
If applicable, name(s) of person(s) with whom you are acting jointly			

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Director

F1	Director details ^①																	
	Use this section to list all the directors of the company. Please complete Sections F1-F4. For a corporate director, complete Sections G1-G5. Please use a continuation page if necessary.																	
Full forename(s)	MICHAEL JAMES																	
Surname	KIRKWOOD																	
Former name(s) ^②																		
Country/State of residence ^③	U K																	
Nationality	BRITISH																	
Date of birth	<table><tr><td>d</td><td>0</td><td>d</td><td>7</td><td>m</td><td>0</td><td>m</td><td>6</td><td>y</td><td>1</td><td>y</td><td>9</td><td>y</td><td>4</td><td>y</td><td>7</td></tr></table>	d	0	d	7	m	0	m	6	y	1	y	9	y	4	y	7	
d	0	d	7	m	0	m	6	y	1	y	9	y	4	y	7			
Business occupation (if any) ^④	DIRECTOR																	

① Corporate details
Please use Sections G1-G5 to enter corporate director details.

② Former name(s)
Please provide any previous names which have been used for business purposes in the last 20 years. Married women do not need to give former names unless previously used for business purposes.

③ Country/State of residence
This is in respect of your usual residential address as stated in Section F3.

④ Business occupation
If you have a business occupation, please enter here. If you do not, please leave blank.

F2	Director's service address ^⑤									
Building name/number	32									
Street	WELBECK STREET									
Post town	LONDON									
County/Region										
Postcode	<table><tr><td>W</td><td>1</td><td>G</td><td></td><td>8</td><td>E</td><td>U</td><td></td></tr></table>	W	1	G		8	E	U		
W	1	G		8	E	U				
Country	U K									

⑤ Service address
This is the address that will appear on the public record. This does not have to be your usual residential address.

If you provide your residential address here it will appear on the public record.

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F4

Director's authority

	Please enter the extent of your authority as director Please tick one box		<p>❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below</p> <p>❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below</p>
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited		
Description of limited authority, if applicable	Are you authorised to act alone or jointly? Please tick one box		
	<input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷		
If applicable, name(s) of person(s) with whom you are acting jointly			

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Director

F1	Director details ①		① Corporate details Please use Sections G1-G5 to enter corporate director details ② Former name(s) Please provide any previous names which have been used for business purposes in the last 20 years. Married women do not need to give former names unless previously used for business purposes. ③ Country/State of residence This is in respect of your usual residential address as stated in Section F3 ④ Business occupation If you have a business occupation, please enter here. If you do not, please leave blank.
Please use this section to list all the directors of the company. Please complete Sections F1-F4. For a corporate director, complete Sections G1-G5.			
Full forename(s)	ALI		
Surname	PARSADOUST		
Former name(s) ②			
Country/State of residence ③	U K		
Nationality	BRITISH (FORMERLY IRANIAN)		
Date of birth	<div> <div>d2</div> <div>d4</div> <div>m0</div> <div>m1</div> <div>y1</div> <div>y9</div> <div>y6</div> <div>y5</div> </div>		
Business occupation (if any) ④	DIRECTOR		

F2	Director's service address ⑤		⑤ Service address This is the address that will appear on the public record. This does not have to be your usual residential address. If you provide your residential address here it will appear on the public record.
Building name/number	32		
Street	WELBECK STREET		
Post town	LONDON		
County/Region			
Postcode	<div> <div>W</div> <div>1</div> <div>G</div> <div></div> <div>8</div> <div>E</div> <div>U</div> <div></div> </div>		
Country	U K		

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Registration of an overseas company opening a UK establishment

F4

Director's authority

	Please enter the extent of your authority as director Please tick one box		<p>❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below</p> <p>❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below</p>
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited		
Description of limited authority, if applicable	Are you authorised to act alone or jointly? Please tick one box		
	<input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷		
If applicable, name(s) of person(s) with whom you are acting jointly			

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Director

F1	Director details ^①		① Corporate details Please use Sections G1-G5 to enter corporate director details ② Former name(s) Please provide any previous names which have been used for business purposes in the last 20 years. Married women do not need to give former names unless previously used for business purposes ③ Country/State of residence This is in respect of your usual residential address as stated in Section F3 ④ Business occupation If you have a business occupation, please enter here. If you do not, please leave blank
Please use this section to list all the directors of the company. Please complete Sections F1-F4. For a corporate director, complete Sections G1-G5			
Full forename(s)	PAOLO GEORGE		
Surname	PIERI		
Former name(s) ^②			
Country/State of residence ^③	U K		
Nationality	BRITISH		
Date of birth	<div> <div>d1</div> <div>d3</div> <div>m0</div> <div>m5</div> <div>y1</div> <div>y9</div> <div>y7</div> <div>y2</div> </div>		
Business occupation (if any) ^④	DIRECTOR		

F2	Director's service address ^⑤		⑤ Service address This is the address that will appear on the public record. This does not have to be your usual residential address. If you provide your residential address here it will appear on the public record.
Building name/number	32		
Street	WELBECK STREET		
Post town	LONDON		
County/Region			
Postcode	<div> <div>W</div> <div>1</div> <div>G</div> <div></div> <div>8</div> <div>E</div> <div>U</div> <div></div> </div>		
Country	U K		

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F4 Director's authority	
	Please enter the extent of your authority as director Please tick one box
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited
Description of limited authority, if applicable	<div>Are you authorised to act alone or jointly? Please tick one box</div> <div><input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷</div>
If applicable, name(s) of person(s) with whom you are acting jointly	<div></div> <div></div> <div></div>

❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below

❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below

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Registration of an overseas company opening a UK establishment

Director

F1	Director details ^①		① Corporate details Please use Sections G1-G5 to enter corporate director details ② Former name(s) Please provide any previous names which have been used for business purposes in the last 20 years. Married women do not need to give former names unless previously used for business purposes. ③ Country/State of residence This is in respect of your usual residential address as stated in Section F3 ④ Business occupation If you have a business occupation, please enter here. If you do not, please leave blank
Please use this section to list all the directors of the company. Please complete Sections F1-F4. For a corporate director, complete Sections G1-G5			
Full forename(s)	MASSOUD		
Surname	KEYVAN-FOULADI		
Former name(s) ^②			
Country/State of residence ^③	U K		
Nationality	BRITISH		
Date of birth	<div> <div>d1</div> <div>d3</div> <div>m0</div> <div>m6</div> <div>y1</div> <div>y9</div> <div>y6</div> <div>y0</div> </div>		
Business occupation (if any) ^④	DIRECTOR		

F2	Director's service address ^⑤		⑤ Service address This is the address that will appear on the public record. This does not have to be your usual residential address. If you provide your residential address here it will appear on the public record.
Building name/number	32		
Street	WELBECK STREET		
Post town	LONDON		
County/Region			
Postcode	<div> <div>W</div> <div>1</div> <div>G</div> <div></div> <div>8</div> <div>E</div> <div>U</div> <div></div> </div>		
Country	U K		

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F4 Director's authority	
	Please enter the extent of your authority as director Please tick one box
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited
Description of limited authority, if applicable	<div>Are you authorised to act alone or jointly? Please tick one box</div> <div><input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷</div>
If applicable, name(s) of person(s) with whom you are acting jointly	<div></div> <div></div> <div></div>

❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below

❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below

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Director

F1	Director details ^①	
	Please use this section to list all the directors of the company Please complete Sections F1-F4 For a corporate director, complete Sections G1-G5	
Full forename(s)	LORRAINE INGRID	
Surname	BALDRY	
Former name(s) ^②		
Country/State of residence ^③	U K	
Nationality	BRITISH	
Date of birth	<div> <div>d2</div> <div>d2</div> <div>0</div> <div>5</div> <div>y1</div> <div>y9</div> <div>y4</div> <div>y9</div> </div>	
Business occupation (if any) ^④	DIRECTOR	
	<p>① Corporate details Please use Sections G1 G5 to enter corporate director details</p> <p>② Former name(s) Please provide any previous names which have been used for business purposes in the last 20 years Married women do not need to give former names unless previously used for business purposes</p> <p>③ Country/State of residence This is in respect of your usual residential address as stated in Section F3</p> <p>④ Business occupation If you have a business occupation, please enter here If you do not, please leave blank</p>	
F2	Director's service address ^⑤	
Building name/number	32	
Street	WELBECK STREET	
Post town	LONDON	
County/Region		
Postcode	<div> <div>W</div> <div>1</div> <div>G</div> <div></div> <div>8</div> <div>E</div> <div>U</div> <div></div> </div>	
Country	U K	
	<p>⑤ Service address This is the address that will appear on the public record This does not have to be your usual residential address</p> <p>If you provide your residential address here it will appear on the public record</p>	

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F4 Director's authority	
	Please enter the extent of your authority as director Please tick one box
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited
Description of limited authority, if applicable	<div>Are you authorised to act alone or jointly? Please tick one box</div> <div><input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷</div>
If applicable, name(s) of person(s) with whom you are acting jointly	<div></div> <div></div> <div></div>

❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below

❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below

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Director

F1	Director details ^①	
	Please use this section to list all the directors of the company. Please complete Sections F1-F4. For a corporate director, complete Sections G1-G5	
Full forename(s)	TIMOTHY BRIAN	
Surname	BUNTING	
Former name(s) ^②		
Country/State of residence ^③	U.K	
Nationality	BRITISH	
Date of birth	<div> <div>d</div> <div>0</div> <div>2</div> <div>m</div> <div>0</div> <div>8</div> <div>y</div> <div>1</div> <div>9</div> <div>6</div> <div>3</div> </div>	
Business occupation (if any) ^④	DIRECTOR	

① Corporate details
Please use Sections G1-G5 to enter corporate director details

② Former name(s)
Please provide any previous names which have been used for business purposes in the last 20 years. Married women do not need to give former names unless previously used for business purposes

③ Country/State of residence
This is in respect of your usual residential address as stated in Section F3

④ Business occupation
If you have a business occupation, please enter here. If you do not, please leave blank

F2	Director's service address ^⑤	
Building name/number	32	
Street	WELBECK STREET	
Post town	LONDON	
County/Region		
Postcode	<div> <div>W</div> <div>1</div> <div>G</div> <div></div> <div>8</div> <div>E</div> <div>U</div> </div>	
Country	U K	

⑤ Service address
This is the address that will appear on the public record. This does not have to be your usual residential address.

If you provide your residential address here it will appear on the public record

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Registration of an overseas company opening a UK establishment

F4

Director's authority

	Please enter the extent of your authority as director Please tick one box		<p>❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below</p> <p>❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below</p>
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited		
Description of limited authority, if applicable			
	Are you authorised to act alone or jointly? Please tick one box		
	<input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷		
If applicable, name(s) of person(s) with whom you are acting jointly			

F1	Director details ①		<p>Please use this section to list all the directors of the company. Please complete Sections F1-F4. For a corporate director, complete Sections G1-G5</p>													
Full forename(s)	PETER CHARLES EDWARD															
Surname	CORNELL															
Former name(s) ②	<div></div> <div></div>															
Country/State of residence ③	GUERNSEY															
Nationality	BRITISH															
Date of birth	d	0	d	5	m	1	m	0	y	1	y	9	y	5	y	2
Business occupation (if any) ④	DIRECTOR															

① Corporate details
Please use Sections G1-G5 to enter corporate director details

② Former name(s)
Please provide any previous names which have been used for business purposes in the last 20 years. Married women do not need to give former names unless previously used for business purposes.

③ Country/State of residence
This is in respect of your usual residential address as stated in Section F3

④ Business occupation
If you have a business occupation, please enter here. If you do not, please leave blank.

5 Service address
This is the address that will appear on the public record. This does not have to be your usual residential address.

If you provide your residential address here it will appear on the public record.

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F4 Director's authority	
	Please enter the extent of your authority as director Please tick one box
Extent of authority	<input type="checkbox"/> Limited ❶ <input checked="" type="checkbox"/> Unlimited
Description of limited authority, if applicable	<div>Are you authorised to act alone or jointly? Please tick one box</div> <div><input checked="" type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷</div>
If applicable, name(s) of person(s) with whom you are acting jointly	<div></div> <div></div> <div></div>

❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below

❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below

OS IN01

Registration of an overseas company opening a UK establishment

Corporate director

G1	Corporate director details ^①	
	Use this section to list all the corporate directors of the company Please complete G1-G5 Please use a continuation page if necessary	
Name of corporate body or firm		① Registered or principal address This is the address that will appear on the public record. This address must be a physical location for the delivery of documents. It cannot be a PO box number (unless contained within a full address), DX number or LP (Legal Post in Scotland) number
Building name/number		
Street		
Post town		
County/Region		
Postcode		
Country		
G2	Location of the registry of the corporate body or firm	
	Is the corporate director registered within the European Economic Area (EEA)? → Yes Complete Section G3 only → No Complete Section G4 only	
G3	EEA companies ^①	
	Please give details of the register where the company file is kept (including the relevant state) and the registration number in that register	
Where the company/firm is registered ^①		② EEA A full list of countries of the EEA can be found in our guidance www.companieshouse.gov.uk ③ This is the register mentioned in Article 3 of the First Company Law Directive (68/151/EEC)
Registration number		
G4	Non-EEA companies	
	Please give details of the legal form of the corporate body or firm and the law by which it is governed. If applicable, please also give details of the register in which it is entered (including the state) and its registration number in that register	
Legal form of the corporate body or firm		④ Non-EEA Where you have provided details of the register (including state) where the company or firm is registered, you must also provide its number in that register
Governing law		
If applicable, where the company/firm is registered ^①		
If applicable, the registration number		

OS IN01

Registration of an overseas company opening a UK establishment

G5

Corporate director's authority

	Please enter the extent of your authority as corporate director Please tick one box		<p>❶ If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below</p> <p>❷ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below</p>
Extent of authority	<input type="checkbox"/> Limited ❶ <input type="checkbox"/> Unlimited		
Description of limited authority, if applicable	Are you authorised to act alone or jointly? Please tick one box		
	<input type="checkbox"/> Alone <input type="checkbox"/> Jointly ❷		
If applicable, name(s) of person(s) with whom you are acting jointly			

OS IN01

Registration of an overseas company opening a UK establishment

Part 5 UK establishment details

H1	Documents previously delivered - constitution Has the company previously registered a certified copy of the company's constitution with material delivered in respect of another UK establishment? → No Go to Section H3 → Yes Please enter the UK establishment number below and then go to Section H2	
UK establishment registration number	B R <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
H2	Documents previously delivered – accounting documents Has the company previously delivered a copy of the company's accounting documents with material delivered in respect of another UK establishment? → No Go to Section H3 → Yes Please enter the UK establishment number below and then go to Section H3	
UK establishment registration number	B R <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	
Sections H3 and H4 must be completed in all cases		
H3	Delivery of accounts and reports Please state if the company intends to comply with accounting requirements with respect to this establishment or in respect of another UK establishment ① <input checked="" type="checkbox"/> In respect of this establishment Please go to Section H4 <input type="checkbox"/> In respect of another UK establishment Please give the registration number below, then go to Section H4	① Please tick the appropriate box
UK establishment registration number	B R <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	

OS IN01

Registration of an overseas company opening a UK establishment

H4**Particulars of UK establishment ①**

	Please enter the name and address of the UK establishment		① Address This is the address that will appear on the public record
Name of establishment	CIRCLE HOLDINGS (UK) PLC		
Building name/number	32		
Street	WELBECK STREET		
Post town	LONDON		
County/Region			
Postcode	W 1 G 8 E U		
Country	U K		
	Please give the date the establishment was opened and the business of the establishment		
Date establishment opened	d2 d3 m0 m5 y2 y0 y1 y1		
Business carried on at the UK establishment	HEAD OFFICE ACTIVITIES		

OS IN01

Registration of an overseas company opening a UK establishment

Part 6 Permanent representative

Please enter the name and address of every person authorised to represent the company as a permanent representative of the company in respect of the UK establishment

J1 Permanent representative's details

Please use this section to list all the permanent representatives of the company
Please complete Sections J1-J4

Continuation pages

Please use a continuation page if you need to enter more details.

Full forename(s) CAPITA COMPANY SECRETARIAL SERVICES

Surname

J2 Permanent representative's service address ^①

Building name/number THE REGISTRY

Street 34 BECKENHAM ROAD

Post town BECKENHAM

County/Region KENT

Postcode B R 3 4 T U

Country U K

① Service address

This is the address that will appear on the public record. This does not have to be your usual residential address.

If you provide your residential address here it will appear on the public record

J3 Permanent representative's authority

Please enter the extent of your authority as permanent representative
Please tick one box

Extent of authority
☐ Limited ^②
☒ Unlimited

Description of limited authority, if applicable

Are you authorised to act alone or jointly? Please tick one box

☒ Alone
☐ Jointly ^③

If applicable, name(s) of person(s) with whom you are acting jointly

② If you have indicated that the extent of your authority is limited, please provide a brief description of the limited authority in the box below

③ If you have indicated that you are not authorised to act alone but only jointly, please enter the name(s) of the person(s) with whom you are authorised to act below

OS IN01

Registration of an overseas company opening a UK establishment

Part 7

Person authorised to accept service

Does the company have any person(s) in the UK authorised to accept service of documents on behalf of the company in respect of its UK establishment?

→ **Yes** Please enter the name and service address of every person(s) authorised below

→ **No** Tick the box below then go to **Part 8 'Signature'**

☐ If there is no such person, please tick this box

K1

Details of person authorised to accept service of documents in the UK

Please use this section to list all the persons' authorised to accept service below
Please complete **Sections K1-K2**.

Continuation pages

Please use a continuation page if you need to enter more details

Full forename(s) CAPITA COMPANY SECRETARIAL SERVICES

Surname

K2

Service address of person authorised to accept service ^①

Building name/number THE REGISTRY

Street 34 BECKENHAM ROAD

Post town BECKENHAM

County/Region KENT

Postcode B R 3 4 T U

Country U K

① Service address

This is the address that will appear on the public record. This does not have to be your usual residential address. Please note, a DX address would not be acceptable.

OS IN01

Registration of an overseas company opening a UK establishment

Part 8

Signature

This must be completed by all companies

I am signing this form on behalf of the company

Signature

Signature

X

U R Dalt

X

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

OS IN01

Registration of an overseas company opening a UK establishment



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.

Contact name	VICTORIA DALBY
Company name	CAPITA COMPANY SECRETARIAL
SERVICES	
Address	THE REGISTRY
	34 BECKENHAM ROAD
Post town	BECKENHAM
County/Region	KENT
Postcode	B R 3 4 T U
Country	U K
DX	
Telephone	020 7954 9527



Checklist

We may return forms completed incorrectly or with information missing

Please make sure you have remembered the following

- ☐ The overseas corporate name on the form matches the constitutional documents exactly
- ☐ You have included a copy of the appropriate correspondence in regard to sensitive words, if appropriate
- ☐ You have included certified copies and certified translations of the constitutional documents, if appropriate
- ☐ You have included a copy of the latest disclosed accounts and certified translations, if appropriate
- ☐ You have completed all of the company details in Section B3 if the company has not registered an existing establishment
- ☐ You have complete details for all company secretaries and directors in Part 4 if the company has not registered an existing establishment
- ☐ Any addresses given must be a physical location. They cannot be a PO Box number (unless part of a full service address), DX or LP (Legal Post in Scotland) number
- ☐ You have completed details for all permanent representatives in Part 6 and persons authorised to accept service in Part 7
- ☐ You have signed the form
- ☐ You have enclosed the correct fee



Important information

Please note that all information on this form will appear on the public record, apart from information relating to usual residential addresses.



How to pay

A fee of £20 is payable to Companies House in respect of a registration of an overseas company. Make cheques or postal orders payable to 'Companies House'.



Where to send

You may return this form to any Companies House address, however for expediency we advise you to return it to the appropriate address below.

England and Wales:

The Registrar of Companies, Companies House,
Crown Way, Cardiff, Wales, CF14 3UZ
DX 33050 Cardiff

Scotland

The Registrar of Companies, Companies House,
Fourth floor, Edinburgh Quay 2,
139 Fountainbridge, Edinburgh, Scotland, EH3 9FF
DX ED235 Edinburgh 1
or LP - 4 Edinburgh 2 (Legal Post)

Northern Ireland

The Registrar of Companies, Companies House,
Second Floor, The Linenhall, 32-38 Linenhall Street,
Belfast, Northern Ireland, BT2 8BG
DX 481 N R Belfast 1

Higher protection

If you are applying for, or have been granted, higher protection, please post this whole form to the different postal address below:
The Registrar of Companies, PO Box 4082,
Cardiff, CF14 3WE



Further information

For further information, please see the guidance notes on the website at www.companieshouse.gov.uk or email enquiries@companieshouse.gov.uk

This form is available in an alternative format. Please visit the forms page on the website at www.companieshouse.gov.uk



Jersey Financial
Services Commission
Companies Registry

COMPANIES (JERSEY) LAW 1991

CERTIFICATE OF INCORPORATION

CHANGE OF NAME OF A LIMITED COMPANY

Registered Number 100016

I HEREBY CERTIFY THAT

HEALTH INVESTMENT HOLDINGS LIMITED

a private company incorporated under the Companies (Jersey) Law 1991,
as amended, having changed its name by special resolution, has today
been entered on the Register of Companies incorporated in Jersey as a
private company having the name of

CIRCLE HOLDINGS PLC

Dated this 13th day of May 2011



Julian Lamb
For and on behalf of the Registrar



Jersey Financial
Services Commission
Companies Registry

COMPANIES (JERSEY) LAW 1991

**CERTIFICATE OF
INCORPORATION OF A
LIMITED COMPANY**

Registered Number 100016

I HEREBY CERTIFY THAT

HEALTH INVESTMENT HOLDINGS LIMITED

**is this day incorporated as a private company
under the Companies (Jersey) Law 1991**

Dated this 19th day of February 2008

Nicholas Tey
For and on behalf of the Registrar

CIRCLE HOLDINGS PLC

ARTICLES OF ASSOCIATION

Adopted by special resolution dated 1 June 2011

CERTIFIED A TRUE COPY
OF THE ORIGINAL



Company Secretary / Director

For and behalf of Capita
Company Secretarial Services



ARTICLES OF ASSOCIATION

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THE COMPANIES (JERSEY) LAW, 1991

COMPANY LIMITED BY SHARES

ARTICLES OF ASSOCIATION

OF

CIRCLE HOLDINGS PLC

1 Definitions and Interpretation

A23

AX7WAVKZ
05/07/2011
COMPANIES HOUSE

140

- 1 1 In these Articles, unless the context otherwise requires, the following expressions shall have the following meanings:

"Accounting Date" means, in relation to the Company, [31 December] in each year or such other date as the Directors may from time to time determine;

"Accounting Period" means the period commencing on the day immediately following an Accounting Date and ending on and including the next succeeding Accounting Date save that the first Accounting Period of the Company shall commence on the incorporation of the Company and end on and include the Accounting Date in 2011,

"Administrator" means a person appointed by the Company for the time being and acting as administrator in relation to the Company;

"AIM" means the AIM Market, a market operated by London Stock Exchange Plc,

"AIM Rules for Companies" means the rules for AIM companies published from time to time by the London Stock Exchange plc governing admission to and the operation of AIM;

"Alternate Director" means any alternate director of the Company appointed in accordance with these Articles;

"Articles" means these articles of association as amended, modified or replaced from time to time,

1
1

“Associate” means, in relation to a company, any company which is a subsidiary or a holding body of that company or a subsidiary of any such holding company and any individual, partnership or other unincorporated association or firm which has direct or indirect control of that company and any company which is directly or indirectly controlled by any such individual, partnership or other unincorporated association or firm, and in relation to an individual, partnership or other unincorporated association, means any company directly or indirectly controlled by that individual, partnership or other unincorporated association,

“Auditors” means the auditor or auditors for the time being of the Company;

“Board” means the board of Directors from time to time,

“Business Day” means any day other than a Saturday, Sunday or public holiday on which commercial banks are normally open for full banking business in Jersey;

“Company” means the company incorporated under the Law in respect of which these Articles have been registered,

“CREST” means the facilities and procedures for the time being of the relevant system of which CRESTCo has been approved as operator pursuant to the CREST Regulations;

“CRESTCo” means Euroclear UK and Ireland Limited,

“CREST Jersey Regulations” means the Companies (Uncertificated Securities) (Jersey) Order 1999,

“CREST Jersey Requirements” means such rules and requirements of CRESTCo as may be applicable to Jersey issuers as from time to time specified in the CREST Manual;

“CREST Manual” means the document entitled “CREST Reference Manual” issued by CRESTCo;

“CREST Regulations” means the Uncertificated Securities Regulations 2001 (SI 2001 No 9755);

“Directors” means the directors of the Company appointed in accordance with these

Articles or as the case may be, the Directors assembled as a Board or as a committee of the Board;

“Electronic Communication” has the meaning given in the Electronic Communications (Jersey) Law 2000,

“Equity Securities” means Shares, or rights to subscribe for, or to convert securities into, Shares;

“Interim Accounting Date” means [30 June] in each year or such other date as the Directors may from time to time determine,

“Interim Accounting Period” means the period commencing on the day immediately following an Interim Accounting Date and ending on and including the next succeeding Interim Accounting Date save that the first Interim Accounting Period of the Company shall commence on the incorporation of the Company and end on and include the Interim Accounting Date in 2011,

“Law” means the Companies (Jersey) Law 1991, including any statutory modification or re-enactment thereof for the time being in force,

“Member” means a person who is registered as the holder of a Share or Shares in the Register,

“Memorandum” means the memorandum of association of the Company as amended from time to time;

“Month” means a calendar month;

“Notice” means a notice in writing unless otherwise specifically stated,

“Office” means the registered office of the Company,

“Ordinary Resolution” means a resolution of the Company in a general meeting or of the holders of any class of Shares in a class meeting in each case passed by a simple majority of the votes cast at that meeting;

“Paid Up” shall include credited as paid up;

"Register" means the register of Members of the Company to be kept pursuant to the provisions of the Law,

"Seal" means the common seal or official seal of the Company;

"Secretary" means the secretary of the Company or any other person appointed to perform the duties of the secretary of the Company including a joint, assistant or deputy secretary;

"Settlement" means, in relation to any transaction, the payment of the monies due in respect of such transaction;

"Share" or "Shares" means the ordinary shares in the capital of the Company designated as such and having the rights and being subject to the restrictions specified in these Articles or any or all of them as the case may be,

"Share Scheme" means a share scheme for employees, directors and/or consultants of the Company, any of its subsidiaries and/or its holding body or bodies,

"Special Resolution" means a resolution of the Company in a general meeting or of the holders of any class of Shares in a class meeting in each case passed by a majority of not less than 75% of Members who (being entitled to do so) vote in person or by proxy at that meeting,

"Takeover Code" means the City Code on Takeovers and Mergers;

"Takeover Panel" means the Panel on Takeovers and Mergers, and

"United Kingdom" means Great Britain and Northern Ireland.

1 2 In these Articles

- (a) a reference to any statute or statutory provision shall, unless the context otherwise requires, be construed as a reference to such statute or statutory provision as the same may have been or may from time to time be amended, modified, extended, consolidated, re-enacted or replaced and shall include any subordinated legislation made thereunder;

- (b) words or expressions defined in the Law shall have the same meaning where used in these Articles but excluding any statutory modification thereof not in force when these Articles became binding on the Company,
- (c) references to a “subsidiary” or “holding body” shall be construed in accordance with Articles 2 and 2A of the Law;
- (d) words denoting the singular include the plural and vice versa;
- (e) words denoting a gender include every gender;
- (f) where a word or phrase is given a particular meaning, other grammatical forms of that word or phrase have corresponding meanings;
- (g) references to persons shall include firms, corporations, partnerships, associations and other bodies of persons, whether corporate or not;
- (h) the word “may” shall be construed as permissive and the word “shall” shall be construed as imperative;
- (i) the word “signed” shall include a signature or a representation of a signature affixed by mechanical means,
- (j) the words “in writing” shall mean written, telexed, facsimiled, or otherwise electronically transmitted in a readable form, printed, photographed or lithographed or represented by any other substitute for writing or partly one or partly another; and
- (k) a reference to an Article, unless the context otherwise requires, is a reference to an article of these Articles,

1 3 The headings in these Articles are intended for convenience only and shall not affect the interpretation of these Articles.

1 4 The standard table prescribed pursuant to the Law shall not apply to the Company and is hereby expressly excluded in its entirety.

2 Preliminary Expenses

The preliminary expenses incurred in forming the Company and in connection with its initial offer of Shares to the public shall be amortised over such period and/or in such manner as the Directors may determine.

3 Situation of Office of Company and Register

3 1 The Office shall be at such address in the Island of Jersey as the Directors shall from time to time determine.

3 2 The Directors shall keep the Register, or cause it to be kept, at the Office or at such other place in Jersey where it is made up (but not, for the avoidance of doubt, at a place outside Jersey) as the Directors may from time to time determine. In each year, the Directors shall prepare or cause to be prepared and filed an annual return containing the particulars required by the Law. No counterpart or branch of the Register shall be maintained outside Jersey and no copy of the Register, or any list, record or information in respect of the Members kept or maintained outside Jersey shall constitute the Register or any part of the Register and the Company shall not be bound to recognise any interest or right in respect of any Share by virtue of it being contained or recorded in such copy of the Register or that list, record or information (as the case may be).

4 Share Capital

4 1 Whenever, as a result of a consolidation, division or sub-division of shares, any Members would become entitled to fractions of a Share, the Directors may, on behalf of those Members, sell the Shares representing the fractions for the best price reasonably obtainable to any person (including the Company) and distribute the net proceeds of sale in due proportion among those Members (except that any amount otherwise due to a Member, being less than [£3] or such other sum as the Board may from time to time determine, may be retained for the benefit of the Company) The Directors may authorise any person to execute an instrument of transfer of the Shares or, in the case of Shares for the time being in uncertificated form, to take such other steps in the name of the holder as may be necessary to transfer such Shares. The transferee shall not be bound to see to the application of the purchase money nor shall his title to the Shares be affected by any

irregularity in or invalidity of the proceedings in reference to the sale.

- 4 2 The Directors may in their absolute discretion refuse to accept any application for Shares or may accept any application in whole or in part
- 4 3 The Company may, from time to time and subject to the provisions of the Law and to any special rights for the time being attached to any existing Shares, issue redeemable shares or convert existing non-redeemable shares, whether issued or not, into shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder thereof
- 4 4 Subject always to the Law, the Company shall be entitled to pay any brokerage or commission on the issue of its Shares.
- 4 5 Subject to the provisions of these Articles and without prejudice to any special rights for the time being conferred on the holders of Shares (which special rights shall not be varied or abrogated except with such consent or sanction as provided by Article 8 1), any Share may be issued with or have attached thereto such preferred, deferred or other special rights, or such restrictions whether in regard to dividend, return of capital, voting or otherwise as the Directors may determine.
- 4.6 Save as required by law, no person shall be recognised by the Company as holding any Share upon any trust, and (save as otherwise provided by these Articles or by law) the Company shall not be bound by or recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any Share, save an absolute right of the registered holder to the entirety thereof

5 Issue of Shares

- 5 1 Subject to the provisions of these Articles, the allotment and issue of Shares shall be made in such manner, at such times and on such terms and conditions as the Directors may determine The restrictions referred to above are as follows
- 5 2 On its receipt by the Company, the subscription price of a Share shall be credited to the nominal capital account and share premium capital account of the Company as appropriate.

- 5 3 (a) The Directors shall have power to impose such restrictions as they may in their absolute discretion consider necessary for the purpose of ensuring that no Shares are acquired or held by any person in breach of the law or requirements of any country or governmental authority
- (b) Without prejudice to the provisions of paragraph (a) of this Article, the Directors are permitted to discontinue temporarily, cease altogether or limit the issue of Shares at any time to persons by reason of their residence, domicile or establishment in certain countries or territories
- (c) The Company may not knowingly take any action that would permit or result in an offering of Shares in any country or any jurisdiction, except in conformity with the laws and regulations relating to the offering of securities in that jurisdiction
- 5 4 Subject as indicated in this Article, and unless the Company shall by Special Resolution otherwise direct, after the Admission Date, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the provisions of this Article.
- (a) all shares to be allotted (the “offer shares”) shall first be offered to the Members (the “relevant members”),
- (b) the offer to relevant members set out in sub-paragraph (a) above (the “offer”) shall be made in proportion to the existing holdings of Shares of relevant members (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any country or jurisdiction);
- (c) the offer shall be made by written notice (the “offer notice”) from the Directors specifying the number and price of the offer shares and shall invite each relevant member to state in writing within a period, not being less than fourteen days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
- (d) at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer shares to or amongst the relevant members who

shall have notified to the Directors their willingness to take any of the offer shares but so that no relevant member shall be obliged to take more than the maximum number of shares notified by him under sub-paragraph (c) above,

- (e) if any offer shares remain unallocated after the offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant members; and
- (f) this Article shall not apply to Shares which are issued as bonus shares or in connection with an employee share scheme.

6 Untraced Members

6 1 Subject to the Law, and without affecting the ability of the Company to wind up in accordance with the Law, the Company shall be entitled to sell at the best price reasonably obtainable the Shares of a Member or the Shares to which a person is entitled by virtue of transmission on death or bankruptcy if and provided that

- (a) during the period of 12 years prior to the date of the publication of the advertisements referred to in Article 6 1(b) below (or, if published on different dates, the earlier thereof) at least three dividends in respect of the Shares in question have become payable and all warrants and cheques in respect of the Shares in question sent in the manner authorised by these Articles have remained uncashed, and
- (b) the Company on expiry of the said period of 12 years shall have inserted advertisements in one national newspaper in the United Kingdom and in a newspaper circulating in the area of the registered address of such Member or other person who may be affected in accordance with these Articles, as appearing in the Register, giving notice of its intention to sell the said Shares; and
- (c) during the said period of 12 years and the period of three months following the publication of the said advertisements the Company shall not have received indication, either of the whereabouts or of the existence of such Member or

person; and

- (d) notice has been given to the London Stock Exchange Plc and to any other relevant listing authority or investment exchange of its intention to make such sale.

6.2 To give effect to any such sale, the Company may appoint any person to execute as transferor an instrument of transfer of the said Shares and such instrument of transfer shall be as effective as if it had been executed by the registered holder of or person entitled by transmission to such Shares and the title of the transferee shall not be affected by any irregularity or invalidity in the proceedings relating thereto. The net proceeds of sale shall belong to the Company, which shall be obliged to account to the former Member or other person previously entitled as aforesaid for an amount equal to such proceeds and shall enter the name of such former Member or other person in the books of the Company as a creditor for such amount. No trust shall be created in respect of the debt, no interest shall be payable in respect of the same and the Company shall not be required to account for any money earned on the net proceeds, which may be employed in the business of the Company or invested in such investments (other than Shares or shares of the Company's holding company, if any) as the Directors may from time to time think fit.

6.3 Subject to the Law, if there shall be untraced Members for the purposes of Article 6.1 on the date of the commencement of the winding up of the Company, the Company shall give notice by advertisement in one national newspaper circulating in the United Kingdom of its intention to sell the Shares of the untraced Member and if within 3 months of the giving of such notice the Company shall not have received indication, either of the whereabouts or of the existence of such untraced Member, the Company shall be entitled to sell the Shares of the untraced Member in accordance with Article 6.2.

7 Disclosure of substantial interests in Shares

Notification of voting rights

7.1 If at any time the Company shall have any of its Shares admitted to trading on AIM, the provisions of Chapter 5 of the Disclosure and Transparency Rules (as amended from time to time) of the UK Financial Services Authority Handbook ("DTR 5") relating to the disclosure of voting rights shall apply to the Company, its Shares and persons interested

in those Shares as if the Company were an “issuer” for the purposes of DTR 5 and as if the provisions of DTR 5 were set out in full herein and accordingly the vote holder and issuer notification rules set out in DTR 5 shall apply to the Company and each holder of Shares in the Company.

- 7.2 A Member shall, to the extent he is lawfully able to do so, comply with the requirements of DTR 5
- 7.3 If it shall come to the notice of the Directors that any Member has not, within the requisite period, made or, as the case may be, procured the making of any notification required by Article 7.1 and 7.2, the Company may (at the absolute discretion of the Directors) at any time thereafter by notice (for the purposes of Articles 7.1 to 7.13 inclusive, a “restriction notice”) to such Member direct that, in respect of the Shares in relation to which the default has occurred (for the purposes of Articles 7.1 to 7.13 inclusive, the “default shares” which expression shall include any further Shares which are issued in respect of any default shares), the Member shall not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting of the holders of any class of Shares, or to be reckoned in a quorum.
- 7.4 Where the default shares represent at least 0.25 per cent of the issued Shares of the same class as the default shares, then the restriction notice may also direct that.
- (a) any dividend or any part thereof or other monies which would otherwise be payable on or in respect of the default shares shall be withheld by the Company, shall not bear interest against the Company, and shall be payable (when the restriction notice ceases to have effect) to the person who would but for the restriction notice have been entitled to them, and/or
 - (b) where an offer of the right to elect to receive Shares instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by such Member in respect of such default shares shall not be effective, and/or
 - (c) no transfer of any of the Shares held by such Member shall be recognised or

registered by the Directors unless:

- (i) the transfer is a permitted transfer; or
- (ii) the Member is not himself in default as regards supplying the requisite information required under Article 7.1 and 7.2 and, when presented for registration, the transfer is accompanied by a certificate by the Member in a form satisfactory to the Directors to the effect that after due and careful enquiry the Member is satisfied that none of the Shares the subject of the transfer are default shares

Upon the giving of a restriction notice its terms shall apply accordingly.

