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In accordance with Regulation 32 of the Overseas Companies Regulations 2009.

OS AA01

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

Companies House

A6CG6SYG
A12 09/08/2017 #468
COMPANIES HOUSE

A07 28/06/2017 #290
COMPANIES HOUSE

WEDNESDAY

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

✗ **What this form is NOT for**
You cannot use this form to an alteration of manner of c with accounting requiremen

Part 1 Corporate company name

Corporate name of overseas company ❶	CIRCLE HOLDINGS PLC
UK establishment number	B R 1 5 3 3 2

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

All fields are mandatory unless specified or indicated by *

❶ This is the name of the company in its home state.

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

A1 Legislation

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

Legislation ❷ UK GAAP + COMPANIES (JERSEY) LAW '91

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

A2 Accounting principles

Accounts

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

Please tick the appropriate box.

☐ **No.** Go to **Section A3.**

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

Name of organisation or body ❸ FRS101 REDUCED DISCLOSURE FRAMEWORK

❸ Please insert the name of the appropriate accounting organisation or body.

A3 Accounts

Accounts

Have the accounts been audited? Please tick the appropriate box.

☐ **No.** Go to **Section A5.**

☑ **Yes.** Go to **Section A4.**

OS AA01
Statement of details of parent law and other information for an overseas company

A4 Audited accounts

Audited accounts	Have the accounts been audited in accordance with a set of generally accepted auditing standards? Please tick the appropriate box. ☐ **No.** Go to **Part 3 'Signature'**. ☑ **Yes.** Please enter the name of the organisation or other body which issued those standards below, and then go to **Part 3 'Signature'**.
Name of organisation or body ❶	UK GAAP - ISSUED BY ASB

❶ Please insert the name of the appropriate accounting organisation or body.

A5 Unaudited accounts

Unaudited accounts	Is the company required to have its accounts audited? Please tick the appropriate box. ☐ **No.** ☐ **Yes.**

Part 3 Signature

I am signing this form on behalf of the overseas company.

Signature	Signature **X** [signature] **X**

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

OS AA01

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

Presenter information

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

Contact name JOHN KEYES

Company name CIRCLE HOLDINGS PLC

Address 32 WELBECK STREET

Post town LONDON

County/Region LONDON

Postcode W1G 8EU

Country UK

DX

Telephone 0207 0345150

Checklist

We may return forms completed incorrectly or with information missing.

Please make sure you have remembered the following:

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

Important information

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

Where to send

You may return this form to any Companies House address:

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.

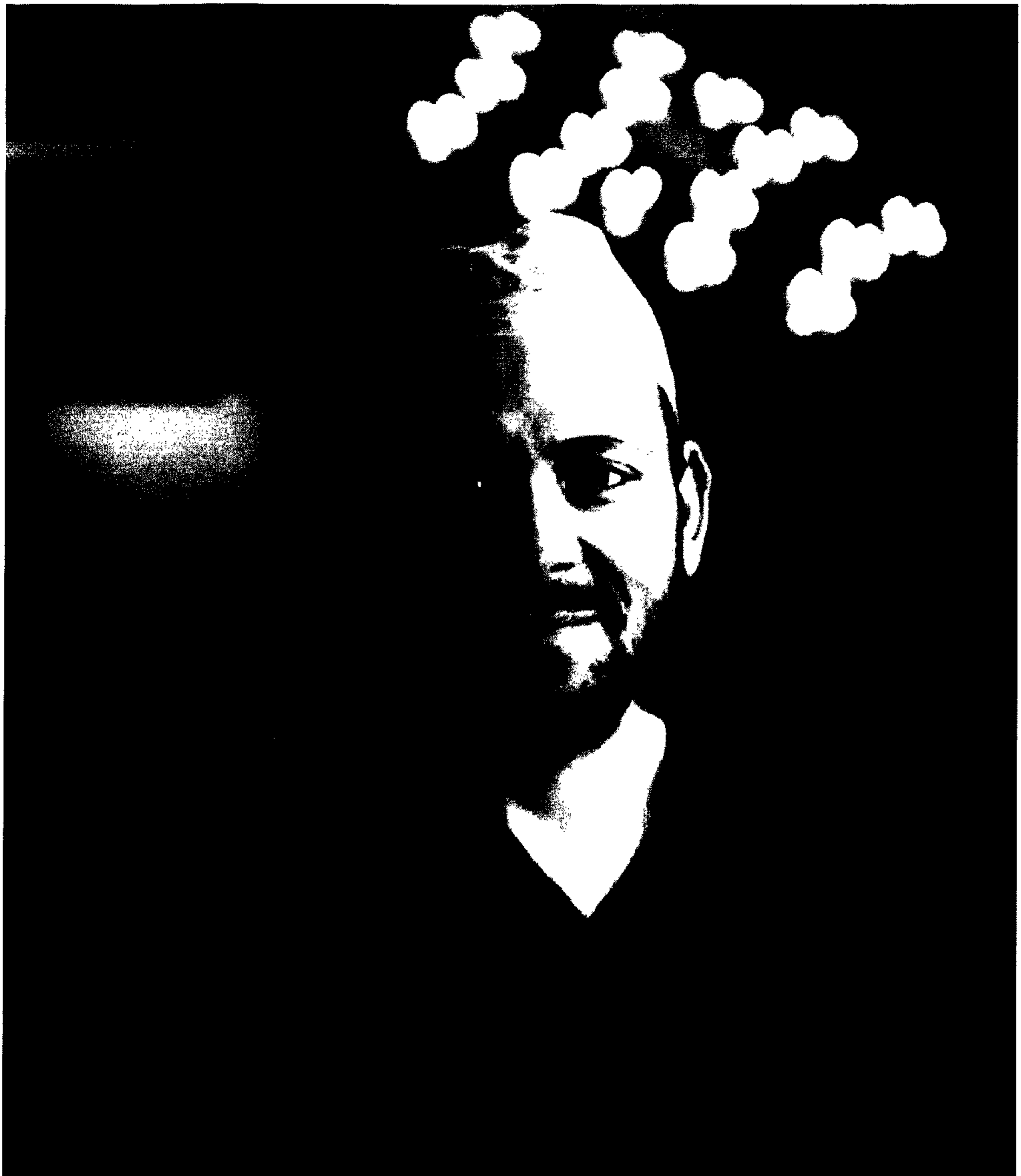
Further information

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

Circle Holdings

Annual Report and financial statements 2016



CHAIRMAN'S LETTER

Healthcare in the UK is manifestly under significant pressure. Rises in patient demand, the challenges of government budgets, technological change and an overdue shift towards more integrated healthcare are changing how healthcare services are managed. These create opportunities as well as challenges for Circle, but we believe the group is well-placed to capitalise on them.