- 7.5 The Company shall send a copy of the restriction notice to each other person appearing to be interested in the Shares the subject of such notice, but the failure or omission by the Company to do so shall not invalidate such notice.
- 7.6 Any restriction notice shall have effect in accordance with its terms until not more than seven days after the Directors are satisfied that the default in respect of which the restriction notice was issued no longer continues but shall cease to have effect in relation to any Shares which are validly transferred by such Member pursuant to Article 7.4(c). The Company may (at the absolute discretion of the Directors) at any time give notice to the Member cancelling, or suspending for a stated period the operation of, a restriction notice in whole or in part
- 7.7 Notwithstanding the time limits for disclosure set out in DTR 5, the Company is required by Rule 17 of the AIM Rules for Companies to announce via a Regulatory Information Service, all the information contained in any vote holder notification “without delay”

Power of the Company to investigate interests in Shares

- 7.8 For the purposes of Articles 7.8 to 7.19 inclusive.
- (a) **“Relevant Share Capital”** means the Company’s issued share capital of any class carrying rights to vote in all circumstances at general meetings of the Company; and for the avoidance of doubt (a) where the Company’s share capital is divided into different classes of Shares, references to Relevant Share Capital

are to the issued share capital of each such class taken separately and (b) any adjustment or restriction of voting rights (whether temporary or otherwise) in respect of Shares comprised in issued share capital of the Company of any such class does not affect the application of Article 7.8 to 7.19 inclusive in relation to interests in those or any other Shares comprised in that class;

(b) “**interest**” means, in relation to the Relevant Share Capital, any interest of any kind whatsoever in any Shares comprised therein (disregarding any restraints or restrictions to which the exercise of any right attached to the interest in the Share is, or may be, subject) and without limiting the meaning of “interest” a person shall be taken to have an interest in a Share if:

- (i) he enters into a contract for its purchase by him (whether for cash or other consideration), or
- (ii) not being the registered holder, he is entitled to exercise any right conferred by the holding of the Share or is entitled to control the exercise or non-exercise of any such right (and for these purposes a person is entitled to exercise or control the exercise of a right conferred by the holding of Shares if he has a right (whether subject to conditions or not) the exercise of which would make him so entitled, or is under an obligation (whether subject to conditions or not) the fulfilment of which would make him so entitled); or
- (iii) he is a beneficiary of a trust where the property held on trust includes an interest in the Share; or
- (iv) he has a right to call for delivery of the Share to himself or to his order; or
- (v) he has a right to acquire an interest in the Share or is under an obligation to take an interest in the Share, or
- (vi) he has a right to subscribe for the Share,

whether in any case the contract, right or obligation is absolute or conditional, legally enforceable or not and evidenced in writing or not, and it shall be

immaterial that a Share in which a person has an interest is unidentifiable. Persons having a joint interest are treated as each having that interest;

- (c) a person is taken to be interested in any Shares in which his spouse or civil partner or any infant child or step-child of his is interested, and 'infant' means a person under the age of 18 years;
- (d) a person is taken to be interested in Shares if a body corporate is interested in them and
 - (i) that body or its directors are accustomed to act in accordance with his directions or instructions; or
 - (ii) he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that body,

and for the purposes of this paragraph (d) a person is treated as entitled to exercise or control the exercise of voting power if (A) another body corporate is entitled to exercise or control the exercise of that voting power, and he is entitled to exercise or control the exercise of one-third or more of the voting power at general meetings of that body corporate; or (B) he has a right (whether or not subject to conditions) the exercise of which would make him so entitled, or he is under an obligation (whether or not subject to conditions) the fulfilment of which would make him so entitled; and

- (e) an interest in Shares may arise from an agreement between two or more persons that includes provision for the acquisition by any one or more of them of interests in Shares. Articles 7.8 to 7.19 apply to such an interest if:
 - (i) the agreement includes provision imposing obligations or restrictions on any one or more of the parties to it with respect to their use, retention or disposal of their interests in the Shares acquired in pursuance of the agreement (whether or not together with any other interests of theirs in the Shares to which the agreement relates), and

- (11) an interest in the Company's shares is in fact acquired by any of the parties in pursuance of the agreement,

and the reference above to the "use of" interests in Shares is to the exercise of any rights or of any control or influence arising from those interests (including the right to enter into an agreement for the exercise, or for control of the exercise, of any of those rights by another person) Once an interest in Shares has been acquired in pursuance of the agreement, Articles 7.8 to 7.19 continue to apply to the agreement so long as the agreement continues to include provisions of any description mentioned above. This applies irrespective of whether or not any further acquisitions of interests in the Shares take place in pursuance of the agreement, any change in the persons who are for the time being parties to it or any variation of the agreement. References in this paragraph (e) to the agreement include any agreement having effect (whether directly or indirectly) in substitution for the original agreement, and "agreement" includes any agreement or arrangement and references to provisions of an agreement include undertakings, expectations or understandings operative under an arrangement, and any provision whether express or implied and whether absolute or not. This paragraph (e) does not apply to an agreement that is not legally binding unless it involves mutuality in the undertakings, expectations or understandings of the parties to it, or to an agreement to underwrite or sub-underwrite an offer of Shares, provided the agreement is confined to that purpose and any matters incidental to it.

- 7.9 Each party to an agreement to which Article 7.8(e) applies is treated as interested in all Shares in which any other party to the agreement is interested apart from the agreement (whether or not the interest of the other party was acquired, or includes any interest that was acquired, in pursuance of the agreement) For those purposes an interest of a party to such an agreement in Shares is an interest apart from the agreement if he is interested in those Shares otherwise than by virtue of the application of Article 7.8(e) (and this Article 7.9) in relation to the agreement. Accordingly, any such interest of the person (apart from the agreement) includes for those purposes any interest treated as his under Article 7.8(c) or (d) (family or corporate interests) or by the application of section Article 7.8(e) (and this Article 7.9) in relation to any other agreement with respect to Shares to which he is a

party A notification with respect to his interest in Shares made to the Company under Article 7.11 by a person who is for the time being a party to an agreement to which section Article 7 8 (e) applies must.

- (a) state that the person making the notification is a party to such an agreement;
- (b) include the names and (so far as known to him) the addresses of the other parties to the agreement, identifying them as such, and
- (c) state whether or not any of the Shares to which the notification relates are Shares in which he is interested by virtue of Article 7.8 (e) (and this Article 7 9) and, if so, the number of those Shares.

7 10 The provisions of Article 7 8 to 7.19 inclusive are in addition to , and separate from, any other rights or obligations arising at law or otherwise The Company may by notice in writing request any person whom the Company knows or has reasonable cause to believe to be interested or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested, in Shares comprised in the Relevant Share Capital.

- (a) to confirm that fact or (as the case may be) to state whether or not it is the case; and
- (b) if he holds, or has during that time held, any such interest, to give such further information as may be requested in accordance with this Article 7

7 11 A notice under Article 7 10 may require the person to whom it is addressed.

- (a) to give particulars of his own past or present interest in Shares comprised in the Relevant Share Capital (held by him at any time during the three year period mentioned in Article 7 10),
- (b) where the interest is a present interest and any other interest in the Shares subsists or, in any case, where another interest in the Shares subsisted during that 3-year period at any time when his own interest subsisted, to give (so far as lies within his knowledge) such particulars with respect to that other interest as may be requested by the notice including (without limitation):

- (i) the identity of persons interested in the Shares in question, and
 - (ii) whether persons interested in the same Shares are or were parties to an agreement or arrangement relating to either the acquisition by one or more of them of interests in Shares or the exercise of any rights conferred by the holding of the Shares; and
- (c) where his interest is a past interest, to give (so far as lies within his knowledge) particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.

7 12 A notice under Article 7 10 shall request any information given in response to the notice to be given in writing within such time as may be specified in the notice, being a period of not less than 14 days following service thereof.

7 13 The provisions of Articles 7 8 to 7.19 inclusive apply in relation to a person who has or previously had, or is or was entitled to acquire, a right to subscribe for Shares which would on issue be comprised in Relevant Share Capital as it applies in relation to a person who is or was interested in Shares so comprised, and references above in this section to an interest in Shares so comprised and to Shares so comprised are to be read accordingly in any such case as including respectively any such right and Shares which would on issue be so comprised.

Failure to comply with notification requirements or a request notice

7 14 Subject to the provisions of Articles 7 18 and 7 19, if any Member, or any other person appearing to the Directors to be interested in any Shares held by such Member, has been served with a request notice under Article 7 9 and does not within the 14 day period prescribed therein supply to the Company the information thereby requested, in each case the Company may (at the absolute discretion of the Directors) at any time thereafter by notice (for the purposes of Articles 7.14 to 7 17 inclusive, a “**restriction notice**”) to such Member direct that, in respect of the Shares in relation to which the default has occurred (for the purposes of Articles 7.14 to 7.17 inclusive, the “**default shares**” which expression shall include any further Shares which are issued in respect of any default shares), the Member shall not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting

of the holders of any class of Shares, or to be reckoned in a quorum.

7.15 Where the default shares represent at least 0.25 per cent of the issued Shares of the same class as the default shares, then the restriction notice may also direct that:

- (a) any dividend or any part thereof or other monies which would otherwise be payable on or in respect of the default shares shall be withheld by the Company, shall not bear interest against the Company, and shall be payable (when the restriction notice ceases to have effect) to the person who would but for the restriction notice have been entitled to them, and/or
- (b) where an offer of the right to elect to receive Shares instead of cash in respect of any dividend or part thereof is or has been made by the Company, any election made thereunder by such Member in respect of such default shares shall not be effective; and/or
- (c) no transfer of any of the Shares held by such Member shall be recognised or registered by the Directors unless:
 - (i) the transfer is a permitted transfer; or
 - (ii) the Member is not himself in default as regards supplying the requisite information required under Article 7.1, 7.2 or 7.8 to 7.19 inclusive and, when presented for registration, the transfer is accompanied by a certificate by the Member in a form satisfactory to the Directors to the effect that after due and careful enquiry the Member is satisfied that none of the Shares the subject of the transfer are default shares.

Upon the giving of a restriction notice its terms shall apply accordingly.

7.16 The Company shall send a copy of the restriction notice to each other person appearing to be interested in the Shares the subject of such notice, but the failure or omission by the Company to do so shall not invalidate such notice.

7.17 Any restriction notice shall have effect in accordance with its terms until not more than seven days after the Directors are satisfied that the default in respect of which the restriction notice was issued no longer continues but shall cease to have effect in relation

to any Shares which are transferred by such Member in accordance with Article 7 15(c) above on receipt by the Company of notice that a transfer as aforesaid has been made. The Company may (at the absolute discretion of the Directors) at any time give notice to the Member cancelling, or suspending for a stated period the operation of, a restriction notice in whole or in part.

7 18 For the purposes of Articles 7 8 to 7 19 inclusive a person shall be treated as appearing to be interested in any Shares if:

- (a) the Member holding such Shares has given to the Company a notification whether following service of a notice under Article 7 8 to 7 18 inclusive or otherwise which names such person as being so interested, or
- (b) after taking into account any such notification as is referred to in paragraph (a) above or any other relevant information in the possession of the Company the Directors know or have reasonable cause to believe that the person in question is or may be interested in the Shares

7 19 For the purposes of Articles 7 1, 7 2 or 7 8 to 7 18 inclusive, a transfer of Shares is a **"permitted transfer"** if but only if.

- (a) it is a transfer by way of, or in pursuance of, acceptance of a takeover offer for the Company meaning an offer to acquire all the Shares, or all the Shares of any class or classes, (other than Shares which at the date of the offer are already held by the offeror or persons acting in concert with the offeror), being an offer on terms which are the same in relation to all the Shares to which the offer relates or, where those Shares include Shares of different classes, in relation to all the Shares of each class; or
- (b) the Directors are satisfied that the transfer is made pursuant to a bona fide sale of the whole of the beneficial ownership of the Shares to a third party not connected with the transferring Member or with any other person appearing to the Directors to be interested in such Shares,

7.20 The Company shall maintain a register of interested parties to which the provisions of these Articles and Articles 42 and 72 of the Law shall apply mutatis mutandis and

whenever in pursuance of a requirement imposed on a Member as aforesaid the Company is informed of an interested party, the identity of the interested party and the nature of the interest shall be promptly inscribed therein together with the date of the request. The register kept under this Article must be kept available for inspection at the Office and must be open to inspection by any person without charge. Any person is entitled, on request and on payment of such reasonable fee as the Directors may prescribe, to be provided with a copy of any entry in the register. A request to inspect or obtain a copy of the register must contain the following information

- (a) in the case of an individual, his name and address;
- (b) in the case of an organisation, the name and address of an individual responsible for making the request on behalf of the organisation;
- (c) the purpose for which the information is to be used, and
- (d) whether the information will be disclosed to any other person, and if so
 - (i) where that person is an individual, his name and address;
 - (ii) where that person is an organisation, the name and address of an individual responsible for receiving the information on its behalf, and
 - (iii) the purpose for which the information is to be used by that person

Notification of Directors' transfers

7.21 In order to enable the Company to comply with its obligations under Rule 17 of the AIM Rules, any Member who is a Director shall notify the Company immediately of all "deals" (as that term is defined in the AIM Rules) in relation to Shares of the Directors and members of their "family" (as that term is defined in the AIM Rules), notifying the Company of all the information required to be disclosed under Schedule 5 to the AIM Rules.

8 Modification of Rights

8.1 Whenever the capital of the Company is divided into different classes of Shares the

special rights attached to any class may (unless otherwise provided by the terms of issue of the Shares of that class) be varied or abrogated either while the Company is a going concern or during or in contemplation of a winding up.

- (a) with the consent in writing of the holders of no less than 75% in number of the issued Shares of the class; or
- (b) with the sanction of a Special Resolution passed at a separate meeting of the holders of the Shares of the class.

To every such separate meeting all the provisions of these Articles relating to general meetings of the Company or to the proceedings thereat shall, *mutatis mutandis*, apply except that the necessary quorum shall be two or more persons holding or representing by proxy one-third in number of the issued Shares of the class (but so that if at any adjourned meeting of such holders a quorum as above defined is not present, those Members who are present shall be a quorum)

8.2 The rights attached to the Shares shall be deemed to be varied by the creation or issue of any Shares (other than Shares of the same class) ranking *pari passu* with or in priority to them as respects voting participation in the profits of the Company or in a winding up or reduction of capital

8.3 Subject to Article 8.2, the special rights conferred upon the holders of any Shares or class of Shares issued with preferred, deferred or other special rights shall not, unless otherwise expressly provided by the terms of issue of such Shares, be deemed to be varied by

- (a) the creation, allotment or issue of Shares of the same class; or
- (b) if the Company shall be wound up, by the exercise by a liquidator of his powers under Articles 43.1 and 43.3

9 Certificated Shares

9.1 Every Member who makes a request to receive his Shares in a certificated form, upon becoming the holder of any Shares, shall be entitled, without payment, to one certificate for all the Shares held by him or several certificates each for one or more of his Shares upon payment, for every certificate after the first, of such reasonable sum as the Directors

may determine.

- 9.2 Every certificate shall either be sealed with the Seal or signed by two Directors or a Director and the Secretary, or by such persons as the Directors shall authorise from time to time, and shall specify the number, class and distinguishing numbers (if any) of the Shares to which it relates and the amount or respective amounts paid up thereon. The Directors may from time to time determine that any signatures to be affixed to any such certificates need not be manual but may be printed or reproduced in any other manner notwithstanding any other provisions of these Articles with respect to the affixing of the Seal provided that if at any time all the issued Shares are fully paid up and rank *pari passu* for all purposes none of those Shares need thereafter have a distinguishing number so long as they remain fully paid up and rank *pari passu* for all purposes with all Shares for the time being issued and fully paid up
- 9.3 If a Share certificate is defaced, worn out, lost or destroyed it may be renewed on such terms (if any) as to evidence and indemnity and payment of the expenses reasonably incurred by the Company in investigating evidence, as the Directors may determine, and (in the case of defacement or wearing out) on delivery up of the old certificate
- 9.4 The Company shall not be bound to register more than four persons as the joint holders of any Shares. Where two or more persons are registered as the holders of any Share they shall be deemed to hold that Share as joint tenants, subject to Article 19.2 and to the following provisions.
- (a) the joint holders of any Shares shall be liable, severally, as well as jointly, in respect of all payments which ought to be made in respect of such Share;
 - (b) any one of such joint holders may give an effectual receipt for any dividend, bonus, return of capital or other payment payable to such joint holders,
 - (c) only the first-named of the joint holders of a Share shall be entitled to delivery of the certificate relating to such Share or to receive notices from the Company to attend general meetings of the Company and any notice given to the first-named of joint holders shall be deemed to be notice given to all the joint holders.
- 9.5 Share certificates sent to Members shall be sent at the risk of such Members.

10 CREST Arrangements

10.1 The Directors may implement such arrangements as they may think fit in order for any class of Shares to be admitted to settlement by means of the CREST system provided that no provision of the Articles shall apply or have effect to the extent that it is inconsistent with

- (a) the holding of Shares of that class in uncertificated form,
- (b) the transfer of title to Shares of that class by means of the CREST system; or
- (c) the CREST Jersey Regulations and the CREST Jersey Requirements.

10.2 Where any class of Shares is for the time being admitted to settlement by means of the CREST system, such securities may be issued in uncertificated form in accordance with and subject as provided in the CREST Jersey Regulations and the CREST Jersey Requirements

10.3 Unless the Directors otherwise determine, securities held by the same Member or joint Member in both certificated form and uncertificated form shall be treated as separate holdings

10.4 Securities may be changed from uncertificated to certificated form and from certificated to uncertificated form in accordance with and subject as provided in the CREST Jersey Regulations and the CREST Jersey Requirements.

10.5 The Company will, for every Member who makes a request to receive their Shares in uncertificated form, arrange for CRESTCo (or such other clearing system as the Directors may from time to time determine) to credit the appropriate stock amounts in CREST of the Members concerned with their respective entitlements for Shares. The Shares will be delivered through the CREST system and no share certificate will be issued to the relevant shareholder

11 Lien

11.1 The Company shall have a first and paramount lien on every Share (not being a fully paid Share) for all monies (whether presently payable or not) payable at a fixed time or called

in respect of that Share. The Directors may at any time declare any Share to be wholly or in part exempt from the provisions of this Article. The Company's lien on a Share shall extend to any amount payable in respect of it

- 11.2 Without prejudice to the provisions of these Articles providing for the forfeiture or surrender of Shares, the Company may sell in such manner as the Directors determine any Shares on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 days after notice has been given to the Member of the Share or where required by law, to the person entitled to it in consequence of the death or bankruptcy of the holder demanding payment and stating that if the notice is not complied with the Shares may be sold.
- 11.3 To give effect to a sale of Shares pursuant to this Article, the Directors may authorise some person to execute an instrument of transfer in respect of the Shares
- 11.4 A person, any of whose Shares have been sold pursuant to this Article, shall cease to be a Member in respect of them and shall deliver to the Company for cancellation the certificate for the Shares sold but shall remain liable to the Company for all monies which, at the date of sale, were presently payable by him to the Company in respect of those Shares with interest at the rate at which interest was payable on those monies before such sale or at such rate not exceeding [2 per cent above the base rate of Barclays Bank plc per annum] as the Directors may determine from the date of sale until payment provided that the Directors may waive payment wholly or in part or enforce payment without any allowance for the value of the Shares at the time of sale or for any consideration received on their disposal
- 11.5 The net proceeds of the sale after payment of the costs shall be applied in payment of so much of the sum for which the lien exists as is presently payable and any residue shall (upon delivery to the Company, for cancellation, of the certificate or certificates for the Shares sold and subject to a like lien for any monies not presently payable as existed upon the Shares before the sale) be paid to the person entitled to the Shares at the date of the sale.

12 Calls on Shares and Forfeiture

- 12.1 Subject to the terms of allotment, the Directors may make calls upon the Members in respect of any consideration agreed to be paid for such Shares that remains unpaid and each Member shall (subject to receiving at least 14 days notice specifying when and where payment is to be made) pay to the Company as required by the notice the amount called on such Shares. A call may be required to be paid by instalments. A call may before receipt by the Company of any sum due thereunder be revoked in whole or part and payment of a call may be postponed in whole or part. A person upon whom a call is made shall remain liable for calls made upon him notwithstanding the subsequent transfer of the Shares in respect whereof the call was made.
- 12.2 A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.
- 12.3 The joint holders of a Share shall be jointly and severally liable to pay all calls in respect thereof.
- 12.4 If a call remains unpaid after it has become due and payable, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid at the rate fixed by the terms of allotment of the Share or in the notice of the call or at such rate not exceeding ten per cent per annum as the Directors may determine provided that the Directors may waive payment of the interest wholly or in part.
- 12.5 An amount payable in respect of a Share on allotment, or at any fixed date, shall be deemed to be a call and if it is not paid the provisions of these Articles shall apply as if that amount had become due and payable by virtue of a call. The Company may accept from a Member the whole or a part of the amount remaining unpaid on Shares held by him although no part of that amount has been called up.
- 12.6 Subject to the terms of allotment, the Directors may make arrangements on the issue of Shares for a difference between the holders in the amounts and times of payment of calls on their Shares.
- 12.7 If a call remains unpaid after it has become due and payable, the Directors may give to the person from whom it is due not less than 14 days notice requiring payment of the

amount unpaid together with any interest which may have accrued. The notice shall name the place where payment is to be made and shall state that, if the notice is not complied with, Shares in respect of which the call was made will be liable to be forfeited.

12.8 If the notice referred to in Article 12.7 is not complied with, any Share in respect of which it was given may, at the discretion of the Directors and before the payment required by the notice has been made be either

(a) forfeited by a resolution of the Directors and the forfeiture shall include all dividends or other monies payable in respect of the forfeited Shares and not paid before the forfeiture, or

(b) accepted by the Company as surrendered by the holder thereof in lieu of such forfeiture

12.9 A forfeited or surrendered Share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Directors determine either to the person who was before the forfeiture the Member or to any other person and at any time before sale re-allotment or other disposition, the forfeiture or surrender may be cancelled on such terms as the Directors think fit. Where, for the purposes of its disposal, a forfeited or surrendered Share is to be transferred to any person, the Directors may authorise some person to execute an instrument of transfer in respect of the Share.

12.10 A person, any of whose Shares have been forfeited or surrendered, shall cease to be a Member in respect of them and shall deliver to the Company for cancellation the certificate for the Shares forfeited or surrendered (if any) but shall remain liable to the Company for all monies which at the date of forfeiture or surrender were presently payable by him to the Company in respect of those Shares with interest at the rate at which interest was payable on those monies before such forfeiture or surrender at such rate not exceeding ten per cent per annum as the Directors may determine from the date of forfeiture or surrender until payment provided that the Directors may waive payment wholly or in part or enforce payment without any allowance for the value of the Shares at the time of forfeiture or for any consideration received on their disposal

12.11 A declaration under oath by a Director or the Secretary that a Share has been forfeited or

surrendered on a specified date shall be conclusive evidence of the facts stated in such declaration as against all persons claiming to be entitled to the Share and the declaration shall (subject to the execution of an instrument of transfer if necessary) constitute a good title to the Share and the person to whom the Share is disposed of shall not be bound to see to the application of the consideration, if any, nor shall his title to the Share be affected by any irregularity in or invalidity of the proceedings in reference to the forfeiture, surrender or disposal of the Share.

13 Transfer of Shares

- 13 1 Subject as provided below, any Member may transfer all or any of his Shares. The transfer of any Shares that are in certificated form shall be made by instrument of transfer in any form which the Directors may approve. The instrument of transfer of a Share shall be signed by or on behalf of the transferor and the transferor shall be deemed to remain the holder of the Share until the name of the transferee is entered in the Register in respect thereof.
- 13 2 The Directors may decline to register any transfer of certificated Shares unless the instrument of transfer is deposited at the Office or such other place as the Directors may reasonably require, accompanied by the certificate of the Shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer. The Directors may refuse to register a transfer of any Share which is not fully paid up or on which the Company has a lien provided that this would not prevent dealings from taking place on an open and proper basis. If the Directors decline to register a transfer of any Share, they shall, within two months after the date on which the transfer was lodged with the Company, send to the transferee notice of the refusal. Subject to the provisions of the CREST Jersey Requirements, the Directors may also refuse to register any transfer of Shares unless such transfer is accompanied by the certificate of the Shares to which it relates, is in respect of one class of Share only, is in favour of no more than four transferees and is deposited at the Office or such other place as the Directors may reasonably require.
- 13 3 Subject to the provisions of the CREST Jersey Requirements, the registration of transfers may be suspended at such times and for such periods as the Directors may from time to

time determine provided always that such registration shall not be suspended for more than thirty days in any year.

- 13 4 No fee shall be payable to the Company in respect of the registration of any probate, letters of administration, certificate of marriage or death, power of attorney, or other document relating to or affecting the title to any Shares
- 13 5 A record of all instruments of transfer which shall be registered shall be retained for twelve years by the Company, but any instrument of transfer which the Directors may decline to register shall (except in any case of fraud) be returned to the person depositing the same.
- 13 6 The exercise by the Directors of the powers conferred by this Article shall not be questioned or invalidated in any case on the ground that there was insufficient evidence of ownership of Shares by any person or that the true ownership of any Shares was otherwise than appeared to the Directors at the relevant date provided the said powers shall have been exercised in good faith.
- 13 7 Where the Company is entitled under any provisions of the Law or the rules made and practices instituted by the operator of any relevant system or under these Articles to dispose of, forfeit, enforce a lien or sell or otherwise procure the sale of any Shares which are held in uncertificated form, such entitlement (to the extent permitted by the CREST Jersey Regulations, the CREST Jersey Requirements and the CREST Regulations and the rules made and practices instituted by the operator of the relevant system) shall include the right to:
- (a) request or require the deletion of any computer-based entries in the relevant system relating to the holding of such Shares in uncertificated form, and/or
 - (b) require any holder of any uncertificated Shares which are the subject of any exercise by the Company of any such entitlement or require CRESTCo in respect of any such Shares, by notice in writing to the holder concerned or to CRESTCo (as appropriate), to change such holding of such uncertificated shares into certificated form within such period as may be specified in the notice, prior to completion of any disposal, sale or transfer of such Shares or direct the holder or

CRESTCo to take such steps, by instructions given by means of a relevant system or otherwise, as may be necessary to sell or transfer such Shares, and/or

- (c) appoint any person to take such other steps, by instruction given by means of a relevant system or otherwise, in the name of the holder of such Shares as may be required to effect the transfer of such Shares and such steps shall be as effective as if they had been taken by the registered holder of the uncertificated Shares concerned, and/or
- (d) transfer any uncertificated Shares which are the subject of any exercise by the Company of any such entitlement by entering the name of the transferee in the Register in respect of that Share as a transferred Share, and/or
- (e) otherwise rectify or change the Register in respect of that Share in such manner as may be appropriate, and/or
- (f) take such other action as may be necessary to enable those Shares to be registered in the name of the person to whom the Shares have been sold or disposed of or as directed by him

14 Transmission of Shares

- 14 1 If a Member dies, the survivors or survivor where he was a joint holder, and the executors or administrators of the deceased where he was a sole or only surviving holder, shall be the only persons recognised by the Company as having title to his interest in the Shares, provided that nothing in this Article shall release the estate of the deceased holder whether sole or joint from any liability in respect of any Shares solely or jointly held by him.
- 14 2 Any person becoming entitled to a Share in consequence of the death, bankruptcy or incapacity of a Member shall, upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the Share or to make such transfer thereof in accordance with the provisions of these Articles as the deceased, bankrupt or incapacitated Member could have made. If he elects to become the Member he shall give notice to the Company to that effect. If he elects to transfer the Share he shall execute an instrument of transfer of such Share to the transferee. All of the

limitations, restrictions and provisions of these Articles relating to the transfer of Shares shall apply to the notice or instrument of transfer as if it were an instrument of transfer executed by the Member and the death, bankruptcy or incapacity of the Member had not occurred

- 14 3 A person becoming entitled to a Share in consequence of the death, bankruptcy or incapacity of a Member shall have the rights to which he would be entitled if he were the holder of such Share, save that he shall not before being registered as the Member be entitled in respect of it to be sent notice of or to attend or vote at a general meeting of the Company or at any separate meeting of the holders of any class of Shares PROVIDED ALWAYS that the Directors may at any time give notice requiring any such person to elect either to be registered himself or to transfer the Share and if the notice is not complied with within ninety days the Directors may thereafter withhold all dividends or other monies payable or other rights due in respect of the Share until the requirements of the notice have been complied with.

15 Variation of Share Capital

- 15 1 The Company may from time to time by Special Resolution:

- (a) increase or reduce the number of Shares which it is authorised to issue, or
- (b) consolidate and divide all or any of its Shares (whether issued or not)

- 15 2 All new Shares shall be subject to the provisions of these Articles with reference to transfer, transmission, forfeiture and otherwise

- 15 3 Subject to the provisions of the Law, the Company may by Special Resolution from time to time reduce its capital accounts in any way, and in particular, without prejudice to the generality of the foregoing power, may

- (a) extinguish or reduce the liability of any of its Shares in respect of share capital not paid up, or
- (b) with or without extinguishing or reducing liability on any of its Shares:
 - (i) cancel any capital account by an amount which is lost or which is

unrepresented by available assets; or

- (ii) pay off any amount standing to the credit of a capital account which is in excess of the Company's requirements.

and may, if and so far as is necessary, alter its Memorandum of Association by reducing the amount of its share capital and of its Shares accordingly.

- 15.4 The Company may from time to time subject to the provisions of the Law purchase its own Shares in any manner authorised by the Law and with and subject to all prior authorities of the Company in general meeting as specified under the Law provided that in the event that the Company shall purchase any Shares which are admitted to listing or trading on any investment exchange, such purchases shall be made in accordance with any relevant restrictions imposed by any such listing authority or exchange.

16 General Meetings

- 16.1 The Company shall, within eighteen months of its incorporation and, subject to the Law, in each subsequent calendar year following the calendar year in which the first annual general meeting is held, hold a general meeting as its annual general meeting in addition to any other meeting in that year. Annual general meetings and general meetings (including class meetings) shall be held at such time and place as may be determined by the Directors.
- 16.2 All general meetings (other than annual general meetings) shall be called extraordinary general meetings.
- 16.3 The Directors may call an extraordinary general meeting whenever they think fit. Extraordinary general meetings shall be convened on such requisition, or in default may be convened by such requisitionists, and in such manner, as provided by the Law save that the number of Members who may requisition an extraordinary general meeting shall be such number of Members as hold at the date of deposit of the requisition not less than five per cent of the total voting rights of the Members who have the right to vote at the meeting requisitioned.
- 16.4 The Company is required to circulate to Members entitled to receive notice of a general

meeting a statement of not more than 1,000 words with respect to:

- (a) a matter referred to in a proposed resolution to be dealt with at that meeting, or
- (b) other business to be dealt with at that meeting,

once it has received requests to do so from Members representing at least 5% of the total voting rights of all the Members who have a relevant right to vote (excluding any voting rights attached to any Shares held as treasury shares) or at least 100 Members who have a relevant right to vote and hold Shares on which there has been paid up an average sum, per Member, of at least £100. A "relevant right to vote" means (i) in relation to a statement with respect to a matter referred to in a proposed resolution, a right to vote on that resolution at the meeting to which the requests relate, and (ii) in relation to any other statement, a right to vote at the meeting to which the requests relate. A request may be in hard copy form or by means of Electronic Communication, must identify the statement to be circulated, must be authenticated by the Member or Members making it and must be received by the Company at least one week before the meeting to which it relates.

- 16.5 If the Company is required under Article 16.4 to circulate a statement, it must send a copy of it to each Member entitled to receive notice of the meeting in the same manner as the notice of the meeting, and at the same time as, or as soon as reasonably practicable after, it gives notice of the meeting. However, the Company is not required to circulate a Members' statement under Article 16.4 if the Directors have reason to believe that the rights conferred by Article 16.4 are being abused.
- 16.6 The expenses of the Company in complying with Article 16.5 need not be paid by the Members who requested the circulation of the statement if the meeting to which the requests relate is the Company's annual general meeting and requests sufficient to require the Company to circulate the statement are received before the end of the financial year preceding the meeting. Otherwise, subject to the provisions of the Law, the expenses of the Company in complying with Article 16.5 must be paid by the Members who requested the circulation of the statement unless the Company resolves otherwise, and unless the Company has previously so resolved, it is not bound to comply with Articles 16.4 and 16.5 unless there is deposited with or tendered to it, not later than one week before the meeting, a sum reasonably sufficient to meet its expenses in doing so.

17 Notice of General Meetings

17.1 An annual general meeting shall be called by at least 14 clear days' notice and any other general meeting shall be called by at least 14 clear days' notice. The notice shall be exclusive of the day on which it is served, or deemed to be served, and of the day of the meeting. A general meeting may, however, be called by shorter notice if it is so agreed.

- (a) in the case of an annual general meeting, by all the Members entitled to attend and vote thereat, and
- (b) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent of the total voting rights of the Members who have that right

The notice shall specify the day, time and place of the meeting and the general nature of the business to be transacted and in the case of an annual general meeting, shall specify the meeting as such. The notice convening a meeting to propose resolutions shall set out such resolutions and shall specify the intention to propose them as ordinary or special resolutions, as appropriate.

17.2 Subject to the provisions of these Articles and to any restrictions imposed on any Shares, a notice of a general meeting shall be given to all the Members, to all persons entitled to a Share in consequence of the death, bankruptcy or incapacity of a Member and to the Directors, the Administrator and the Auditors. Each of the Directors and the Auditors shall be entitled to attend and speak at any general meeting of the Company.

17.3 In every notice calling a meeting of the Company, or of any class of Members of the Company, there shall appear with reasonable prominence a statement that a Member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him and a proxy need not also be a Member.

17.4 The accidental omission to give notice to or to send a form of proxy to, or the non-receipt of notice or form of proxy by, any person entitled to receive notice or form of proxy shall not invalidate the proceedings at any general meeting.

18 Proceedings at General Meetings

- 18 1 All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting with the exception of declaring or approving the payment of dividends, the consideration of the accounts and balance sheet and the reports of the Directors and Auditors, the election of Directors in the place of those retiring, and the appointment and the fixing of the remuneration of the Auditors
- 18 2 No business shall be transacted at any general meeting unless a quorum is present. Save as otherwise provided in these Articles, two persons entitled to vote upon the business to be transacted, each being a Member or a proxy for a Member shall be a quorum. A representative of a corporation authorised pursuant to Article 20 and present at any meeting of the Company or at any meeting of the holders of any class of Shares shall be deemed to be a Member for the purpose of counting towards a quorum
- 18 3 If, within half an hour from the time appointed for the meeting or such longer interval as the Chairman of the meeting may think fit and allow, a quorum is not present or if, during a meeting, such a quorum ceases to be present, the meeting, if convened on the requisition of or by Members, shall be dissolved. In any other case, it shall stand adjourned to the same day in the next week at the same time and place or to such other day and such other time and place as the Chairman may determine and, if at such adjourned meeting a quorum is not present within quarter of an hour from the time appointed for holding the meeting, those Members present in person or by proxy shall be a quorum.
- 18 4 The Chairman of the Board or, failing him, some other Director nominated by the Directors shall preside as Chairman at every general meeting of the Company, but if at any meeting neither the Chairman of the Board nor such other nominated Director be present within a quarter of an hour after the time appointed for holding the meeting, or if neither of them be willing to act as Chairman, the Directors present shall choose one of their number to be Chairman, or if no Director be present or if all the Directors present decline to take the chair, the Members present and entitled to vote shall choose one of their number to be Chairman

- 18 5 The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting) adjourn the meeting from time to time and from place to place but no business shall be transacted by any adjourned meeting except business which might lawfully have been transacted at the meeting from which the adjournment took place. When a meeting is adjourned for 14 days or more, seven clear days' notice at the least specifying the place, the day and the hour of the adjourned meeting, shall be given but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.
- 18 6 At any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands unless before or upon the declaration of the result of the show of hands a poll is demanded. Subject to the provisions of the Law, a poll may be demanded by
- (a) the Chairman of the meeting,
 - (b) at least two Members having the right to vote on the resolution,
 - (c) a Member or Members representing not less than one-tenth of the total voting rights of all the Members having the right to vote on the resolution; or
 - (d) a Member or Members holding Shares conferring a right to vote on the resolution being Shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the Shares conferring that right.
- 18.7 Unless a poll is so demanded, a declaration by the Chairman that a resolution has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- 18 8 The instrument appointing a proxy to vote at a meeting shall be deemed also to confer authority to demand or join in demanding a poll and, for the purposes of Article 18 6, a demand by a person as proxy for a Member shall be the same as a demand by a Member

- 18 9 If a poll is duly demanded, it shall be taken in such manner and at such place as the Chairman may direct (including the use of ballot or voting papers or tickets) and the result of a poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The Chairman may, in the event of a poll, appoint scrutineers and may fix a day, time and place for the purpose of declaring the result of the poll.
- 18 10 In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote.
- 18 11 A poll demanded on the election of a Chairman and a poll demanded on a question of adjournment shall be taken forthwith. A poll demanded on any other question shall be taken at such time and place as the Chairman directs not being more than thirty days from the date of the meeting or adjourned meeting at which the poll was demanded.
- 18 12 The demand for a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which the poll has been demanded. If a poll is demanded before the declaration of the result on a show of hands and the demand is duly withdrawn before the poll is taken, the meeting shall continue as if the demand had not been made.
- 18 13 The demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the Chairman and a demand so withdrawn shall not be taken to have invalidated the result on a show of hands declared before the demand was made.
- 18.14 No notice need be given of a poll not taken forthwith if the day, time and place at which it is to be taken are announced at the meeting at which it is demanded. In any other case at least seven days' notice shall be given specifying the day, time and place at which the poll is to be taken.

19 Votes of Members

- 19 1 Subject to any special rights or restrictions for the time being attached to any class of Shares:

(a) on a show of hands every Member who is present in person shall have one vote,

and

- (b) on a poll every Member who is present in person or by proxy shall be entitled to one vote in respect of each Share held by him.

19.2 In the case of joint holders of a Share, the vote of the senior who tenders a vote whether in person or by proxy shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the Register in respect of the Share

19.3 A Member in respect of whom an order has been made by any court having jurisdiction (whether in Jersey or elsewhere) in matters concerning mental disorder may vote whether on a show of hands or on a poll, by his attorney, curator, receiver or other person authorised in that behalf appointed by such court and any such attorney, curator, receiver or other person may on a poll vote by proxy provided that such evidence as the Directors may require of the authority of the person claiming to vote shall have been deposited at the Office or at such other place as is specified in accordance with these Articles for the deposit of instruments of proxy not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which such person claims to vote

19.4 No Member shall, unless the Directors otherwise determine, be entitled to vote at any general meeting, or, at any separate meeting of the holders of any class of Shares, either personally or by proxy, or to exercise any rights as a Member unless all calls or other sums presently payable by him in respect of Shares of which he is the holder or one of the joint holders have been paid.

19.5 No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the Chairman of the meeting, whose decision shall be final and conclusive

19.6 On a poll, votes may be given either personally or by proxy.

19.7 On a poll, a Member entitled to more than one vote need not, if he votes, use all his votes or cast all votes he uses in the same way

- 19.8 The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney so authorised.
- 19.9 Any person (whether a Member or not) may be appointed by a Member to act as a proxy. A Member may appoint more than one proxy to attend on the same occasion.
- 19.10 The instrument appointing a proxy and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority, shall be deposited at the Office or at such other place as is specified for that purpose in the notice of the meeting or in the instrument of proxy issued by the Company not less than forty-eight hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of twelve months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at a meeting or an adjourned meeting in cases where the meeting was originally held within twelve months from such date.
- 19.11 An instrument of proxy shall be in the following form or such other form as the Directors may approve.

FORM OF PROXY

I/We

of

being a Member/Members of the Company

hereby appoint

or failing him,

of

as my/our proxy to vote for me/us on my/our behalf at the (annual or extraordinary, as the case may be) general meeting of the Company to be held on the day of , and at any adjournment thereof

Signed this day of

*This form is to be used *[in favour of / against] the Resolution*

Unless otherwise instructed, the proxy will vote or abstain from voting as he thinks fit

** Strike out whichever is not desired "*

- 19.12 Subject to the Law, in relation to any Shares which are held in uncertificated form, the Directors may from time to time permit appointments of a proxy to be made by means of an electronic communication in the form of an Uncertificated Proxy Instruction (as defined below) The Directors may in a similar manner permit supplements to, or amendments or revocations of, any such Uncertificated Proxy Instruction to be made by like means. The Directors may in addition prescribe the method of determining the time at which any such properly authenticated dematerialised instruction (and/or other instruction or notification) is to be treated as received by the Company or such participant Notwithstanding any other provision in these Articles, the Directors may treat any such Uncertificated Proxy Instruction which purports to be or is expressed to be sent on behalf of a Member as sufficient evidence of the authority of the person sending that instruction to send it on behalf of the Member For the purpose of this Article, "Uncertificated Proxy Instruction" means properly authenticated dematerialised instructions and/or other instruction or notification, which is sent by means of the relevant system concerned and received by such participant in that system acting on behalf of the Company as the Directors may prescribe, in such form and subject to such terms and conditions as from time to time be prescribed by the Directors (subject anyways to the facilities and requirements of the relevant system concerned).
- 19.13 For the purpose of determining which persons are entitled to attend or vote at a meeting and how many votes such persons may cast, the Directors may specify in the notice of the meeting a time not more than 48 hours before the time fixed for the meeting, by which a person must be entered on the Register in order to have the right to attend or vote at the meeting. Changes to the entries on the Register after the time specified by the Directors shall be disregarded in determining the rights of any person to attend or vote at the meeting notwithstanding any provision of these Articles to the contrary.
- 19.14 The Directors may at the expense of the Company send, by post or otherwise, to the Members instruments of proxy (with or without prepaid postage for their return) for use

at any general meeting, or at any meeting of any class of Members of the Company either in blank or nominating in the alternative any one or more of the Directors or any other persons. If for the purpose of any meeting invitations to appoint as proxy a person or one of a number of persons specified in the invitations are issued at the expense of the Company, such invitations shall be issued to all (and not to some only) of the Members entitled to be sent a notice of the meeting and to vote thereat by proxy.