Last year, 2016, was a busy year for Circle. While our financial results were not as strong as we would have liked, due to operational matters discussed in the CEO's report, it was a very important year in terms of positioning the group for the future. As I mentioned in last year's report, we concluded an extensive review of our business. Consequently the past year resulted in some of the identified opportunities coming to fruition, with the group adopting an increasing emphasis towards more capital-efficient activities, including service provision and rehabilitation.

Our partnership with one of the leading European rehabilitation providers, VAMED, signed in December 2016, is a direct outcome of our strategic review and is potentially a game-changer for the group. Rehabilitation services are a critical missing piece in UK healthcare. Our joint venture, Circle Rehabilitation, seeks to position itself at the forefront of filling this important gap. It will provide patients who have undergone, for example, a musculoskeletal operation or have a neurological condition the opportunity to accelerate their recovery or manage their condition more effectively. It will help many patients to be fit enough to have the independence of living at home, rather than be sent to care homes or remain as "bed blockers" in acute hospitals. Our pilot rehabilitation centre is already open in Reading and treating patients.

The widespread recognition is that state of-the-art rehabilitation is an important void across the UK healthcare economy, and this initiative is providing us with a much more open door to discuss partnerships and service provision with the public sector. There is demonstrably more engagement compared with some of the other services we offer, as the potential for this style of rehabilitation to improve the efficient flow of patients through NHS hospitals is substantial.

Our successful stewardship of the Bedfordshire MSK pathway, on behalf of local NHS commissioners, provided us with the opportunity in August 2016 to become preferred bidder for managing the MSK services in Greenwich and Lewisham. We were delighted to have finalised this partnership in March 2017 and are looking to add further scale in this area.

The formalisation of our Chinese joint venture, Circle Harmony, affords us exciting entry into a huge healthcare market. We are expecting Circle Harmony's first facility in Shanghai, along with our clinical partnership with the Ruijin Hospital, to be complete in the third quarter of 2017. The investment commitment has come from private and state investors in China and the objective is to create a network of small facilities aimed at the premium end of the market. This joint venture was announced in June 2016.

As I mentioned last year, we had expected to commence construction of Circle Birmingham Hospital in 2016. The detailed planning and design was delayed to accommodate our entry into rehabilitation, and construction will now commence imminently. This exciting new project will also look to incorporate a purpose built Rehabilitation facility.

The realisation of full value for our land in Manchester, announced in February 2017, will enable the group to reallocate these funds to more capital efficient activities.

In November, Steve Melton stood down as CEO. The board is grateful to him for his work and his dedication to the group, which he joined in 2008, and wish him well for the future. The board was unanimous in support of Paolo Pieri to take on the CEO role at a time when the group is well-positioned to build on its core expertise, to execute the new initiatives and to achieve greater scale.

A strategic challenge for the board and management is the highly concentrated shareholder register that results in inadequate liquidity in our shares. Mindful of this, the board regularly considers the options available to mitigate this situation, with a view to enhancing shareholder value.

Finally, let me thank our patients and partners for their support and loyalty over the past year. Last year 346,904 patients came through our doors, up 2 percent on the previous year, and the feedback we have received from them is outstanding. The commitment and hard work of Circle's partners – from consultant surgeons and nurses to hospitality staff – continues to be recognised in our exceptional patient satisfaction levels. All of our facilities across our estate have consistently good Care Quality Commission ratings. We thank them for their trust and support. Likewise, I must thank my board colleagues for their wise counsel and commitment over the past year.

Michael Kirkwood CMG
Chairman
28 March 2017

CHIEF EXECUTIVE OFFICER'S REPORT

Circle's commercial agenda is a simple one: to increase scale. We have developed a range of core competencies, in hospital management, contracting for healthcare services and we are now introducing mainstream medical rehabilitation. We are building on these platforms already in 2017 with our next hospital, in Birmingham, our Greenwich MSK contract and the signing of our rehabilitation joint venture.

In terms of performance in 2016, there were a number of issues affecting our results that are being resolved. We had inpatient staffing shortages at Circle Bath Hospital, which meant high agency usage and mid-year there was an impact of the lengthier than planned engagement process with our consultants prior to the introduction of new NHS fees. With those behind us, I am pleased to say that we are seeing a more positive financial trend to the start of 2017.

Our joint venture with the European rehabilitation specialists VAMED to form Circle Rehabilitation is significant. We have a pilot rehabilitation centre now running in Reading, and our plan is to add a 120-bed rehabilitation centre to our future private hospital in Birmingham. However, the great growth potential here is to build dedicated rehabilitation hospitals close to large NHS trusts.

At present, NHS trusts are unable to deal with the flow of patients through their hospitals because there are too many patients left in precious beds unnecessarily because they are not yet fit to go home. A 500-bed NHS trust could save millions of pounds a year by moving patients to dedicated rehabilitation facilities, using the latest technology, which would give them better patient outcomes.

We were recently awarded the contract to manage the Greenwich musculoskeletal service, on behalf of local NHS commissioners. The five year contract, which is renewable for up to a further two years, is worth £84.7m and we will be responsible for serving 276,000 Greenwich residents. This achievement is a reflection of the success we have made of running a similar service in Bedfordshire. We believe there will be other opportunities in the future to expand this to other localities.

Circle's 20-year management agreement with Chinese investors was signed in summer 2016 reflecting the expertise that Circle has built up in running private hospitals. We expect to see good developments in this venture in the coming year.

We continue to examine ways to increase efficiencies across our business. For example, new inpatient beds in our Nottingham Treatment Centre, which we run on behalf of the NHS, have increased utilisation in this already busy hospital. At the same time, the group has added to its cash position, after selling its Manchester land at the end of January 2017 for a premium above book value.

In closing, I must thank the contributions Circle partners have made during 2016. Their focus and determination to ensure our patients receive better quality healthcare never tires and our overall "good" CQC ratings along with our consistently high patient satisfaction rates are proof that we are achieving what we always set out to do; to deliver a great company dedicated to our patients.

Paolo Pieri
Chief Executive Officer
28 March 2017


Credo
great company
our patients.

CHIEF FINANCIAL OFFICER'S REPORT

Financial review

2016 has been a year of continued financial progress in the face of some operational difficulties. We maintained revenue growth and improved gross profit margins across all sites. Combined with an exceptional gain of £2.2 million, this resulted in a 30% reduction in total losses.

The Group generated an operating loss before exceptional and Project Reset* items of £7.0 million, an improvement of 12% on 2015. The financial progress made in 2016 has been encouraging whilst extremely high patient satisfaction levels of 98% have been achieved.

Patient Procedures

	Year to 31-Dec-16 Number	Year to 31-Dec-15 Number	Change
Day case and inpatients	**50,985**	48,433	5%
Outpatients	**295,919**	292,472	1%
Total procedures	**346,904**	**340,905**	**2%**

Patient volumes have shown good growth across the Group versus 2015. This is largely due to an increase in NHS volumes with patients requiring both Inpatient and Day case procedures selecting Circle as their healthcare provider of choice. We have also seen an encouraging 23% rise in self-pay volumes this year.

Overall PMI volumes have fallen compared to prior year, an area in which we had not expected growth.

The most encouraging growth in admitted patient care is at Circle Nottingham which has achieved year on year growth in this area of 7%. Total volume growth (including Outpatient activity) at Circle Bath grew by 3% to 50,503, Circle Reading increased by 1% to 65,050 and Circle Nottingham increased by 2% to 231,351.

Although the growth achieved has not quite been the level that we had anticipated we are encouraged by the continuing steady growth at all of our hospital sites. Good progress has been made on all operational issues, and with a clear plan for revenue growth and further efficiencies, we are on track for strong results in our core business during 2017, along with new opportunities in our MSK Service and Rehabilitation partnership coming on stream.

Group results

EBITDAR (Earnings Before Interest, Tax, Depreciation, Amortisation and Rent) increased by 30% this year to £7.2 million, and continuing the trend of positive growth from 2015, 2016 EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) loss before exceptional items and Reset costs reduced by 36% as the Group continued to grow in its core operations while achieving operating efficiencies.

Revenue increase for the year was 4% reflecting the strength of our core business. Volume increases accounted for 2% of this with improved complexity and case mix accounting for the remainder.

Gross margin, whilst not as high as anticipated, has been improved from 29% to 30%. One-off operational issues at Bath and Reading, including inpatient staffing shortages, high agency usage and the impact of a delay to the renegotiation of consultant NHS activity fees, all contributed in varying degrees to this during the year.

Cash balance as at end of December was £7.4 million (2015: £15.0 million) with no restricted cash reserves. The sale of the land in Manchester increased this balance by a further £9.1m during January 2017.

The Company issued further allocations of options under its Partnership Incentive Plan (PIP) share schemes during 2016. The total share option charge recognised in 2016 amounted to £2.8 million.

	Year to 31-Dec-16 £'000	Year to 31-Dec-15 £'000	Difference £'000	% Difference
Group revenue	**133,452**	**127,790**	5,662	4%
Earnings before interest, tax, depreciation and amortisation and rent ('EBITDAR') before exceptional items and Project Reset charge	**7,166**	**5,530**	1,636	30%
Earnings before interest, tax, depreciation and amortisation ('EBITDA') before exceptional items and Project Reset charge	**(3,145)**	**(4,915)**	1,770	36%
Total operating loss before exceptional items and Project Reset items	**(6,978)**	**(7,967)**	989	12%
Exceptional items	**2,181**	**(389)**	2,570	661%
Loss and total comprehensive loss for the financial year	**(8,131)**	**(11,656)**	3,525	30%
Net assets	**20,033**	**25,411**	(5,378)	(21%)

With the aid of future plans to maximise scale and also current strategies to attract more patients, and improve efficiencies whilst simultaneously maintaining our high quality clinical care, we are confident that we have the resources to achieve sustainable growth.

Exceptional Items

During 2016, a net exceptional gain of £2.2 million was recognised in relation to an impairment reversal on land in Manchester. This land was purchased in 2011 and impaired in 2012 following an external valuation. At the year end we had made significant progress with a buyer at a significantly higher value than the carrying value, therefore the impairment was reversed. This transaction was then completed during January 2017 at a sale price of £9.1 million.

Cash flow

Net cash outflow from operating activities amounted to £1.3 million (2015: £4.6 million) showing an improvement on prior year as a result of improved operational performance.

At 31 December 2016, the only borrowings relate to finance leases of clinical equipment. Our cash flow forecasts have been prepared based on the expected cash flows from the Group's existing operating businesses and the commitments associated with new projects as discussed in the Chairman's and CEO's reports. Following the sale of the land in Manchester as mentioned above, the Group is in a strong cash position and has sufficient funding to carry out its current business plans.

Sarah Marston
Interim Chief Financial Officer
28 March 2017

* – Project Reset items relate to the IFRS 2 share-based payment charge for share options granted to Circle employees and clinical partners.

BOARD OF DIRECTORS

MICHAEL KIRKWOOD CMG
Chairman (b), (c)

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

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

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

PAOLO PIERI
Chief Executive Officer

Paolo Pieri was appointed as Chief Executive Officer in December 2016, after previously holding the role of Chief Financial Officer since joining Circle in 2010. Prior to Circle he spent over five years at lastminute.com where he spent the majority of this time as the UK Finance Director, subsequently taking on a number of operational roles, including the Managing Director of some European divisions.