- 19 15 A vote given or a poll demanded in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or insanity of the principal or the revocation or determination of the instrument of proxy, or of the authority under which the instrument of proxy was executed, or the transfer of the Share in respect of which the instrument of proxy is given, PROVIDED THAT no intimation in writing of such death, insanity, revocation or transfer shall have been received by the Company at the Office or at such other place at which the instrument of proxy was duly deposited before the commencement of the meeting or adjourned meeting at which the vote is given or the poll demanded or (in the case of a poll taken otherwise than on the same day as the meeting or adjourned meeting) the time appointed for taking the poll.

20 Corporations Acting by Representatives

Any corporation which is a Member may by resolution of its directors or other governing body or officers authorised by such body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any meeting of the holders of Shares of any class, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual Member and such corporation shall for the purposes of these Articles be deemed to be present in person at any such meeting if a person so authorised is present thereat

21 Resolutions in Writing

- 21 1 Anything that may, in accordance with the provisions of the Law, be done by a resolution in writing signed by or on behalf of each Member is authorised by these Articles without any restriction.

- 21.2 The Directors may determine the manner in which resolutions shall be put to Members pursuant to the terms of this Article and, without prejudice to the discretion of the Directors, provision may be made in the form of a resolution in writing for each Member to indicate how many of the votes which he would have been entitled to cast at a meeting to consider the resolution he wishes to cast in favour of or against such resolution or to be treated as abstentions and the result of any such resolution in writing need not be unanimous and shall be determined upon the same basis as on a poll

22 Directors

- 22.1 Unless otherwise determined by Ordinary Resolution, the number of Directors shall not be subject to any maximum but shall be not less than three
- 22.2 A Director need not be a Member, but shall be entitled to receive notice of and attend all general meetings of the Company and all meetings of any class of Members

23 Alternate Directors

- 23.1 Any Director (other than an Alternate Director) may appoint any other Director, or any other person, to be an Alternate Director and may remove from office an Alternate Director so appointed by him
- 23.2 An Alternate Director shall be entitled to attend, be counted towards a quorum and vote at any meeting of Directors and of any meeting of committees of Directors of which his appointer is a member at which the Director appointing him is not personally present, and generally to perform all the functions of his appointer as a Director in his absence but shall not be entitled to receive any remuneration from the Company for his services as an Alternate Director. It shall not be necessary to give notice of such a meeting to an Alternate Director
- 23.3 (a) An Alternate Director shall cease to be an Alternate Director if his appointer ceases to be a Director
- (b) Any appointment or removal of an Alternate Director shall be by notice to the Company signed by the Director making or revoking the appointment or in any other manner approved by the Directors.

- 23 4 Save as otherwise provided in these Articles, an Alternate Director shall be deemed for all purposes to be a Director and shall alone be responsible for his own acts and defaults and he shall not be deemed to be the agent of the Director appointing him

24 Powers of Directors

- 24.1 Subject to the provisions of the Law, the Memorandum and these Articles and to any directions given by Special Resolution, the business of the Company shall be managed by the Directors who may exercise all the powers of the Company in any part of the world.
- 24 2 No alteration of the Memorandum or these Articles and no such direction given by Special Resolution shall invalidate any prior act of the Directors which would have been valid if that alteration had not been made or that direction had not been given.
- 24 3 The powers given by this Article shall not be limited by any special power given to the Directors by these Articles and a meeting of Directors at which a quorum is present may exercise all powers exercisable by the Directors. If an Ordinary Resolution is passed reducing the minimum number of Directors to one, a Director who has been appointed to act as a sole Director shall have and may exercise all the powers and authorities in and over the affairs of the Company as by these Articles are conferred on the Directors
- 24 4 The Directors may, by power of attorney or otherwise, appoint any person to be the agent of the Company for such purposes and on such conditions as they determine, including authority for the agent to delegate all or any of his powers.

25 Delegation of Directors' Powers

- 25 1 The Directors may delegate any of their powers, authorities or discretions (with power to sub-delegate) to committees of one or more Directors. If the Directors have delegated any power or discretion to a committee, any references in these Articles to using that power or discretion include its use by the committee. Any committee must comply with any regulations or terms of reference laid down by the Directors.
- 25 2 Unless the Directors decide not to allow this, any committee may sub-delegate any of its powers or discretions to sub-committees. Reference in these Articles to committees include sub-committees permitted under this Article

25.3 If a committee consists of more than one person, the Articles which regulate Directors' meetings and their procedure will also apply to committee meetings (if they can apply to committee meetings), unless these are inconsistent with any regulations for the committee which have been laid down under this Article.

25.4 The ability of the Directors to delegate under this Article applies to all their powers and discretions and is not limited because certain Articles refer to powers and discretions being exercised by committees authorised by Directors while other Articles do not

26 Appointment and Retirement of Directors

26.1 The first Directors shall be determined in writing by the subscribers to the Memorandum, or a majority of them.

26.2 The Directors shall have power at any time, and from time to time, without sanction of the Company in general meeting, to appoint any person to be a Director, either to fill a casual vacancy or as an additional Director, provided that, at all times, the provisions of Article 22.1 are fulfilled.

26.3 The Company may by Ordinary Resolution appoint any person to be a Director.

26.4 The first Directors of the Company and all subsequent Directors appointed under Article 26.2 shall submit themselves for re-election by the Members at the first annual general meeting after their 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. At each annual general meeting, the Directors subject to retirement in accordance with Article 26.4 shall retire from office. A Director retiring at such meeting shall retain office until the dissolution of such meeting and accordingly on retiring a Director who is re-elected or deemed to have been re-elected pursuant to Article 26.6 will continue in office without a break

26.5 The Directors to retire by rotation shall be

- (a) any Director who wishes to retire and not to offer himself for re-election,
- (b) any Director who has been, or who by the time of the next annual general meeting will have been, in office for three years or more; and

- (c) such number of additional Directors (if any) as, when added to those Directors referred to in paragraphs (a) and (b) above, equal one-third of the Directors (or, if the number of Directors is not three or a multiple of three, the number nearest to but not exceeding one-third of the Directors), provided that such additional Directors shall be those who have been longest in office. As between two or more Directors who have been in office an equal length of time, the Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from the date of his last election or appointment when he has previously vacated office.

A retiring Director shall be eligible for re-election

- 26.6 The Company at the meeting at which a Director retires in the manner aforesaid may fill the vacated office by appointing a person thereto by Ordinary Resolution and in default the retiring Director shall, if willing to act, be deemed to have been re-appointed unless at such meeting it is expressly resolved not to fill the vacated office or a resolution for the re-appointment of such Director shall have been put to the meeting and lost. The Company at such meeting may also (subject to Articles 26.5 and 26.6) fill any other vacancies.
- 26.7 At a general meeting a motion for the appointment of two or more persons as Directors of the Company by a single resolution shall not be made unless a resolution that it shall be so made has been first agreed to by the meeting without any vote being given against it
- 26.8 No person other than a Director retiring at the meeting shall, unless recommended by the Directors for appointment, be eligible for the office of Director at any general meeting unless, not less than seven nor more than forty two clear days before the day appointed for the meeting, there shall have been given to the Company notice in writing by some Member (not being the person proposed) duly qualified to be present and vote at the meeting for which such notice is given of his intention to propose such person for appointment, and also notice in writing signed by the person to be proposed of his willingness to be appointed
- 26.9 A Director may retire from office as a Director by giving notice in writing to that effect to the Company at the Office, which notice shall be effective upon such date as may be

specified in the notice, failing which upon delivery to the Office

- 26 10 The provisions contained in sections 215 to 221 of the UK's Companies Act 2006 in relation to payments made to Directors (or persons connected with Directors) for loss of office (and the circumstances in which such payments would require the approval of Members) shall apply to the Company and the Company shall comply with such provisions as if it were a company incorporated in England and Wales, notwithstanding section 217(4)(a), section 218(4)(a) and section 219(6)(a) of the UK's Companies Act 2006

27 Disqualification and Removal of Directors

The office of a Director shall be vacated if

- (a) he ceases to be a Director by virtue of any provision of the Law or becomes prohibited by law from, or is disqualified from, being a Director, or
- (b) he becomes bankrupt or makes any arrangement or composition with his creditors generally, or
- (c) he resigns his office by notice to the Company, or
- (d) he becomes of unsound mind, or
- (e) he is given notice by the majority of the other Directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such Director); or
- (f) he is absent from meetings of the Directors for four successive meetings without leave expressed by a resolution of the Directors and the Directors resolve that his office be vacated, or
- (g) the Company so resolves by Ordinary Resolution

28 Remuneration of Directors

The Directors shall be entitled to directors' fees in aggregate not exceeding £[•] per

annum or to such greater remuneration as the Company may by Ordinary Resolution determine or in accordance with such agreements relating to the provision of the services of the Directors as shall be entered into by the Company from time to time and, unless such resolution or agreement provides otherwise, the remuneration shall be deemed to accrue from day to day.

29 Directors' Expenses

The Directors may be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of Directors or committees of Directors or general meetings or separate meetings of the holders of any class of Shares or of debentures of the Company or otherwise in connection with the discharge of their duties. The Directors shall have access to independent professional advice at the expense of the Company where, acting reasonably, they judge it necessary to discharge their responsibilities as directors

30 Directors' Gratuities and Pensions

30 1 The Board may (by establishment of, or maintenance of, schemes or otherwise) provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family (including a spouse, a civil partner, a former spouse and a former civil partner) or any person who is or was dependent on him, and may (as well before as after he ceases to hold such office or employment) contribute to any fund and pay premiums for the purchase or provision of any such benefit

30 2 Without prejudice to the provisions of Article 44, the Board may exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of any person who is or was.

(a) a Director, officer or employee of the Company, or any body which is or was the holding company or subsidiary undertaking of the Company, or in which the Company or such holding company or subsidiary undertaking has or had any

interest (whether direct or indirect) or with which the Company or such holding company or subsidiary undertaking is or was in any way allied or associated, or

(b) a trustee of any pension fund in which employees of the Company or any other body referred to in paragraph (a) of this Article are or have been interested,

including without limitation insurance against any liability incurred by such person in respect of any act or omission in the actual or purported execution or discharge of his duties or in the exercise or purported exercise of his powers or otherwise in relation to his duties, powers or offices in relation to the relevant body or fund

30.3 No Director or former director shall be accountable to the Company or the members for any benefit provided pursuant to these Articles. The receipt of any such benefit shall not disqualify any person from being or becoming a director of the Company

30.4 The Board may make provision for the benefit of any persons employed or formerly employed by the Company or any of its subsidiaries other than a Director or former director or shadow director in connection with the cessation or the transfer of the whole or part of the undertaking of the Company or any subsidiary

31 Directors' Appointments and Interests

31.1 Subject to the provisions of the Law, the Directors may appoint one or more of their number to the office of managing director of the Company or to any other executive office in the Company and may enter into an agreement or arrangement with any Director for his employment by the Company or for the provision by him of any services outside the scope of the ordinary duties of a Director. Any such appointment, agreement or arrangement may be made upon such terms as the Directors determine and they may remunerate any such Director for his services as they think fit. Any appointment of a Director to an executive office shall terminate if he ceases to be a Director but without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such Director. The Directors may also (without prejudice to any claim for damages for breach of any agreement between the Director and the Company) remove a Director from any executive office

31.2 Subject to the provisions of the Law, the Board may enter into, vary and terminate an

agreement or arrangement with any director who does not hold executive office for the provision of his services to the Company. Any such agreement or arrangement may be made on such terms as the Board determines.

Each such Director shall be paid a fee for their services (which shall be deemed to accrue from day to day) at such rate as may from time to time be determined by the Board. Any Director who does not hold executive office and who performs special services which in the opinion of the Board are outside the scope of the ordinary duties of a director, may be paid such extra remuneration by way of additional fee, salary, commission or otherwise as the Board may determine.

- 31 3 A Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director on such terms as to tenure of office, and otherwise as the Directors may determine.
- 31 4 No Director or intending Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise, nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any remuneration, profit or other benefit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established (including, without limitation, any benefit received by virtue of liability insurance purchased for the Directors), but the nature of his interest must be declared by him at the meeting of the Directors at which the question of entering into the contract or arrangement is first taken into consideration, or if the Director was not at the date of that meeting interested in the proposed contract or arrangement, then at the next meeting of the Directors held after he becomes so interested, and in a case where the Director becomes interested in a contract or arrangement after it is made, then at the first meeting of the Directors held after he becomes so interested. A general notice in writing given to the Directors by any Director to the effect that he is a member of any specified company or firm and is to be regarded as interested in any contract which may thereafter be made with that company or firm, shall (if such Director shall give the same at a meeting of the Directors or shall take reasonable steps to secure that the same is brought up and read at

the next meeting of the Directors after it is given) be deemed a sufficient declaration of interest in relation to any contract so made

31 5 A Director shall not, as a Director, vote in respect of any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in Shares or debentures or other securities of, or otherwise in or through, the Company) and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting, but (in the absence of some other material interest than is mentioned below) none of these prohibitions shall apply to.

- (a) the giving of any security, guarantee or indemnity in respect of
 - (i) money lent or obligations incurred by him or by any other person for the benefit of the Company or any of its subsidiaries; or
 - (ii) a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- (b) where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to or may participate,
- (c) any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him) does not to his knowledge hold an interest representing one per cent or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);

- (d) any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which he is not accorded as a Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
 - (e) any matter connected with the purchase or maintenance for any Director of insurance against any liability or (to the extent permitted by the Law) indemnities in favour of Directors, the funding of expenditure by one or more Directors in defending proceedings against him or them or the doing of any thing to enable such Director or Directors to avoid incurring such expenditure
- 31 6 A Director may, as a Director, vote (and be counted in the quorum) in respect of any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest or which falls within Article 31.5.
- 31 7 For the purposes of this Article a person shall be treated as being connected with a Director if that person is.
- (a) a spouse, child (under the age of 18) or step child (under the age of 18) of the Director, or
 - (b) an associated body corporate which is a company in which the Director alone, or with connected persons, is directly or indirectly beneficially interested in 20% or more of the equity share capital or is entitled (alone or with connected persons) to exercise or control the exercise of more than 20% of the voting power at general meetings; or
 - (c) a trustee (acting in that capacity) of any trust, the beneficiaries of which include the Director or persons falling within paragraphs (a) or (b) above excluding trustees of a Share Scheme or employees' pension scheme, or
 - (d) a partner (acting in that capacity) of the Director or persons in categories (a) to (c) above.
- 31 8 A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place or

profit under the Company, or whereat the terms of any such appointment are arranged or whereat any contract in which he is interested is considered, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.

31 9 Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as Auditor to the Company

31 10 The Company may by Ordinary Resolution suspend or relax to any extent, either generally or in respect of any particular matter, any provision of these Articles prohibiting a Director from voting at a meeting of Directors or of a committee of Directors and may ratify any transactions not duly authorised by reason of a contravention of these Articles

32 Proceedings of Directors

32 1 Subject to the provisions of these Articles, the Directors may regulate their proceedings as they think fit

32 2 A Director may, and the Secretary at the request of a Director shall, call a meeting of the Directors.

32 3 Questions arising at a meeting shall be decided by a majority of votes. In the case of an equality of votes the Chairman shall have a second or casting vote. A person who has been appointed as an Alternate Director by one or more Directors shall have one vote in respect of each such appointment in addition to any vote that he may be entitled to as a Director.

32.4 The quorum for the transaction of the business of the Directors may be fixed by the Directors and unless so fixed at any other number, shall be two Directors. A person who is an Alternate Director shall be counted in the quorum and any Director acting as an Alternate Director shall also be counted as one for each of the Directors for whom he acts as alternate.

32 5 All or any of the Directors or members of a committee may take part in a meeting of the

Directors or a committee by way of a conference telephone or any communication equipment which allows everybody to take part in the meeting by being able to hear each of the other people at the meeting and by being able to speak to all of them at the same time. A person taking part in this way will be treated as being present at the meeting and will be entitled to vote and be counted in the quorum. Such meetings will be treated as taking place where most of the participants are or where the chairman of the meeting is if no more than one is in each place.

32.6 The Directors may act notwithstanding any vacancies in their number, but, if the number of Directors is less than the number fixed as the quorum, the continuing Directors or Director may act only for the purpose of filling vacancies or of calling a general meeting to appoint Directors.

32.7 The Directors may appoint one of their number to be the Chairman of the Board and may at any time remove him from that office. Unless he is unwilling to do so, the Director so appointed shall preside at every meeting of Directors at which he is present. If there is no Director holding that office, or if the Director holding it is unwilling to preside or is not present within five minutes after the time appointed for the meeting, the Directors present may appoint one of their number to be Chairman of the meeting.

32.8 All acts done by a meeting of Directors, or by a committee duly authorised by the Directors, or by a person acting as a Director or Alternate Director or member of such committee shall, notwithstanding that it be afterwards discovered that there was a defect in the appointment of any Director or Alternate Director or member of such committee or that any of them were disqualified from holding office, or had vacated office, or were not entitled to vote, be as valid as if every such person had been duly appointed and was qualified and had continued to be a Director or Alternate Director or member of such committee and had been entitled to vote.

32.9 A resolution in writing signed by all the Directors entitled to receive notice of a meeting of Directors or of a committee duly authorised by the Directors shall be as valid and effectual as if it had been passed at a meeting of Directors or (as the case may be) duly authorised by the Directors duly convened and held and may consist of several documents in the like form each signed by one or more Directors, or in the case of a committee, the

members of such committee provided that a resolution signed by an Alternate Director need not also be signed by his appointer and, if it is signed by a Director who has appointed an Alternate Director, it need not be signed by the Alternate Director in that capacity.

- 32 10 Where proposals are under consideration concerning the appointment of two or more Directors to offices or employment with the Company or any body corporate in which the Company is interested the proposals may be divided and considered in relation to each Director separately and each of the Directors concerned shall be entitled to vote and be counted in the quorum in respect of each resolution save that concerning his own appointment.

33 Secretary

Subject to the provisions of the Law, a Secretary shall be appointed by the Directors for such term, at such remuneration and upon such conditions as they may think fit and any Secretary so appointed may be removed by them

34 Minutes

The Secretary shall cause minutes to be made in books kept for the purpose in accordance with the Law.

35 The Seal

- 35 1 The Directors may at any time resolve that the Company shall have, or shall cease to have, a common seal to be used and kept only in Jersey.
- 35 2 A Seal shall only be used by the authority of the Directors or of a committee of Directors authorised by the Directors. The Directors may determine who shall sign any instrument to which the Seal is affixed and unless otherwise so determined it shall be signed by any two Directors, a Director and the Secretary or a Director and a witness
- 35 3 Subject to the provisions of the Law, the Directors may resolve to have or cease to have an official seal for use only in connection with the sealing of securities issued by the Company and such official seal shall be a copy of the common seal of the Company but shall in addition bear the word "securities"

36 Dividends

- 36.1 Subject to the provisions of the Law, the Company may by Ordinary Resolution declare dividends in respect of the Shares in accordance with the respective rights of the Members but no dividend shall exceed the amount recommended by the Directors, and the Directors may if they think fit recommend that no dividend be declared.
- 36.2 Subject to the provisions of the Law, the Directors may if they think fit pay interim dividends in respect of the Shares if it appears to them that they are justified by the profits of the Company having regard always to the profits of the Company available for distribution
- 36.3 Save as otherwise provided by the rights attached to the Shares and this Article, all dividends shall be declared and paid according to the amounts paid up on the Shares on which the dividend is paid. Except as provided in this Article all dividends shall be apportioned and paid proportionately to the amounts paid up on the Shares during any portion or portions of the period in respect of which the dividend is paid, but, if any Share is issued on terms providing that it shall rank for dividend as from a particular date, that Share shall rank for dividend accordingly.
- 36.4 Any resolution declaring a dividend on Shares, whether a resolution of the Company in general meeting or a resolution of the Directors, may specify that the same shall be payable to the persons registered as the holders of the Shares at the close of business on a particular date, notwithstanding that it may be a date prior to that on which the resolution is passed and thereupon the dividend shall be payable to such persons in accordance with their respective holdings so registered, but without prejudice to the rights inter se in respect of such dividend of transferors and transferees of any Shares
- 36.5 A general meeting declaring a dividend may, upon the recommendation of the Directors, direct that it shall be satisfied wholly or partly by the distribution of assets and, where any difficulty arises in regard to the distribution, the Directors may settle the difficulty and fix the value for distribution of any assets and may determine that cash shall be paid to any Member upon the footing of the value so fixed in order to adjust the rights of Members and may vest any assets in trustees.

- 36 6 Any dividend or other moneys payable in respect of a Share may be paid by any direct debit, bank or other funds transfer system to the holder or person entitled to payment or by any other method approved by the Board and agreed by the holder or person entitled to payment including, without limitation, in respect of an uncertificated Share by means of the relevant settlement system (subject to the facilities and requirements of such system) If two or more persons are the holders of the Share or are recognised by the Directors as jointly entitled to the Share the dividend or other moneys shall be sent to the first Member named in the Register or to such person or persons entitled and to such address as the Directors shall in their absolute discretion determine Every such payment shall be a good discharge to the Company. Any joint holder or other person jointly entitled to a Share as aforesaid may give receipts for any dividend or other monies payable in respect of such Share
- 36 7 The Directors may deduct from any dividend or other monies payable to any Member or other person entitled on or in respect of a Share all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to any Shares held by such Member or other person entitled
- 36.8 All unclaimed dividends may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed No dividends shall bear interest against the Company The payment by the Directors of any unclaimed dividend or other monies payable on or in respect of a Share into a separate account shall not constitute the Company a trustee in respect thereof
- 36 9 Any dividend which has remained unclaimed for 10 years from the date when it became due for payment shall, if the Directors so resolve, be forfeited and cease to remain owing by the Company.
- 36 10 The Company may, upon the recommendation of the Board, by Ordinary Resolution, direct payment of a dividend to be satisfied wholly or partly by the distribution of assets and the Board shall give effect to such resolution.

37 Capitalisation of Profits

- 37 1 Subject to the provisions of the Law, the holders of Shares may by Ordinary Resolution,

upon the recommendation of the Directors, resolve that it is desirable to capitalise any part of the amount for the time being

- (a) standing to the credit of any of the Company's reserve accounts (including capital or revenue reserve); or
- (b) standing to the credit of the profit and loss account, or
- (c) which is otherwise available for distribution to holders of Shares and not required for payment of dividend on any Shares with a preferential right to dividend,

and accordingly that such sum or sums be set free for distribution amongst the Members who would have been entitled thereto if it had been distributed by way of dividend and in the same proportion on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any Shares of that class held by such Members respectively or in paying up in full unissued Shares of that class to be allotted and distributed (credited as fully paid up) to and amongst such Members in the proportion aforesaid, or partly in the one way and partly in the other, but the capital or revenue reserve and any profits which are not available for distribution may, for the purposes of this Article, only be applied in paying up unissued Shares to be allotted to Members credited as fully paid up.

- 37.2 Whenever such a resolution as aforesaid shall have been passed the Directors shall make all appropriations and applications of the undivided profits resolved to be capitalised thereby, and all allotments and issues of fully paid Shares, if any, and generally shall do all acts and things required to give effect thereto with full power to the Directors to make such provision by payment in cash or otherwise as they think fit in relation to Shares and to authorise any person to enter on behalf of all the Members entitled thereto into an agreement with the Company providing for the allotment to them respectively, credited as fully paid up, of any further Shares to which they may be entitled upon such capitalisation or (as the case may require) for the payment up by the Company on their behalf by the application thereto of their respective proportions of the profits resolved to be capitalised or of the amounts or any part of the amounts remaining unpaid on their existing Shares, and any agreement made under such authority shall be effective and binding on all such Members.

38 Capital Accounts

38 1 The Directors shall establish in respect of the Shares an account to be called the nominal capital account and an account to be called the share premium account and shall carry to the credit of such accounts from time to time the sums required to be credited thereto in accordance with the provisions of these Articles

38 2 There shall be debited to the share premium account applicable to the Shares on the redemption of a Share of that class the monies payable on redemption of such Shares in the event and to the extent that the Directors do not exercise their discretion to pay such sum in whole or in part out of the other sources permitted by Law attributable to that Share

39 Reserve Accounts

The Directors may establish a reserve account and before the declaration of a dividend on any class of Shares may set aside any part of the profits of the Company and carry to the credit of any reserve account such sums as they think proper which shall, at the discretion of the Directors, be applicable for any purpose to which the profits or reserves may be properly applied and pending such application may at the like discretion be employed in the business of the Company and invested in such investments as the Directors may from time to time think fit.

40 Accounts

40 1 The Directors shall cause to be kept proper accounts with respect to:

- (a) all sums of money received and expended in relation to the Company and the matters in respect of which such receipt and expenditure takes place,
- (b) all sales and purchases in relation to the Company; and
- (c) the assets and liabilities of the Company

so as to enable the accounts of the Company and any report to Members to be prepared in accordance with these Articles, the Law and (to the extent applicable) the AIM Rules for Companies

- 40 2 The books of account shall be kept at the Office and shall always be open to inspection by the Directors. No Member (other than a Director) shall have any right of inspecting any account or book or document of the Company except as conferred by the Law or as authorised by the Directors or by Ordinary Resolution.
- 40 3 The Directors shall cause to be prepared in respect of the Company a profit and loss account, balance sheet, statement of cash flows and a report made up to the Accounting Dates and the Interim Accounting Dates for the Company and such other dates as the Directors may determine which in the case of the profit and loss accounts, balance sheets, statement of cash flows and reports for the Company made up to the Accounting Date, shall be audited, prepared in accordance with the Law and shall be laid before the Company in general meeting
- 40 4 A printed copy of every account, balance sheet and report which are laid before the Company in general meeting in accordance with Article 40 3 shall not less than fourteen days prior to the meeting be delivered or sent by post to the registered address of every person entitled to receive notices in accordance with Article 46 and a printed copy of every account, balance sheet and report made up to each Interim Accounting Date for the Company shall be delivered or sent by post to the registered address of every person entitled to receive notices in accordance with Article 46 within three months of such Accounting Date or Interim Accounting Date (as the case may be) PROVIDED THAT this Article shall not require a copy of these documents to be sent to more than one of the joint holders of any Shares.
- 40.5 Every account of the Directors when audited and approved by any general meeting shall be conclusive except as regards any error discovered therein within three months next after the approval thereof. Whenever such an error is discovered within that period the accounts shall forthwith be corrected and thereupon shall be conclusive

41 Audit

- 41 1 The Company shall at each annual general meeting appoint Auditors to hold office from the conclusion of that meeting until the conclusion of the next annual general meeting
- 41.2 The first Auditors of the Company shall be appointed by the Directors at any time before

the first annual general meeting of the Company and the Auditors so appointed shall hold office until the conclusion of that meeting

- 41.3 The Directors may fill any casual vacancy in the office of Auditors but while any such vacancy continues the surviving or continuing Auditors if any may act
- 41.4 The remuneration of any Auditors appointed by the Directors shall be fixed by the Directors and of any Auditors appointed by the Company shall be fixed by the Company at the annual general meeting at which such appointment shall be made or in such manner as such meeting may determine
- 41.5 The Auditors shall examine such books, accounts and vouchers as may be necessary for the performance of their duties.
- 41.6 The Auditors shall make a report to the Members as to whether in their opinion the financial statements give a true and fair view and whether they have been properly prepared in accordance with the Companies (Jersey) Law 1991 and other applicable legislation and regulations In arriving at their opinion, the Auditors are required to consider the following matters, and to report on any in respect of which they are not satisfied
- (a) whether proper accounting records have been kept by the Company and proper returns adequate for their audit have been received from branches not visited by the Auditors (if any);
 - (b) whether the Company's individual accounts are in agreement with the accounting records and returns, and
 - (c) whether the Auditors have obtained all the information and explanations which, to the best of their knowledge and belief, they consider necessary for the purposes of their audit

42 Destruction of Documents

The Company shall be entitled to destroy all instruments of transfer of Shares which have been registered at any time after the expiration of ten years from the date of registration thereof and all dividend mandates and notifications of change of address at any time after

the expiration of six years from the date of recording thereof and it shall conclusively be presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was a valid and effective instrument duly and properly registered and that every other document hereinbefore mentioned had been reflected in accordance with the recorded particulars thereof in the books or records of the Company PROVIDED ALWAYS that

- (a) the provisions aforesaid shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant,
- (b) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstances which would not attach to the Company in the absence of this Article,
- (c) references herein to the destruction of any document include references to the disposal thereof in any manner.

43 Winding Up

43 1 If the Company shall be wound up, the liquidator shall, subject to the Law, apply the assets of the Company in such manner and order as he thinks fit in satisfaction of creditors' claims.

43 2 The assets available for distribution among the Members shall then be applied in the following priority

(a) firstly, in payment to the holders of the Shares of sums up to the amount paid up thereon, and

(b) secondly, in payment to the holders of Shares of any balance then remaining, such payments being made in proportion to the number of Shares held

43 3 If the Company shall be wound up, the liquidator may with the authority of a Special Resolution and any other sanction required by the Law, divide among the Members in

specie the whole or any part of the assets of the Company and whether or not the assets shall consist of property of a single kind and may for such purposes set such value as he deems fair upon any one or more class or classes of property and, subject to Article 43.2, may determine how such division shall be carried out as between the Members or different classes of Members. The liquidator may with the like authority vest any part of the assets in trustees upon such trusts for the benefit of Members as the liquidator shall think fit and the liquidation of the Company may be closed and the Company dissolved but so that no Member shall be compelled to accept any Shares in respect of which there is liability.

44 Indemnity

In so far as the Law allows, every present or former officer of the Company shall be indemnified out of the assets of the Company against any loss or liability incurred by him by reason of being or having been such an officer. The Directors may without sanction of the Company in general meeting authorise the purchase or maintenance by the Company for any officer or former officer of the Company of any such insurance as is permitted by the Law in respect of any liability which would otherwise attach to such officer or former officer.

45 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

46 Takeover Provisions

- 46.1 The provisions of Articles 46.2 to 46.17 shall apply to the Company unless the Takeover Panel has advised the Company (or a financial adviser to the Company) that the Company is subject to the Takeover Code.

46 2 Subject to Articles 46 14 to 46 16, except with the consent of an Ordinary Resolution of Independent Shareholders on a poll, when.

- (a) any Member (or person acting in concert with such Member) acquires, whether in a single transaction or by a series of transactions over a period of time, an interest in Shares which (taken together with Shares in which such Member or persons acting in concert with such Member are interested) carry 30% or more of the voting rights of the Company; or
- (b) any Member, together with persons acting in concert with such Member, is interested in Shares which in the aggregate carry not less than 30% of the voting rights of the Company but does not hold Shares carrying more than 50% of such voting rights and such Member, or any person acting in concert with such Member, acquires an interest in any other Shares which increases the percentage of Shares carrying voting rights in which he is interested,

such Member (the “Offeror”) shall extend an offer, on the basis set out in Articles 46 3 to 46 6, to the holders of all the issued (and to be issued) Shares in the Company. An offer will not be required under this Article 46.2 where control of the Company is acquired as a result of a voluntary offer made materially in accordance with the provisions of the Takeover Code (as if the Takeover Code applied to the Company) to all holders of Shares. An offer will not be required under this Article 46 2 as a result of the acquisition by a person of Shares upon the Company’s original admission to AIM or as a result of the exercise by a person (or, in respect of a corporate entity, a member of that corporate entity’s Group) of warrants or options which were granted to such person upon the Company’s original admission to AIM. For the purposes of this Article 46.2 “Group” in relation to a corporate entity means that corporate entity’s subsidiaries, its holding company and any subsidiaries of such holding company.

46 3 An offer made pursuant to Article 46.2 must be conditional only upon the Offeror having received acceptances in respect of Shares which, together with Shares acquired or agreed to be acquired before or during the offer, will result in the Offeror and any person acting in concert with it holding Shares carrying more than 50% of the voting rights of the Company.

- 46 4 An offer made pursuant to Article 46.2 must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the Offeror or any person acting in concert with it for any interest in Shares during the 12 months prior to the date upon which an announcement of that offer would have been required had the Takeover Code applied to the Company. If, after the obligation to make an offer pursuant to Article 45.2 arises and before the offer closes for acceptance, the Offeror or any person acting in concert with it acquires any interest in Shares at above the offer price, it shall increase its offer to not less than the highest price paid for the interest in Shares so acquired. The cash offer or the cash alternative must remain open after the offer has become or been declared unconditional as to acceptances for not less than 14 days after the date on which it would otherwise have expired.
- 46.5 When an offer is made pursuant to Article 46.2 and the Company has convertible securities outstanding, the Offeror must make an appropriate offer or proposal, on terms equivalent to the offer made for Shares, to the holders of such convertible securities to ensure that their interests are safeguarded.
- 46 6 Any offer required to be made pursuant to Article 46.2 shall be made on terms that would be required by the then current Takeover Code, save to the extent that the Board otherwise determines. In relation to any offer required to be made pursuant to Article 46.2, any matter which under the Takeover Code would fall to be determined by the Takeover Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination.
- 46.7 No acquisition of any interest in Shares which would give rise to a requirement for an offer pursuant to Article 46.2 may be made (and the Directors shall be entitled to refuse to register any transfer of Shares effecting such acquisition) if the making or implementation of such offer would or might be dependent on the passing of a resolution at any meeting of shareholders of the Offeror or upon any other conditions, consents or arrangements.
- 46 8 No nominee of an Offeror or persons acting in concert with it may be appointed as a Director, nor may an Offeror or any persons acting in concert with it exercise the votes attaching to any Shares until the relevant offer document has been posted.

46.9 Except with the consent of an Ordinary Resolution of Independent Shareholders on a poll, Members shall comply with the requirements of the Takeover Code (as if the Takeover Code applied to the Company) in relation to any dealings in any Shares and in relation to their dealings with the Company in relation to all matters. Any matter which under the Takeover Code would fall to be determined by the Takeover Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination. Any notice which under the Takeover Code is required to be given to the Takeover Panel shall be given to the Company at its registered office.

46.10 Without limitation to the requirements of Article 46.9, at all times when the Company is in an offer period each Member shall comply with the disclosure obligations set out in Rule 8 of the Takeover Code as if the Takeover Code applied to the Company.

46.11 If at any time the Board is satisfied that any Member, having incurred an obligation under Article 46.2 to extend an offer to the holders of all the issued Shares (and any convertible securities of the Company), shall have failed so to do, or that any Member is in default of any other obligation imposed upon Members pursuant to this Article 46, then the Board shall as soon as practicable by notice (a "**Direction Notice**") to such Member and any other Member acting in concert with such Member (together the "**Defaulters**") direct that:

- (a) in respect of the Shares held by the Defaulters (the "**Default Shares**") the Defaulters shall not be entitled to vote at a general meeting either personally or by proxy or to exercise any other right conferred by membership in relation to meetings of the Company,
- (b) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the Default Shares, whether in respect of capital or dividend or otherwise, and the Company shall not meet any liability to pay interest on any such payment when it is finally paid to the Member; and
- (c) no other distribution shall be made on the Default Shares.

46.12 The Board may at any time give notice cancelling a Direction Notice.

- 1
- 46.13 The Company shall be entitled, without the requirement to obtain the consent of any Member, to make all such announcements as would be required or permitted under the Takeover Code (if the Takeover Code applied to the Company), notwithstanding that such announcements may make reference to, or contain information about, Members or persons acting in concert with Members
- 46.14 Where Shares or other securities of the Company are charged as security for a loan and, as a result of enforcement of such security, the lender incurs an obligation to make an offer under Article 46.2, no such offer will be required if sufficient interests in Shares are disposed of within a period of 14 days to persons unconnected with the lender, so that the percentage of Shares carrying voting rights in which the lender, together with persons acting in concert with it, is interested is reduced to below 30% in a manner satisfactory to the Board (in its absolute discretion). In any case where arrangements are to be made involving a transfer of voting rights to the lender, but which do not amount to enforcement of security, no offer under Article 46.2 will be required if the lender satisfies the Board (in the Board's absolute discretion) that such arrangements are necessary to preserve the lender's security and that the security was not given at a time when the lender had reason to believe that enforcement was likely. A receiver, liquidator or administrator of a company, or any other insolvency or bankruptcy official, is not required to make an offer under Article 46.2 when he acquires an interest in shares carrying 30% or more of the voting rights in the Company in his capacity as such, but Article 46.2 shall for the avoidance of doubt apply to a purchaser from such a person
- 46.15 Where in the opinion of the Board the Company is in such a serious financial position that the only way it can be saved is by an urgent rescue operation which involves the issue of new Shares to, or the acquisition of existing Shares by, the rescuer, without approval by an Ordinary Resolution of Independent Shareholders, and which would otherwise require the rescuer to make an offer pursuant to Article 46.2, the Board may waive the requirements of Article 46.2 in such circumstances provided that either
- (a) approval for the rescue operation by an Ordinary Resolution of Independent Shareholders on a poll is obtained as soon as possible after the rescue operation is carried out; or

- (b) some other protection for Independent Shareholders is provided which the Board considers satisfactory in the circumstances

46.16 If, due to a bona fide inadvertent mistake, a person incurs an obligation to make an offer under Article 46 2, the Board may waive the requirement to make such an offer if sufficient interests in Shares are disposed of within a limited period (being a maximum of 14 days) to persons unconnected with such person, so that the percentage of Shares carrying voting rights in which the person, together with persons acting in concert with him, is interested is reduced to below 30% in a manner satisfactory to the Board.

46 17 In construing this Article 46:

- (a) the words “**acting in concert**”, “**control**”, “**interests**” in securities, “**offer period**”, “**voting rights**” and any other words and expressions used in or defined in the Takeover Code shall bear the same meanings given by the Takeover Code,
- (b) “**Independent Shareholders**” means the Members of the Company other than any person who is (or may be) obliged to make an offer pursuant to Article 46 2 and persons acting in concert with him;
- (c) for the avoidance of doubt, a reference to a “**Member**” shall include a person who becomes (or upon entry in the Register would become) a Member as a result of any acquisition of an interest in Shares to which this Article 46 relates, and
- (d) any decision to be made, or discretion to be exercised, by the Board shall be made or exercised by the Board excluding any Director who is (or may be) obliged to make an offer pursuant to Article 46 2 or who is acting in concert with any person who is (or may be) obliged to make such an offer

47 Notices

47 1 Any notice to be given to or by any person pursuant to these Articles shall be in writing or be given using Electronic Communications to an address for the time being notified for that purpose, to the person giving the notice, save that a notice calling a meeting of the Directors need not be in writing or by Electronic Communication.

47 2 A notice may be given by the Company to any Member personally or by sending it either

by post to him at his registered address or to the address supplied by him to the Company for the giving of notices to him or by sending it by facsimile to him at any facsimile number supplied by him to the Company specifically for the purpose of serving formal notices on him or by sending it by Electronic Communication to an address for the time being notified to the Company by the Member for that purpose

47.3 Subject to the Law, the AIM Rules for Companies and to any other rules which the Company is bound to follow, the Company may also send any notice or other document pursuant to these Articles to a Member by publishing that notice or other document on a website where:

- (a) the Company and the Member have agreed to his having access to the notice or document on a website (instead of it being sent to him);
- (b) the notice or document is one to which that agreement applies,
- (c) the Member is notified (in accordance with any requirements laid down by the Law and, in a manner for the time being agreed between him and the Company for the purpose) of:
 - (i) the publication of the notice or document on a website,
 - (ii) the address of that website; and
 - (iii) the place on that website where the notice or document may be accessed, and how it may be accessed, and
 - (iv) the notice or document is published on that website throughout the publication period, provided that, if the notice or document is published on that website for a part, but not all of, the publication period, the notice or document shall be treated as being published throughout that period if the failure to publish that notice or document throughout that period is wholly attributable to circumstances which it would not be reasonable to have expected the Company to prevent or avoid. For the purposes of this Article 'publication period' means a period of not less than 21 days,

beginning on the day on which the notification referred to in Article 47.3(c) is deemed sent.

- 47 4 A Member present, either in person or by proxy, at any meeting of the Company or of the holders of any class of Shares in the Company shall be deemed to have received due notice of the meeting and, where requisite, of the purposes for which it was called
- 47 5 Any notice shall be deemed to have been served on the second day following the date of posting. In the case of service of any notice by facsimile such notice shall be deemed to have been served immediately on transmission of such notice. A notice or other document contained in an Electronic Communication shall be deemed to be served one day after the time it was sent or on the deemed notification to the Member of its publication on a website. Proof that a notice contained in an Electronic Communication was sent in accordance with guidance issued by the Institute of Chartered Secretaries and Administrators shall be conclusive evidence that the notice or document was served.
- 47 6 A notice may be given by advertisement by being published in at least one United Kingdom national newspaper and at least one daily newspaper circulated in Jersey and shall be deemed to have been served before noon the day on which the advertisement appears.
- 47 7 In proving service of any notice by post it shall be sufficient to prove that the notice was properly addressed stamped and posted. In the case of service of any notice by facsimile it shall be sufficient to prove receipt by the sender of a confirmed facsimile transmission report.
- 47 8 A notice may be given by the Company to the joint holders of a Share by giving notice to the joint holder named first in the Register in respect of the Share.
- 47 9 A notice may be given to the guardian of a minor Member or to the curator appointed by the Royal Court or other person appointed by a court of competent jurisdiction to administer to the affairs of any Member of unsound mind or to the persons entitled to a Share in consequence of the death or bankruptcy of a Member by sending it through the post in a prepaid letter addressed to such persons by name or by the title of guardian or curator appointed by the Royal Court or other person appointed by a court of competent

jurisdiction to administer to the affairs of such Member of unsound mind or representatives of the deceased or trustee of the bankrupt or by any like description at the address supplied for the purpose by such persons. Until such an address has been supplied, a notice may be given in any manner in which it might have been given if the Member in question had not been a minor or of unsound mind, or if the death or bankruptcy of the Member in question had not occurred.

- 47.10 Subject to the provisions of these Articles, notice of every general meeting shall be given to every Member, to each Director and to such other persons as the Directors shall at any time and from time to time determine.
- 47.11 For the purposes of serving notices of meetings or other documents, the Directors may determine that the persons entitled to receive such notices or other documents are those persons who are entered on the Register at any time not more than 21 days before the date of the dispatch of the notice or other document.

**Circle Holdings plc (formerly Health
Investment Holdings Limited)**

**Annual Report and Financial Statements
For the year ended 31 December 2010**



COMPANIES HOUSE

Registered number 100016 (Jersey)

Circle Holdings plc

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Circle Holdings plc

Company Information

Directors

Massoud Keyvan-Fouladi
Ali Parsadoust
Paolo Pieri

Company secretary

Capita Secretaries Limited

Independent auditors

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

Bankers

Deutsche Bank International Limited
PO Box 727
St Paul's Gate
New Street
St Helier
Jersey JE4 8ZB
Channel Islands

Barclays Private Clients International Limited
13 Library Place
St Helier
Jersey JE4 8NE
Channel Islands

Solicitors

Taylor Wessing
5 New Street Square
London EC4A 3TW

Ogier
Whiteley Chambers
Don Street
St Helier
Jersey JE4 9WG
Channel Islands

Registered office

12 Castle St
St Helier
Jersey JE2 3RT
Channel Islands

Circle Holdings plc

Business overview

For the year ended 31 December 2010

The core business of Circle Holdings plc (formerly Health Investment Holdings Limited) is providing healthcare services through its 50.1% ownership of Circle Health Limited ('Circle') and through its 90% ownership of Health Properties Limited ('Health Properties'). Below is an overview of the history and strategy of these businesses

Circle

Circle was founded out of a belief that the healthcare sector needs innovation to transform the value equation for patients, insurance providers and taxpayers. In healthcare, like any other professional service, value is defined not just as price, but rather as quality relative to price. In healthcare, quality is defined as clinical outcome plus patient experience. This can be represented as a simple economic equation:

$$\text{Value} = \frac{\text{Quality}}{\text{Price}} = \frac{\text{Clinical Outcomes} + \text{Patient Experience}}{\text{Unit of Cost}}$$

Circle's objective is to become the highest value provider in UK healthcare by offering the best possible clinical outcomes and patient experience at the lowest possible prices. To do so, we have focused relentlessly on transforming ways of working in healthcare in two main areas:

- i Changing incentives
Previously, the interests of clinicians, managers and patients have not been aligned because accountability was geared towards remote layers of management in a top-down, hierarchical structure. By making everyone, from the consultants to the cleaners, owners in Circle, and allocating shares according to an individual's contribution, we have succeeded in aligning incentives to create value.
- ii Designing and implementing a scientific operating model
The 'Circle Operating System' combines frontline decision making with an uncompromising focus on quality.

Health Properties

Health Properties is a property company which acquires sites, designs and constructs a new generation of world-class healthcare facilities. Health Properties and Circle are committed to transforming the patient experience through a network of up to 30 compact, purpose-built, high-quality hospitals. In addition, Health Properties is aiming to become an acknowledged global leader in healthcare infrastructure development.

Key strengths

- Circle Partnership Limited (the 'Circle partnership')

The Circle partnership is 100.0% beneficially owned by consultants, employees and former employees. The Directors believe that the Circle partnership encourages long term commitment by Circle Partners, promotes greater efficiencies in operations by empowering front line staff to effect changes in work practices and incentivises Circle Consultants and employees to create long-term shareholder value that they can ultimately participate in.

Circle Holdings plc

Business overview

For the year ended 31 December 2010

Key strengths (continued)

- A strong and diverse management team

Circle's management team has worked for hospital operators and developers, medical insurance companies, healthcare consultancies, the Department of Health and the NHS. Clinical team members are senior and respected members of their professions. Other members of the team have worked for major UK corporations and investment banks.

- Brand and market recognition

The Directors believe that Circle benefits from high patient advocacy, key political positioning and first-mover advantage in the provision of NHS services.

- Modern new build independent hospitals designed to address current and future healthcare requirements

- Operating model – The Circle Operating System

Circle aims to put healthcare professionals back in charge of healthcare through a system called the 'Circle Operating System'.

Progress

Circle's unique clinician-led operating model has been successfully applied and proven at Circle's day surgery hospital in Nottingham, which treats NHS patients, and at its first independent hospital, CircleBath, whereby clinicians are empowered to achieve the greatest levels of patient care and best use of resources through co-ownership and active participation in managing Circle's operations.

Circle's day-surgery hospital in Nottingham is a Cabinet Office Pathfinder project. Treating around 78,000 patients a year and employing over 700 NHS seconded staff, it is the largest outpatient and day surgery centre in the UK and one of the largest in Europe. In Nottingham, Circle has demonstrated the productivity gains that can be achieved by NHS staff when they are given ownership and control to re-design services for the patients they know best. By applying its model of employee ownership and engagement, Circle introduced a new culture with dramatic results: an 18.0% compound productivity improvement since opening, at the same time as reducing the number of patients requiring readmission to five times better than the national NHS target, and patient recommendation to 99.2% in 2010.

Circle's first new build hospital, CircleBath, opened in March 2010 and was designed by the internationally renowned architects Foster + Partners in conjunction with Circle to redefine patient experience in UK healthcare. CircleBath has won a number of awards for best hospital building and best public space nationally and internationally. Locally sourced food is cooked daily by a chef who joined CircleBath from a Michelin starred restaurant and the front-of-house team were recruited and trained to offer a luxury hotel experience. 96.3% of patients treated in 2010 recommend the hospital to family and friends, and there has only been one unplanned patient readmission to theatre out of nearly 13,000 treated since opening. CircleBath treats both private patients and NHS patients, through NHS Choose and Book at NHS tariff prices.

Circle is developing its second independent hospital, CircleReading, which is expected to open in late 2012 and also operates two independent clinics in Stratford and Windsor.

Circle has also been awarded preferred bidder status to operate Hinchingsbrooke Health Care NHS Trust ('Hinchingsbrooke'). Hinchingsbrooke is the first NHS hospital trust to be franchised in England and Circle was granted preferred bidder status in November 2010 through a competitive tender.

Circle Holdings plc

Business overview

For the year ended 31 December 2010

We believe that this success is down to Circle's commitment to its credo, the set of values and beliefs that underpins everything that staff do

Purpose

Our purpose is to build a great company dedicated to our patients

Parameters

We exclusively focus our efforts on

What we are passionate about

What we can become the best at

What principally drives our economic sustainability

Principles

Our actions are measured by success in meeting all our 3 core values

- We are above all the agent 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, then everyone who contributes should be a Partner in all that we do. In return, we expect them to give our 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 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



Ali Parsadoust
Director



Massoud Keyvan-Fouladi
Director

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

The Directors present their annual report and audited financial statements for Circle Holdings plc (formerly Health Investment Holdings Limited) for the year ended 31 December 2010. On 13 May 2011, with effect from 16 May 2011, the Directors passed a resolution changing the Company's name from Health Investment Holdings Limited to Circle Holdings plc.

The Group financial statements consolidate the financial statements of Circle Holdings plc (the 'Company') and its subsidiary undertakings ('subsidiaries') and share of joint venture results, (together the 'Group') drawn up to 31 December 2010.

International Financial Reporting Standards transition

These financial statements represent the first annual financial statements of the Group prepared in accordance with International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB') and adopted for use in the European Union. Until 31 December 2009, the Group prepared its financial statements under UK Generally Accepted Accounting Principles ('UK GAAP'). The Group's transition date to IFRS is 1 January 2009 and the impact of transition is a £6,570,000 decrease in shareholder's equity, mainly due to the recognition of the Group's interest rate swaps at fair value. Reconciliations between previously reported UK GAAP numbers and those under IFRS are set out in note 33 to the consolidated financial statements.

Principal activities and review of the business

The Group is an emerging provider of healthcare services in the UK, treating privately insured, self-pay and National Health Service ('NHS') patients. The Group's business strategy is founded on the creation of the 'Circle partnership', comprising a group of consultants, General Practitioners ('GPs') and healthcare professionals. The 'Circle partnership' is built on the belief that the best way to deliver great patient care is to empower the doctors, nurses and everyone who works in the hospitals, treatment centres and clinics, to put patients' needs first.

The Group currently operates five facilities, comprising a new private hospital in Bath which opened in March 2010, two Independent Sector Treatment Centres ('ISTCs') in Nottingham and Burton, and specialty clinics in Stratford and Windsor.

The new hospital in Bath ('Circle Bath Hospital') is a ground breaking design by Foster + Partners and has won several awards, including the British Construction Industry 'Best Building Project' in the £30 - £50.0 million category in 2010. The hospital delivers a great improvement to the patient experience and the quality of care in the Bath region. The Group is continuing to build and commission a network of modern, high-quality hospitals and clinics and in December 2010 secured funding for a new £50,000,000 hospital in Reading ('Circle Reading Hospital').

The Group has a strong track record of operating NHS facilities, which have been awarded 'Pathfinder' status by the Cabinet Office, and been designated as 'Trailblazers' for the rest of the public sector, helping the Government to learn from the front-line how innovation and entrepreneurship can be released through employee ownership. Building on this, the Group has been chosen as the preferred bidder to run Hinchingsbrooke Healthcare NHS Trust ('Hinchingsbrooke Hospital') in Huntingdonshire. This is a ground breaking move and the Group is seeking to explore further opportunities within the NHS.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Principal activities and review of the business (continued)

Key highlights

The companies in the Group experienced significant growth in 2010 with revenues growing by 19.1% to £76,472,000 from £64,182,000 in 2009. Other key developments in 2010 include the following events:

- Circle Bath Hospital opened in March 2010 and has treated 7,232 patients since opening, earning £4,918,000 of revenue. Customer feedback has shown 99.5% of patients rate the services as good/excellent.
- Nations Healthcare (Nottingham) Limited is in its second full year of trading and has shown significant growth, with the number of patients treated increasing by 25.9% to 77,666 and revenue increasing by 37.6% to £48,000,000 (2009: £34,896,000).
- Nations Healthcare (Burton) Limited patient volumes continued to grow during the year by 20.4% to 37,484 (2009: 31,132), however due to the minimum take contract and reduction in training income, revenue declined by 7.0% to £16,781,000 (2009: £18,061,000).
- Funding was agreed to build Circle Reading Hospital in December 2010 from the real estate investment arm for BP's pension fund, Ropemaker Properties Limited ('Ropemaker').
- In November 2010 the Group was chosen as the preferred bidder for the contract to run Hinchingsbrooke Hospital in Huntingdonshire for 7-10 years with the contract due to be signed in June 2011.
- Additional equity investment by current shareholders of £12,500,000 during the year, to fund expansion.

The Group's key financial and other performance indicators during the year were as follows:

	2010 £'000	2009 £'000	Change
Group turnover	76,472	64,182	19.1%
Operating loss	(34,971)	(19,762)	(77.0)%
Earnings before interest, tax, depreciation and amortisation (EBITDA) before exceptional items (note 4)	(15,696)	(8,542)	(83.8)%
Total operating loss before exceptional items (note 4)	(19,904)	(13,160)	(51.2)%
Loss for the year attributable to equity holders of the parent	(34,290)	(21,181)	(61.9)%
Net (liabilities) / assets	(5,223)	20,299	(125.7)%
	2010 Number	2009 Number	Change
Day case and inpatient procedures	45,227	37,393	21.0%
Outpatient procedures	80,622	62,486	29.0%
Average number of employees	633	384	64.8%

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Principal activities and review of the business (continued)

Key highlights (continued)

Group turnover increased by 19.1% from £64,182,000 to £76,472,000, primarily as a result of the opening of Circle Bath Hospital in March 2010 and growth in Nations Healthcare (Nottingham) Limited

Net assets decreased by 124.5% due to losses for the year, partially offset by the issue of shares to existing investors which in total raised £12,500,000

The total average number of employees in the Group increased during the year to 633, primarily reflecting the opening of the new Circle Bath Hospital. This has been fully staffed for the whole year.

Exceptional items in the year of £15,067,000 (2009: £6,602,000) consists of the following

	2010 £'000	2009 £'000
• Impairment of property, plant and equipment	9,576	-
• Impairment of goodwill	2,845	334
• Share-based payments in respect of warrants issued	3,354	4,169
• Net (reversal of) / increase in provision for onerous leases	(367)	1,299
• (Gain) / loss on disposal of assets	(443)	1,993
• Warrants issued for nil consideration	-	1,450
• Profit on disposal of investment in subsidiary undertaking	-	(2,901)
• Other exceptional costs	102	258
	15,067	6,602

Please see note 4 of the Group financial statements for further details of the exceptional items listed above

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Principal activities and review of the business (continued)

Group Segmental reporting structure

Circle Independent	Circle NHS	All Other Segments and Unallocated Items
Key business Units: <ul style="list-style-type: none"> • Circle Bath Hospital • Circle Stratford Clinic • Circle Windsor Clinic • Circle Head Office 	Key business Units: <ul style="list-style-type: none"> • Nations Healthcare Nottingham • Nations Healthcare Burton • Nations Healthcare Bradford • Nations Healthcare Head Office 	Key business Units <ul style="list-style-type: none"> • Health Properties • Health Properties Bath (JV) • Health Properties Reading • Health Properties Edinburgh • Health Properties Manchester • Circle Holdings plc

A review of the key segmental operating units is as follows

Circle Independent

The operating units within the Circle Independent segment are grouped together based on the fact they are privately-owned clinics and hospitals

- Circle Hospital (Bath) Limited ('Circle Bath Hospital')
- Circle Clinics Limited ('Circle Clinic Stratford')
- Windsor Hand Surgery Limited ('Circle Clinic Windsor')
- Circle Health Limited ('Circle Head Office')

Circle Bath Hospital was successfully opened in March 2010. Volumes grew rapidly month on month throughout the year and in total 7,232 daycase, inpatients and outpatients have been treated. Growth is expected to continue, driven by the introduction of new partners and increasing the number of specialties offered to both private and NHS patients.

Patient numbers have grown substantially at Circle Hospital Bath and by 67.4% at Circle Clinic Stratford, but have dropped by 1.0% at Circle Clinic Windsor.

Segment revenue grew by 389.8% to £6,000,000 (2009: £1,225,000) primarily due to the opening of the Circle Bath Hospital, which accounted for £4,918,000 of the revenue increase.

Operating losses for the segment were impacted by the start up operating costs in Circle Bath Hospital, one-off exceptional items and increased Head Office costs to support growth operations. This resulted in a 249.5% increase in operating loss to £34,576,000 (2009: £9,892,000).

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Principal activities and review of the business (continued)

Circle NHS

The operating units within the Circle NHS segment are NHS-sponsored ISTC contracts. The statutory entities included within this segment are the following:

- Nations Healthcare (Nottingham) Limited ('Nations Healthcare Nottingham')
- Nations Healthcare (Burton) Limited ('Nations Healthcare Burton')
- Nations Healthcare (North Bradford) Limited ('Nations Healthcare Bradford')
- Nations Healthcare Limited ('Nations Healthcare Head Office')

The Nottingham Treatment Centre is one of the biggest independent treatment centres in Europe, providing services including Orthopaedic Surgery, General Surgery, Endoscopy, Digestive Diseases, Gynaecology and Dermatology. A Deed of Variation ('DoV') was signed during the year to compensate for delays in the original start date of the contract and changes to the charges received under the contract.

Both daycase patient and outpatient numbers have increased during the year at both the Nottingham and Burton Treatment Centres.

The five year contract to run the Bradford Treatment Centre came to an end in January 2010 and was extended by five months until the end of June 2010 when the existing contractual arrangements were wound down. Due to the cessation of the contract, the number of daycase and diagnostic patients reduced significantly during the year.

Segment revenue grew by 12.1% to £70,416,000 (2009: £62,790,000) primarily due to significant growth in patient volumes at the Nottingham Treatment Centre, which has now been open for two full years.

Operating profits for the segment increased by 204.1% to £4,316,000 (2009: operating loss £4,145,000). Overhead costs in the Nottingham Treatment Centre are fixed and the significant increase in patient volumes have consequently driven up the profit margins. In addition, a reduction in the patient volumes and operating costs in the Bradford Treatment Centre was combined with constant minimum monthly take revenue to produce a further improvement on the segment profit margins.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Principal activities and review of the business (continued)

All Other Segments and Unallocated Items

The operating segments within this segment are the property companies and the head office entities not involved in the operation of hospitals or treatment centres

The Health Properties Limited group ('Health Properties group') consists of 18 companies and has been developing a new programme for building hospitals within a shortened time frame by utilising standard build components manufactured off site for a reduced cost. The Circle Reading Hospital will be the first build to benefit from this new methodology. The major statutory entities included within this segment are the following

- Health Properties Ltd ('Health Properties')
- Health Properties (Reading) Limited ('Health Properties Reading')
- Health Properties (Edinburgh) Limited ('Health Properties Edinburgh')
- Health Properties (South Manchester) Limited ('Health Properties Manchester')
- Health Properties (Bath) Limited ('Health Properties Bath') Joint Venture
- Circle Holdings plc (the 'Company')

Funding of £50,000,000 for the land, design and construction of the Circle Reading Hospital building was agreed in December 2010 from the real estate investment arm for BP's pension fund, Ropemaker. As a result, assets under construction held in Circle Reading Hospital were sold to Ropemaker. Health Properties Management Limited ('Health Properties Management') will continue to provide the tenant liaison service for the construction of the new hospital. Ropemaker has signed an agreement to lease the hospital building to Circle Reading Hospital for 25 years.

Approval has been gained to construct an 80 bed hospital in Edinburgh. The purchase of the land is financed through a £7,380,000 term facility provided by Allied Irish Bank ('AIB') which is due for repayment in June 2012 and a mezzanine debt of £2,500,000 provided by James Caird Asset Management Limited ('JCAM') which was repaid in May 2010.

Funding for a hospital to be built on a five acre site in south Manchester is expected to be secured in 2011, with the commencement of on-site construction to begin in early 2012.

The construction of the Circle Bath Hospital building, a Foster + Partners designed hospital, was completed on 5 October 2009 and the company entered into a 25 year lease with Circle Bath Hospital. This construction project was delivered on time and to budget with the hospital opening during March 2010 following the commissioning of the facility. The Circle Bath Hospital building has won several awards, including the British Construction Industry 'Best Building Project' in the £30 - £50 million category in 2010.

In March 2008, Health Properties entered into a joint venture agreement with LB UK RE Holdings Limited (in administration) ('Lehmans') regarding Health Properties Bath, which is accounted for as a joint venture. During 2009 the Group sold 58.1% of its shareholding in Health Properties Bath to Health Estates Limited ('Health Estates Fund') for a cash consideration of £2,000 plus a transfer of a shareholder loan of £1,798,000 at par for cash.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Principal activities and review of the business (continued)

The Health Properties group has achieved outline planning consent on sites in Manchester, Birmingham, Tunbridge Wells, Ashford, Warwick, Weybridge, and Plymouth. On these seven sites and a site in Bournemouth, Health Properties group has land deposits totalling £1,585,000 on 30.5 acres of land with an acquisition cost of £34,043,000. On two sites, Ashford and Warwick, the last contract date for commencement of works has passed leading to risks in the recoverability of the land deposits totalling £264,000 and the rights to purchase the land. However, discussions with vendors are positive. Land is under negotiation for sites in Weybridge, Southampton, and Bristol.

In recognition of the risks surrounding the financing of all costs expended to date, the Group is holding assets under construction with an historic cost of £1,712,000 at their fair value of £635,000. The Directors are confident that remaining asset values are held at an appropriate level.

Future developments

Further funding is being sought for the next hospitals in the build programme from pension funds, equity investors and a number of leading banks.

Operationally, the intention during the coming year is to increase the patient volumes treated at each of the operating facilities, raising the quality of care provided and ensuring that all facilities are of a world class standard. The original five year Burton ISTC contract, due for renewal in July 2011, is not being renewed and the running of the treatment centre is returning to the local Primary Care Trust ('PCT'). The Group has been awarded Any Willing Provider ('AWP') contracts in the Burton area and is pursuing other locations from which to operate.

Under the preferred bidder status awarded to run Hinchingsbrooke Hospital in Huntingdonshire for 7-10 years, the current plans are to sign the contract in June 2011 and for the contract to commence 60 - 90 days later.

Principal risks and uncertainties

• Medical services

As with all medical providers, clinical risk is a major consideration. The Circle group has an Integrated Corporate Governance structure which is chaired by the Medical Director, Massoud Keyvan-Fouladi, who also sits on the board of the Company. This Integrated Corporate Governance structure includes senior staff across the operational, clinical and central support teams. Each hospital site has its own local governance structure, whilst a team of clinical care quality specialists is dedicated to developing up to date and consistent policies across all sites. Local governance committees work to a rigorous assurance framework, manage day to day clinical risks through a risk register, provide appropriate training to staff and consultants and report their findings to the Circle group's Integrated Governance Committee. This committee in turn reports to the boards of the relevant Circle group companies, as appropriate.

Additionally, the Circle group's hospitals, clinics and treatment centres are subject to Care Quality Commission ('CQC') reviews on a regular basis, including a review of training and risk management procedures.

• Government policy and regulatory risk

There are risks that political or policy changes mean that the number and size of contracts awarded to the Group are diminished and that fewer services provided by the Group are contracted. 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 PCTs and NHS Trusts to pay for the Group's services.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Principal risks and uncertainties (continued)

- **Risk to reputation**

The Group provides high quality medical care that is backed up by clinical governance. Reputational risk is the risk that the Group provides medical care that is not of a sufficiently high quality, resulting in patient or customer dissatisfaction and negative publicity.

Financial risk management

The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, contract risk, cash flow risk and interest rate risk. The Group seeks to limit the adverse effects of the above risks on the financial performance of the Group 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 senior management throughout the year via monthly reviews of operational performance, cash flows, levels of individual debt instruments and overall debt levels.

Due to the nature of the two current monthly minimum take Independent Sector Treatment Centre ('ISTC') contracts with the Department of Health ('DoH') in Nations Healthcare Nottingham and Nations Healthcare Burton, there is no material price or credit risk exposure for the companies operating in the Nations Healthcare Group.

- **Price risk**

While 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 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 private patients is anticipated to increase, the Group will be increasingly subject to pricing changes from private insurance companies.

- **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 that have high credit worthiness. Credit control procedures are designed to ensure that contracted revenue is collected according to agreed terms.

- **Liquidity risk**

Liquidity risk is the risk that a Group entity will encounter difficulty in meeting obligations associated with financial liabilities. The Group aims to mitigate liquidity risk by robustly managing cash generation across its operations and by applying cash collection targets throughout the Group. Current cash projections show the need for fundraising to provide ongoing working capital and to meet future growth plans.

- **Cash flow risk and interest rate risk**

Cash flow risk is the exposure to variability of cash flows associated with a recognised asset or liability, such as future interest payments on a variable rate debt. The Group manages this risk, where significant, by interest rate swaps and long-term debts, where appropriate. Updated projections and forward plans on raising funds are prepared. Operational cash flow risks are managed through detailed budgeting and tight cost control and should the need arise significant costs savings can be made in the short term by reducing Head Office costs.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Financial risk management

- **Contract risk**

Contract risk is the risk that 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 / extensions ahead of time.

Policy and practice on payment of creditors

It is the Group 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 2010, the Group and Company had the following equivalent days of purchases outstanding:

	2010 (days)	2009 (days)
Group days	51.5	53.5
Company days	8.0	2.4

At 31 December 2010 trade creditors in the Group and Company are £9,992,000 and £16,000 respectively (2009: £10,773,000 and £3,000).

Results and dividends

The loss for the year after taxation attributable to equity holders of the parent amounted to £34,290,000 (2009: £21,181,000). The Directors do not recommend the payment of any dividends (2009: £nil).

Going concern

The financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. See note 2 to the financial statements.

Directors

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

Massoud Keyvan-Fouladi	
Robert Ayliffe **	(resigned 23 May 2011)
Simon Kelly **	(resigned 23 May 2011)
Ali Parsadoust	(appointed 23 May 2011)
Paolo Pieri	(appointed 23 May 2011)

**Directors employed by Capita Fiduciary Group Limited, a management and fiduciary services company based in Jersey.

In its articles, the Company has granted an indemnity to every present and former officer in respect of proceedings brought by third parties and there is an express indemnity of Directors from the Company in the shareholders agreement. 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.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Events after the reporting period

i Costain Limited construction contract

Due to construction delays and building design changes on the Nottingham Treatment Centre during 2007, additional costs were incurred in the completion of the building. The primary building contractor, Costain Limited ('Costain'), brought a legal claim in 2010 for £1,200,000 of additional costs. An adjudication was held in January 2011 and an amount of £543,000 was awarded and paid to Costain as settlement of the claim. Subsequent to this, Costain brought a second claim against the Group for £1,200,000 for which costs of £700,000 are included in the financial statements. During March 2011, the Group agreed to pay Costain £700,000 on 1 June 2011 in full and final settlement of this claim.

ii Extension of Allied Irish Bank ('AIB') loan

At 31 December 2010, Health Properties Edinburgh had a loan facility for £7,380,000 from AIB with a maturity date of 31 March 2011. During March 2011, an extension until 30 June 2012 was agreed on the facility. Interest is LIBOR + 4.0% and the entire amount of interest payable until due date will be paid in advance.

iii Waiver of GE equipment lease covenant breach

The Group was in breach of certain financial covenants in the GE equipment lease at 31 December 2010. During March 2011, the Group received a waiver of all events of default and breaches from GE by means of a Deed of Amendment and Waiver.

iv Waiver of JCAM (i) loan facility covenant breach

The JCAM (i) (note 17) facility was in default at year end due to (i) a cross-default triggered by an underlying default under the GE equipment lease above and (ii) the delivery of security by certain Group companies in breach of the negative pledge in the JCAM facility agreement. During May 2011, the Group received a waiver of all events of default and breaches from JCAM. The waiver is conditional on the Group completing a raise of a specified amount of funds from external investors, which was completed as detailed below. In addition, the repayment date of the facility was extended from 29 August 2012 to 28 February 2013.

In May 2011 it was agreed with JCAM that if a listing of the Company on AIM does not occur by the end of 2011 and the Vinci loan agreement of £5,000,000 (see (x) below) is repaid in full out of Group funds that JCAM will be entitled to receive a mortgage over the Manchester land from Health Properties (South Manchester) Limited to the extent of such Group funds.

In June 2011 it was further agreed with JCAM that they will receive a potential prepayment of £4,100,000 on the later of two business days after (i) a listing on AIM and (ii) the repayment in full of the Vinci loan agreement. The £4,100,000 prepayment will be reduced by the amount that the Vinci loan agreement is repaid using funds from within the Group rather than from a third party financing.

v March 2011 equity raise, warrant repricing and shareholder restructure

During March 2011, existing shareholders committed to provide additional equity of £20,000,000 to fund the Group. Of this amount, £7,500,000 has already been received with a further £12,500,000 to be received in the event that there is no Initial Public Offering ('IPO') by 31 May 2011. Furthermore, the existing investors were issued a set of warrants to subscribe for an additional number of ordinary shares at nominal value so that the subscription price under the equity commitment is adjusted to be, effectively:

- 1) if there is an IPO before 31 May 2011, 90.0% of the IPO price, and
- 2) if no IPO by 31 May 2011, £20.00

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Events after the reporting period (continued)

v March 2011 equity raise, warrant repricing and shareholder restructure (continued)

The subscription agreement and the warrant instrument were subsequently amended (see (xi) below) Health Trust (Jersey) undertook, as part of the same transaction, to transfer 3.0% of the fully diluted number of shares in the Company to certain existing shareholders in return for a 6.0% holding in Circle Partnership. A further consequence of the additional equity funding by the existing investors is that all outstanding share warrants, priced at either £51.55 or £29.84, are repriced to £20.00 or the price of the IPO, if it occurs prior to 31 May 2011.

vi Nations Healthcare Burton contract

In March 2011, the Group was notified that the original Burton ISTC contract, due for renewal in July 2011, would not be renewed and that the treatment facility would be returned to Burton Hospitals NHS Foundation Trust (the 'Trust').

As part of the hand over of the Burton operations to the Trust, the Group has entered into a 'Sale of business and mobilisation mitigation and business know-how services' agreement (the 'Agreement') in order to ensure the orderly transfer of operations upon the expiration of the ISTC contract on 11 July 2011. Under the agreement, Nations Healthcare Burton will transfer all operating assets and provide training and mobilisation services to ensure the Burton Treatment Centre is able to continue operating over the transition period. The Agreement stipulates that Nations Healthcare Burton will be paid £2,500,000 less any residual liability payable to the Trust under the Agreement. The Group has also served notice under the original master agreement with GE to purchase the leased assets, which will be transferred to the Trust on 11 July 2011.

vii Change of name and tax status

On 13 May 2011, the Directors passed a resolution changing the Company's name from Health Investment Holdings Limited to Circle Holdings plc. This came into effect as of 16 May 2011. In addition, on 17 May 2011, a resolution was passed to bring the Directors onshore, thus changing the tax residency of the Company from Jersey to the UK.

viii Authorised preference share capital

On 1 June 2011, the shareholders passed a resolution adopting new Articles of Association ahead of Admission. These articles, among other items, reclassified the share capital of the Company into a single class of ordinary shares, thereby eliminating the previously authorised preference shares. However, if Admission does not occur by 30 September 2011, the ordinary shares issued in November 2010 (and the warrant shares issuable pursuant to the warrant instrument from the same transaction) will convert into preference shares.

ix Winding up of Health Properties share scheme

On 3 May 2011, a decision was taken by the Directors to take steps to wind up the Health Properties share scheme with the intention that any shares being held on its behalf be transferred to EES Trustees International Limited. It is the intention that the participants concerned will be offered shares in Circle Partnership, pursuant to the terms of Circle Partnership share scheme.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Events after the reporting period (continued)

x Purchase of South Manchester land

The Group, through a property SPV, Health Properties (South Manchester) Limited ("Health Properties Manchester") identified a site in Manchester and incurred costs of £1,700,000 comprising deposits of £900,000 and development costs of £800,000. In May 2011, Health Properties Manchester entered into an agreement to buy the land from Silversword Properties Limited for approximately £7,200,000. Of this amount, £900,000 has already been paid in the form of a land deposit, £5,000,000 has been lent by Vinci to Health Properties Manchester secured against the land, and £200,000 has been paid in cash. The remaining £1,100,000 will be paid during July 2011. The £5,000,000 loan from Vinci is a short term facility which will be repaid on 23 December 2011 and will incur interest at a rate of 9.0% + LIBOR.

xi May 2011 equity raise, warrant repricing and shareholder restructure

In May 2011, agreement was reached with Odey European Inc. and BlueCrest Venture Finance Master Fund Limited to provide equity of £15,000,000 and £5,000,000 respectively prior to the IPO in order to provide further funding for the business over the next 18 months. The subscription price was £11.15 per share, however warrants were also issued which are exercisable at nominal value into the number of warrant shares equal to 30.0% and 10.0%, respectively, of the warrants issued pursuant to the November 2010 and March 2011 warrant instrument. In addition, Health Trust (Jersey) will receive an additional 4.0% of the equity in Circle Partnership. It was further agreed that the IPO completion date of 31 May 2011, as contemplated in (v) above, would be extended to 30 June 2011, and that the effective subscription price of the March 2011 equity commitment in scenario 2 of (v) above would be reduced to £8.72.

xii Intention to float on Alternative Investment Market

On 25 May 2011, the Group announced its intention to list on the Alternative Investment Market, a market operated by the London Stock Exchange plc. This intention forms part of the Group's overall fundraising strategy.

xiii Contingent funding arrangement

On 13 June 2011, some of the existing shareholders (BlackRock Investment Management (UK) Limited, the Lansdowne funds (note 20) and BlueCrest Venture Finance Master Fund Limited) agreed to subscribe for additional ordinary shares in the Company at a total subscription price of up to £2,460,000 on 27 June 2012 (or such other date as they agree with the Company) at a price per ordinary share that is 90.0% of the closing price of the ordinary shares on 19 June 2012, subject to a minimum price per ordinary share of £0.90, provided that certain capital raisings or refinancings have not occurred by 20 June 2012.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

Donations

The Group made charitable donations totalling £14,600 (2009 £3,100) during the year to a number of charitable organisations within the UK. A donation of £11,000 was made to the Teenage Cancer Trust, to match a similar donation by a group of Nottingham orthopaedic surgeons.

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.

Employee involvement

The Group operates a group-wide framework for employee information and consultation and actively encourages employees to come forward with their views and suggestions on how performance can be improved. An internal bulletin is regularly produced and distributed among all employees, updating them on developments within the group, in addition to an annual conference which all staff are encouraged to attend. In addition management actively communicates to all group employees via electronic mail. Communications from the Human Resources department notify all staff of any changes to personnel during the year.

The Group encourages the involvement of employees in the performance of the Group through participation in the share scheme operated by Circle Partnership, a related company incorporated in the British Virgin Islands, which holds 49.9% of the share capital of Circle Health. The remaining 50.1% of the share capital of Circle Health is owned by Circle International plc ('Circle International'), a wholly owned subsidiary of the Group. For further details see note 21 to the financial statements.

A separate share scheme is operated by Health Properties Employee Benefit Trust ('Health Properties share scheme') which holds 10.0% of Health Properties. The remaining 90.0% of Health Properties is owned by the Company. For further details see notes 21 and 32 to the financial statements.

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 policy to provide continuing employment wherever practicable in the same or an alternative position and to provide appropriate training to achieve this aim.

Environmental policies

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 next hospital in the newbuild programme is scheduled in Reading and is planned to be the most energy efficient hospital in the UK.

Circle Holdings plc

Directors' report

For the year ended 31 December 2010

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 ('IFRS') and the Company financial statements in accordance with United Kingdom Generally Accepted Accounting Principles ('UK GAAP'), 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 IFRS and UK accounting standards 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.

Disclosure of information to auditors

So far as the Directors are aware at the time the report is approved

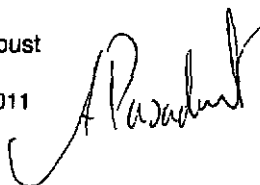
- there is no relevant audit information of which the Company's auditors are unaware, and
- each Director has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are 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 Annual General Meeting.