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

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

DR MASSOUD FOULADI
Chief Medical Officer

Dr. Massoud Fouladi is a co-founder of Circle and Group Medical Director. He also serves as the initial director representative of Circle Partnership Benefit Trust.

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

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

LORRAINE BALDRY OBE
Non-Executive Director
(a), (b), (c)

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

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

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

LORD HUTTON OF FURNESS
Non-Executive Director (b), (c)

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

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

JUSTIN JEWITT
Non-Executive Director (a)

Justin Jewitt has extensive commercial knowledge and practical experience in the delivery and creation of public and private health services. He graduated from Leicester University in 1975, joining Mobil Oil Company Limited as a graduate trainee, where he occupied various roles for 12 years. In 1986, he joined Thorn Emi plc in their retail/rental division, moving through various senior management roles.

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

ANDREW SHILSTON
Non-Executive Director (a)*, (b), (c)

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

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

(a) Member of Audit and Risk Committee.
(b) Member of Remuneration Committee.
(c) Member of Nomination Committee.
* Denotes Chair of respective committee.

DIRECTORS' REPORT

The directors present their Annual Report and audited financial statements for the Group for the year ended 31 December 2016.

Directors' report

The Directors present their Annual Report and audited financial statements for the Group for the year ended 31 December 2016.

The Group financial statements consolidate the financial statements of Circle Holdings plc (the 'Company') and its subsidiary undertakings ('subsidiaries') drawn up to 31 December 2016. Together these make up 'Circle' or the 'Group'.

Principal activities

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

Business review

The information that fulfils the requirements of the Business review can be found in the CEO report and CFO report on pages 2 to 5. Information on environmental matters, employees, community and social issues is given in the Report on Corporate Governance on pages 12 to 15.

Results and dividends

The total loss for the financial year amounted to £8,131,000 (2015: £11,656,000). The Directors do not recommend the payment of any dividends (2015: £nil).

Cash flow

The total cash balance at 31 December 2016 is £7,431,000 (2015: £14,998,000). Net cash used in operating activities totalled £1,328,000 (2015: £4,642,000).

Share capital and control

As at 31 December 2016, the Company's authorised share capital comprised 325,000,000 (2015: 325,000,000) ordinary shares of £0.02, 12,500,000 (2015: 12,500,000) convertible shares (18 months) of £0.02 each, and 12,500,000 (2015: 12,500,000) convertible shares (18 months) of £0.02 each, of which 247,797,188 (2015: 247,797,188) (note 22) were in issue. Shareholders are entitled to receive the Company's Annual Report and Financial Statements, to attend and speak at General Meetings, to appoint proxies and exercise voting rights. The Company's shares do not carry any special rights with regard to control of the Company.

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

Policy and practice on payment of creditors

It is the Group's and Company's policy to abide by the payment terms agreed with suppliers wherever it is satisfied that the supplier has provided goods and services in accordance with agreed terms and conditions. A number of significant purchases and commitments under operating leases are paid by direct debit. At 31 December 2016, the Group had 18 equivalent days (2015: 20 days) of purchases outstanding and the Company had 32 equivalent days (2015: 16 days).

At 31 December 2016, trade creditors in the Group and Company were £6,490,000 and £48,000 respectively (2015: £6,840,000 and £59,000).

Going Concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The directors have prepared cash flow forecasts for a period of not less than 12 months from the date of the signing of the financial statements for the year ended 31 December 2016.

The Board believes that, following the sale of the land in Manchester in January 2017, the Group has sufficient funding to carry out its current business plans including commitments associated with new projects as discussed on page 2. Accordingly, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and conclude that it is appropriate for these accounts to be prepared on a going concern basis.

Events after the Balance Sheet date

In January 2017, the Group completed on the sale of the land held by Health Properties (South Manchester) Limited for £9,100,000 less selling costs. At 31 December the carrying value of the land was £6,442,000.

Directors

The Directors who served during the year and up to the date of signing the financial statements were as per the table.

Continued

Steve Melton	Chief Executive Officer (resigned 1 December 2016)
Massoud Fouladi	Chief Medical Officer
Paolo Pieri	Chief Executive Officer
Michael Kirkwood CMG	Non-Executive Chairman (independent)
Lorraine Baldry OBE	Senior Non-Executive Director (independent)
Andrew Shilston	Non-Executive Director (independent)
Lord Hutton of Furness	Non-Executive Director (independent)
Justin Jewitt	Non-Executive Director (independent)

Biographies of the current Directors are detailed on pages 6 to 7 and Directors' beneficial interests in the Group's share capital and warrants are detailed on pages 16 to 19 of the Directors' remuneration report.

Directors' indemnity

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

Donations

The Group made charitable donations totalling £5,471 (2015: £845) during the year to a number of charitable organisations within the UK.

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

Principal risks and uncertainties

Enterprise risk identification and management

The Group has an effective system of risk management in terms of identifying risks and monitoring actions to manage these risks. Further details of the Group's risk management process can be found in the Report on Corporate Governance on pages 12 to 15.

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

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

Financial risks

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

Working capital and funding risk

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

Contract risk

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

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

Clinical Quality Risk

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

Price risk

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

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

Government policy and regulatory risk

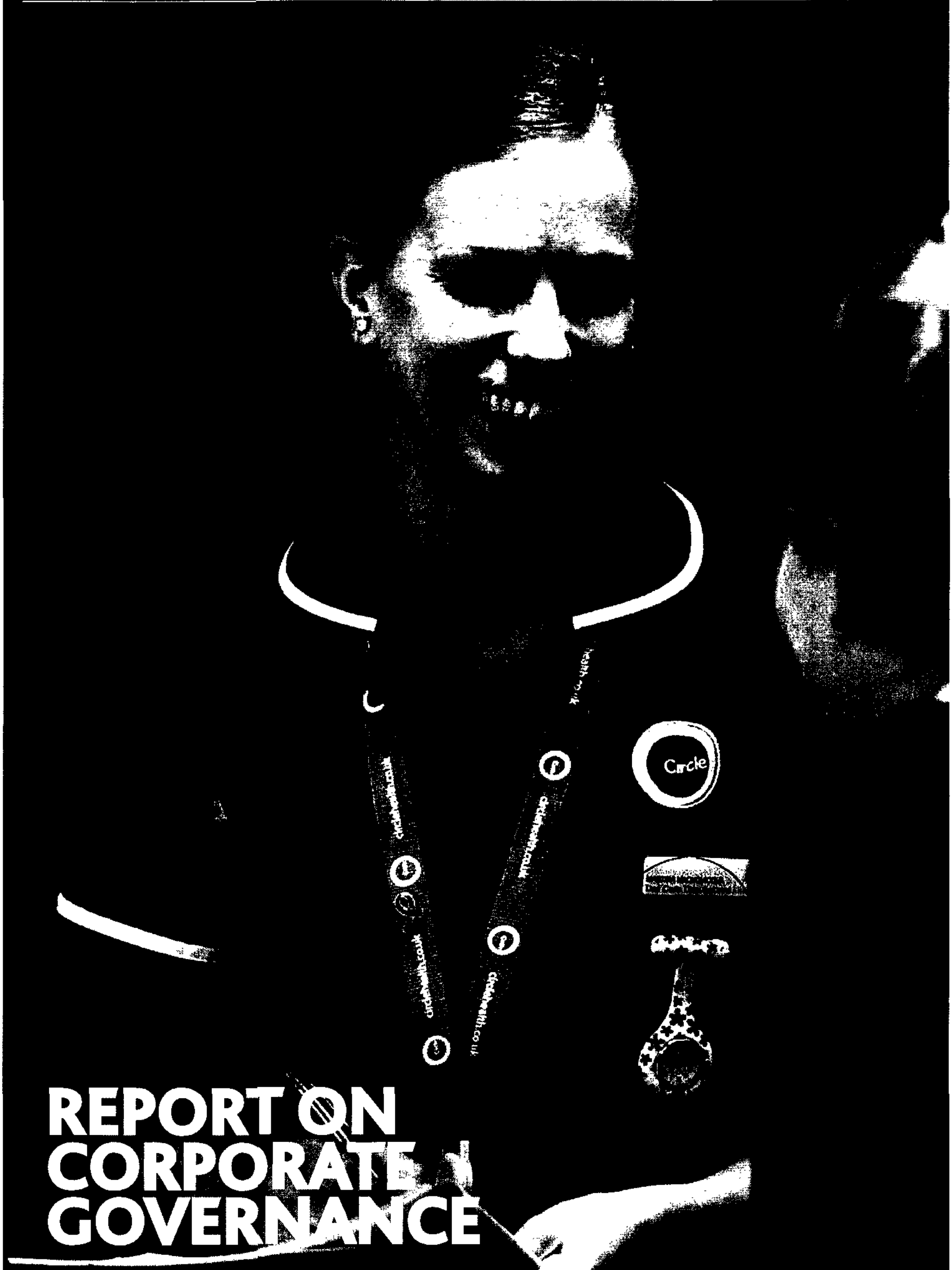
There are risks that political or policy changes may mean that the number and size of contracts awarded to the Group are diminished and that fewer services provided by the Group are contracted by the public sector.

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

Reputational risk

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

Paolo Pieri
Chief Executive Officer
28 March 2017



REPORT ON CORPORATE GOVERNANCE

General

The Company, being quoted on AIM, is not required to comply with the provisions of the UK Corporate Governance Code (the 'Code'). Nevertheless, the Directors are committed to the highest standards of corporate governance and have voluntarily complied with elements of the Code issued by the Financial Reporting Council where relevant and appropriate to the Company. As envisaged by the Code, the Board has established three committees: an Audit and Risk Committee, a Remuneration Committee and a Nomination Committee. In addition, the Board has authorised a Market Disclosure Committee and the Integrated Governance Committee ('IGC'), with the latter reporting on clinical, operational and financial matters into the Audit and Risk Committee. These committees operate within defined terms of reference, as determined by the Board, details of which are publicly available at the Group's registered office. The functions and responsibilities of each committee are described below, and the members of each committee are listed in the biographies of the Board of Directors biographies on pages 6 to 7.

The Board

The Board of Directors comprises a Non-Executive Chairman, four independent Non-Executive Directors, and two Executive Directors (Chief Executive Officer and Chief Medical Officer). The profiles of the current Executive Directors and Non-Executive Directors are set out on pages 6 to 7. The Articles of Association allow no fewer than three Directors.

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

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

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

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

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

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

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

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

Continued

Audit and Risk Committee

The Audit and Risk Committee's role is to assist the Board with the discharge of its responsibilities in relation to internal and external audits and controls, including reviewing the Group's Annual Report and financial statements, considering the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors, reviewing the effectiveness of the internal control systems in place within the Group and determining and reviewing the nature and extent of the risks facing the Group. The Audit and Risk Committee meets not less than four times a year.

The Code recommends that all members of the Audit and Risk Committee be Non-Executive Directors and that the Committee is not chaired by the Chairman of the Board. The Company complies with the requirements of the Code in this regard.

Reporting into the Audit and Risk Committee is the IGC which is chaired by the Chief Medical Officer, Dr Massoud Fouladi, who also sits on the Board. Further details are provided in the principal risks and uncertainties section of the Directors' report on pages 8 to 11

Remuneration Committee

The Remuneration Committee recommends policies the Group should adopt on executive remuneration, determines the levels of remuneration for each of the executive directors and is also eligible to attend meetings of the Remuneration Committee of Circle Health Limited. The Remuneration Committee generates an annual remuneration report to be approved by the members of the Company at the AGM. The minutes of the Remuneration Committee are circulated to, and reviewed by, the Board. The Remuneration Committee meets not less than twice a year and the Directors' remuneration report is set out on pages 16 to 19.

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

Nomination Committee

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

The Code recommends that a majority of the Nomination Committee be Non-Executive Directors, and the Group complies with the requirements of the Code in this regard.