On behalf of the board

Ali Parsadoust
Director
June 2011



Massoud Keyvan-Fouladi
Director

Circle Holdings plc

Independent auditors' report to the members of Circle Holdings plc

We have audited the Group financial statements of Circle Holdings plc (formerly Health Investment Holdings Limited) for the year ended 31 December 2010 which comprise the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards as adopted by the European Union

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 17 the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, 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 this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the 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.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2010 and of the group's loss and cash flows for the year then ended,
- have been properly prepared in accordance International Financial Reporting Standards as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991

Opinion on other matter

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

Circle Holdings plc

Independent auditors' report to the members of Circle Holdings plc (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion

- proper accounting records have not been kept, or
- the financial statements are not in agreement with the accounting records, or
- we have not received all the information and explanations we require for our audit

Other matters

We have reported separately on the parent company financial statements of Circle Holdings plc for the year ended 31 December 2010



Nigel Reynolds
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London
14 June 2011

Circle Holdings plc

Consolidated income statement For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Revenue	3	76,472	64,182
Cost of sales		(49,775)	(41,856)
Gross profit		26,697	22,326
Administrative expenses before exceptional items		(46,346)	(35,329)
Provision for joint venture deficit	12	(255)	(157)
Exceptional items			
– Impairment of property, plant and equipment	4	(9,576)	-
– Impairment of goodwill	4	(2,845)	(334)
– Share-based payments in respect of warrants issued	4	(3,354)	(4,169)
– Warrants issued for nil consideration	4	-	(1,450)
– Net reversal of / (increase in) provision for onerous leases	4	367	(1,299)
– Gain / (loss) on disposal of assets	4	443	(1,993)
– Profit on disposal of subsidiary undertaking	4	-	2,901
– Other exceptional costs	4	(102)	(258)
Total administrative expenses		(61,668)	(42,088)
Operating loss	4	(34,971)	(19,762)
Finance income	7	3,451	4,016
Finance costs	8	(7,240)	(7,839)
Loss before taxation		(38,760)	(23,585)
Income tax (charge) / credit	9	(645)	17
Loss for the financial year		(39,405)	(23,568)
Other comprehensive income		-	-
Total comprehensive loss for the year		(39,405)	(23,568)
Loss for the year attributable to:			
– Equity holders of the parent		(34,290)	(21,181)
– Non-controlling interests	21	(5,115)	(2,387)
		(39,405)	(23,568)
Total comprehensive loss for the year attributable to:			
– Equity holders of the parent		(34,290)	(21,181)
– Non-controlling interests	21	(5,115)	(2,387)
		(39,405)	(23,568)

There is no other comprehensive income arising in the joint venture (2009: £nil)

Circle Holdings plc

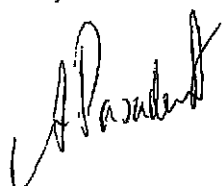
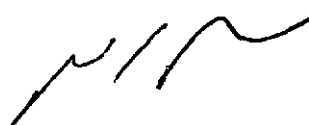
Consolidated balance sheet

As at 31 December 2010

	Note	2010 £'000	2009 £'000	2008 £'000
Non-current assets				
Intangible assets	10	5,384	8,255	8,431
Property, plant and equipment	11	7,939	16,127	33,167
Trade and other receivables	14	47,281	48,698	52,663
		<u>60,604</u>	<u>73,080</u>	<u>94,261</u>
Current assets				
Inventories	13	1,309	780	712
Trade and other receivables	14	14,715	14,643	8,569
Cash and cash equivalents	15	12,322	25,824	17,006
		<u>28,346</u>	<u>41,247</u>	<u>26,287</u>
Total assets		<u>88,950</u>	<u>114,327</u>	<u>120,548</u>
Current liabilities				
Trade and other payables	16	(20,399)	(20,173)	(20,070)
Loans and other borrowings	17	(21,966)	(53,597)	(51,980)
Provisions for other liabilities and charges	18	(602)	(711)	(652)
Warrant liability	22	(1,971)	-	-
		<u>(44,938)</u>	<u>(74,481)</u>	<u>(72,702)</u>
Non-current liabilities				
Trade and other payables	16	-	(116)	(683)
Loans and other borrowings	17	(42,726)	(13,217)	(33,150)
Deferred tax liabilities	9	(645)	-	(17)
Provision for joint venture deficit	12	(1,762)	(1,507)	-
Provisions for other liabilities and charges	18	(608)	(1,664)	(1,133)
Derivative financial instruments	19	(3,494)	(3,043)	(6,570)
		<u>(49,235)</u>	<u>(19,547)</u>	<u>(41,553)</u>
Total liabilities		<u>(94,173)</u>	<u>(94,028)</u>	<u>(114,255)</u>
Net (liabilities) / assets		<u>(5,223)</u>	<u>20,299</u>	<u>6,293</u>
Shareholders' equity				
Called up share capital	20	425	386	239
Share premium account	20	111,680	101,190	69,492
Warrant reserve	22	19,878	16,524	10,905
Retained deficit		(128,049)	(93,759)	(72,578)
Equity attributable to equity holders of the parent		<u>3,934</u>	<u>24,341</u>	<u>8,058</u>
Non-controlling interests	21	(9,157)	(4,042)	(1,765)
Total shareholders' equity		<u>(5,223)</u>	<u>20,299</u>	<u>6,293</u>

The financial statements on pages 21 to 92 were approved by the board of Directors on 14 June 2011 and were signed on its behalf by

Ali Parsadoust
Director
Circle Holdings plc

Paolo Pieri
Director

Registered number: 100016 (Jersey)

Circle Holdings plc

Consolidated statement of changes in equity For the year ended 31 December 2010

	Share capital £'000	Share premium account £'000	Warrant reserve £'000	Retained deficit £'000	Total equity attributable to equity holders of the parent £'000	Non- controlling interests £'000	Total share- holders' equity £'000
At 1 January 2009	239	69,492	10,905	(72,578)	8,058	(1,765)	6,293
Total comprehensive loss for the year	-	-	-	(21,181)	(21,181)	(2,387)	(23,568)
Transactions with owners:							
Issue of shares (note 20)	147	31,698	-	-	31,845	-	31,845
Share-based payments (note 23)	-	-	4,169	-	4,169	-	4,169
Addition to warrant reserve (note 22)	-	-	1,450	-	1,450	-	1,450
Change in ownership that does not result in a loss of control (note 21)	-	-	-	-	-	110	110
At 1 January 2010	386	101,190	16,524	(93,759)	24,341	(4,042)	20,299
Total comprehensive loss for the year	-	-	-	(34,290)	(34,290)	(5,115)	(39,405)
Transactions with owners:							
Issue of shares (note 20)	39	10,490	-	-	10,529	-	10,529
Share-based payments (note 23)	-	-	3,354	-	3,354	-	3,354
At 31 December 2010	425	111,680	19,878	(128,049)	3,934	(9,157)	(5,223)

Circle Holdings plc

Consolidated statement of cash flows For the year ended 31 December 2010

		2010	2009
	Note	£'000	£'000
Cash flows from operating activities			
Cash used in operating activities	27	(18,184)	(14,242)
Interest paid		(6,387)	(6,080)
Interest received	7	3,451	3,493
Net cash used in operating activities		(21,120)	(16,829)
Cash flows from investing activities			
Additional consideration for Circle Clinic Windsor	16	(13)	(46)
Net cash disposed with subsidiary undertaking		-	(15)
Disposal of equity in Health Properties Bath	29	-	1,800
Purchase of intangible assets	10	(94)	(146)
Proceeds from disposal of property, plant and equipment	27	5,580	1,480
Purchase of property, plant and equipment	11	(7,795)	(20,202)
Net cash used in investing activities		(2,322)	(17,129)
Cash flows from financing activities			
Proceeds from issuance of ordinary shares	20	10,529	31,845
Proceeds from issuance of warrants	22	1,971	-
Repayment of borrowings		(3,502)	(920)
Proceeds from borrowings		696	11,851
Sale and leaseback proceeds	17	252	-
Repayment of finance lease	17	(6)	-
Restricted cash		-	-
- Release of DoH performance bond	15	3,900	2,800
- Release of Nations Healthcare Bradford minimum balance	15	500	-
- Release of Nations Healthcare Bradford rental bond	15	213	-
- GE letter of credit	15	-	(1,800)
- Transfer of Health Properties Bath rental deposit to joint venture	15	-	1,750
- Release of Circle Bath Hospital commissioning deposit	15	-	500
Net cash inflow from financing activities		14,553	46,026
Net (decrease) / increase in unrestricted cash and cash equivalents		(8,889)	12,068
Cash and cash equivalents at the beginning of the year		17,011	4,943
Cash and cash equivalents at the end of the year		8,122	17,011
Cash and cash equivalents consist of.			
Cash at bank and in hand		12,322	25,824
Restricted cash			
- DoH performance Bond	15	(500)	(4,400)
- Minimum balance – GE & Department of Health	15	(1,900)	(2,400)
- Letter of Credit – GE	15	(1,800)	(1,800)
- Rental bond – Nations Healthcare Bradford	15	-	(213)
Unrestricted cash at bank and on hand		8,122	17,011

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010

1 General information

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

The company is a private company and is incorporated and domiciled in Jersey. The registered office is 12 Castle Street, St Helier, Jersey

2 Accounting policies

Accounting convention

The consolidated financial statements have been prepared in accordance with Companies (Jersey) Law 1991 on a going concern basis and under the historical cost convention, as modified by the revaluation of derivative financial instruments and the fair valuing of share-based payments and certain loans

Items included in the results of each of the Group's subsidiaries and joint venture are measured using the functional currency, which in all instances is sterling. The Group's consolidated financial statements are presented in sterling. All financial information presented has been rounded to the nearest thousand

Basis of preparation

These consolidated financial statements represent the first annual financial statements of the Company, its subsidiaries and joint venture prepared in accordance with International Financial Reporting Standards ('IFRS'), as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union as at 31 December 2010. The Group adopted IFRS in accordance with IFRS 1 'First-time Adoption of International Financial Reporting Standards'. The first date at which IFRS was applied was 1 January 2009. In accordance with IFRS 1, the Group has:

- provided comparative financial information,
- applied the same accounting policies throughout all periods presented,
- retrospectively applied all effective IFRS standards as of 31 December 2010, as required, and
- applied certain optional exemptions and certain mandatory exceptions as applicable for first time IFRS adopters, namely not to restate its business combinations made prior to 1 January 2009 to comply with IFRS 3 'Business Combinations'

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 33

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Basis of preparation (continued)

IFRS standards in issue, not yet effective as at 31 December 2010, but which will apply in the future are as follows

- IFRS 7 'Financial Instruments Disclosures' - Amendments resulting from May 2010 Annual Improvements to IFRSs (applies to annual periods beginning on or after 1 January 2011)
- IFRS 7 'Financial Instruments Disclosures' - Amendments enhancing disclosures about transfers of financial assets (applies to annual periods beginning on or after 1 July 2011)
- IFRS 9 'Financial Instruments Classification and Measurement' (applies to annual periods beginning on or after 1 January 2013)
- IAS 1 'Presentation of Financial Statements' - Amendments resulting from May 2010 Annual Improvements to IFRSs (applies to annual periods beginning on or after 1 January 2011)
- IAS 12 'Income Taxes' - Limited scope amendment re recovery of underlying assets (applies to annual periods beginning on or after 1 January 2012)
- IAS 24 'Related Party Disclosures' - Revised definition of related parties (applies to annual periods beginning on or after 1 January 2011)

The above amendments are not expected to materially impact the Group's financial statements in future periods

Going concern

The consolidated financial statements have been prepared on the 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 signing the financial statements for the year ending 31 December 2010. Committed funds and underwritten IPO proceeds (associated with the Group's intention to list on the Alternative Investment Market), together with existing cash balances and cash flows from the operating businesses, are sufficient to fund head office costs necessary to sustain the current operations, interest payments over the next 12 months and future growth plans, including taking on the management of NHS Hospitals and funding the commissioning and start up losses of the projected private hospital roll out programme.

On this basis, the directors conclude that it is appropriate for these accounts to be prepared on a going concern basis.

Basis of consolidation

1 Subsidiaries

The results of subsidiaries (defined as where the Group has control) are consolidated using the purchase method of accounting from the date on which control of 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.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Basis of consolidation (continued)

ii Circle Partnership and Health Properties Employee Benefit Trust

The results of Circle Partnership and Health Properties Employee Benefit Trust ('Health Properties share scheme') have been consolidated in these financial statements under SIC 12 'Consolidation special purpose entities'. Circle Partnership and Health Properties share scheme are considered part of the Group owing to the nature of the share schemes (as disclosed in note 21), whereby employees, consultants and GPs who contribute to the growth in value of the Circle group and Health Properties group respectively, subscribe for shares in Circle Partnership and Health Properties.

iii Joint ventures

The Group has an interest in a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control and involves the establishment of a separate entity in which each venturer has an interest. The Group recognises its interest in joint ventures using equity accounting which requires the interest in the joint venture to be carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of its net assets and liabilities, less distributions received and impairments in the value of individual investments. If the joint venture is in a net liability position, the Group recognises a provision for its constructive and legal obligations in relation to the joint venture.

iv Non-controlling interests

Non-controlling interests in the results and equity of the Group's subsidiary undertakings are recorded in the consolidated income statement and balance sheet based upon the proportion of the non-controlling interest. This includes the non-controlling interest arising in Circle Health and Health Properties because of the portion of shares issued to employees, consultants and GPs via Circle Partnership and Health Properties share scheme respectively which have vested unconditionally.

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

Revenue

Revenue, which is measured as the fair value of consideration received for the activity performed, represents the total amounts primarily derived from the provision of healthcare services in the UK, after deducting trade discounts and value added tax (where services provided are not exempt).

Revenue is recognised on the date the patient is discharged, subject to certain claw-back clauses included within the PCT contracts which require an element of the revenue to be deferred until certain contractual obligations have been met. Revenue can be broken down into three key streams:

– Privately insured patients

Payment is received from the insurance company after treatment and excludes fees for the consultants and anaesthetists who are paid directly by the insurance company. Additional top up payments are received from the patient where required by their specific policy.

– Private self-pay patients

Payment is received directly from the patient, from which an element is then passed to the surgeon and anaesthetist.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Revenue (continued)

– NHS patients

Payment is received under two types of contract, either ISTC contracts where the minimum payment is subject to a quarterly reconciliation for under-utilisation of contracts, or extended choice network / block contract where the NHS pays the Group directly. In both types of contract, the hospital remunerates the surgeons and anaesthetists.

In the context of concession projects, construction services provided are recognised as revenue in accordance with IAS 11 'Construction contracts', using the percentage of completion method. In the operating phase of concession projects, a financial asset is recognised to the extent that the operator receives a fixed payment from the client irrespective of the extent of use. Revenue from the provision of operator services is recognised according to IAS 18 'Revenue'.

Revenue is also derived from the use of facilities by Alliance Medical Limited, a diagnostic services provider which operated out of the Nations Healthcare Bradford treatment centre.

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 material 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.

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. Capitalisation ceases when all the activities that are necessary to prepare the asset for use are complete.

On certain loans, interest is rolled up into the principal. This is taken into account when calculating the effective interest rate.

Finance income

Finance income is accrued by reference to the principal outstanding and the effective interest rate applicable. Finance income arises on the operating financial asset, recognised on the effective interest rate of the project.

Intangible assets

i Goodwill

Goodwill represents the excess of the cost of acquisition 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.

Goodwill is initially recognised at cost. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Gains and losses on disposal of a business include the carrying amount of goodwill relating to the business sold.

At the date of acquisition, goodwill is allocated to Cash Generating Units ('CGUs') for the purpose of impairment testing and is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired. The value in use is calculated using an appropriate discount rate.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

ii Development of intangible assets

Other intangible assets comprise computer software and 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.

Other intangible assets are carried at cost less accumulated amortisation and impairment losses. Cost comprises purchase price from third parties as well as internally generated development costs where relevant. Amortisation is provided on a straight line basis once the asset is complete, to allocate the cost of the asset over its estimated useful life and the charge is taken to administrative expenses. Other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The useful economic life of the Group's intangible assets is as follows:

Computer software	– 3 years
New build programme 'know-how'	– 10 years

Intangible assets acquired as part of a business combination are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

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 improvements	– shorter of lease life or expected useful life (5-10 years)
Clinical equipment	– 3 years
Furniture, fittings and office equipment, (including commissioning costs)	– 3 to 10 years

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

i Commissioning costs in course of construction

Commissioning costs comprise staff, property, consultancy and operational costs directly related to the commissioning projects. Such costs are capitalised up to the point that the commissioning is complete and the hospital is fully open for business, subsequent to which such expenditure is charged to the income statement. Once commissioned, the asset is reclassified from 'Assets under construction' to 'Furniture, fittings and office equipment' and depreciated on a straight line basis in accordance with the estimated useful lives as outlined above.

ii 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.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Leases

i As lessee

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. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 shorter of the lease term and the date of the next rent review.

ii As lessor

The Group is not a lessor of any finance or operating leases.

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 through the income statement.

Long-term contracts

The Group enters into long term contracts with the DoH to provide medical procedures. Profit is taken on such contracts as the procedures are performed (in line with the terms of the contract) and is calculated on a percentage completion basis to reflect the proportion of the work carried out at the year end, by recording revenue and related costs as contract activity progresses. Revenues derived from variations on contracts are recognised only when they have been accepted by the customer. Profit relating to under-utilisation by the NHS is deferred until the end of the quarter, when this is agreed with the local Primary Care Trust ('PCT'). Revenue is also accrued or deferred where treatment is ahead or behind agreed standard waiting terms.

Amounts recoverable on contracts are accounted for under IAS 11 and IAS 18. All costs incurred in advance of a contract being awarded are written off to the income statement, until the date that, in the opinion of the Directors, it is virtually certain that the contract has been secured. Where the Directors consider virtual certainty has been achieved and the contract is expected to result in future net cash inflows, costs incurred up to the time the contract becomes operational are carried as amounts recoverable on contracts, within 'trade and other receivables'. Once the contract is operational, the balance is accounted for as part of the accounting for the contract as a whole in accordance with IAS 11 and IAS 18, and recognised in the income statement over the contract term.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Operating financial assets

Within the Group, Nations Healthcare Nottingham is party to a service concession arrangement. The underlying asset is not deemed to be an asset of the Group under IFRIC 12 'Service concession arrangements' because the residual ownership of the Treatment Centre is deemed to lie principally with the DoH. To the extent that there is an unconditional right to receive cash, the construction costs are recorded as a financial asset under the heading 'operating financial asset' and recognised at amortised cost.

During the operational phase, income is allocated between interest receivable and the operating financial asset using the contracted rate of return. Pursuant to IAS 39, an impairment loss is recognised if the carrying amount of these assets exceeds the present value of future cash flows, discounted at the contracted rate of return. The remainder of the income is included within revenue in accordance with IFRIC 12. The Group only recognises income in respect of the services provided, as it fulfils its contractual obligations and in line with the fair value of the consideration receivable.

Operating financial assets are presented as current where collection is expected within one year or less, otherwise they are presented as non-current.

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 comprise cash at bank and in hand and overnight deposits.

In the consolidated statement of cash flows, cash and cash equivalents includes cash at hand and overnight deposits, less cash which is not freely available.

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 expected within one year or less, they are classified as current liabilities, otherwise they are classified as non-current liabilities.

Pension costs

The Nations Healthcare group and Circle Clinic Windsor operate a personal defined contribution pension scheme. 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.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Current and deferred income taxation

The charge for current income tax is based on the results for the period, as adjusted for items which are 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 goodwill arising on a business combination, or to an asset or liability, the initial recognition of which does not affect either taxable or accounting income.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and 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 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.

Derivative financial instruments

The Group has entered into derivative financial instrument arrangements to manage its exposure to interest rate risk. The Group's criteria for entering into such arrangements, namely interest rate swaps, are that the instrument must be related to an asset or a liability and it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are classified as current or non-current based on the timing of cash flows. Derivatives are subsequently remeasured to fair value at each balance sheet date and the movement is recognised immediately in the income statement, in finance income or finance costs accordingly.

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 pre-tax 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.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Loans and borrowings

All non-convertible loans and borrowings are recognised initially at fair value, net of directly attributable transaction costs. Subsequent to initial recognition, loans and borrowings are carried at amortised cost, with any difference between proceeds (net of transaction costs) and redemption value being recognised in the income statement over the period of the borrowing, using the effective interest rate method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Compound financial instruments

Compound financial instruments issued by the Group comprise convertible loans that can be converted to share capital at the option of the holder. The number of shares to be issued is calculated based on the outstanding loan commitment at the date of conversion.

The liability component of a compound instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not remeasured subsequent to initial recognition except on conversion or expiry.

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 re-measured in subsequent years. The fair value of warrants is credited to equity with the debit being charged to the income statement 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.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Warrants (continued)

ii Financial liability warrants

Warrants issued that create a financial liability to the Group are presented as a liability in the balance sheet, measured initially at fair value, net of transaction costs and subsequently at amortised cost until extinguished on conversion or redemption. The initial fair value of the warrant liability is determined using an appropriate valuation methodology.

Share-based payments

The Group operates a number of employee share ownership plans for employees and consultants. The fair value of the employee services received in exchange for the grant of the 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, recognised over the vesting period, which is the period over which all of the specified vesting conditions are expected to be satisfied.

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. Within the Group, any shares of a company which are held by that company's subsidiary are treated as treasury shares, and effectively eliminated from share capital.

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, the Directors have made the following judgements and estimates which 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

Revenue is recognised on discharge of patients however contracts with the PCT have certain claw-back clauses based on total contracted volumes over the quarter which means that judgements must be made to defer a certain amount of income in the balance sheet. This includes the recoverability of revenue recognised in excess of the minimum payments received.

ii Lease classification

The Group has entered into various lease arrangements, the majority of which have been classified as operating rather than finance leases under the interpretation of IAS 17 ('Leases').

iii Consolidation of Circle Partnership and Health Properties share scheme

Circle Partnership and Health Properties share scheme are special purpose entities which have been created to operate as employee share ownership plans. The results of both these entities have been consolidated into the Group financial statements under SIC 12 'Consolidation: special purpose entities' on the basis that these entities are controlled by the Group.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Significant accounting judgements and estimates (continued)

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.
- 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 income statement in future years.
- iii Amounts recoverable on contracts**
Amounts recoverable on contracts which have been capitalised in accordance with IAS 11 and IAS 18, are being amortised over the life of the contract. Estimates of future income may be inaccurate, such that profits may not arise to support their carrying value.
- iv Share-based payments and warrants**
Share-based payment charges are based on the warrant valuations calculated using several assumptions (eg 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 of property, plant and equipment**
Property, plant and equipment are reviewed on a regular basis to check they are still in use and to ensure their useful economic life is in line with the expected life of the asset.
- vi Fair value of financial instruments**
The Group's interest rate swaps are fair valued with their corresponding movement being recognised directly in the income statement. These fair values are not based on quoted prices in active markets but on estimates of observable market data. In the event that these estimates are wrong, this may impact the charge in future years.
- vii 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, discounted at the original effective interest rate. In the event that estimates are wrong, this may impact the income statement in future years.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

2 Accounting policies (continued)

Significant accounting judgements and estimates (continued)

Estimates (continued)

viii Goodwill

Goodwill is recognised at cost less impairment losses. The carrying amount of goodwill is assessed annually based on value in use calculations, using cash flow projections based on three year financial forecasts prepared by Management. Key assumptions relating to forecasts in revenue growth and decline are used and in the event that these estimates are wrong, this may impact the income statement in future years.

3 Revenue

	2010	2009
	£'000	£'000
Provision of healthcare services	76,108	63,309
Income from third party use of treatment centre facilities	219	798
Other miscellaneous income	145	75
	76,472	64,182

Other miscellaneous income primarily relates to management fee income. The Group is exempt from disclosing segmental information under IFRS 8 'Operating segments'.

4 Operating loss

Operating loss is stated after charging / (crediting)	2010	2009
	£'000	£'000
Recognised in respect of amounts recoverable on contracts (note 14)	2,853	3,278
Amortisation of intangible assets (note 10)	85	81
Depreciation of owned property, plant and equipment (note 11)	1,270	1,259
Auditors' remuneration (see next page)	399	283
Plant and machinery operating lease rental	5,236	3,505
Land and buildings operating lease rental	6,511	5,405
Reversal of amounts previously written off (note 14)	(783)	-
Exceptional items (see next page)	15,067	6,602

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

4 Operating loss (continued)

Auditors remuneration payable to PricewaterhouseCoopers LLP	2010	2009
	£'000	£'000
For the provision of audit services		
– Fees payable for the audit of the Company and the consolidated financial statements	77	61
– Fees payable to the Company's auditor for the audit of the Company's subsidiaries pursuant to legislation	178	144
Services relating to taxation	84	20
All other services	60	58
	399	283
Exceptional items	2010	2009
	£'000	£'000
Impairment of property, plant and equipment (note 11)	9,576	-
Impairment of goodwill (note 10)	2,845	334
Share-based payments in respect of warrants issued (note 23)	3,354	4,169
Warrants issued for nil consideration (note 22)	-	1,450
Net (reversal of) / increase in provision for onerous leases (note 18)	(367)	1,299
(Gain) / loss on sale of assets		
– Gain on sale of assets in Health Properties Reading (note 11)	(636)	-
– Loss on sale of assets in Nations Healthcare Bradford (note 11)	193	-
Assets disposed of for nil consideration		
– External site costs written off	-	1,492
– Research and development costs written off	-	501
Profit on disposal of subsidiary undertaking (note 29)	-	(2,901)
Lease surrender costs	-	258
Other exceptional costs	102	-
	15,067	6,602

Research and development costs written off in 2009 related to the design and development of future hospitals arising in Health Properties which did not meet the recognition criteria of IAS 38 'Intangible assets'

External site costs written off in 2009 related to early stage site costs where there was no capacity of recovery in the near future

Lease surrender costs arose in 2009 as a result of the cancellation of a lease on a property that was no longer in use

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

4 Operating loss (continued)

	2010	2009
	£'000	£'000
Total operating loss and EBITDA before exceptional items		
Operating loss	(34,971)	(19,762)
Exceptional items	15,067	6,602
Total operating loss before exceptional items	(19,904)	(13,160)
Depreciation	1,270	1,259
Amortisation of intangibles	85	81
Recognised in respect of amounts recoverable on contracts (note 14)	2,853	3,278
EBITDA before exceptional items	(15,696)	(8,542)

This information is included here as it provides useful information to the reader of the accounts for understanding operational performance

Deferred costs

During 2010, the following costs were capitalised under IAS 16 'Property, plant and equipment' in relation to the commissioning of Circle Bath Hospital. These costs have been included as additions to 'assets under construction' and transferred to 'furniture, fittings and office equipment' (note 11)

	2010	2009
	£'000	£'000
Staff costs (note 5)	460	1,612
Property costs	250	456
Consultancy costs	278	2,433
Operating costs	168	1,378
Tenants improvements	45	1,763
	1,201	7,642

Staff costs relate to salaries and expenses for people working full time on the Bath hospital commissioning project, completing a variety of roles, primarily prior to the hospital's opening in March 2010. The appropriate installation of equipment, staff training and systems configuration is needed to operate the hospital effectively at its potential capacity. These costs have now been impaired.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

5 Employee information

Staff costs	2010 £'000	2009 £'000
Wages and salaries	16,747	11,462
Share-based payments in respect of warrants issued (notes 23)	3,354	4,169
Social security costs	1,737	1,193
Other pension costs (note 25)	189	166
	22,027	16,990
Less amounts capitalised in balance sheet (note 4)	(460)	(1,612)
	21,567	15,378

Share-based payments in respect of warrants issued were charged to exceptional items in 2009 and 2010 (note 4)

Average number of employees	2010 Number	2009 Number
Administrative	292	188
Clinical	341	196
	633	384

The average number of employees includes directors on a service contract

6 Directors' emoluments

	2010 £'000	2009 £'000
Aggregate emoluments	150	151

Directors' emoluments relate to Mr M Keyvan-Fouladi, who is solely remunerated by Nations Healthcare

As disclosed in the Directors' report, some of the Directors are employed by Capita Fiduciary Group Limited, a management and fiduciary services company based in Jersey. In total, Capita Fiduciary Group Limited charged the Group £400,000 (2009 £102,000) for management and fiduciary services provided to companies within the Group during the year.

In addition, during 2009 a number of current and previous directors were employed by Stonehage Corporate Services, a management and fiduciary services company based in Jersey. In total, Stonehage Corporate Services was paid £30,000 (2009 £400,000) for management and fiduciary services provided to companies within the Group during the year.

There was no compensation paid for loss of office during the year.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

6 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

	2010 £'000	2009 £'000
Short-term employment benefits	593	571
	593	571

Included within the above key management is Mr A Parsadoust who is a beneficiary of Health Trust (Jersey) in which a share-based payment arises. Note 23 provides more details.

7 Finance income

	2010 £'000	2009 £'000
Bank interest receivable	74	37
Interest receivable on operating financial asset	3,377	3,456
Change in fair value of interest rate derivatives (notes 8 and 19)	-	523
	3,451	4,016

8 Finance costs

	2010 £'000	2009 £'000
Arising on Health Properties group bank loans		
- Santander	-	784
- Lehmans	-	1,090
- Allied Irish Bank ('AIB')	279	303
- JCAM (ii)	259	625
	538	2,802
Less capitalised interest in year	-	(1,874)
Add capitalised interest for 2008 AIB and JCAM (ii) (note 17) expensed in 2009	-	824
Interest on Health Properties group bank loans taken to income statement	538	1,752
Interest unwind of discount on deferred consideration of Circle Clinic Windsor (notes 16 and 17)	33	66
Interest on Barclays Bank plc ('Barclays') loans	2,317	2,377
Interest on JCAM (i) (note 17) bank loan	3,901	3,644
Change in fair value of interest rate derivatives (note 19)	451	-
	7,240	7,839

The capitalised interest in 2009 of £1,874,000 relates to interest incurred on financing the construction of Bath hospital. The capitalised interest written off in 2009 of £824,000 relates to interest that was capitalised in 2008 on the Edinburgh construction that was subsequently written off in 2009.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

9 Income tax expense / (credit)

i Analysis of income tax expense / (credit) in year

	2010 £'000	2009 £'000
Current tax		
UK corporation tax	-	-
Deferred tax		
Originating and reversal of temporary differences	645	(17)
Income tax expense / (credit)	645	(17)

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

Although the parent company is registered in Jersey, the hospital operating businesses reside in the UK and are subject to UK corporation tax. The tax assessed on the Group's loss for the year differs from the standard rate of UK corporation tax of 28.0% (2009 28.0%). The differences are explained below

	2010 £'000	2009 £'000
Loss before taxation	(38,760)	(23,585)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 28.0% (2009 28.0%)	(10,853)	(6,604)
Effects of		
Expenses not deductible for tax purposes	3,009	515
Capital allowances in excess of depreciation	(303)	(377)
Other temporary differences	8,254	4,484
Group relief	(1)	-
Jersey tax	(106)	1,982
Deferred tax previously not recognised	645	(17)
Total income tax expense / (credit) for the year	645	(17)

iii Factors that may affect future tax charges

Legislation in the UK has been enacted to cut the main rate of corporation tax to 27.0% for the financial year starting 1 April 2011. There will be further cuts in the main rate in future years (26.0% in 2012 to 2013, 25.0% in 2013 to 2014 and 24.0% in 2014 to 2015) which may affect future tax charges and reduce the deferred tax liabilities.

In addition to the changes in rates of Corporation tax disclosed above, a number of further changes to the UK Corporation tax system were announced in the March 2011 UK Budget Statement. A resolution passed by Parliament on 29 March 2011 reduced the main rate of corporation tax to 26.0% from 1 April 2011. Legislation to reduce the main rate of corporation tax from 26.0% to 25.0% from 1 April 2012 is expected to be included in the Finance Act 2011. Further reductions to the main rate are proposed to reduce the rate by 1.0% per annum to 23.0% by 1 April 2014. None of these expected rate reductions had been substantively enacted at the balance sheet date and, therefore, are not included in these financial statements.

The effect of the changes enacted by Parliament on 29 March 2011 is to reduce the deferred tax liability provided at the balance sheet date and increase profit by £24,000. This decrease in the deferred tax liability is due to the additional reduction in the corporation tax rate to 26.0% with effect from 1 April 2011.

The proposed reductions of the main rate of corporation tax by 1.0% per year to 23.0% by 1 April 2014 are expected to be enacted separately each year.

In addition, the utilisation of any tax losses for which no deferred tax asset has been recognised may affect future tax charges.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

9 Income tax expense / (credit) (continued)

iv Deferred tax

The net deferred tax recognised in the balance sheet is as follows

	2010 £'000	2009 £'000	2008 £'000
At 1 January	-	(17)	(12)
(Recognised) / reversed during the year	(645)	17	(5)
At 31 December	(645)	-	(17)

The net deferred tax liability comprises

	2010 £'000	2009 £'000	2008 £'000
Losses	7,777	8,044	-
Depreciation in excess of capital allowances	1,431	1,640	-
Short-term temporary differences - Nations Healthcare			
Nottingham lease premium	2,031	2,924	-
Capital allowances in excess of depreciation	-	-	(17)
Short-term temporary differences - Nations Healthcare			
Nottingham assets under construction	(11,884)	(12,608)	-
	(645)	-	(17)

The deferred tax is presented net since the entities concerned have a right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity

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

	2010 £'000	2009 £'000	2008 £'000
Unrelieved tax losses	22,517	16,443	-
Depreciation in advance of capital allowances	2,585	2,768	-
Short-term temporary differences	2,753	1,434	1,774
Pension provision	6	6	5
	27,861	20,651	1,779

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

v Jersey tax

As from 1 January 2009, the general rate of tax for companies resident in Jersey is 0.0%

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

10 Intangible assets

Cost	Goodwill £'000	Computer software £'000	Development of intangible assets £'000	Total £'000
At 1 January 2009	8,213	259	-	8,472
Additions	-	-	146	146
Post acquisition goodwill adjustment	93	-	-	93
At 1 January 2010	8,306	259	146	8,711
Additions	-	74	20	94
Post acquisition goodwill adjustment	(35)	-	-	(35)
At 31 December 2010	8,271	333	166	8,770
Accumulated amortisation and impairment				
At 1 January 2009	-	41	-	41
Amortisation charge for the year	-	81	-	81
Impairment charge for the year	334	-	-	334
At 1 January 2010	334	122	-	456
Amortisation charge for the year	-	85	-	85
Impairment charge for the year	2,845	-	-	2,845
At 31 December 2010	3,179	207	-	3,386
Net book value				
At 31 December 2010	5,092	126	166	5,384
At 31 December 2009	7,972	137	146	8,255
At 31 December 2008	8,213	218	-	8,431

Goodwill

Goodwill acquired in a business combination is allocated to the 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 CGUs:

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

10 Intangible assets (continued)

	2010	2009	2008
	£'000	£'000	£'000
Nations Healthcare Bradford	-	464	464
Nations Healthcare Burton	-	2,381	2,381
Nations Healthcare Nottingham	4,971	4,971	4,971
Circle Clinic Windsor	121	156	397
	5,092	7,972	8,213

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 cash flow projections based on three year financial forecasts prepared by Management. 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.

Cash flows for the three year period are discounted back to present value using a risk adjusted discount rate of 10.0%, which represents the CGU's weighted average cost of capital. Based on this, the Group has impaired its goodwill by £2,845,000 in the year to 31 December 2010 (2009: £334,000). The circumstances leading to the impairment are the non renewal of the Nations Healthcare Bradford contract and uncertainty over the future format of the Nations Healthcare Burton contract. In addition, cash flows in Circle Clinic Windsor have been lower than the original business plan.

The Group's value in use calculations are sensitive to changes in the key assumptions used, most notably the discount rates and the long-term growth rates, however it is estimated that a small change in key assumptions will not cause an impairment in any of the other CGUs.

During 2010, the Group reassessed the acquisition cost and corresponding goodwill of Circle Clinic Windsor. This resulted in a reduction to goodwill of £35,000 (2009: increase of £93,000) as a result of decreased deferred consideration and loan notes of £8,000 (note 16) and £27,000 (note 17) respectively (2009: increase in deferred consideration and loan notes of £12,000 and £51,000 respectively, together with an additional completion payment of £30,000 due to more assets being acquired than originally provided for in the sale and purchase agreement).

ii Computer software

Computer software represents third party costs largely incurred in website development and the creation of a project management system.

iii Development of intangible assets

Development of 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 the year, Health Properties invested £20,000 (2009: £146,000, 2008: £nil) in 'know-how'. As the programme is still in the development phase, amortisation has not yet been charged on these other intangibles. Once the programme has been fully developed, the 'know-how' will be amortised over ten years.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

11 Property, plant & equipment

	Freehold land £'000	Assets under construction £'000	Leasehold improve- ments £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost						
At 1 January 2009	14,128	20,661	805	1,049	2,851	39,494
Additions	-	20,793	37	291	131	21,252
Reclassifications	(1,598)	5,294	(7)	223	159	4,071
Disposals	(390)	(3,083)	-	(25)	(26)	(3,524)
Disposal of Health Properties Bath*	(2,536)	(31,846)	-	-	-	(34,382)
At 1 January 2010	9,604	11,819	835	1,538	3,115	26,911
Additions	995	4,587	206	545	1,462	7,795
Reclassifications	-	(10,123)	-	-	10,123	-
Disposals	(1,575)	(4,571)	-	(319)	(480)	(6,945)
At 31 December 2010	9,024	1,712	1,041	1,764	14,220	27,761

	Freehold land	Assets under construction	Leasehold improve- ments	Clinical equipment	Furniture, fittings and office equipment	Total
Accumulated depreciation and impairment						
At 1 January 2009	4,189	547	257	290	1,044	6,327
Reclassifications	-	3,695	(6)	222	160	4,071
Disposal of Health Properties Bath*	-	(873)	-	-	-	(873)
Depreciation charge for the year	-	-	139	297	823	1,259
At 1 January 2010	4,189	3,369	390	809	2,027	10,784
Depreciation charge for the year	-	-	149	334	787	1,270
Impairment charge for the year	304	(304)	-	-	9,576	9,576
Reclassifications	-	(547)	-	-	547	-
Disposals	-	(1,441)	-	(208)	(159)	(1,808)
At 31 December 2010	4,493	1,077	539	935	12,778	19,822

Net book value

At 31 December 2010	4,531	635	502	829	1,442	7,939
At 31 December 2009	5,415	8,450	445	729	1,088	16,127
At 31 December 2008	9,939	20,114	548	759	1,807	33,167

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

11 Property, plant & equipment (continued)

- During 2009, development costs of £31,846,000 and land of £2,536,000 were disposed of to the joint venture undertaking, Health Properties Bath, including £873,000 of fair value adjustments recognised on acquisition of the Health Properties group during 2008 that were held in depreciation and impairment

During 2009, a comprehensive review of the fixed asset registers was made to bring them in line with Group policy. There was no overall adjustment to the net book value of property, plant and equipment as a result of these reclassifications, however some reclassifications were made between asset categories and also between the 'cost' and 'accumulated depreciation and impairment' categories.

Commissioning and development costs include interest incurred of £nil (2009: £nil, 2008: £1,697,000) during the year on borrowings specifically related to development. The cumulative amount of interest included within assets under construction amounts to £nil (2009: £nil, 2008: £1,697,000). The capitalisation rate is nil (2009: nil, 2008: 10.5%).

At 31 December 2010, £9,576,000 of costs capitalised in relation to the commissioning of the Circle Bath Hospital were impaired, based on a value in use calculation using cash flow projections based on five year financial forecasts. The key assumptions for these forecasts were the revenue growths based on past experience and expectations of future demand. Cash flows were discounted back to present value using a risk adjusted discount rate of 15.0%, which represents the weighted average cost of capital for the hospital, adjusted to reflect the fact that the hospital is in the early stage of operations.

During the year freehold land deposits and development costs with a carrying value of £4,565,000 in Health Properties Reading were sold to a third party for total proceeds of £5,201,000. This resulted in a profit on disposal of £636,000, including any impairment recognised on the Health Properties Reading assets prior to disposal. Health Properties has a contractual agreement with the purchaser of the development costs to benefit from sale of the Reading hospital under certain circumstances.

In addition, assets relating to Natrons Healthcare Bradford were also disposed of in the year to the Bradford PCT at the termination of the contract for £1, resulting in a loss on disposal of £193,000.

Assets held under finance lease have the following net book values

	2010	2009	2008
	£'000	£'000	£'000
Furniture, fittings and office equipment (note 17)	246	-	-

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

12 Provision for joint venture deficit

	2010 £'000	2009 £'000	2008 £'000
At 1 January	(1,507)	-	-
Initial recognition	-	(1,350)	-
Increase in the year	(255)	(157)	-
At 31 December	(1,762)	(1,507)	-
	2010 £'000	2009 £'000	2008 £'000
Group's share of net liabilities of joint venture (38.7%)			
Non-current assets	13,571	13,571	-
Current assets	971	1,411	-
	14,542	14,982	-
Current liabilities	(14,972)	(986)	-
Non-current liabilities	(1,332)	(15,503)	-
	(16,304)	(16,489)	-
Group's share of net liabilities	(1,762)	(1,507)	-
Group's share of results of joint venture (38.7%)			
Revenue	1,239	310	-
Operating expenses	(51)	(38)	-
Finance costs	(1,443)	(429)	-
Group's share of loss after tax of joint venture	(255)	(157)	-

The Group has one joint venture, Health Properties Bath which is incorporated in Jersey and owns the Bath hospital which has a 25 year lease with Circle Bath Hospital. Of the total allotted share capital of 3,000 'B' shares and 100 'A' shares in Health Properties Bath, the Group holds 1,200 'B' ordinary shares, Health Estates Fund holds 1,800 'B' shares and Lehman's holds 100 'A' shares.

The 'A' shares and 'B' shares constitute different classes of shares for the purposes of law but, except as in the Articles expressly provided for, confer upon the holders the same rights and rank *pari passu* in all respects. The maximum number of Directors shall, unless otherwise determined by a special resolution, be six, of whom three shall be 'A' Directors (representing the 'A' shareholders) and three shall be 'B' Directors (representing the 'B' shareholders). Health Estates Fund has formally agreed to vote in accordance with the Group and that the 'B' Directors of Health Properties Bath originally appointed by the Group will not change as a result of Health Estates Fund's shareholding. No party to the joint venture has control as a resolution can only be made by the Board of Directors, with a majority of Directors.

For 2009, the Group's share of loss after tax of the joint venture is for the period from 25 August 2009 (the date when the directors of Lehman's were reinstated to the Board) to the end of the financial year (note 29).