Market Disclosure Committee

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

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

Performance evaluation and attendance

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

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

	Board	Market Disclosure Committee	Audit and Risk Committee	Remuneration Committee	Nomination Committee
Lorraine Baldry	13	N/A	4	4	2
Massoud Fouladi	11	N/A	N/A	N/A	N/A
Lord Hutton	12	N/A	N/A	4	1
Justin Jewitt	12	N/A	4	N/A	N/A
Michael Kirkwood	13	3	N/A	4	2
Steve Melton	11	2	N/A	N/A	N/A
Paolo Pieri	13	4	N/A	N/A	N/A
Andrew Shilston	12	N/A	4	4	2
Total meetings held	**13**	**4**	**4**	**4**	**2**

Relations with shareholders

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

Employee involvement

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

The Group is 24.3% owned by the Circle Partnership Benefit Trust (CPBT) which holds shares on behalf of employees and clinicians who work in the Group's facilities, and who receive share options linked to their performance. This performance-based incentive scheme strengthens our identity and ethos as an employee co-owned company.

Disabled employees

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

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

Equality

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

Environmental matters

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

The Group and its employees try to ensure that both services and products are procured in an environmentally friendly manner, and that waste materials are disposed of appropriately, including recycling where economically possible. The Group makes extensive use of electronic communications to reduce the amount of printing waste produced. Where appropriate, electronic communication methods such as email, telephone and video conference facilities are used to avoid non-essential travel. The Group does not offer a Company car scheme to employees and encourages its employees to travel to work using public transport or a 'bike-to-work' scheme.

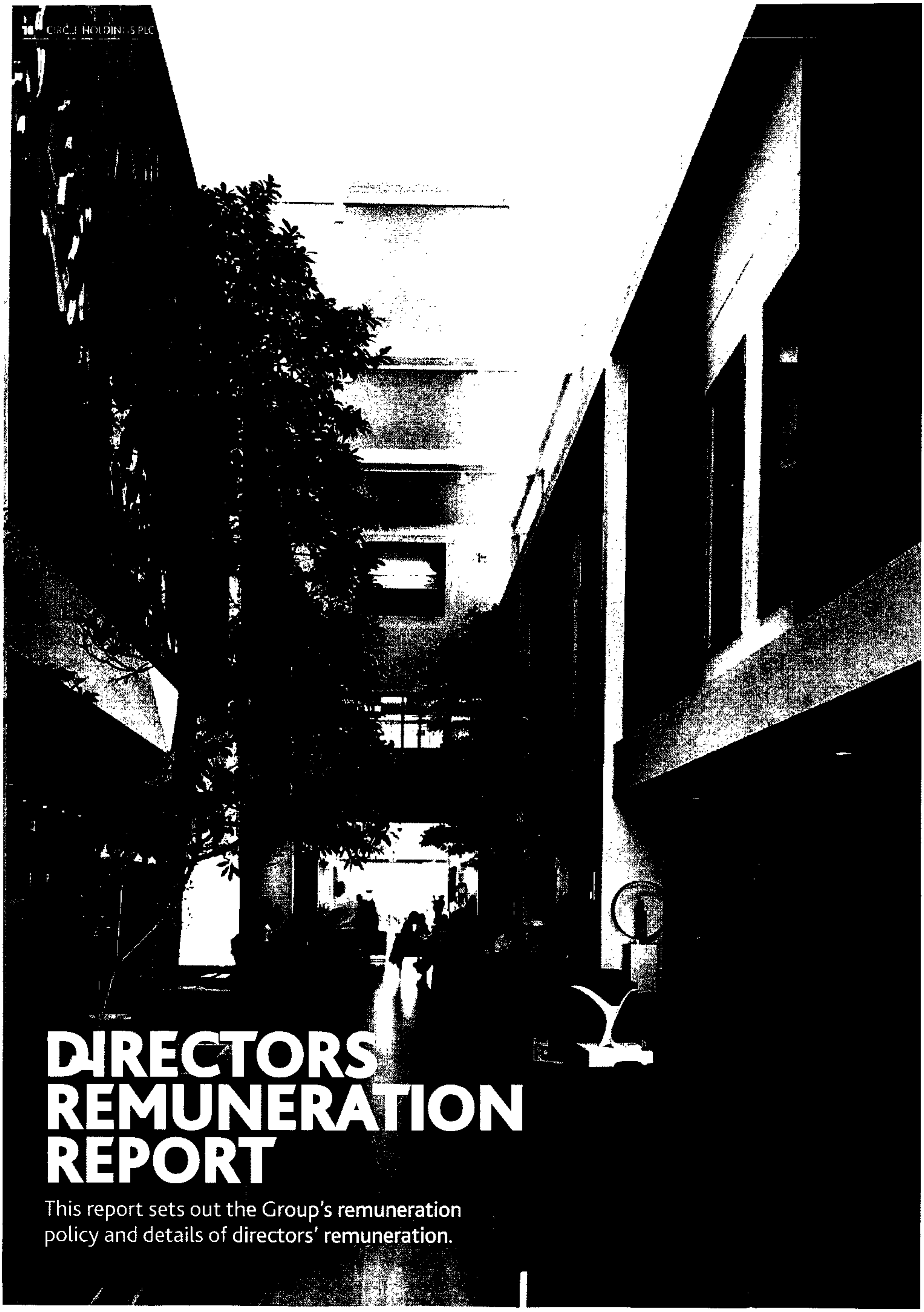
Ethical conduct

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

Health and safety

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

Michael Kirkwood CMG
Chairman
28 March 2017



DIRECTORS REMUNERATION REPORT

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

Remuneration Committee

The members of the Remuneration Committee are set out on pages 10 and 11 and the role of the Remuneration Committee is set out in the *Report on corporate governance* on page 14.