As at 31 December 2010, the joint venture does not have any contingent liabilities or capital commitments. As at 31 December 2010, Group guarantees of up to £4,000,000 (2009 £4,000,000, 2008 £4,000,000) were provided to Lehman's in respect of certain contractual obligations of the Health Properties Bath.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

13 Inventories

	2010 £'000	2009 £'000	2008 £'000
Consumables	<u>1,309</u>	<u>780</u>	<u>712</u>

At 31 December 2010, an amount of £90,000 has been provided against the gross cost of inventory (2009 £nil, 2008 £nil) The cost of inventories recognised as an expense in the year is £4,642,000 (2009 £3,297,000) and included within the above balance is a consignment stock balance of £318,000 (2009 £19,000, 2008 £19,000) which has a corresponding balance in trade payables

14 Trade and other receivables

	Current			Non-current		
	2010 £'000	2009 £'000	2008 £'000	2010 £'000	2009 £'000	2008 £'000
Trade receivables	1,971	2,796	1,204	-	-	-
Less allowance for impairment of trade receivables	(163)	(96)	(94)	-	-	-
Net trade receivables	<u>1,808</u>	<u>2,700</u>	<u>1,110</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating financial asset	1,012	1,012	1,012	43,003	43,232	44,244
Amounts recoverable on contracts	1,985	2,988	3,210	3,476	5,326	8,279
Amounts owed by related parties (note 31)	3,072	3,211	5	-	-	-
Other receivables	1,022	1,394	407	-	-	-
Prepayments and accrued income	5,816	3,338	2,825	802	140	140
	<u>14,715</u>	<u>14,643</u>	<u>8,569</u>	<u>47,281</u>	<u>48,698</u>	<u>52,663</u>

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

Operating financial assets are recognised to the extent that there is an unconditional right to receive cash from the construction of the Nottingham Treatment Centre through which the Group provides healthcare services Due to the length of the payment plans, receivables are entered at the present value of amortised costs The annual accumulation of interest on these discounted values is recorded as finance income A portion of client payments are deducted from receivables and a portion from regular concession services In accordance with the principles of IFRIC 12, beneficial ownership of the associated property asset lies with the purchaser of services and not with the Group as provider of those services

Amounts owed from related party undertakings are unsecured, carry no interest, and are repayable on demand The Directors have considered current cash flow forecasts and consider all related party balances to be fully recoverable

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

14 Trade and other receivables (continued)

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

	2010 £'000	2009 £'000
At 1 January	96	94
Impairment charge for the year	67	2
At 31 December	163	96

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

	2010 £'000	2009 £'000	2008 £'000
Not past due	1,220	2,221	50
Past due 0-30 days, but not impaired	141	52	752
Past due 31-60 days but not impaired	196	373	303
Past due by more than two months but not impaired	251	54	5
	1,808	2,700	1,110

Trade receivables are non-interest bearing and credit terms are generally 30-60 days. The above receivables are overdue but not impaired because Management believe they are fully recoverable.

The movement in the operating financial asset is as follows

	2010 £'000	2009 £'000
At 1 January	44,244	45,256
Reversal of amounts previously written off	783	-
Amounts received	(1,012)	(1,012)
At 31 December	44,015	44,244

At 31 December, the ageing analysis of the operating financial asset was as follows

	2010 £'000	2009 £'000	2008 £'000
Due within 1 year	1,012	1,012	1,012
Due between 1 and 2 years	1,012	1,012	1,012
Due between 2 and 3 years	41,991	1,012	1,012
Due between 3 and 4 years	-	41,208	1,012
Due between 4 and 5 years	-	-	41,208
	44,015	44,244	45,256

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

14 Trade and other receivables (continued)

The movement in amounts recoverable on contract is as follows	2010	2009
	£'000	£'000
At 1 January	8,314	11,489
Additions	-	103
Recognised in income statement (note 4)	(2,853)	(3,278)
At 31 December	<u>5,461</u>	<u>8,314</u>

15 Cash and cash equivalents

	Note	2010	2009	2008
		£'000	£'000	£'000
Cash and cash equivalents		<u>12,322</u>	<u>25,824</u>	<u>17,006</u>
Less restricted balances				
- DoH Performance Bond	a	(500)	(4,400)	(7,200)
- Minimum balance – GE Capital Equipment Finance Limited ('GE') & DoH	b	(1,900)	(2,400)	(2,400)
- Letter of Credit – GE	c	(1,800)	(1,800)	-
- Rental bond – Nations Healthcare Bradford	d	-	(213)	(213)
- Rental bond – Health Properties Bath	e	-	-	(1,750)
- Commissioning deposit - Circle Bath Hospital	f	-	-	(500)
		<u>(4,200)</u>	<u>(8,813)</u>	<u>(12,063)</u>
Unrestricted cash and cash equivalents		<u>8,122</u>	<u>17,011</u>	<u>4,943</u>

Included in the Group cash balance are the following amounts which are not freely available to the Group

- a £500,000 (2009 £4,400,000, 2008 £7,200,000) provided as Performance Guarantee Bonds to the DoH. Of this amount
- Circle Health provided a counter indemnity to Barclays, up until 28 July 2010, by way of a fixed charge over a deposit credited to a deposit account with the bank for Nations Healthcare Burton (2009 £400,000, 2008 £1,800,000). The deposit and counter indemnity fell away as a result of the contract arrangements with the DoH.
 - Circle Health provided a counter indemnity to Barclays, up until 21 April 2010, by way of a fixed charge over a deposit credited to a deposit account with the bank for Nations Healthcare Nottingham (2009 £2,500,000, 2008 £3,900,000). The Performance Guarantee Bond was released as part of the DoV and replaced with a guarantee by the Company for £1,200,000 which expires on 29 July 2011.
 - Nations Healthcare has provided a counter indemnity to Barclays by way of a fixed charge over a deposit of £500,000 (2009 £1,500,000, 2008 £1,500,000) credited to a deposit account with the bank for Nations Healthcare Bradford.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

15 Cash and cash equivalents (continued)

- b A condition of the ISTC contracts with the DoH and GE, who lease the medical equipment, is that the following minimum cash balances are maintained at each month end
- A minimum balance of £1,300,000 (2009 £1,300,000, 2008 £1,300,000) at Nations Healthcare Nottingham
 - A minimum balance of £600,000 (2009 £600,000, 2008 £600,000) at Nations Healthcare Burton
 - A minimum balance of £nil (2009 £500,000, 2008 £500,000) at Nations Healthcare Bradford
- c As part of the contractual agreement with GE to provide operating leases for Circle Bath Hospital, Circle International has provided a counter indemnity to Barclays by way of a fixed charge over a deposit of £1,800,000 (2009 £1,800,000, 2008 £nil) credited to a deposit account with the bank
- d Up until February 2010, the Royal Bank of Scotland ('RBS') provided a guarantee to the Bradford Treatment Centre building lessor, Orderbide Limited, for payment of rent by a Group company, Nations Healthcare Bradford. Nations Healthcare provided a counter indemnity to RBS by way of a fixed charge over a deposit credited to a deposit account with the bank (2009 £213,000, 2008 £213,000)
- e A rental deposit of £1,586,000 (2009 £nil, 2008 £1,750,000) for Circle Bath Hospital is held by Health Properties Bath under the terms of the lease. During 2008 this was included in the Group's cash balance as Health Properties Bath was accounted for as a subsidiary
- f Health Properties Bath required a commissioning deposit of £500,000 from the Group during 2008. This was returned during 2009 and is no longer a restricted balance

The Group cash balance is subject to a fixed charge whereby Nations Healthcare Burton has pledged any credit balance in its Primary Collections account and any credit balances in its Secondary Collections account to the Treatment Centre building lessor, Orderbide Limited as security for the payment of rent. At the balance sheet date the credit balances of the Primary Collections account were £nil (2009 £nil, 2008 £nil) and the credit balances of the Secondary Collections account were £nil (2009 £nil, 2008 £nil)

16 Trade and other payables

	Current			Non-current		
	2010	2009	2008	2010	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
Trade payables	9,996	10,773	8,476	-	-	-
Amounts owed to joint venture (note 31)	34	1,591	-	-	-	-
Amounts owed to other related parties (note 31)	152	50	158	-	-	62
Payments on account	4,325	3,543	4,597	-	76	591
Social security and other taxes	636	258	335	-	-	-
Accruals	5,221	3,945	6,488	-	-	-
Contingent consideration	35	13	16	-	40	30
	20,399	20,173	20,070	-	116	683

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

16 Trade and other payables (continued)

Trade payables, accruals and amounts owed to joint ventures are unsecured and interest-free

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

On acquisition of Circle Clinic Windsor, contingent consideration arose, based on annual revenue over the next five years and payable in annual instalments to Mr D Evans. These balances were discounted to present value using a rate of 10.0%, with the discount unwinding over the five years post-acquisition. During the year, the cash flow liabilities were reassessed based on actual and budgeted turnover over the life of the agreement, less payments already made during the year.

The Loan Note Instrument, which determines the unsecured loan notes and contingent consideration payable upon the acquisition of Circle Clinic Windsor, sets out covenants and guarantees related to the acquisition. These covenants are currently in breach, and have been classified as a current liability.

Movements in the balance of contingent consideration during the year have been as follows:

	2010 £'000	2009 £'000
At 1 January	53	46
Reassessment of future cash flows (notes 10 and 17)	(8)	12
Unwind of discount on acquisition (note 8 and 17)	3	11
Payments made	(13)	(16)
At 31 December	35	53

17 Loans and other borrowings

	Current			Non-current		
	2010 £'000	2009 £'000	2008 £'000	2010 £'000	2009 £'000	2008 £'000
Barclays	922	43,717	44,600	42,556	-	-
AIB	7,380	7,380	7,380	-	-	-
JCAM (i)	13,224	-	-	-	12,856	12,745
JCAM (ii)	-	2,500	-	-	-	2,500
Santander	-	-	-	-	-	8,870
Lehmans	-	-	-	-	-	8,780
Secured bank loans (i)	21,526	53,597	51,980	42,556	12,856	32,895
Unsecured loan notes (ii)	364	-	-	-	361	255
Secured finance leases (iii)	76	-	-	170	-	-
	21,966	53,597	51,980	42,726	13,217	33,150

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

17 Loans and other borrowings (continued)

i Secured bank loans

		Loan	Effective interest	Loan	2010	2009	2008
	Note	commenced	rate	facility	£'000	£'000	£'000
Barclays	a	July 2005	5.0% (swapped)	44,474	43,478	43,717	44,600
AIB	b	March 2008	LIBOR+4.0%	7,380	7,380	7,380	7,380
JCAM (i)	c	August 2008	30.0%	13,300	13,224	12,856	12,745
JCAM (ii)	d	May 2008	25.0%	2,500	-	2,500	2,500
Santander	e	March 2008	7.5% (swapped)	21,750	-	-	8,870
Lehmans	f	March 2008	20.0%	11,400	-	-	8,780
					64,082	66,453	84,875

The fair values of the Group's borrowings are not considered to be materially different from their book values. At inception, the JCAM (i) loan was fair valued and split between loans and warrants. The amount relating to warrants was valued at £1,616,000 and has been taken to the warrant reserve in equity. As a result, the loan amount needs to be built up to the principal amount owing at the end of the term of the loan. This has been calculated based on the effective interest rate.

As at 31 December 2010, the Group had breached certain banking covenants. Under the terms of the loan agreements, £13,224,000 was repayable after 12 months from the balance sheet date, but has been presented as a current liability due to the breaches. The breach and / or default status of the Group's loans is included in the notes below.

- a The Barclays PFI loan is secured by way of a fixed and floating charge over the assets of Nations Healthcare Nottingham. Barclays also have a charge over the shares of Nations Healthcare Nottingham that can be exercised in the event of Nations Healthcare Nottingham not meeting its financial obligation to Barclays. The loan is being repaid in quarterly instalments of £227,000 to £232,000, subject to the repayment re-scheduling as agreed under the DoV. Payment holidays were granted for the scheduled payments on 1 June 2010 and 1 September 2010 and a partial repayment was granted for the payment due on 1 December 2010. The loan has been hedged by means of an interest rate swap (note 19), fixing interest at a total rate of 5.0% per annum.

The Barclays PFI loan of £43,478,000 is not under any defaults or cross-defaults as at 31 December 2010. However, for the 2009 and 2008 financial year ends the loan was in technical default due to various contractual changes and a revised opening date of the hospital not having been agreed as a DoV between Nations Group and the DoH. As a result, the Barclays loan was classified as repayable within one year in the 2009 and 2008 comparatives. The DoV was subsequently agreed and signed in April 2010.

- b The AIB loan facility is a term loan facility secured for the purchase of land in Edinburgh. The loan was originally for a one year term from 26 March 2008. The facility was extended twice during 2009, initially for 12 months to 26 March 2010, followed by a further six months to 26 September 2010. During 2010 the facility was again extended until 31 March 2011, increasing the interest rate of the facility from LIBOR + 3.0% to LIBOR + 4.0%, at which date the entire outstanding amount was repayable. During March 2011, an extension of the loan maturity date until 30 June 2012 was agreed with AIB. The interest rate remains LIBOR + 4.0% for the extension period. A requirement of the extension agreement is to prepay the entire interest amount payable in advance.

The loan is secured on the assets of Health Properties Edinburgh. Interest charged during the year has been taken to the income statement.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

17 Loans and other borrowings (continued)

- c The JCAM (i) loan represents a bridging facility of £13,300,000 together with rolled up interest of £831,000 giving a total amount due at redemption of £14,131,000 (2009 £14,131,000, 2008 £14,131,000). The loan is repayable within four years and carries a quarterly interest charge of 25.0%. Warrants were issued to the lender at inception and were presented separately in equity at an amount of £1,616,000, giving rise to a loan balance at inception of £11,684,000. At 31 December 2010 the loan was carried at £13,224,000 (2009 £12,856,000, 2008 £12,745,000) and had an effective interest rate of 30.0%, taking into account both interest and accretion towards the redemption amount. The loan is secured over the shares of Nations Healthcare Nottingham, Nations Healthcare Burton and Nations Healthcare Bradford.

At the year end, the JCAM (i) facility was under a cross-default due to a default under a GE equipment lease. In May 2011 an agreement was signed with JCAM whereby a waiver of the cross-default was received and the loan repayment date was extended from 29 August 2012 until 28 February 2013.

- d The JCAM (ii) loan facility was used to finance the purchase of the Edinburgh land and property and is for a two year term from 22 May 2008. The loan was repaid in full on 22 May 2010 and was secured on the shares of Health Properties Edinburgh and the bank accounts of Health Properties and Health Properties Edinburgh.
- e The Santander loan facility is for £21,750,000, of which £21,750,000 (2009 £21,750,000, 2008 £8,870,000) was fully drawn down as at 31 December 2010. The loan converted from a development to a term facility in October 2009, when Circle Bath Hospital reached practical completion, and as at 31 December 2010 £nil interest had been rolled up into the loan facility (2009 £1,172,000, 2008 £193,000). The loan is secured on the assets and shares of Health Properties Bath, which in turn has security over the assets and shares of Circle Hospital Bath.

Health Properties Bath has been accounted for as a joint venture from August 2009 (note 12 and 29), therefore the loan is no longer included in the Group position.

- f The Lehmans loan is an unsecured loan facility for £8,000,000 of which £8,000,000 (2009 £8,000,000, 2008 £8,000,000) was drawn down as at 31 December 2010. There is an additional loan facility for rolled-up interest of £3,400,000 of which £2,676,000 (2009 £2,021,000, 2008 £780,000) was drawn down as at 31 December 2010.

Lehmans has the ability to convert the term loan to equity and shareholder loan at any point. The coupon interest on the loan is 18.0% and the composite effective interest rate has been calculated at 20.0%.

Health Properties Bath has been accounted for as a joint venture from August 2009 (note 12 and 29), therefore the loan is no longer included in the Group position.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

17 Loans and other borrowings (continued)

ii Unsecured loan notes

	Loan commenced	Effective interest rate	Loan facility £'000	2010 £'000	2009 £'000	2008 £'000
Loan notes	July 2008	n/a	n/a	<u>364</u>	<u>361</u>	<u>255</u>

On acquisition of Circle Clinic Windsor, the Group issued loan notes that mature over five years to the former owners Mr D Evans and Mrs P Mornsh. The undiscounted values of these loan notes are £91,000 (2009 £91,000, 2008 £102,000) and £359,000 (2009 £403,000, 2008 £320,000) respectively after current year reassessment. These are payable on 4 July 2013 and do not attract interest.

The Loan Note Instrument, which determines the unsecured loan notes and contingent consideration payable upon the acquisition of Circle Clinic Windsor, sets out covenants and guarantees related to the acquisition. These covenants are currently in breach, and have been classified as a current liability.

Movements in the balance of loan notes during the year have been as follows:

	2010 £'000	2009 £'000
At 1 January	361	255
Reassessment of future cash flows (notes 10 and 16)	(27)	51
Unwind of discount on acquisition (notes 8 and 16)	30	55
At 31 December	<u>364</u>	<u>361</u>

iii Finance leases

Finance leases comprise Information Technology assets which were bought for £252,000 and then sold to Singers Healthcare Finance Limited ("Singers") in a sale and leaseback transaction. The finance lease is for a three year term and the first monthly payment was made in December 2010.

	2010 £'000	2009 £'000	2008 £'000
Gross finance lease liabilities - minimum lease payments			
No later than 1 year	99	-	-
Later than 1 year and no later than 5 years	190	-	-
	<u>289</u>	-	-
Future finance charges on finance leases	(43)	-	-
Present value of finance lease liabilities	<u>246</u>	-	-

The breakdown of the present value of finance leases is as follows:

	2010 £'000	2009 £'000	2008 £'000
No later than 1 year	76	-	-
Later than 1 year and no later than 5 years	170	-	-
	<u>246</u>	-	-

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

17 Loans and other borrowings (continued)

The finance lease liabilities are effectively secured as the rights to the leased asset revert to the lessor (Singers) in the event of a default. At the end of the initial hire period, the Group is entitled to extend the duration of the lease and pay an agreed secondary rental, or act as agent for the lessor in the sale of the equipment. There are no covenants or restrictions on the Group imposed by this lease, and there are no contingent rents.

iv Maturity profile

2010	Less than 1 year £'000	Between 1-2 years £'000	Between 2-3 years £'000	Between 3-4 years £'000	Between 4-5 years £'000	Over 5 years £'000	Total £'000
Barclays	922	922	41,634	-	-	-	43,478
AIB	7,380	-	-	-	-	-	7,380
JCAM (i)	13,224	-	-	-	-	-	13,224
Loan notes	364	-	-	-	-	-	364
Finance leases	76	84	86	-	-	-	246
	21,966	1,006	41,720	-	-	-	64,692

2009	Less than 1 year £'000	Between 1-2 years £'000	Between 2-3 years £'000	Between 3-4 years £'000	Between 4-5 years £'000	Greater than 5 years £'000	Total £'000
Barclays	43,717	-	-	-	-	-	43,717
AIB	7,380	-	-	-	-	-	7,380
JCAM (i)	-	-	12,856	-	-	-	12,856
JCAM (ii)	2,500	-	-	-	-	-	2,500
Loan notes	-	-	-	361	-	-	361
	53,597	-	12,856	361	-	-	66,814

2008	Less than 1 year £'000	Between 1-2 years £'000	Between 2-3 years £'000	Between 3-4 years £'000	Between 4-5 years £'000	Greater than 5 years £'000	Total £'000
Barclays	44,600	-	-	-	-	-	44,600
AIB	7,380	-	-	-	-	-	7,380
JCAM (i)	-	-	-	12,745	-	-	12,745
JCAM (ii)	-	2,500	-	-	-	-	2,500
Loan notes	-	-	-	-	255	-	255
Santander	-	-	250	500	750	7,370	8,870
Lehmans	-	-	8,780	-	-	-	8,780
	51,980	2,500	9,030	13,245	1,005	7,370	85,130

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

18 Provisions for other liabilities and charges

	2010 £'000	2009 £'000	2008 £'000
Current	602	711	652
Non-current	608	1,664	1,133
	1,210	2,375	1,785

	Onerous leases (equipment) £'000	Onerous leases (property) £'000	Total £'000
At 1 January 2009	18	1,767	1,785
Additional provision charged to income statement	61	1,238	1,299
Utilised during the year	(31)	(678)	(709)
At 1 January 2010	48	2,327	2,375
Net unused amounts reversed to income statement	-	(367)	(367)
Utilised during the year	(32)	(766)	(798)
At 31 December 2010	16	1,194	1,210

Provisions for onerous leases - equipment

This provision relates to the lease of an item of clinical equipment which is no longer in use and therefore has been fully provided for until the end of the lease term. The total expected costs to be incurred are £16,000 (2009 £48,000, 2008 £18,000).

Provisions for onerous leases - property

Leases for new clinics were taken on in 2006 and 2008 for West London and Ashford respectively. The premises are no longer required by the Group and management intends to sub-let the vacant premises. Management are currently negotiating with potential tenants in both sites and securing additional advertising revenue from the prime advertising space on top of the building in West London. The provisions have been calculated based on the total net costs expected to be incurred by the Group until the first opportunity to sub-let the property or exit the lease arrangement. The provision relating to the West London site is £939,000 (2009 £2,157,000, 2008 £1,767,000) while that for the Ashford site is £255,000 (2009 £170,000, 2008 £nil). The net credit to the income statement of £367,000 has been classified as an exceptional item (note 4).

No discount has been applied to these provisions on the basis that the leases expire in the short-term and any discount would be immaterial.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

19 Derivative financial instruments

	Barclays interest rate swap £'000	Santander interest rate swap £'000	Total £'000
At 1 January 2009	3,170	3,400	6,570
Changes to fair value charged to income statement	(127)	(396)	(523)
Disposal of Health Properties Bath	-	(3,004)	(3,004)
At 1 January 2010	3,043	-	3,043
Changes to fair value charged to income statement	451	-	451
At 31 December 2010	3,494	-	3,494
Effective interest rate	5.0%	7.5%	

At 31 December 2010, the notional principal amounts of the outstanding interest rate swap contracts, which take the interest rates from floating to fixed, were £43,649,000 (2009 £43,955,000, 2008 £66,500,000) Note 30 provides more details

20 Share capital and share premium

Authorised	2010 £'000	2009 £'000	2008 £'000
Ordinary and preference shares of £0.10 each	700	500	400
Number of authorised shares	7,000,000	5,000,000	4,000,000

Allotted and fully paid up

	Shares (number)	Share capital £'000	Share premium £'000	Total £'000
Ordinary shares of £0.10 each				
At 1 January 2009	2,389,290	239	69,492	69,731
Proceeds from shares issued	1,468,385	147	31,698	31,845
At 1 January 2010	3,857,675	386	101,190	101,576
Proceeds from shares issued - August 2010	156,250	16	4,984	5,000
Proceeds from shares issued - November 2010	234,375	23	5,506	5,529
At 31 December 2010	4,248,300	425	111,680	112,105

Transaction costs incurred during the 2010 equity raises totalled £27,000 (2009 £68,000), all of which have been expensed due to their immaterial amount. Proceeds are net of warrant liability of £1,971,000 (2009 £nil, 2008 £nil)

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

20 Share capital and share premium (continued)

On 4 August 2010 the following ordinary shares of £0.10 each were issued for £32.00 each

Investor	Shares issued (number)	Aggregate nominal value £'000	Total £'000
BlackRock Investment Management (UK) Limited	78,125	8	8
Lansdowne UK Equity Fund LP	11,347	1	1
Lansdowne UK Equity Fund Limited	66,778	7	7
	156,250	16	16

On 4 November 2010 the following ordinary shares of £0.10 each were issued for £32.00 each

Investor	Shares issued (number)	Aggregate nominal value £'000	Total £'000
BlackRock Investment Management (UK) Limited	46,875	5	5
Lansdowne UK Equity Fund LP	4,297	-	-
Lansdowne UK Equity Fund Limited	62,578	6	6
Lansdowne UK Strategic Investment Master Fund Limited	11,250	1	1
Balderton Capital III LP	78,125	8	8
BlueCrest Venture Finance Master Fund Limited	31,250	3	3
	234,375	23	23
	390,625	39	39

On 4 November 2010, the Group received £7,500,000 of equity investment from BlackRock Investment Management (UK) Limited, Lansdowne UK Equity Fund Limited, Lansdowne UK Equity Fund LP, Lansdowne UK Strategic Investment Master Fund Limited, Balderton Capital III LP and BlueCrest Venture Finance Master Fund Limited, split as shown above. Of the total consideration received, £23,000 has been allocated to share capital (234,375 ordinary shares at £0.10 each), £5,506,000 to share premium and £1,971,000 to financial liabilities, the latter being the warrants attached to the shares issued (note 22).

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

20 Share capital and share premium (continued)

On 13 February 2009 the following preference shares of £0.10 each were issued for £29.84 each

Investor	Shares issued (number)	Aggregate nominal value £'000	Total £'000
Lansdowne UK Equity Fund LP	141,300	14	14
Lansdowne UK Equity Fund Limited	9,514	1	1
Balderton Capital III LP	150,814	15	15
BlueCrest Venture Finance Master Fund Limited	71,906	7	7
	373,534	37	37

On 13 February 2009, 373,534 preference shares of £0.10 were issued. These were exchanged for fully paid ordinary shares in a 1:1 exchange on 26 November 2009. The preference shares were cancelled as a class of shares on this date and all associated warrants were converted to ordinary shares on a 1:1 basis. As at 31 December 2010 there are authorised but no allotted preference shares (2009: nil and nil respectively, 2008: nil and nil respectively). The authorised preference shares form part of the £7,000,000 authorised share capital.

On 26 November 2009 the following ordinary shares of £0.10 each were issued for £0.10 each.

Investor	Shares issued (number)	Aggregate nominal value £'000	Total £'000
Lansdowne UK Equity Fund LP	9,581	1	1
Lansdowne UK Equity Fund Limited	163,645	16	16
Lansdowne UK Strategic Investment Master Fund Limited	32,897	3	3
Balderton Capital III LP	234,959	24	24
BlueCrest Venture Finance Master Fund Limited	95,819	10	10
BlueCrest Venture Finance Master Fund Limited*	1,333	-	-
	538,234	54	54

* BlueCrest Venture Finance Master Fund Limited exercised warrants for ordinary shares (note 22)

On 26 November 2009 the following ordinary shares of £0.10 each were issued for £37.02 each

Investor	Shares issued (number)	Aggregate nominal value £'000	Total £'000
BlackRock Investment Management (UK) Limited	540,234	54	54
ING Capital LLC	16,383	2	2
	556,617	56	56
Total	1,468,385	147	147

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

21 Non-controlling interest

	Circle Health £'000	Health Properties Bath £'000	Health Properties	Total £'000
At 1 January 2009	(1,649)	(116)	-	(1,765)
Non-controlling interest's share of losses	(2,393)	6	-	(2,387)
Disposals	-	110	-	110
At 31 December 2009	(4,042)	-	-	(4,042)
Non-controlling interest's share of losses	(4,747)	-	(368)	(5,115)
At 31 December 2010	(8,789)	-	(368)	(9,157)

Circle Health

Circle Health (which has an authorised share capital of 100,000 ordinary shares of £0.10 nominal value that give equal rights to the voting, dividend and capital of the company), is 50.1% owned by Circle International and 49.9% owned by Circle Partnership, an employee share ownership plan (note 23) of the Group. Circle Partnership has an authorised share capital of 1,000,000 ordinary shares of £0.01 nominal value that give equal rights to the voting, dividend and capital of the company.

As required under SIC 12 'Consolidation: special purpose entities', the results of Circle Partnership have been consolidated into the Group financial statements as Circle Health is deemed to effectively control the Circle Partnership.

Whilst Circle International is fully owned by the Group, Circle Partnership represents an interest outside the Group. Up to 31 December 2010, Circle Partnership had issued subscription letters for a total 36,364,443 shares (2009: 31,398,206 shares) to employees, consultants and GPs. Of these, the number of shares in Circle Partnership that had vested unconditionally as at 31 December 2010 amounted to 16,668,000 shares (2009: 12,762,000 shares). This portion of unconditionally vested shares gives rise to the non-controlling interest in the results of the Circle group, which also includes Circle Partnership's indirect holding in the Nations group.

Health Properties Bath

In September 2008, following Lehman's administration, a clause in the joint venture agreement transferred control of the joint venture to the Group. From this date, Health Properties Bath was accounted for as a subsidiary with a 3.2% non-controlling interest. From 25 August 2009, when the Lehman's directors were reinstated to the Board, it was accounted for as a joint venture.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

21 Non-controlling interest (continued)

Health Properties

Health Properties is 90.0% owned by the Group and 10.0% owned by Health Properties share scheme, an employee share ownership plan (note 23) of the Group. Health Properties has authorised capital of 1,000,000 'A' shares of £0.001 nominal value, all of which are issued to Health Properties share scheme and 9,000 'B' shares of £1 nominal value, all of which are issued to the Group. Each share has proportionate rights to the dividends and capital of the company, but only the 'B' shares have voting rights.

Similar to Circle Health, as required under SIC 12, the results of Health Properties share scheme have been consolidated into the Group financial statements as Health Properties is deemed to effectively control the share scheme.

Being an employee share ownership plan, Health Properties share scheme represents an interest outside the Group. At 31 December 2010 Health Properties share scheme had issued subscription letters for a total of 350,507 'A' shares in Health Properties (2009: nil) to scheme participants. Of these, the number of unconditionally vested 'A' shares in Health Properties as at 31 December 2010 was 217,000 (2009: nil). This portion of unconditionally vested shares in Health Properties share scheme gives rise to the non-controlling interest in the results of the Health Properties group.

Nations Healthcare

Nations Healthcare is 61.8% owned by Circle Health and 38.2% owned by Circle International. Nations Healthcare has authorised share capital of 92,703,395 'A' ordinary shares of £0.01 nominal value, 7,303,605 'B' ordinary shares of £0.01 nominal value and 7,000 non-voting ordinary shares of £0.01 nominal value. The 'A' and 'B' shares rank equally on the winding up of the company but 'B' shares carry no voting rights. 55,202,645 'A' shares, 7,303,605 'B' shares and 6,250 non-voting shares have been issued.

In addition Nations Healthcare has authorised preference share capital of 40,000,000 'C' shares of which 22,000,000 have been issued. The preference shares do not carry any voting rights but are entitled to a fixed cumulative dividend of 20.0% per annum and a right to a return on capital on the winding up of Nations Healthcare. Circle International holds 17,500,000 preference shares and the Company holds 5,500,000 preference shares.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

22 Warrants

The Company issues warrants which give the holders the right to purchase shares in the Company 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 the criteria outlined in the Group's accounting policies.

a Warrants treated as equity instruments

i Movements in the warrant reserve during the year are as follows

	2010 £'000	2009 £'000
At 1 January	16,524	10,905
Share-based payment expense (note 23)	3,354	4,169
Warrants issued for nil consideration expense	-	1,450
At 31 December	19,878	16,524

ii The warrant reserve comprises the following warrants

	2010 £'000	2009 £'000	2008 £'000
Warrants issued in 2008			
- Health Trust (Jersey)	9,721	7,954	4,395
- Balderton Capital III LP	4,111	4,111	4,111
- Lansdowne UK Equity Fund Limited	371	371	371
- Lansdowne UK Equity Fund LP	21	21	21
- Lansdowne UK Strategic Investment Master Fund Limited	391	391	391
- JCAM Global Fund (Master) LP	1,616	1,616	1,616
Warrants issued in 2009			
- Health Trust (Jersey)	2,197	610	-
- Balderton Capital III LP	675	675	-
- Lansdowne UK Equity Fund Limited	436	436	-
- Lansdowne UK Equity Fund LP	43	43	-
- BlueCrest Venture Finance Master Fund Limited	296	296	-
Total	19,878	16,524	10,905

No warrants treated as equity instruments were issued during the year. The warrants issued to shareholders in 2009 were valued at £19.57 per warrant (2008: £39.28). Warrants are valued according to the Black-Scholes option pricing methodology on a diluted pricing basis using the parameters in the table below. The warrants issued to JCAM Global Fund (Master) LP in 2008 were valued at £33.84 based on an assessment of the market price for the associated JCAM (i) loan.

2009 warrant issue parameters

13 February 2009

Stock price	£29.84
Exercise price	£29.84
Expected volatility	50.0%
Risk free interest rate	5.0%
Warrant life	10 years
Fair value of warrant	£19.57

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

22 Warrants (continued)

The life of the warrant is based on the expected term and is not necessarily indicative of exercise patterns that may occur. The historical volatility is assumed to be indicative of future trends, which may not necessarily be the actual outcome.

iii The following table details all share warrants issued by the Company which are recognised in equity

Beneficiary	Note	Warrants number (actual)	Exercise price £	Fair value £	2010 Warrant reserve £'000
Warrants issued in 2008					
– Health Trust (Jersey)	a, d	267,680	£51.545	£39.28	9,721
– Balderton Capital III LP	a	5,600	£0.10	<i>Exercised</i>	-
– Lansdowne UK Equity Fund Limited	a	9,446	£51.545	£39.28	371
– Lansdowne UK Equity Fund LP	a	517	£51.545	£39.28	21
– Lansdowne UK Strategic Investment Master Fund Limited	a	9,963	£51.545	£39.28	391
– Balderton Capital III LP	a	104,692	£51.545	£39.28	4,111
– JCAM Global Fund (Master) LP	a	47,786	£51.545	£33.84	1,616
Warrants issued in 2009					
– Lansdowne UK Equity Fund Limited	b	32,297	£29.838	£19.57	436
– Lansdowne UK Equity Fund LP	b	2,174	£29.838	£19.57	43
– BlueCrest Venture Finance Master Fund Limited	b	15,102	£29.838	£19.57	296
– BlueCrest Venture Finance Master Fund Limited	b	1,333	£29.838	<i>Exercised</i>	-
– Balderton Capital III LP	b	34,471	£29.838	£19.57	675
– Lansdowne UK Equity Fund Limited	c	163,645	£0.10	<i>Exercised</i>	-
– Lansdowne UK Equity Fund LP	c	9,581	£0.10	<i>Exercised</i>	-
– Lansdowne UK Strategic Investment Master Fund Limited	c	32,897	£0.10	<i>Exercised</i>	-
– BlueCrest Venture Finance Master Fund Limited	c	95,819	£0.10	<i>Exercised</i>	-
– Balderton Capital III LP	c	234,959	£0.10	<i>Exercised</i>	-
– Health Trust (Jersey) - Option Pool	d	200,473	£51.545	£13.72	2,197
Total		1,268,435			19,878

a On 26 November 2009, the 440,084 warrants issued in 2008 with an exercise price of £59.67 per share (which includes the 267,680 warrants issued to Health Trust (Jersey) in 2008) were adjusted to an exercise price of £51.55 per share. There was no adjustment to the fair values of the warrants as the updated exercise price took into account the dilution factor of the November 2009 share issue, and therefore there is no effect on the Group financial statements.

b On 13th February 2009, 85,377 warrants were issued to shareholders that entitle the holder to acquire an equivalent number of preference shares in the Company with an exercise price of £29.84 per share. The warrants have no expiry date but lapse if the Company is sold. Of these warrants, 1,333 were exercised immediately. On 26 November 2009, the remaining 84,044 warrants were replaced by warrants with the same terms for ordinary shares (note 20 and 31).

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

22 Warrants (continued)

- c On 26th November 2009, 536,901 anti-dilution warrants were issued to shareholders that entitle the holder to acquire an equivalent number of Company ordinary shares with an exercise price of £0.10 per share. These warrants have no expiry date but lapse if the Company is listed or sold. These warrants were exercised immediately for a total consideration of £54,000 (note 20 and 31).
- d This is a share-based payment transaction (note 23).

b Warrants recognised as financial liabilities

The following table details all share warrants issued by the Company which are recognised as a financial liability in the consolidated balance sheet.

Beneficiary	Exercise price £	2010 Warrant liability £'000
Warrants issued in 2010		
– BlackRock Investment Management (UK) Limited	£0.10	394
– Lansdowne UK Equity Fund Limited	£0.10	526
– Lansdowne UK Equity Fund LP	£0.10	36
– Lansdowne UK Strategic Investment Master Fund Limited	£0.10	95
– Balderton Capital III LP	£0.10	657
– BlueCrest Venture Finance Master Fund Limited	£0.10	263
Total		1,971

In November 2010, the Company raised £7,500,000 from a number of existing shareholders (note 20). A condition of the raise was that in the case of a further equity raise prior to 30 September 2011, these original investors would be allocated £0.10 anti-dilutive ordinary share warrants. The number of warrants to be issued will be based on the share price of the equity raised in the subsequent offering.

These warrants were valued by an independent external valuation firm using a Monte-Carlo simulation, which is a complex mathematical algorithm valuation tool. They calculated the total fair value of these anti-dilutive share warrants to be £1,971,000.

The number of warrants to be issued is variable as it is dependent on the share price of the subsequent financing. Consequently, the warrant portion of equity raised is treated as a financial liability under IAS 32 'Financial instruments, presentation'. The balance is classified as current since the liability will be settled at the earlier of a further equity raise or 30 September 2011.

In the event that no subsequent financing takes place, the warrants shall become exercisable for the same number of shares as they purchased during the November 2010 equity raise (note 20). Per the Articles of the Company, these warrants and the originally issued ordinary shares will convert into preference shares which rank ahead of ordinary shares for the entire subscription price paid in the case of liquidation or sale of the Company.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

23 Share-based payments

Shares and share warrants are issued to employees, consultants, GPs 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 charge to the income statement in respect of share-based payments is as follows, however note there is no charge associated with the transaction where the employees subscribe for the shares at full market value.

	Note	Type	2010 £'000	2009 £'000
Health Trust (Jersey)	a	Warrants	1,767	3,559
Health Trust (Jersey) - option pool	b	Warrants	1,587	810
Circle Partnership	c	Shares	-	-
Health Properties share scheme	d	Shares	-	-
Total			3,354	4,169

a Health Trust (Jersey)

Health Trust (Jersey), of which Mr A Parsadoust is a beneficiary, received 220,190 warrants on acquisition of Health Properties group at an exercise price of £59.67 on 29 May 2008 and 47,490 warrants at an exercise price of £59.67 on 4 June 2008. The fair value of the warrants at the date of issue was determined to be £39.28 per warrant and £10,514,000 in total, according to the Black-Scholes methodology.

The warrants entitle the holder to acquire an equivalent number of ordinary shares in the Company with an exercise price of £59.67 per share, with no expiry date. These were issued as additional consideration for the sale of 100% of the shares in Health Properties to the Company.

The warrants are conditional on Mr A Parsadoust remaining with the Group for a specified period up to 48 months and vest evenly over this period. The warrants lapse if the Company is sold and if there is a change of control, the outstanding warrants will immediately vest. However vesting is unaffected if the Company is listed.

The exercise price of these warrants was repriced to £51.55 during 2009 (note 22).

b Health Trust (Jersey) - option pool

An additional share-based payment was made to Health Trust (Jersey) on 27 November 2009. The trust received 200,473 warrants to subscribe for an equivalent number of ordinary shares in the Company at an exercise price of £51.55. The fair value of the warrants at the date of issue was determined to be £13.72 per warrant and £2,750,000 in total, according to the Black-Scholes methodology.

The warrants vest in 20% increments based upon the next five hospitals opening during the hospital plan period. The warrants are also conditional on Mr A Parsadoust, a beneficiary of Health Trust (Jersey), remaining with the Group at the time of each hospital opening. Again, the warrants lapse if the Company is sold and if there is a change of control, the outstanding warrants will immediately vest. However vesting is unaffected if the Company is listed.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

23 Share-based payments (continued)

c Circle Partnership

Circle Partnership was established in 2008 as an employee share ownership plan and owns 49.9% of the shares in Circle Health in order to allow the participants (Group employees, consultants and GPs) who contribute to the success and growth in value of Circle Health to be owners of the business. The participants are issued shares in Circle Partnership rather than shares directly in Circle Health.

The scheme envisages that shares are awarded on deferred payment terms. The purchase price for the shares becomes payable upon the occurrence of certain events, including the completion of a sale of the shares by a participant.

The subscription price for the shares is the Fair Market Value ('FMV') as determined by an independent valuation. As the subscription price is equal to the FMV, there is no share-based payment charge.

d Health Properties share scheme

Health Properties share scheme was established in 2010 as an employee share ownership plan and owns 10.0% of the shares in Health Properties as nominee for the participants (Group employees and consultants). This allows those who contribute to Health Properties' growth and success to be owners of the business and share in the increase in value.

The scheme envisages that shares are awarded on deferred payment terms. The purchase price for the shares becomes payable upon the occurrence of certain events, including the completion of a sale of the shares by a participant.

The subscription price for the shares is the Fair Market Value ('FMV') as determined by an independent valuation. As the subscription price is equal to the FMV, there is no share-based payment charge.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

23 Share-based payments (continued)

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows

	2010	2010	2009	2009
	Warrants	Average	Warrants	Average
	(actual)	exercise price	(actual)	exercise price
		(£ per share)		(£ per share)
At 1 January	468,153	£51 55	267,680	£59 67
Granted	-	-	200,473	£51 55
Modification	-	-	-	£51 55
At 31 December	468,153	£51 55	468,153	£51 55

There were no new warrant issues qualifying as share-based payments during 2010 (2009 200,473 issued warrants). The expense recognised in the income statement for the year to 31 December 2010 in respect of previously issued share-based payments was £3,354,000 (2009 £4,169,000). No warrants were exercised in 2010 (2009 nil). Of the 468,153 outstanding warrants (2009 468,153), only 212,971 were exercisable (2009 105,957 warrants). All the outstanding warrants have an exercise price of £51 55. The warrants issued to Health Trust (Jersey) do not have an expiry date.