Remuneration policy

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

There are several elements to the remuneration policy:

Basic salary

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

Pension scheme

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

Taxable and other benefits

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

Share incentive plans

The CPBT holds a 24.3% interest in the issued share capital of the company, in the form of convertible and ordinary shares, on behalf of employees, former employees and clinicians. The ordinary shares are to be used to satisfy options to be granted under the Company's share incentive plans in accordance with the terms previously approved by the Company's shareholders. It enables the participants (including executive directors) who contribute to the success and growth in value of the Group to be owners of the business. 11,546,965 convertible shares automatically converted into ordinary shares on 4 June 2016. A further 11,546,965 convertible shares are due to convert into ordinary shares in December 2017.

Share issue to non-executive directors

There have been no shares (2015: nil) issued to non-executive directors during the year.

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

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

Share issue to directors

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

In December 2013, the Company agreed to grant to the Group's then Chief Financial Officer, now the Chief Executive Officer, options to subscribe for 2,200,000 ordinary shares at an exercise price of £0.02 per ordinary share. This separate incentive arrangement was agreed, given he was not a participant in the Group's former share initiative scheme, nor had he previously received as remuneration any shares or options in the Company since joining in 2010.The options were granted in December 2014 and vested in two equal tranches in December 2014 and December 2015. An IFRS 2 charge of £nil (excluding National Insurance Contribution costs) was recognised in 2016 (2015: £485,000).

In January 2015, the Company agreed to grant share options to the Group's executive directors under the Management Incentive Plan (MIP). In accordance with the terms of the MIP, a combination of options with exercise prices of £0.02 and £0.50 were granted in June 2015, and will vest based on a required holding period and certain share price triggers. The earliest exercise date was 1 December 2016, however no level of vesting occurred as the relevant share price triggers had not been met. The IFRS 2 charge recognised during 2016 in relation to the share options granted to the Group's directors under the MIP scheme was £2,028,000 (2015: £633,000).

Shares in Circle Holdings plc

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

Continued

Share options in Circle Holdings plc

2016	Share options award name	Exercise price Pence	Earliest date vesting	At 1 January 2016 Number	Awards in year Number	At 31 December 2016'' Number
Massoud Fouladi	MIP	2	Dec 16	1,000,000	-	1,000,000
	MIP	50	Dec 16	1,344,090	-	1,344,090
				2,344,090	-	**2,344,090**
Steve Melton	MIP	2	Dec 16	2,500,000	-	2,500,000
	MIP	50	Dec 16	1,254,782	-	1,254,782
	MIP CSOP	50	Jun 18	60,459	-	60,459
				3,815,241	-	**3,815,241**
Paolo Pieri	CFO share option award	2	Dec 15	2,200,000	–	2,200,000
	MIP	2	Dec 16	1,150,000	-	1,150,000
	MIP	50	Dec 16	486,281	-	486,281
				3,836,281	-	**3,836,281**
				9,995,612	-	**9,995,612**

Service contracts

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

Non-executive directors

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

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

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

Individual emoluments for the year

The table below shows a breakdown, including taxable and other benefits, for each Director for the year, or from the date of appointment for those Directors appointed in the year:

2016	Annual contracted salaries / fees £'000	Actual salaries / fees £'000	Pension Scheme £'000	Payment in lieu of notice £'000	Total salary and other benefits £'000
Executive					
Steve Melton	339	339	-	285	**624**
Massoud Fouladi	158	158	24	-	**182**
Paolo Pieri	220	220	21	-	**241**
Non-Executive					
Michael Kirkwood	100	100	-	-	**100**
Lorraine Baldry	53	53	-	-	**53**
Lord Hutton of Furness	40	40	-	-	**40**
Justin Jewitt	40	40	-	-	**40**
Andrew Shilston	48	48	-	-	**48**
	998	**998**	**45**	**285**	**1,328**

2015	Annual contracted salaries / fees £'000	Actual salaries / fees £'000	Pension Scheme £'000	Actual taxable and other benefits £'000	Total £'000
Executive					
Steve Melton	339	339	-	2	**341**
Massoud Fouladi	158	158	24	-	**182**
Paolo Pieri	220	210	32	1	**243**
Non-Executive					
Michael Kirkwood	100	100	-	-	**100**
Lorraine Baldry	53	53	-	-	**53**
Lord Hutton of Furness	40	40	-	-	**40**
Justin Jewitt	40	40	-	-	**40**
Andrew Shilston	48	48	-	-	**48**
	998	**998**	**56**	**3**	**1,047**

No Directors waived emoluments in respect of the year ended 31 December 2016 (2015: none).