The warrants issued have been valued according to the Black-Scholes option pricing methodology on a diluted pricing basis, based on the inputs below and the relevant share price at the time of issue. These were valued at the time of the warrant issue, or modification where appropriate, and are charged to the income statement as share-based payments with the credit being recognised in the warrant reserve over the warrant vesting period. The weighted average fair value of warrants granted was £33 18 (2009 £33 18).

The following table lists the significant inputs to the Black-Scholes valuation model for the year ended 31 December 2010. Note that there were no new share-based payment warrants issued in 2010.

2009 warrant issue parameters	2009
Stock price	£59 67
Exercise price	£51 55
Expected volatility	50 0%
Risk free interest rate	5 0%
Warrant life	5 years
Fair value of warrant	£13 72

The life of the warrant is based on the expected term and is not necessarily indicative of exercise patterns that may occur. The historical volatility is assumed to be indicative of future trends, which may not necessarily be the actual outcome.

The 267,680 warrants issued during 2008 were modified on 27 November 2009 due to the original exercise price being 'under water' following a fall in the Company's share price. The exercise price for the warrants was changed from £59 67 to £51 55, which had no effect on the originally determined fair value of the warrants. The fair value of the modified warrants was also determined using the Black-Scholes valuation model, again using the same inputs as listed above.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

24 Capital commitments

At 31 December 2010, the Group had capital commitments as follows

	2010 £'000	2009 £'000
Contracted for but not provided in these financial statements	-	739

Of the total capital commitment disclosed in 2009, £500,000 arose in Health Properties Edinburgh and was to provide funds to Boskabelle Edinburgh Limited, the land vendor, for a contribution to the development and construction of the estate roads and utilities of the site

The remaining capital commitment disclosed in 2009 was for the unfulfilled outstanding purchase orders for Health Properties Reading, which is now disposed of

25 Pension commitments

The Nations Healthcare Group and Circle Clinic Windsor participate in a personal defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. The contributions by the Group for the year were £189,000 (2009 £166,000). As at 31 December 2010 outstanding contributions totalled £23,000 (2009 £nil, 2008 £nil).

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	
	2010 £'000	2009 £'000	2010 £'000	2009 £'000
No later than 1 year	4,632	2,959	5,433	6,671
Later than 1 year and no later than 5 years	7,113	5,756	15,261	17,159
Later than 5 years	-	-	63,134	66,669
	<u>11,745</u>	<u>8,715</u>	<u>83,828</u>	<u>90,499</u>

Plant and machinery

On 28 August 2009 the Group entered into a lease agreement with GE for the lease of clinical equipment to be used in the Bath hospital, commencing 1 January 2010.

The Group had breached certain financial covenants in the GE equipment lease for equipment in the Circle Bath Hospital at the year end. In March 2011 a waiver of all events of default and breaches was obtained from GE and the terms of the agreement which were breached were reset.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

26 Operating lease commitments (continued)

Land and buildings

The Group has an operating lease with Orderbide Limited to lease buildings for the purpose of providing healthcare services contracted with the NHS in Burton. The lease is for five years and commenced in July 2006.

On 5 October 2009 Circle Bath Hospital entered a lease agreement to lease Bath hospital from Health Properties Bath, a joint venture of the Group. The lease has been split into land and building lease components.

On 3 December 2010 Circle Hospital (Reading) Limited ('Circle Reading Hospital') entered into an Agreement for Lease to lease a hospital in Reading for 25 years at £4,750,000 per year from the date of completion of the hospital. Circle Reading Hospital's obligations under the Agreement for Lease are guaranteed by the Company and its obligation to lease the hospital is contingent upon the hospital being developed by the Developer in accordance with the terms of the Agreement for Lease. As such, the lease commitment is not included in the disclosures on the previous page as these conditions have not yet been met.

27 Net cash outflow from operating activities

	2010 £'000	2009 £'000
Operating Loss	(34,971)	(19,762)
Depreciation of property, plant and equipment (note 11)	1,270	1,259
Impairment of property, plant and equipment (note 11)	9,576	-
Impairment of goodwill (note 10)	2,845	334
(Gain) / loss on sale of assets		
– Gain on sale of assets in Health Properties Reading (note 11)	(636)	-
– Loss on sale of assets in Nations Healthcare Bradford (note 11)	193	-
Assets disposed of for nil consideration		
– External site costs written off (note 4)	-	1,492
– Research and development costs written off (note 4)	-	501
– Other	-	51
Share-based payments in respect of warrants issued (note 23)	3,354	4,169
Warrants issued for nil consideration (note 22)	-	1,450
Recognised in respect of amounts recoverable under contract (note 14)	2,853	3,278
Amortisation of intangible assets (note 10)	85	81
Profit on disposal of investment in subsidiary undertaking (note 29)	-	(2,901)
Provision for joint venture deficit (note 12)	255	157
Movements in working capital		
– Increase in inventories	(529)	(68)
– Increase in trade and other receivables	(1,508)	(3,974)
– Increase / (decrease) in trade and other payables	194	(899)
– (Decrease) / increase in provisions	(1,165)	590
	(18,184)	(14,242)

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

27 Net cash outflow from operating activities

Proceeds from sale of property, plant and equipment comprise	2010 £'000	2009 £'000
Net book value (note 11)	5,137	3,524
Profit on disposal of property, plant and equipment	443	-
Assets disposed of for nil consideration	-	(2,044)
Proceeds from disposal of property, plant and equipment	5,580	1,480

28 Reconciliation of net debt

	2010 £'000	2009 £'000
(Decrease) / increase in unrestricted cash in the year	(8,889)	12,068
Decrease in restricted cash in the year	(4,613)	(3,250)
Net new loan repayment / (financing)	2,806	(10,931)
Sale and leaseback proceeds	(246)	-
Movement in net debt from cash flow	(10,942)	(2,113)
Disposals, net of cash acquired	-	33,978
Piecemeal disposal of subsidiary undertaking	-	(1,798)
Transfer to receivables	-	(1,427)
Other non-cash movements	(438)	(1,506)
Movement in net debt	(11,380)	27,134
Net debt at 1 January	(40,990)	(68,124)
Net debt at 31 December	(52,370)	(40,990)

2010	At 1 January 2010 £'000	Cash flow £'000	Reclassifi- cations £'000	Other non- cash changes £'000	At 31 December 2010 £'000
Liquid resources					
Unrestricted cash	17,011	(8,889)	-	-	8,122
Restricted cash	8,813	(4,613)	-	-	4,200
Debt due within one year					
AJB	(7,380)	-	-	-	(7,380)
Barclays	(43,717)	306	42,556	(67)	(922)
JCAM (ii)	(2,500)	2,500	(12,856)	(368)	(13,224)
Loan notes	-	-	(361)	(3)	(364)
Finance leases	-	(76)	-	-	(76)
Debt due after one year					
JCAM (i)	(12,856)	-	12,856	-	-
Barclays	-	-	(42,556)	-	(42,556)
Loan notes	(361)	-	361	-	-
Finance leases	-	(170)	-	-	(170)
Net debt	(40,990)	(10,942)	-	(438)	(52,370)

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

28 Reconciliation of net debt (continued)

2009	At 1 January 2009 £'000	Cash flow £'000	Disposal of Subsidiary £'000	Equity Sale £'000	Transfers £'000	Other non-cash changes £'000	At 31 December 2009 £'000
Liquid resources							
Unrestricted cash	4,943	12,068	-	-	-	-	17,011
Restricted cash	12,063	(3,250)	-	-	-	-	8,813
Debt due within one year							
AIB	(7,380)	-	-	-	-	-	(7,380)
Barclays	(44,600)	920	-	-	-	(37)	(43,717)
JCAM (ii)	-	-	-	-	(2,500)	-	(2,500)
Debt due after one year							
JCAM (i), (ii)	(15,245)	-	-	-	2,500	(111)	(12,856)
Shareholder Loan	(100)	-	3,097	(1,798)	(1,427)	228	-
Santander	(8,870)	(11,851)	21,111	-	-	(390)	-
Lehmans	(8,680)	-	9,770	-	-	(1,090)	-
Loan notes	(255)	-	-	-	-	(106)	(361)
Net debt	(68,124)	(2,113)	33,978	(1,798)	(1,427)	(1,506)	(40,990)

Non-cash movements during the year relate to the following

- Reclassification of Barclays loan, split between current and non-current as a result of the covenant breach being remedied
- Amortisation of £67,000 (2009 £37,000) of Barclays loan issue costs that are set off against the loan and spread over the life of the loan
- Unwinding of discount of £368,000 (2009 £111,000) for the equity portion of the JCAM (i) loan
- Reclassification of £13,224,000 of the JCAM (i) loan (2009 £2,500,000 JCAM (ii) loan) as due within one year
- 2009 rolled up interest, increasing the debt by £1,252,000 across the shareholder loan (receivable of £228,000), Lehmans (payable of £1,090,000) and Alliance and Leicester loans (payable of £390,000). The shareholder loan in the joint venture of £1,427,000 in 2009 is no longer consolidated and is shown in receivables at 31 December 2009 and 2010
- Reassessment of future cash flows resulting in £27,000 decrease in loan notes owing (2009 £51,000 increase), offset by unwinding of discount on acquisition of £30,000 (2009 £55,000)

As disclosed in note 29, the Group sold a 60.0% holding of its interest in Health Properties Bath in 2009, representing 58.1% of the entire share capital

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

29 Acquisitions and disposals

i Acquisitions

On 1 April 2009, the Group purchased the remaining 11.7% share capital in its subsidiary undertaking, Nations Healthcare, for £5 plus £35,000 costs. No goodwill arose on this acquisition and the costs were expensed in 2009. There have been no further acquisitions in 2010.

ii Disposals

On 27 August 2009 the Group sold 58.1% of the entire share capital of Health Properties Bath for cash consideration of £2,000 plus a transfer of a shareholder loan of £1,798,000 at par for cash. From a Group perspective this represented a 60.0% interest, since there was a non-controlling interest of 3.2%. The Group retains an interest of 38.7% in the share capital of Health Properties Bath which is now accounted for as a joint venture since the Articles of Association provide for equal voting between the Lehmans' and the Group's directors.

From 15 September 2008, Health Properties Bath had been accounted for as a subsidiary following Lehmans going into administration. On 25 August 2009, the default by Lehmans was waived and the Lehmans' directors were reinstated to the Board of Directors with the same powers and voting rights as initially granted, triggering the disposal outlined above.

The profit on disposal, as shown in the consolidated income statement account, was determined as follows:

	2009 £'000
Proceeds from sale of equity	2
Transfer of shareholder loan	1,798
Total Proceeds	1,800
Net liabilities as at 27 August 2009	(2,026)
Write back of previously impaired fair value adjustments (note 11)	(873)
Transfer of shareholder loan	1,798
Total net liabilities on disposal	(1,101)
Profit on disposal of subsidiary undertaking	2,901

There were no disposals during 2010.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

30 Financial risk management

i Financial risk factors

The Group's operations expose it to a variety of financial risks that include price risk, credit risk, liquidity risk, contract risk, cash flow 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.

Due to the nature of the two current monthly minimum take ISTC contracts with the DoH and the interest rate swap in Nottingham on the Barclays PFI loan, there is no material price or credit risk exposure for the companies operating in the Nations Healthcare group.

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, trade and other payables. In addition, the Group is party to interest rate swaps, to manage the Group's interest rate risks arising from the Group's sources of finance.

The following tables classify the Group's financial instruments according to IAS 39 'Financial Instruments, recognition and measurement'.

As at 31 December 2010	Loans and receivables £'000	Held at fair value £'000	Amortised cost £'000	Total £'000
Financial assets				
Trade and other receivables	49,917	-	-	49,917
Cash and cash equivalents (note 15)	12,322	-	-	12,322
Total financial assets	62,239	-	-	62,239
Financial liabilities				
Trade and other payables	-	-	(10,853)	(10,853)
Derivative financial instruments (note 19)	-	(3,494)	-	(3,494)
Bank loans (note 17)	-	-	(64,082)	(64,082)
Loan notes (note 17)	-	-	(364)	(364)
Finance lease liabilities (note 17)	-	-	(246)	(246)
Warrant liability (note 22)	-	-	(1,971)	(1,971)
Total financial liabilities	-	(3,494)	(77,516)	(81,010)

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

30 Financial risk management (continued)

Classes of financial instruments (continued)

As at 31 December 2009	Loans and receivables £'000	Held at fair value £'000	Amortised cost £'000	Total £'000
Financial assets				
Trade and other receivables	51,549	-	-	51,549
Cash and cash equivalents (note 15)	25,824	-	-	25,824
Total financial assets	77,373	-	-	77,373
Financial liabilities				
Trade and other payables	-	-	(12,725)	(12,725)
Derivative financial instruments (note 19)	-	(3,043)	-	(3,043)
Bank loans (note 17)	-	-	(66,453)	(66,453)
Loan notes (note 17)	-	-	(361)	(361)
Total financial liabilities	-	(3,043)	(79,539)	(82,582)

As at 31 December 2008	Loans and receivables £'000	Held at fair value £'000	Amortised cost £'000	Total £'000
Financial assets				
Trade and other receivables	46,778	-	-	46,778
Cash and cash equivalents (note 15)	17,006	-	-	17,006
Total financial assets	63,784	-	-	63,784
Financial liabilities				
Trade and other payables	-	-	(9,077)	(9,077)
Derivative financial instruments (note 19)	-	(6,570)	-	(6,570)
Bank loans (note 17)	-	-	(84,875)	(84,875)
Loan notes (note 17)	-	-	(255)	(255)
Total financial liabilities	-	(6,570)	(94,207)	(100,777)

a Market risk

Market risk is the risk that changes in market prices, such as interest rates or other price risks, will affect the income 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 on the next page.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

30 Financial risk management (continued)

a Market risk (continued)

1) Interest rate risk

Financial instruments affected by market risk include bank loans, short-term deposits and derivative financial instruments. The Group is primarily sensitive to changes in UK interest rates. This affects future cash flows from short-term cash deposits and the cost of variable rate debt. The Group manages this risk, where significant, by holding long-term loans and entering into interest rate swaps in order to fix the interest payable on these. Updated projections and forward plans on raising funds are prepared. As at 31 December 2010, 67.5% (2009: 65.8%, 2008: 78.4%) of the Group's loan and borrowings were fixed by interest rate swaps (note 19). Short-term deposits held at floating rates of interest represented 13.9% (2009: 22.6%, 2008: 14.1%) of total assets of the Group.

The following table summarises the fixed and variable rate loans, and their effective interest rate

	Variable £'000	Fixed £'000	Interest free £'000	Total £'000
At 31 December 2010				
Loans and other borrowings	7,380	56,948	364	64,692
At 31 December 2009				
Loans and other borrowings	7,380	59,073	361	66,814
At 31 December 2008				
Loans and other borrowings	7,380	77,495	255	85,130

The following derivative contracts were in place at the reporting date

	Counter party	Effective interest rate %	Maturity date £'000	Notional amount £'000	Carrying value £'000
At 31 December 2010					
Interest rate swaps	Barclays	5.0%	27 Jul 13	43,649	3,494
At 31 December 2009					
Interest rate swaps	Barclays	5.3%	1 Dec 12	43,955	3,043
At 31 December 2008					
Interest rate swaps	Barclays	5.3%	1 Dec 12	44,875	3,170
Interest rate swaps	Santander	7.5%	15 Jul 24	21,625	3,400

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

30 Financial risk management (continued)

a Market risk (continued)

1) Interest rate risk (continued)

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) equity and reported results by the amounts shown below. The analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
	100 bp increase £'000	100bp decrease £'000	100 bp increase £'000	100bp decrease £'000
At 31 December 2010				
Variable rate bank loans	(74)	74	(74)	74
Net sensitivity	(74)	74	(74)	74
At 31 December 2009				
Variable rate bank loans	(74)	74	(74)	74
Net sensitivity	(74)	74	(74)	74
At 31 December 2008				
Variable rate bank loans	(74)	74	(74)	74
Net sensitivity	(74)	74	(74)	74

The rest of the debt in the Group is either fixed rate debt or has been fixed by means of a floating to fixed interest rate swap. There is a zero effect of a change in interest rate on this debt. A variation in interest rates on the cash balances would not give rise to a significant change in value and therefore have not been included in the table above.

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.

In respect of the warrant liability of £1,971,000 as at 31 December 2010 (2009: £nil, 2008: £nil), any expected changes in the key assumptions would not have a material impact on its value.

b Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counter party 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 project 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.

Group policy is to deposit cash with counterparties that have a long-term credit rating of at least AA by key rating agencies.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

30 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 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 financial liabilities 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 1 year	Between 1-2 years	Between 2-3 years	Between 3-4 years	Between 4-5 years	Over 5 years
At 31 December 2010	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	(10,853)	-	-	-	-	-
Bank loans	(12,423)	(18,197)	(42,164)	-	-	-
Derivative financial instruments	(1,691)	(1,655)	(1,212)	-	-	-
Net outflows	(24,967)	(19,852)	(43,376)	-	-	-
At 31 December 2009	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	(12,725)	-	-	-	-	-
Bank loans	(15,346)	(4,888)	(59,330)	-	-	-
Derivative financial instruments	(1,844)	(1,801)	(1,767)	-	-	-
Net outflows	(29,915)	(6,689)	(61,097)	-	-	-
At 31 December 2008	£'000	£'000	£'000	£'000	£'000	£'000
Trade and other payables	(9,077)	-	-	-	-	-
Bank loans	(15,384)	(11,430)	(17,424)	(62,049)	(1,571)	(24,512)
Derivative financial instruments	(653)	(1,249)	(953)	(723)	(316)	(985)
Net outflows	(25,114)	(12,679)	(18,377)	(62,772)	(1,887)	(25,497)

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

30 Financial risk management (continued)

c Liquidity risk (continued)

The risk that the outflow of cash occurs significantly earlier than the maturity analysis discloses or for a significantly different amount than those indicated is mitigated by the fact that the trade payables are due imminently, and the principal and interest on the bank loans (and corresponding derivative financial instrument) are contractual obligations whose timings are clearly defined and fixed unless a breach of covenant takes place

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 and start-up costs, including Head Office overheads, in order to provide returns for the Group shareholders, Circle partners and other stakeholders. The Group revises financing when needed through a combination of equity and warrants. See note 22 for further information.

Objectives are set out at the beginning of each year in line with the imposed requirements of the shareholder agreements. Covenants are tested monthly.

iii Fair value estimation

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 quoted prices in active markets,
- Level 2 inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). This level includes the majority of Over The Counter derivative contracts, traded loans and structured debt. The sources of input parameters like LIBOR yield curve or counterparty credit risk are Bloomberg and Reuters
- Level 3 inputs of the asset or liability that are not based on observable market data

The following table presents the Group's assets and liabilities that are measured at fair value:

At 31 December 2010	Level 1	Level 2	Level 3
Liabilities	£'000	£'000	£'000
Interest rate swap (note 19)	-	3,494	-
	-	3,494	-
At 31 December 2009	Level 1	Level 2	Level 3
Liabilities	£'000	£'000	£'000
Interest rate swap (note 19)	-	3,043	-
	-	3,043	-
At 31 December 2008	Level 1	Level 2	Level 3
Liabilities	£'000	£'000	£'000
Interest rate swap (note 19)	-	6,570	-
	-	6,570	-

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

31 Related party transactions

Principal subsidiaries and joint ventures

Details of the investments in which the Group holds 20.0% or more of the nominal value of any class of share capital 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	100.0%	United Kingdom
Health Properties Limited	Ordinary shares	Holding and management	100.0%	Jersey
Health Estates Managers Limited	Ordinary shares	Fund services (JFSC registered)	100.0%	Jersey
Health Capital Limited	Ordinary shares	Holding and management	100.0%	United Kingdom
Circle Health Limited*	Ordinary shares	Holding and management	50.1%	United Kingdom
Windsor Hand Surgery Limited*	Ordinary shares	Medical practice services	50.1%	United Kingdom
Nations Healthcare Limited*	'A' Ordinary shares	Holding and management	69.2%	United Kingdom
Nations Healthcare Limited*	'C' Preferred shares	Holding and management	100.0%	United Kingdom
Nations Healthcare (North Bradford) Limited*	Ordinary shares	Medical practice services	69.2%	United Kingdom
Nations Healthcare (Burton) Limited*	Ordinary shares	Medical practice services	69.2%	United Kingdom
Nations Healthcare (Nottingham) Limited*	Ordinary shares	Medical practice services	69.2%	United Kingdom
Nations Healthcare (West London) 2006 Limited*	Ordinary shares	Dormant	69.2%	United Kingdom
Nations Healthcare (West London) LLP*	Ordinary shares	Dormant	69.2%	United Kingdom
Circle Clinics Limited*	Ordinary shares	Medical practice services	50.1%	United Kingdom
Circle Hospital (Bath) Limited*	Ordinary shares	Medical practice services	50.1%	United Kingdom
Circle Hospital (Reading) Limited*	Ordinary shares	Dormant	50.1%	United Kingdom
Circle Hospital (Nottingham) Limited*	Ordinary shares	Dormant	50.1%	United Kingdom
Health Properties (Ashford) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

31 Related party transactions (continued)

Principal subsidiaries and joint ventures (continued)

Name of company	Holding	Nature of business	Proportion of voting rights held	Country of incorporation
Health Properties (Bath) Limited*	'A' & 'B' Ordinary shares	Property management	38.7%	Jersey
Health Properties (Bristol) Limited*	Ordinary shares	Property development	90.0%	Jersey
Health Properties (Edinburgh) Limited*	Ordinary shares	Property development	90.0%	Jersey
Health Properties (Harpenden) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Bournemouth) Limited*	Ordinary shares	Property development	90.0%	Jersey
Health Properties (Nottingham) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Plymouth) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Reading) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Southampton) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (South Manchester) Limited*	Ordinary shares	Property development	90.0%	Jersey
Health Properties (Tunbridge Wells) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Warwick) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Weybridge) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Birmingham) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties (Windsor) Limited*	'A' & 'B' Ordinary shares	Property development	90.0%	Jersey
Health Properties Management Limited*	Ordinary shares	Property development	90.0%	United Kingdom

* subsidiary held indirectly

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

31 Related party transactions (continued)

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:

		2010		2009		2008	
	Note	Amounts owed by related party £'000	Amounts owed to related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
Circle Partnership	a	-	-	5	-	5	-
Health Properties Bath	b	3,072	(34)	3,206	(1,591)	-	-
JCAM	c	-	(13,224)	-	(15,356)	-	(15,245)
Health Trust (Jersey)	d	-	-	-	-	-	(62)
Stonehage	e	-	(8)	-	-	-	(158)
Capita	f	-	(144)	-	(50)	-	-
		<u>3,072</u>	<u>(13,410)</u>	<u>3,211</u>	<u>(16,997)</u>	<u>5</u>	<u>(15,465)</u>

a Circle Partnership

Circle Partnership holds 49.9% of Circle Health and was loaned £5,000 by Circle International to acquire shares in Circle Health.

b Health Properties Bath

Health Properties Bath is a joint venture of the Group (note 12) which owns Bath Hospital.

The Group has advanced £1,200,000 (2009: £1,200,000) to Health Properties Bath by way of a shareholder loan (note 28) which is unsecured and payable on demand. In addition the Group has recharged expenses and accrued interest to Health Properties Bath to give a total receivable of £1,486,000 at 31 December 2010 (2009: £1,456,000).

On 5 October 2009, Circle Bath Hospital, a subsidiary of the Group, entered into an agreement to lease Bath hospital from Health Properties Bath. Under the lease agreement, Circle Bath Hospital has an annual rental commitment of £3,232,000 for a 25 year term and a rental deposit of £1,586,000 (2009: £1,750,000) is held accordingly by Health Properties Bath.

During the year, the Group paid rent of £3,212,000 under this lease agreement (2009: £800,000). At 31 December 2010, the Group had prepaid rental of £765,000 (2009: £793,000) to Health Properties Bath. The balance is included in prepayments (note 14).

The Group was recharged £34,000 (2009: £1,591,000) for leasehold improvements, rent and other expenses that were incurred by Health Properties Bath, of which £34,000 remains payable at 31 December 2010 (2009: £1,591,000).

There are no 2008 comparatives in the table above as Health Properties Bath was presented then as a subsidiary (notes 12 and 29).

c JCAM

JCAM owns 95,960 shares (2.1%) in the Company. In May 2010, the Group repaid a £2,500,000 term loan facility to JCAM, which carried interest of 25.0%.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

31 Related party transactions (continued)

Trading transactions (continued)

c JCAM (continued)

JCAM has loaned the Group £14,131,000 (2009 £14,131,000), which includes £831,000 of rolled up interest. The loan is repayable within four years and carries a quarterly interest charge of 25.0%. At inception, 47,786 warrants were issued to JCAM at an exercise price of £59.67 and were presented separately in equity at an amount of £1,616,000, giving rise to a loan balance at inception of £11,684,000. At 31 December 2010 the loan was carried at £13,224,000 (2009 £12,856,000) and had an effective interest rate of 30.0%, taking into account both interest and accretion towards the redemption amount (notes 17 and 22).

d Health Trust (Jersey)

Health Trust (Jersey) owns 985,610 shares (21.5%) in the Company through a wholly owned subsidiary, Health Partners Limited. During 2008 Health Trust (Jersey) loaned Health Properties an unsecured short-term loan of £62,000. This loan was subsequently repaid in 2009. Health Trust (Jersey) also holds 267,680 warrants in the Company (note 23).

e Stonehage Corporate Services

A number of previous Directors who served during 2009 were employed by Stonehage (as disclosed in the Directors' report), a management and fiduciary services company based in Jersey. In total, Stonehage was paid £30,000 (2009 £400,000, 2008 £550,000) for management and fiduciary services provided to companies within the Group. At 31 December 2010, £8,000 remained payable (2009 £nil, 2008 £158,000). Mr I Crosby and Mr M Ellis were also directors of the corporate trustee of Health Trust (Jersey) and of Health Estates Fund and its management company Health Estates Managers.

Other Stonehage employees are also directors of the corporate trustee of Health Trust (Jersey). All Directors that were employed by Stonehage resigned on 22 December 2009 when the management and administration of the Company was transferred to Capita Fiduciary Group Limited. Stonehage continue to be Directors of Health Estates Managers, a subsidiary undertaking.

f Capita Fiduciary Group Limited

A number of the current Directors who served during the year are employed by Capita (as disclosed in the Directors' report), a management and fiduciary services company based in Jersey. In total, the Group was charged £400,000 (2009 £102,000, 2008 £nil) by Capita for management and fiduciary services provided to companies within the Group during the year. The amount outstanding at 31 December 2010 was £144,000 (2009 £50,000, 2008 £nil).

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

31 Related party transactions (continued)

Trading transactions (continued)

g Health Estates Fund

Health Estates Fund acquired a 58.1% share in Health Properties Bath, a joint venture undertaking of the Group, from Health Properties for £1,800,000 during 2009. Some of the Directors of Health Estates Fund during the year were also Directors of the joint venture.

The following are related parties by virtue of their significant shareholding. Notes 20 and 22 provide further details.

	Number of shares held	% shareholding	Number of warrants held
Balderton Capital LLP	921,938	18.5%	139,163
ING Capital LLC	100,168	2.0%	-
Lansdowne Funds*	964,192	19.4%	54,397
BlueCrest Strategic Limited	417,018	8.4%	15,102
BlackRock Investment Management (UK) Limited	665,234	13.4%	-

* Lansdowne UK Equity Fund Ltd, Lansdowne UK Equity Fund LP and Lansdowne UK Strategic Investment Master Fund Ltd have been collectively called Lansdowne Funds for the purpose of this disclosure.

Other than equity transactions detailed in notes 20 and 22, there have been no transactions with these related parties.

32 Events after the reporting period

i Costain construction contract

Due to construction delays and building design changes on the Nottingham Treatment Centre during 2007, additional costs were incurred in the completion of the building. The primary building contractor, Costain Limited ('Costain'), brought a legal claim in 2010 for £1,200,000 of additional costs. An adjudication was held in January 2011 and an amount of £543,000 was awarded and paid to Costain as settlement of the claim. Subsequent to this, Costain brought a second claim against the Group for £1,200,000 for which costs of £700,000 are included in the financial statements. During March 2011, the Group agreed to pay Costain £700,000 on 1 June 2011 in full and final settlement of this claim.

ii Extension of AIB loan

At 31 December 2010, Health Properties Edinburgh had a loan facility for £7,380,000 from AIB with a maturity date of 31 March 2011. During March 2011, an extension until 30 June 2012 was agreed on the facility. Interest is LIBOR + 4.0% and the entire amount of interest payable until due date will be paid in advance.

iii Waiver of GE equipment lease covenant breach

The Group was in breach of certain financial covenants in the GE equipment lease at 31 December 2010. During March 2011, the Group received a waiver of all events of default and breaches from GE by means of a Deed of Amendment and Waiver.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

32 Events after the reporting period (continued)

iv Waiver of JCAM (i) loan facility covenant breach

The JCAM (i) (note 17) facility was in default at year end due to (i) a cross-default triggered by an underlying default under the GE equipment lease above and (ii) the delivery of security by certain Group companies in breach of the negative pledge in the JCAM facility agreement. During May 2011, the Group received a waiver of all events of default and breaches from JCAM. The waiver is conditional on the Group completing a raise of a specified amount of funds from external investors, which was completed as detailed below. In addition, the repayment date of the facility was extended from 29 August 2012 to 28 February 2013.

In May 2011 it was agreed with JCAM that if a listing of the Company on AIM does not occur by the end of 2011 and the Vinci loan agreement of £5,000,000 (see (x) below) is repaid in full out of Group funds that JCAM will be entitled to receive a mortgage over the Manchester land from Health Properties (South Manchester) Limited to the extent of such Group funds.

In June 2011 it was further agreed with JCAM that they will receive a potential prepayment of £4,100,000 on the later of two business days after (i) a listing on AIM and (ii) the repayment in full of the Vinci loan agreement. The £4,100,000 prepayment will be reduced by the amount that the Vinci loan agreement is repaid using funds from within the Group rather than from a third party financing.

v March 2011 equity raise, warrant repricing and shareholder restructure

During March 2011, existing shareholders committed to provide additional equity of £20,000,000 to fund the Group. Of this amount, £7,500,000 has already been received with a further £12,500,000 to be received in the event that there is no Initial Public Offering ('IPO') by 31 May 2011. Furthermore, the existing investors were issued a set of warrants to subscribe for an additional number of ordinary shares at nominal value so that the subscription price under the equity commitment is adjusted to be, effectively:

- 1) if there is an IPO before 31 May 2011, 90.0% of the IPO price, and
- 2) if no IPO by 31 May 2011, £20.00

The subscription agreement and the warrant instrument were subsequently amended (see (xi) below). Health Trust (Jersey) undertook, as part of the same transaction, to transfer 3.0% of the fully diluted number of shares in the Company to certain existing shareholders in return for a 6.0% holding in the Circle Partnership. A further consequence of the additional equity funding by the existing investors is that all outstanding share warrants, priced at either £51.55 or £29.84 (note 22), are repriced to £20.00 or the price of the IPO, if it occurs prior to 31 May 2011.

vi Nations Healthcare Burton contract

In March 2011, the Group was notified that the original Burton ISTC contract, due for renewal in July 2011, would not be renewed and that the treatment facility would be returned to Burton Hospitals NHS Foundation Trust (the 'Trust').

As part of the hand over of the Burton operations to the Trust, the Group has entered into a 'Sale of business and mobilisation mitigation and business know-how services' agreement (the 'Agreement') in order to ensure the orderly transfer of operations upon the expiration of the ISTC contract on 11 July 2011. Under the agreement, Nations Healthcare Burton will transfer all operating assets and provide training and mobilisation services to ensure the Burton Treatment Centre is able to continue operating over the transition period. The Agreement stipulates that Nations Healthcare Burton will be paid £2,500,000 less any residual liability payable to the Trust under the Agreement. The Group has also served notice under the original master agreement with GE to purchase the leased assets, which will be transferred to the Trust on 11 July 2011.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

32 Events after the reporting period (continued)

vii Change of name and tax status

On 13 May 2011, the Directors passed a resolution changing the Company's name from Health Investment Holdings Limited to Circle Holdings plc. This came into effect as of 16 May 2011. In addition, on 17 May 2011, a resolution was passed to bring the Directors onshore, thus changing the tax residency of the Company from Jersey to the UK.

viii Authorised preference share capital

On 1 June 2011, the shareholders passed a resolution adopting new Articles of Association ahead of Admission. These articles, among other items, reclassified the share capital of the Company into a single class of ordinary shares, thereby eliminating the previously authorised preference shares. However, if Admission does not occur by 30 September 2011, the ordinary shares issued in November 2010 (and the warrant shares issuable pursuant to the warrant instrument from the same transaction) will convert into preference shares.

ix Winding up of Health Properties share scheme

On 3 May 2011, a decision was taken by the Directors to take steps to wind up the Health Properties share scheme with the intention that any shares being held on its behalf be transferred to EES Trustees International Limited. It is the intention that the participants concerned will be offered shares in Circle Partnership Limited, pursuant to the terms of the Group's remaining employee share ownership plan.

x Purchase of South Manchester land

The Group, through a property SPV, Health Properties Manchester identified a site in Manchester and incurred costs of £1,700,000 comprising deposits of £900,000 and development costs of £800,000. In May 2011, Health Properties Manchester entered into an agreement to buy the land from Silversword Properties Limited for approximately £7,200,000. Of this amount, £900,000 has already been paid in the form of a land deposit, £5,000,000 has been lent by Vinci to Health Properties Manchester secured against the land, and £200,000 has been paid in cash. The remaining £1,100,000 will be paid during July 2011. The £5,000,000 loan from Vinci is a short term facility which will be repaid on 23 December 2011 and will incur interest at a rate of 9.0% + LIBOR.

xi May 2011 equity raise, warrant repricing and shareholder restructure

In May 2011, agreement was reached with Odey European Inc. and BlueCrest Venture Finance Master Fund Limited to provide equity of £15,000,000 and £5,000,000 respectively prior to the IPO in order to provide further funding for the business over the next 18 months. The subscription price was £11.15 per share, however warrants were also issued which are exercisable at nominal value into the number of warrant shares equal to 30.0% and 10.0%, respectively, of the warrants issued pursuant to the November 2010 and March 2011 warrant instrument. In addition, Health Trust (Jersey) will receive an additional 4.0% of the equity in Circle Partnership. It was further agreed that the IPO completion date of 31 May 2011, as contemplated in (v) above, would be extended to 30 June 2011, and that the effective subscription price of the March 2011 equity commitment in scenario 2 of (v) above would be reduced to £8.72.

xii Intention to float on Alternative Investment Market

On 25 May 2011, the Group announced its intention to list on the Alternative Investment Market, a market operated by the London Stock Exchange plc. This intention forms part of the Group's overall fundraising strategy.

Circle Holdings plc

Notes to the consolidated financial statements

For the year ended 31 December 2010 (continued)

32 Events after the reporting period (continued)

xiii Contingent funding arrangement

On 13 June 2011, some of the existing shareholders (BlackRock Investment Management (UK) Limited, the Lansdowne funds (note 20) and BlueCrest Venture Finance Master Fund Limited) agreed to subscribe for additional ordinary shares in the Company at a total subscription price of up to £2,460,000 on 27 June 2012 (or such other date as they agree with the Company) at a price per ordinary share that is 90.0% of the closing price of the ordinary shares on 19 June 2012, subject to a minimum price per ordinary share of £0.90, provided that certain capital raisings or refinancings have not occurred by 20 June 2012.

33 Reconciliation from IFRS to UK GAAP

As explained in note 2, these are the Group's first set of IFRS financial statements. The impact of adopting IFRS is a £6,570,000 decrease in net assets on transition and an explanation of the principle changes are set out in the 'Impact of transition' section at the end of this note.

The following tables show the detailed impact of transition from UK GAAP to IFRS, and reconcile the balance sheet position as at the date of transition to IFRS (1 January 2009), and the income statement and balance sheet at the date of the last annual financial statements reported under UK GAAP (31 December 2009). Note there is no difference between the income statement and the statement of total comprehensive income and therefore the latter has not been separately reported.

The same accounting policies set out in note 2 have been applied in the following reconciliations including the exemption to restate its business combinations under IFRS 3.

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

33 Balance sheet reconciliation from UK GAAP to IFRS as at 31 December 2008

	UK GAAP 31.12.08 £'000	(b) Derivative financial instruments £'000	(c) Non- controlling interests £'000	(d) Amounts recoverable on contract £'000	(e) Other intangible assets £'000	IFRS 31.12.08 £'000
ASSETS						
Non-current assets						
Intangible assets	8,213	-	-	-	218	8,431
Property, plant & equipment	33,385	-	-	-	(218)	33,167
Long term contracts	7,688	-	-	(7,688)	-	-
Trade and other receivables	44,384	-	-	8,279	-	52,663
	93,670	-	-	591	-	94,261
Current assets						
Inventories	1,259	-	-	(547)	-	712
Trade and other receivables	5,359	-	-	3,210	-	8,569
Cash at bank and in hand	17,006	-	-	-	-	17,006
	23,624	-	-	2,663	-	26,287
Total assets	117,294	-	-	3,254	-	120,548
Current liabilities						
Trade and other payables	(17,407)	-	-	(2,663)	-	(20,070)
Loans and other borrowings	(51,980)	-	-	-	-	(51,980)
Provisions	(652)	-	-	-	-	(652)
	(70,039)	-	-	(2,663)	-	(72,702)
Non-current liabilities						
Trade and other payables	(92)	-	-	(591)	-	(683)
Loans and other borrowings	(33,150)	-	-	-	-	(33,150)
Deferred tax liabilities	(17)	-	-	-	-	(17)
Provisions	(1,133)	-	-	-	-	(1,133)
Derivative financial instruments	-	(6,570)	-	-	-	(6,570)
	(34,392)	(6,570)	-	(591)	-	(41,553)
Total liabilities	(104,431)	(6,570)	-	(3,254)	-	(114,255)
Net assets	12,863	(6,570)	-	-	-	6,293
Shareholders' equity						
Called up share capital	239	-	-	-	-	239
Share premium account	69,492	-	-	-	-	69,492
Warrant reserve	10,905	-	-	-	-	10,905
Retained deficit	(67,766)	(6,461)	1,649	-	-	(72,578)
Equity	12,870	(6,461)	1,649	-	-	8,058
Non-controlling interests	(7)	(109)	(1,649)	-	-	(1,765)
Total shareholders' equity	12,863	(6,570)	-	-	-	6,293

An explanation of the above IFRS adjustments is included at the end of this note

Circle Holdings plc

Notes to the financial statements

For the year ended 31 December 2010 (continued)

33 Income statement reconciliation from UK GAAP to IFRS as at 31 December 2009

	UK GAAP 31 12.09 £'000	(a) Presentation £'000	(b) Derivative financial instrument £'000	(c) Non- controlling interests £'000	(f) Goodwill £'000	(g) Profit on disposal £'000	IFRS 31 12 09 £'000
Revenue	63,309	873	-	-	-	-	64,182
Cost of sales	(41,856)	-	-	-	-	-	(41,856)
Gross profit	21,453	873	-	-	-	-	22,326
Administrative expenses before exceptional items	(37,789)	-	-	-	2,460	-	(35,329)
Provision for joint venture deficit	-	(25)	(132)	-	-	-	(157)
Exceptional items:							
- Impairment of goodwill	-	-	-	-	(334)	-	(334)
- Share-based payments in respect of warrants issued	(4,169)	-	-	-	-	-	(4,169)
- Warrants issued for nil consideration	(1,450)	-	-	-	-	-	(1,450)
- Net increase in provision for onerous leases	(1,299)	-	-	-	-	-	(1,299)
- Profit on disposal of subsidiary undertaking	-	1,156	-	-	-	1,745	2,901
- External site costs written off	(1,993)	-	-	-	-	-	(1,993)
- Other exceptional items	(258)	-	-	-	-	-	(258)
Total administrative expenses	(46,958)	1,131	(132)	-	2,126	1,745	(42,088)
Other operating income	873	(873)	-	-	-	-	-
Operating loss	(24,632)	1,131	(132)	-	2,126	1,745	(19,762)
Share of operating profit of joint ventures	272	(272)	-	-	-	-	-
Operating loss including joint ventures	(24,360)	859	(132)	-	2,126	1,745	(19,762)
Profit on disposal of subsidiary undertaking	1,156	(1,156)	-	-	-	-	-
Finance income	3,493	-	523	-	-	-	4,016
Finance costs	(7,839)	-	-	-	-	-	(7,839)
Share of interest payable of joint venture	(297)	297	-	-	-	-	-
Loss before taxation	(27,847)	-	391	-	2,126	1,745	(23,585)
Taxation	17	-	-	-	-	-	17
Loss after taxation	(27,830)	-	391	-	2,126	1,745	(23,568)
Non-controlling interests	7	-	(13)	2,393	-	-	2,387
Loss for the financial year	(27,823)	-	378	2,393	2,126	1,745	(21,181)

An explanation of the above IFRS adjustments is included at the end of this note

Circle Holdings plc

Notes to the consolidated financial statements For the year ended 31 December 2010 (continued)

33 Balance sheet reconciliation from UK GAAP to IFRS as at 31 December 2009

	UK GAAP 31.12.09 £'000	(b) Derivative financial instruments £'000	(c) Non- controlling interests £'000	(d) Amounts recoverable on contract £'000	(e) Other intangible assets £'000	(f) Goodwill £'000	(g) Profit on disposal £'000	IFRS 31.12.09 £'000
ASSETS								
Non-current assets								
Intangible assets	5,992	-	-	-	137	2,126	-	8,255
Property, plant & equipment	16,264	-	-	-	(137)	-	-	16,127
Investment in joint venture	-	-	-	-	-	-	-	-
Long-term contracts	5,250	-	-	(5,250)	-	-	-	-
Trade and other receivables	43,372	-	-	5,326	-	-	-	48,698
	70,878	-	-	76	-	2,126	-	73,080
Current assets								
Inventories	2,128	-	-	(1,348)	-	-	-	780
Trade and other receivables	11,655	-	-	2,988	-	-	-	14,643
Cash and cash equivalents	25,824	-	-	-	-	-	-	25,824
	39,607	-	-	1,640	-	-	-	41,247
Total assets	110,485	-	-	1,716	-	2,126	-	114,327
Current liabilities								
Trade and other payables	(18,533)	-	-	(1,640)	-	-	-	(20,173)
Loans and other borrowings	(53,597)	-	-	-	-	-	-	(53,597)
Provisions	(711)	-	-	-	-	-	-	(711)
	(72,841)	-	-	(1,640)	-	-	-	(74,481)
Non-current liabilities								
Trade and other payables	(40)	-	-	(76)	-	-	-	(116)
Loans and other borrowings	(13,217)	-	-	-	-	-	-	(13,217)
Deferred tax liabilities	-	-	-	-	-	-	-	-
Provision for joint venture deficit	(212)	(132)	-	-	-	-	(1,163)	(1,507)
Provisions	(1,664)	-	-	-	-	-	-	(1,664)
Derivative financial instruments	-	(6,047)	-	-	-	-	3,004	(3,043)
	(15,133)	(6,179)	-	(76)	-	-	1,841	(19,547)
Total liabilities	(87,974)	(6,179)	-	(1,716)	-	-	1,841	(94,028)
Net assets	22,511	(6,179)	-	-	-	2,126	1,841	20,299
Shareholders' equity								
Called up share capital	386	-	-	-	-	-	-	386
Share premium account	101,190	-	-	-	-	-	-	101,190
Warrant reserve	16,524	-	-	-	-	-	-	16,524
Retained deficit	(95,589)	(6,083)	4,042	-	-	2,126	1,745	(93,759)
Equity	22,511	(6,083)	4,042	-	-	2,126	1,745	24,341
Non-controlling interests	-	(96)	(4,042)	-	-	-	96	(4,042)
Total shareholders' equity	22,511	(6,179)	-	-	-	2,126	1,841	20,299

An explanation of the above IFRS adjustments is included at the end of this note

Circle Holdings plc

Notes to the financial statements

For the year ended 31 December 2010 (continued)

33 Reconciliation from UK GAAP to IFRS

Impact of transition

a Presentation

The main presentational differences between IFRS and UK GAAP are that under UK GAAP, the joint venture's share of revenue, operating loss and finance costs were included within the relevant categories of the Group's income statement. Under IFRS, the results of the joint venture are presented as a single line item in the income statement, entitled 'provision for joint venture deficit' which represents the Group's constructive and legal obligation to fund the joint venture's losses. In addition, under UK GAAP, the profit on disposal of subsidiary undertaking was disclosed as non-operating under the criteria set out in FRS 3 'Reporting Financial Performance' and credited after operating loss in the income statement. Under IFRS, this item has been credited before arriving at the Group's operating loss.

Furthermore, under IFRS all assets and liabilities on the balance sheet are disclosed as being either current or non-current in nature and all the other operating income has been reclassified to revenue since it meets the definition of revenue under IAS 18.

b Derivative financial instruments

Under UK GAAP, providing an interest rate swap was related to an asset or liability, there was no requirement to recognise its fair value on the balance sheet. As such, under UK GAAP, the Group's policy was to accrue the interest differential within net interest payable and if the swap was terminated early, the gain or loss was spread over the remaining maturity of the original investment. Under IAS 39 'Financial instruments, recognition and measurement', all interest rate swaps must be recognised on the balance sheet at fair value, and revalued at each subsequent balance sheet date, with the corresponding movement flowing through the face of the income statement, unless certain hedging documentation criteria is met, in which case the movement flows through other comprehensive income.

At the date of transition, the Group did not meet the hedging documentation requirements, nor had it adopted a policy of hedge accounting, therefore the full impact of fair valuing the derivatives has been recognised. The impact has been a reduction in Group net assets of £6,570,000 at 1 January 2009 and a reduction in the loss of £378,000 for the year to 31 December 2009.

c Non-controlling interest

Under UK GAAP, a minority interest was not recognised in respect of Circle Partnership's 49.9% shareholding in Circle Health. This was because Circle Health is loss-making and in a net liability position, and Circle Partnership has no obligation to fund these losses. Under IFRS, IAS 27 'Consolidated financial statements' requires the Group to subdivide equity to show a deficit in equity attributable to non-controlling interests for those shares that have unconditionally vested in Circle Partnership. This has resulted in a non-controlling interest of £1,649,000 and £4,042,000 being recognised at 1 January 2009 and 31 December 2009 respectively, and equity attributable to equity holders of the parent increasing by the same amount. This has also resulted in an increase in loss for the year to 31 December 2009 attributable to non-controlling interest of £2,393,000.

Note that none of the shares in the Health Properties share scheme had vested as at 31 December 2009 and therefore a non-controlling interest did not arise on transition to IFRS or in the comparative period in respect of its 10.0% interest in Health Properties.

d Amounts recoverable on contract

Upfront costs are incurred on certain contracts with the DoH, which are capitalised and spread over the life of the contract and offsets the release of the deferred income received in advance from the DoH pertaining to those contracts. Under UK GAAP, SSAP 9 'Stocks and long term contracts' required the Group to net down the balances rather than show them gross, whereas under IFRS, the Group is required to hold the receivable and the deferred income gross on the balance sheet. The impact on the balance sheets at 1 January 2009 and 31 December 2009 is an increase in assets and liabilities of £3,254,000 and £1,716,000 respectively.

Circle Holdings plc

Notes to the financial statements

For the year ended 31 December 2010 (continued)

33 Reconciliation from UK GAAP to IFRS

Impact of transition (continued)

e Other intangible assets

IAS 38 'Intangible assets' requires computer software to be shown as an intangible asset rather than as property, plant and equipment as it was under UK GAAP. This has had no impact on the measurement of the asset and the same amortisation policy applies. The adoption of IFRS has resulted in a reclassification from property, plant and equipment to intangible assets at 1 January 2009 and 31 December 2009 of £218,000 and £137,000 respectively.

f Goodwill

Under UK GAAP, capitalised goodwill was amortised over its useful economic life of up to ten years. Under IFRS, capitalised goodwill is not amortised but instead is tested at least annually for impairment. This has resulted in a reversal of the UK GAAP amortisation in the year to 31 December 2009, thus increasing net assets by £2,126,000 at 31 December 2009, net of the goodwill impairment on Circle Clinic Windsor of £334,000. As permitted under IFRS 1, the Group has chosen to apply IFRS 3 prospectively from 1 January 2009 and has not restated previous business combinations. Goodwill is therefore stated at 1 January 2009 at its UK GAAP carrying value of £8,213,000.

g Profit on disposal of subsidiary undertaking

The impact of fair valuing the interest rate swaps in the joint venture means that the net liabilities of Health Properties Bath increased at the date that it became a joint venture. This increased the profit on disposal in the year to 31 December 2009 by £1,745,000.

i Explanation of material adjustments to the cash flow statement

The application of IFRS has changed the presentation of the cash flow statement which now classifies cash flows as arising under only three activities, operating, investing and financing. As a result, interest paid and interest received are both shown under operating activities, but were included in a separate category of returns on investments and servicing of finance cash flows under UK GAAP.

Circle Holdings plc

Independent auditors' report to the members of Circle Holdings plc

We have audited the financial statements of Circle Holdings plc for the year ended 31 December 2010 which comprise the Company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards.

Respective responsibilities of directors and auditors

As explained more fully in the statement of directors' responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinion, 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 this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2010,
- 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.

Opinion on other matter

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the parent company, or
- the parent company financial statements are not in agreement with the accounting records, or
- we have not received all the information and explanations we require for our audit.

Other matters

We have reported separately on the group financial statements of Circle Holdings plc for the year ended 31 December 2010.

Nigel Reynolds



For and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants

London

14 June 2011

Circle Holdings plc

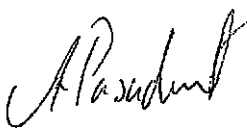
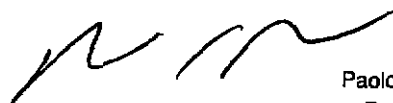
Company balance sheet

As at 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed assets			
Investments	5	26,210	26,201
Current assets			
Debtors	6	49,920	22,344
Cash at bank and in hand		482	11,646
		<u>50,402</u>	<u>33,990</u>
Creditors - amounts falling due within one year	7	<u>(17,783)</u>	<u>(2,413)</u>
Net current assets		<u>32,619</u>	<u>31,577</u>
Total assets less current liabilities		<u>58,829</u>	<u>57,778</u>
Creditors - amounts falling due after one year	8	<u>-</u>	<u>(12,856)</u>
Net assets		<u>58,829</u>	<u>44,922</u>
Capital and reserves			
Called up share capital	9	425	386
Share premium account	9	111,680	101,190
Warrant reserve	10,12	19,878	16,524
Profit and loss account	10	(73,154)	(73,178)
Total shareholders' funds	11	<u>58,829</u>	<u>44,922</u>

The financial statements on pages 94 to 109 were approved by the board of Directors on 14 June 2011 and were signed on its behalf by

Ali Parsadoust
Director
Circle Holdings plc

Paolo Pieri
Director

Registered number: 100016 (Jersey)

Circle Holdings plc

Notes to the Company financial statements For the year ended 31 December 2010

1 Accounting policies

Basis of preparation

These financial statements are prepared for Circle Holdings plc (the 'Company') for the year ended 31 December 2010. The Company is the ultimate parent entity of the Circle Holdings plc Group (the 'Group').

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 profit and loss account and cash flow statement as it is not a requirement under Companies (Jersey) Law 1991.

Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in operational existence for the foreseeable future. The Directors have prepared cash flow forecasts for a period of not less than 12 months from signing the financial statements for the year ending 31 December 2010. Committed funds and underwritten IPO proceeds (associated with the Company's intention to list on the Alternative Investment Market), together with existing cash balances and cash flows from the operating businesses, are sufficient to fund head office costs necessary to sustain the current operations, interest payments over the next 12 months and future growth plans, including taking on the management of NHS Hospitals and funding the commissioning and start up losses of the projected private hospital roll out programme.

On this basis, the directors conclude that it is appropriate for these accounts to be prepared on a going concern basis.

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.

Trade debtors

Trade debtors are amounts due from customers for goods or services performed in the ordinary course of business. Trade debtors are measured at fair value, less provision for impairment.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade creditors are recognised at fair value.

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 19 'Deferred Tax'.

Provisions

Provisions are recognised when the Company has a present obligation in respect of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation and where the amount can be reliably estimated. Provisions are discounted when the time value of money is considered material.

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

1 Accounting policies (continued)

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. Within the Group, any shares of a company which are held by that company's subsidiary are treated as treasury shares, and effectively eliminated from share capital.

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.

i 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 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.

ii Financial liability warrants

Warrants issued that create a financial liability to the Company are presented as a liability in the balance sheet, measured initially at fair value, net of transaction costs and subsequently at amortised cost until extinguished on conversion or redemption. The initial fair value of the warrant liability is determined using an appropriate valuation methodology.

Capital contributions

A number of subsidiary undertakings operate share-based incentive schemes for employees 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 employees of subsidiary undertakings is treated as a capital contribution. The fair value is recognised over the vesting period as an increase to the investment in subsidiary undertakings, with a corresponding credit to equity.

Dividends

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

Circle Holdings plc

Notes to the Company financial statements For the year ended 31 December 2010 (continued)

2 Profit and loss

The result for the year is a loss of £24,000 (2009 £5,412,000)

3 Auditors' remuneration

The Company incurred £22,000 (2009 £20,000) in relation to UK statutory audit fees for the year ended 31 December 2010

4 Directors' emoluments

No emoluments are paid directly by the Company, however information on Directors' remuneration is given in note 6 to the Group accounts

5 Fixed asset investments

Company

	2010	2009
	£'000	£'000
Cost		
At 1 January	60,983	56,814
Additions - Health Properties	9	-
Additions - capital contributions (note 13)	3,354	4,169
At 31 December	64,346	60,983
Provision for impairment		
At 1 January	34,782	30,613
Provision in the year	3,354	4,169
At 31 December	38,136	34,782
Net book value		
At 31 December	26,210	26,201

The Directors consider that the value of the company's fixed asset investments is supported by their underlying assets

The £9,000 addition to Health Properties represents the Group paying up during the year for the remainder of the 9,000 'B' shares of £1 nominal value in Health Properties. Health Properties is 90.0% owned by the Group and 10.0% owned by Health Properties share scheme to which 1,000,000 'A' shares of £0.001 nominal value have been issued. Each share has proportionate rights to the dividends and capital of the company, but only the 'B' shares have voting rights.

Circle Holdings plc

Notes to the Company financial statements For the year ended 31 December 2010 (continued)

6 Debtors

	2010 £'000	2009 £'000
Amounts owed by Group undertakings (note 14)	49,920	22,344

Amounts owed by Group undertakings are interest-free, unsecured and payable on demand

7 Creditors - amounts falling due within one year

	2010 £'000	2009 £'000
Trade creditors	16	3
Amounts owed to subsidiary undertakings (note 14)	2,134	2,110
Accruals and deferred income	438	300
Warranty liability	1,971	-
Bank loans (JCAM (i))	13,224	-
	17,783	2,413

The JCAM (i) loan represents a bridging facility of £13,300,000 together with rolled up interest of £831,000 giving a total amount due at redemption of £14,131,000 (2009 £14,131,000). The loan is repayable within four years and carries a quarterly interest charge of 25.0%. Warrants were issued to the lender at inception and were presented separately in equity at an amount of £1,616,000 giving rise to a loan balance at inception of £11,684,000. At 31 December 2010 the loan was carried at £13,224,000 (2009 £12,856,000) and had an effective interest rate of 30.0%, taking into account both interest and accretion towards the redemption amount.

At the year end, the JCAM (i) facility was under a cross-default due to a default under a GE equipment lease. In March 2011 an agreement was signed with JCAM whereby a waiver of the cross-default was received and the loan repayment date was extended from 29 August 2012 until 28 February 2013.

8 Creditors - amounts falling due after one year

	2010 £'000	2009 £'000
Bank loans (JCAM (i))	-	12,856

The loan has been classified as current due to being under cross-default (note 7)

9 Called up share capital

	2010 £'000	2009 £'000
Authorised		
Ordinary and preference shares of £0.10 each	700	500
Number of authorised shares	7,000,000	5,000,000

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

9 Called up share capital (continued)

Allotted and fully paid up

	Shares (number)	Share Capital £'000	Share Premium £'000	Total £'000
Ordinary shares of £0.10 each				
At 1 January 2009	2,389,290	239	69,492	69,731
Proceeds from shares issued	1,468,385	147	31,698	31,845
At 1 January 2010	3,857,675	386	101,190	101,576
Proceeds from shares issued - August 2010	156,250	16	4,984	5,000
Proceeds from shares issued - November 2010	234,375	23	5,506	5,529
At 31 December 2010	4,248,300	425	111,680	112,105

Transaction costs incurred during the 2010 equity raises were £27,000 (2009: £68,000), all of which have been expensed due to their immaterial amount. Proceeds are net of warrant liability of £1,971,000 (2009: £nil).

On 13 February 2009, 373,534 preference shares of £0.10 were issued. These were exchanged for fully paid ordinary shares in a 1:1 exchange on 26 November 2009. The preference shares were cancelled as a class of shares on this date and all associated warrants were converted to ordinary shares on a 1:1 basis. As at 31 December 2010 there are authorised but no allotted preference shares (2009: nil and nil respectively, 2008: nil and nil respectively). The authorised preference shares form part of the £7,000,000 authorised share capital.

10 Reserves

	Share premium account £'000	Warrant reserve £'000	Profit and loss account £'000
At 1 January 2010	101,190	16,524	(73,178)
Issuance of shares	10,490	-	-
Profit for the financial year	-	-	24
Additions to warrants reserve (note 12)	-	3,354	-
At 31 December 2010	111,680	19,878	(73,154)

11 Reconciliation of movement in shareholders' funds

	2010 £'000	2009 £'000
Profit / (loss) for the financial year	24	(5,412)
Net proceeds of issue of ordinary share capital (note 9)	10,529	31,845
Additions to warrant reserve (note 12)	3,354	5,619
Net addition to shareholders' funds	13,908	32,052
Opening shareholders' funds	44,922	12,870
Closing shareholders' funds	58,830	44,922

Circle Holdings plc

Notes to the Company financial statements For the year ended 31 December 2010 (continued)

12 Warrants

The Company issues warrants which give the holders the right to purchase shares in the Company 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 the criteria outlined in the Company's accounting policies.

a Warrants treated as equity instruments

i Movements in the warrant reserve during the year are as follows

	2010 £'000	2009 £'000
At 1 January	16,524	10,905
Capital contribution expense (note 13)	3,354	4,169
Warrants issued for nil consideration expense	-	1,450
At 31 December	19,878	16,524

ii The warrant reserve comprises the following warrants

	2010 £'000	2009 £'000
Warrants issued in 2008		
- Health Trust (Jersey)	9,721	7,954
- Balderton Capital III LP	4,111	4,111
- Lansdowne UK Equity Fund Limited	371	371
- Lansdowne UK Equity Fund LP	21	21
- Lansdowne UK Strategic Investment Master Fund Limited	391	391
- JCAM Global Fund (Master) LP	1,616	1,616
Warrants issued in 2009		
- Health Trust (Jersey)	2,197	610
- Balderton Capital III LP	675	675
- Lansdowne UK Equity Fund Limited	436	436
- Lansdowne UK Equity Fund LP	43	43
- BlueCrest Venture Finance Master Fund Limited	296	296
Total	19,878	16,524

No warrants treated as equity instruments were issued during the year. The warrants issued to shareholders in 2009 were valued at £19.57 per warrant. Warrants are valued according to the Black-Scholes option pricing methodology on a diluted pricing basis using the parameters in the table below. The warrants issued to JCAM Global Fund (Master) LP in 2008 were valued at £33.84 based on an assessment of the market price for the associated JCAM (i) loan.

2009 warrant issue parameters

13 February 2009

Stock price	£29.84
Exercise price	£29.84
Expected volatility	50.0%
Risk free interest rate	5.0%
Warrant life	10 years
Fair value of warrant	£19.57

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

12 Warrants (continued)

The life of the warrant is based on the expected term and is not necessarily indicative of exercise patterns that may occur. The historical volatility is assumed to be indicative of future trends, which may not necessarily be the actual outcome.

iii The following table details all share warrants issued by the Company which are recognised in equity

Beneficiary	Note	Warrants number (actual)	Exercise price £	Fair value £	2010 Warrant reserve £'000
Warrants issued in 2008					
– Health Trust (Jersey)	a, d	267,680	£51 545	£39 28	9,721
– Balderton Capital III LP	a	5,600	£0 10	<i>Exercised</i>	-
– Lansdowne UK Equity Fund Limited	a	9,446	£51 545	£39 28	371
– Lansdowne UK Equity Fund LP	a	517	£51 545	£39 28	21
– Lansdowne UK Strategic Investment Master Fund Limited	a	9,963	£51 545	£39 28	391
– Balderton Capital III LP	a	104,692	£51 545	£39 28	4,111
– JCAM Global Fund (Master) LP	a	47,786	£51 545	£33 84	1,616
Warrants issued in 2009					
– Lansdowne UK Equity Fund Limited	b	32,297	£29 838	£19 57	436
– Lansdowne UK Equity Fund LP	b	2,174	£29 838	£19 57	43
– BlueCrest Venture Finance Master Fund Limited	b	15,102	£29 838	£19 57	296
– BlueCrest Venture Finance Master Fund Limited	b	1,333	£29 838	<i>Exercised</i>	-
– Balderton Capital III LP	b	34,471	£29 838	£19 57	675
– Lansdowne UK Equity Fund Limited	c	163,645	£0 10	<i>Exercised</i>	-
– Lansdowne UK Equity Fund LP	c	9,581	£0 10	<i>Exercised</i>	-
– Lansdowne UK Strategic Investment Master Fund Limited	c	32,897	£0 10	<i>Exercised</i>	-
– BlueCrest Venture Finance Master Fund Limited	c	95,819	£0 10	<i>Exercised</i>	-
– Balderton Capital III LP	c	234,959	£0 10	<i>Exercised</i>	-
– Health Trust (Jersey) - Option Pool	d	200,473	£51 545	£13 72	2,197
		1,268,435			19,878

a On 26 November 2009, the 440,084 warrants issued in 2008 with an exercise price of £59 67 per share (which includes the 267,680 warrants issued to Health Trust (Jersey) in 2008) were adjusted to an exercise price of £51 55 per share. There was no adjustment to the fair values of the warrants as the updated exercise price took into account the dilution factor of the November 2009 share issue, and therefore there is no effect on the Company financial statements.

b On 13th February 2009, 85,377 warrants were issued to shareholders that entitle the holder to acquire an equivalent number of preferred shares in the Company with an exercise price of £29 84 per share. The warrants have no expiry date but lapse if the Company is sold. Of these warrants, 1,333 were exercised immediately. On 26 November 2009, the remaining 84,044 warrants were replaced by warrants with the same terms for ordinary shares.

Circle Holdings plc

Notes to the Company financial statements For the year ended 31 December 2010 (continued)

12 Warrants (continued)

c On 26th November 2009, 536,901 anti-dilution warrants were issued to shareholders that entitle the holder to acquire an equivalent number of Company ordinary shares with an exercise price of £0.10 per share. These warrants have no expiry date but lapse if the company is listed or sold. These warrants were exercised immediately for a total consideration of £54,000

d This is a share-based payment transaction

b Warrants recognised as financial liabilities

The following table details all share warrants issued by the Company which are recognised as a financial liability in the Company balance sheet

Beneficiary	Exercise price £	2010 Warrant liability £'000
Warrants issued in 2010		
– BlackRock Investment Management (UK) Limited	£0.10	394
– Lansdowne UK Equity Fund Limited	£0.10	526
– Lansdowne UK Equity Fund LP	£0.10	36
– Lansdowne UK Strategic Investment Master Fund Limited	£0.10	95
– Balderton Capital III LP	£0.10	657
– BlueCrest Venture Finance Master Fund Limited	£0.10	263
		1,971

In November 2010, the Company raised £7,500,000 from a number of existing shareholders. A condition of the raise was that in the case of a further equity raise prior to 30 September 2011, these original investors would be allocated £0.10 anti-dilutive ordinary share warrants. The number of warrants to be issued will be based on the share price of the equity raised in the subsequent offering.

These warrants were valued by an independent external valuation firm using a Monte-Carlo simulation, which is a complex mathematical algorithm valuation tool. They calculated the total fair value of these anti-dilutive share warrants to be £1,971,000.

The number of warrants to be issued is variable as it is dependent on the share price of the subsequent financing. Consequently, the warrant portion of equity raised is treated as a financial liability under FRS 25 'Financial instruments, disclosure and presentation'. The balance is classified as current since the liability will be settled at the earlier of a further equity raise or 30 September 2011.

In the event that no subsequent financing takes place, the warrants shall become exercisable for the same number of shares as they purchased during the November 2010 equity raise. Per the Articles of the Company, these warrants and the originally issued ordinary shares will convert into preference shares which rank ahead of ordinary shares for the entire subscription price paid in the case of liquidation or sale of the Company.

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

13 Capital contributions

Shares and share warrants are issued to employees who contribute to the success and growth in value of the Group. The issuance of these warrants and shares qualifies as equity-settled share-based payment transactions and falls within the scope of FRS 20 'Share-based payment'. The charge to the profit and loss account in respect of share-based payments is recognised in the subsidiary undertaking with the corresponding capital contribution recognised in the Company.

Capital contributions during the year

	Note	Type	2010 £'000	2009 £'000
Health Trust (Jersey)	a	Warrants	1,767	3,559
Health Trust (Jersey) - option pool	b	Warrants	1,587	610
			3,354	4,169

a Health Trust (Jersey)

Health Trust (Jersey), of which Mr A Parsadoust is a beneficiary, received 220,190 warrants on acquisition of Health Properties Group at an exercise price of £59.67 on 29 May 2008 and 47,490 warrants at an exercise price of £59.67 on 4 June 2008. The fair value of the warrants at the date of issue was determined to be £39.28 per warrant and £10,514,000 in total, according to the Black-Scholes methodology.

The warrants entitle the holder to acquire an equivalent number of ordinary shares in the Company with an exercise price of £59.67 per share, with no expiry date. These were issued as additional consideration for the sale of 100.0% of the shares in Health Properties to the Company.

The warrants are conditional on Mr A Parsadoust remaining with the Group for a specified period up to 48 months and vest evenly over this period. The warrants lapse if the Company is sold and if there is a change of control, the outstanding warrants will immediately vest. However vesting is unaffected if the Company is listed.

The exercise price of these warrants was repriced to £51.545 during 2009.

b Health Trust (Jersey) - option pool

An additional share-based payment was made to Health Trust (Jersey) on 27 November 2009. The trust received 200,473 warrants to subscribe for an equivalent number of ordinary shares in the Company at an exercise price of £51.545. The fair value of the warrants at the date of issue was determined to be £13.72 per warrant and £2,750,000 in total, according to the Black-Scholes methodology.

The warrants vest in 20.0% increments based upon the next five hospitals opening during the hospital plan period. The warrants are also conditional on Mr A Parsadoust, a beneficiary of Health Trust (Jersey), remaining with the Group at the time of each hospital opening. Again, the warrants lapse if the Company is sold and if there is a change of control, the outstanding warrants will immediately vest. However vesting is unaffected if the company is listed.

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

13 Capital contributions (continued)

Movements in the number of warrants outstanding and their related weighted average exercise prices are as follows

	2010	2010	2009	2009
	Warrants	Average	Warrants	Average
	(actual)	exercise price	(actual)	exercise price
		(£ per share)		(£ per share)
At 1 January	468,153	£51.55	267,680	£59.67
Granted	-	-	200,473	£51.55
Modification	-	-	-	£51.55
At 31 December	468,153	£51.55	468,153	£51.55

There were no new warrant issues qualifying as share-based payments during 2010 (2009 200,473 issued warrants). The capital contribution recognised for the year to 31 December 2010 in respect of previously issued share-based payments was £3,354,000 (2009 £4,169,000). No warrants were exercised in 2010 (2009 nil). Of the 468,153 outstanding warrants (2009 468,153), only 212,971 were exercisable (2009 105,957 warrants). All the outstanding warrants have an exercise price of £51.545. The warrants issued to Health Trust (Jersey) do not have an expiry date.

The warrants issued have been valued according to the Black-Scholes option pricing methodology on a diluted pricing basis, based on the inputs below and the relevant share price at the time of issue. These were valued at the time of the warrant issue, or modification where appropriate, and are debited to fixed asset investments as capital contributions (note 5) with the credit being recognised in the warrant reserve over the warrant vesting period. The weighted average fair value of warrants granted was £33.18 (2009 £33.18).

The 267,680 warrants issued during 2008 were modified on 27 November 2009 due to the original exercise price being 'under water' following a fall in the Company's share price. The exercise price for the warrants was changed from £59.67 to £51.545, which had no effect on the originally determined fair value of the warrants. The fair value of the modified warrants was also determined using the Black-Scholes valuation model, again using the same inputs as listed above.

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

14 Related party transactions

During the year, the Company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding as at 31 December 2010 are as follows

		2010		2009	
	Note	Amounts owed by related party £'000	Amounts owed to related party £'000	Amounts owed by related party £'000	Amounts owed to related party £'000
JCAM (i)	a	-	(13,224)	-	(12,856)
Health Estates Managers	b	90	-	77	-
Health Properties Edinburgh	c	619	-	619	-
Circle Health	d	42,871	(2,134)	18,138	(2,110)
Nations Healthcare	e	6,340	-	3,510	-
Capita	f	-	(72)	-	(50)
		<u>49,920</u>	<u>(15,430)</u>	<u>22,344</u>	<u>(15,016)</u>

a JCAM

JCAM has loaned the Company £14,131,000 (2009 £14,131,000), which includes £831,000 of rolled up interest. The loan is repayable within four years and carries a quarterly interest charge of 25.0%. At inception, 47,786 warrants were issued to JCAM at an exercise price of £59.67 and were presented separately in equity at an amount of £1,616,000, giving rise to a loan balance at inception of £11,684,000. At 31 December 2010 the loan was carried at £13,224,000 (2009 £12,856,000) and had an effective interest rate of 30.0%, taking into account both interest and accretion towards the redemption amount (notes 7 and 8).

b Health Estates Managers

Health Estates Managers is a wholly owned subsidiary of the Company and regulated by the Jersey Financial Services Commission to conduct fund services business. Health Estates Managers acts as a manager to a Jersey fund, Health Estates. To date, the Company has advanced loans to Health Estates Managers of £115,000 (2009 £115,000) with an interest rate of 12.0% and was recharged administrative expenses of £29,000 (2009 £29,000) at cost. Interest of £18,000 has been accrued to 31 December 2010 (2009 £5,000). In 2008, debtors of £72,000 from Health Estates Managers were fully provided for, leaving a residual balance of £90,000 at 31 December 2010 (2009 £76,000). The Directors have reviewed this balance and consider that on current cash flow forecasts, no change in the provision is required.

c Health Properties Edinburgh

Health Properties Edinburgh, a wholly owned subsidiary of the Company has been advanced loans of £938,000 (2009 £938,000) for the payment of interest on the JCAM (ii) loan. These loans are unsecured, interest-free and payable on demand. These loans were partially provided for during 2008, and based on current cash flow forecasts the Directors do not believe that any further provision is appropriate for the remaining balance of £619,000 (2009 £619,000).

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

14 Related party transactions (continued)

d Circle Health

Circle Health is a 50.1% owned subsidiary of Circle International, a wholly owned subsidiary undertaking. To date, the Company has advanced unsecured loans to Circle Health of £50,854,000 (2009 £30,905,000) bearing interest of 12.0% and to date has accrued interest of £6,006,000 (2009 £1,223,000) on these loans. The Company also recharged expenses of £80,000 (2009 £80,000) at cost, during 2008 which have yet to be repaid. During 2008 £14,069,000 of the receivables from Circle Health were provided for. Based on current cash flow forecasts the Directors do not believe that any further provision is required on the residual balance of £42,871,000 at 31 December 2010 (2009 £18,139,000).

During the year Circle Health incurred expenses on behalf of the Company and recharged these at cost to the value of £2,134,000 (2009 £2,110,000).

e Nations Healthcare

The Company indirectly owns 69.2% of Nations Healthcare, via its subsidiaries Circle Health and Circle International.

The Company directly owns £4,500,000 non-voting 20.0% preference shares in the Company which are included in fixed asset investments (note 5). The Company has accrued a total of £2,284,000 (2009 £1,384,000) on these preference shares.

To date the Company has advanced loans of £16,055,000 (2009 £16,055,000) to Nations Healthcare and has accrued interest of £5,568,000 (2009 £3,638,000) on these loans.

During 2008 all receivables from Nations Healthcare (£17,567,000) were fully provided for. Based on current cash flow forecasts the Directors do not believe that any further provision is appropriate on the remaining residual balance receivable of £6,341,000 at 31 December 2010 (2009 £3,510,000).

f Capita Fiduciary Group Limited

A number of the current Directors who served during the year are employed by Capita (as disclosed in the Directors' report), a management and fiduciary services company based in Jersey. In total, the Company was charged £110,000 (2009 £8,000) by Capita for management and fiduciary services provided to the Company during the year. The amount outstanding at 31 December 2010 was £72,000 (2009 £50,000) is shown in trade creditors and accruals.

Circle Holdings plc

Notes to the Company financial statements For the year ended 31 December 2010 (continued)

14 Related party transactions (continued)

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

	Number of shares held	% shareholding	Number of warrants held
Balderton Capital LLP	921,938	18.5%	139,163
ING Capital LLC	100,168	2.0%	-
Lansdowne Funds*	964,192	19.4%	44,397
BlueCrest Strategic Limited	417,018	8.4%	15,102
BlackRock Investment Management	665,234	13.4%	-

* Lansdowne UK Equity Fund Ltd, Lansdowne UK Equity Fund LP and Lansdowne UK Strategic Investment Master Fund Ltd have been collectively called Lansdowne Funds for the purpose of this disclosure.

Other than equity transactions detailed in note 12, there have been no transactions with these related parties.

15 Events after the balance sheet date

1. Waiver of JCAM (i) loan facility

The JCAM (i) (note 17) facility was in default at year end due to (i) a cross-default triggered by an underlying default under the GE equipment lease above and (ii) the delivery of security by certain Group companies in breach of the negative pledge in the JCAM facility agreement. During May 2011, the Group received a waiver of all events of default and breaches from JCAM. The waiver is conditional on the Group completing a raise of a specified amount of funds from external investors, which was completed as detailed below. In addition, the repayment date of the facility was extended from 29 August 2012 to 28 February 2013.

In May 2011 it was agreed with JCAM that if a listing of the Company on AIM does not occur by the end of 2011 and the Vinci loan agreement of £5,000,000 (see (x) below) is repaid in full out of Group funds that JCAM will be entitled to receive a mortgage over the Manchester land from Health Properties (South Manchester) Limited to the extent of such Group funds.

In June 2011 it was further agreed with JCAM that they will receive a potential prepayment of £4,100,000 on the later of two business days after (i) a listing on AIM and (ii) the repayment in full of the Vinci loan agreement. The £4,100,000 prepayment will be reduced by the amount that the Vinci loan agreement is repaid using funds from within the Group rather than from a third party financing.

Circle Holdings plc

Notes to the Company financial statements

For the year ended 31 December 2010 (continued)

15 Events after the balance sheet date (continued)

ii March 2011 equity raise, warrant repricing and shareholder restructure

During March 2011, existing shareholders committed to provide additional equity of £20,000,000 to fund the Group. Of this amount, £7,500,000 has already been received with a further £12,500,000 to be received in the event that there is no Initial Public Offering ('IPO') by 31 May 2011. Furthermore, the existing investors were issued a set of warrants to subscribe for an additional number of ordinary shares at nominal value so that the subscription price under the equity commitment is adjusted to be, effectively

- 1) if there is an IPO before 31 May 2011, 90.0% of the IPO price, and
- 2) if no IPO by 31 May 2011, £20.00

The subscription agreement and the warrant instrument were subsequently amended (see (v) below). Health Trust (Jersey) undertook, as part of the same transaction, to transfer 3.0% of the fully diluted number of shares in the Company to certain existing shareholders in return for a 6.0% holding in the Circle Partnership. A further consequence of the additional equity funding by the existing investors is that all outstanding share warrants, priced at either £51.55 or £29.84 (note 12), are repriced to £20.00 or the price of the IPO, if it occurs prior to 31 May 2011.

iii Change of name and tax status

On 13 May 2011, the Directors passed a resolution changing the Company's name from Health Investment Holdings Limited to Circle Holdings plc. This came into effect as of 16 May 2011. In addition, on 17 May 2011, a resolution was passed to bring the Directors onshore, thus changing the tax residency of the Company from Jersey to the UK.

iv Authorised preference share capital

On 1 June 2011, the shareholders passed a resolution adopting new Articles of Association ahead of Admission. These articles, among other items, reclassified the share capital of the Company into a single class of ordinary shares, thereby eliminating the previously authorised preference shares. However, if Admission does not occur by 30 September 2011, the ordinary shares issued in November 2010 (and the warrant shares issuable pursuant to the warrant instrument from the same transaction) will convert into preference shares.

v May 2011 equity raise, warrant repricing and shareholder

In May 2011, agreement was reached with Odey European Inc. and BlueCrest Venture Finance Master Fund Limited to provide equity of £15,000,000 and £5,000,000 respectively prior to the IPO in order to provide further funding for the business over the next 18 months. The subscription price was £11.15 per share, however warrants were also issued which are exercisable at nominal value into the number of warrant shares equal to 30.0% and 10.0%, respectively, of the warrants issued pursuant to the November 2010 and March 2011 warrant instrument. In addition, Health Trust (Jersey) will receive an additional 4.0% of the equity in Circle Partnership. It was further agreed that the IPO completion date of 31 May 2011, as contemplated in (v) above, would be extended to 30 June 2011, and that the effective subscription price of the March 2011 equity commitment in scenario 2 of (v) above would be reduced to £8.72.

Circle Holdings plc

Notes to the Company financial statements For the year ended 31 December 2010 (continued)

15 Events after the balance sheet date (continued)

vi Intention to float on Alternative Investment Market

On 25 May 2011, the Company announced its intention to list on the Alternative Investment Market, a market operated by the London Stock Exchange plc. This intention forms part of the Company's overall fundraising strategy.

vii Contingent funding arrangement

On 13 June 2011, some of the existing shareholders (BlackRock Investment Management (UK) Limited, the Lansdowne funds (note 20) and BlueCrest Venture Finance Master Fund Limited) agreed to subscribe for additional ordinary shares in the Company at a total subscription price of up to £2,460,000 on 27 June 2012 (or such other date as they agree with the Company) at a price per ordinary share that is 90.0% of the closing price of the ordinary shares on 19 June 2012, subject to a minimum price per ordinary share of £0.90, provided that certain capital raisings or refinancings have not occurred by 20 June 2012.



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**CERTIFICATE OF REGISTRATION
OF AN OVERSEA COMPANY**

(Registration of a UK establishment)

Company No. FC030337

UK Establishment No. BR015332

The Registrar of Companies hereby certifies that

CIRCLE HOLDINGS (UK) PLC

has this day been registered under the Companies Act 2006 as having
established a UK Establishment in the United Kingdom

Given at Companies House on **25th July 2011**.



Companies House
— for the record —



THE OFFICIAL SEAL OF THE
REGISTRAR OF COMPANIES