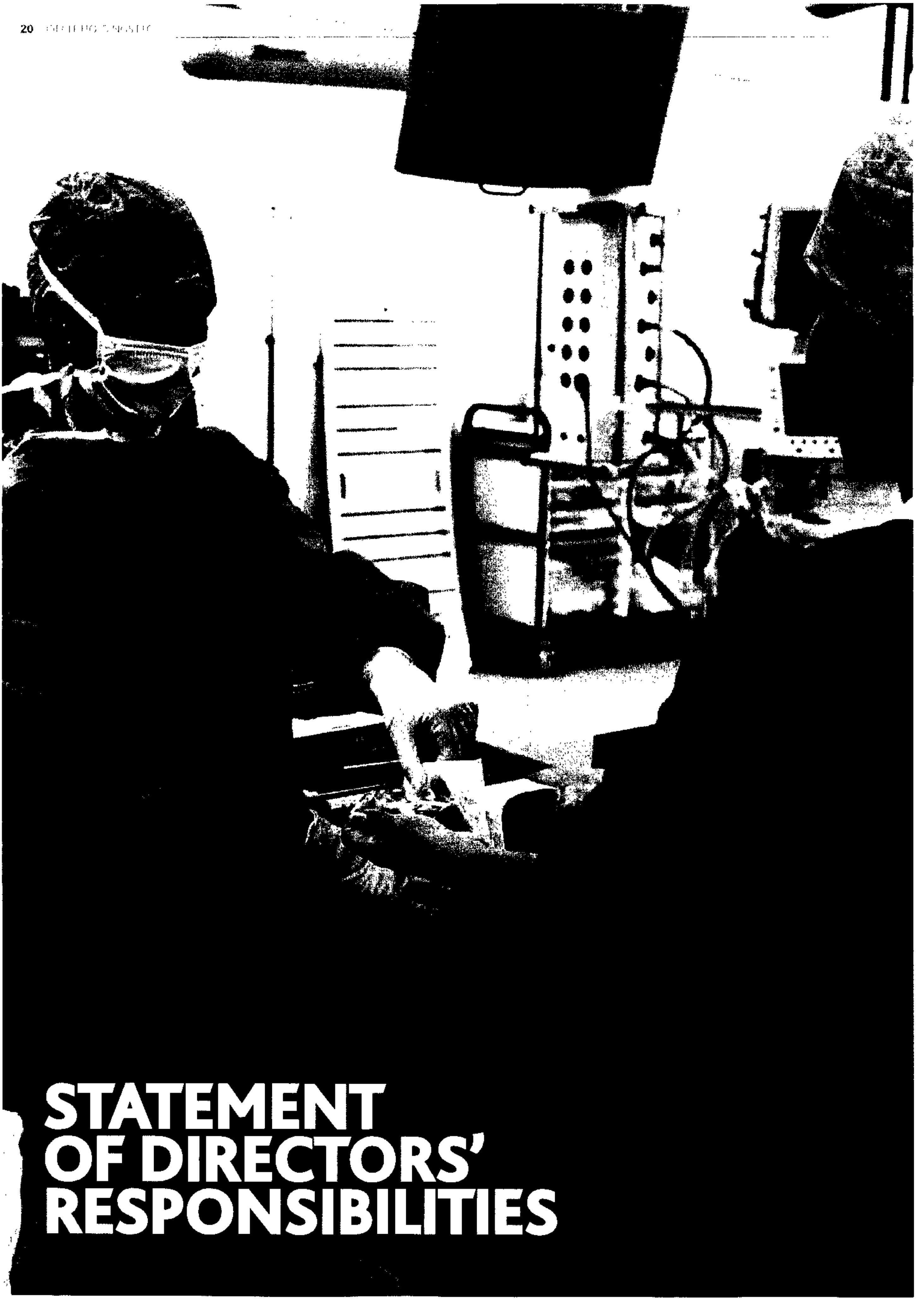
L Baldry

Lorraine Baldry OBE
Chair, Remuneration Committee
28 March 2017

* Mr Melton resigned as Chief Executive Officer on 1 December 2016.

** On 4 December 2014, Circle Holdings plc acquired all the issued shares of Circle Partnership Limited by means of a Scheme of Arrangement. As part of the consideration, the Company issued Convertible Shares (18 Months) and Convertible Shares (36 months) of £0.02 each.
The Circle Holdings ordinary shares held by Mr Fouladi and Mr Melton result from the conversion of (1) Convertible (18 months) Shares – the shares of £0.02 par value each in the capital of Circle Holdings plc which were converted into Circle Holdings shares in accordance with the provisions of the Circle Holdings New Articles on 4 June 2016, and (2) Convertible (36 months) shares – the shares of £0.02 par value each in the capital of Circle Holdings plc which are convertible into Circle Holdings shares in accordance with the provisions of the Circle Holdings New Articles, in December 2017, or otherwise as provided in the Circle Holdings New Articles.

*** During 2016, no share options were exercised by the directors of Circle Holdings plc



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') as adopted by the European Union and the Company financial statements in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101), as well as applicable law. Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable IFRS and FRS 101 as appropriate, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy, at any time, the financial position of the Group and the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Disclosure of information to auditors

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

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

Independent auditors

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

On behalf of the Board

Paolo Pieri
Chief Executive Officer
28 March 2017

INDEPENDENT AUDITORS' REPORT

To the members of Circle Holdings plc

Report on the Group financial statements

Our opinion

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

- give a true and fair view of the state of the group's affairs as at 31 December 2016, and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The financial statements, included within the Group financial statements (the "Annual Report"), comprise:

- the consolidated balance sheet as at 31 December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

Other matters on which we are required to report by exception

Accounting records and information and explanations received

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit, or
- proper accounting records have not been kept, or
- proper returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

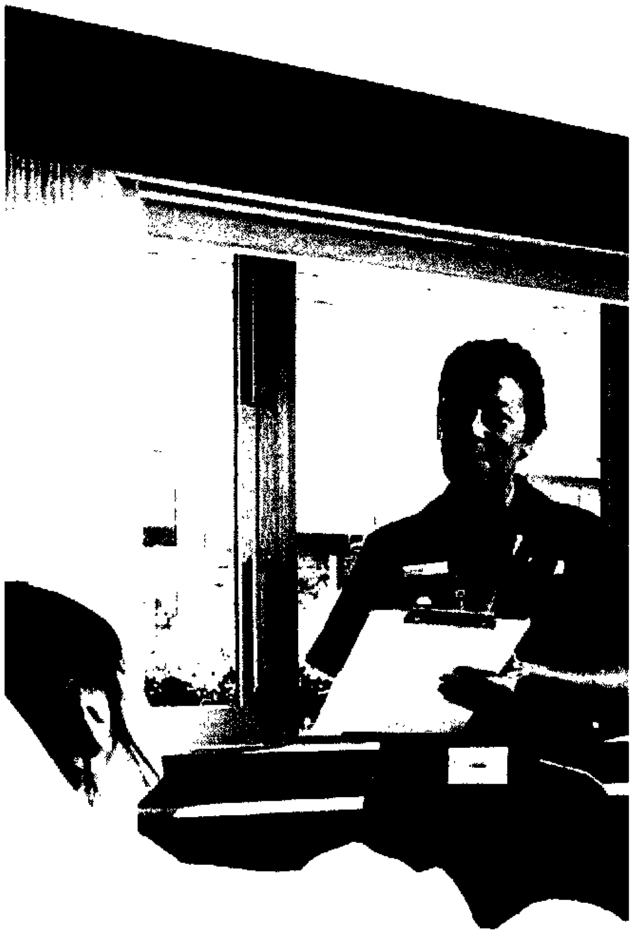
Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.



What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

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

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

Other matter

We have reported separately on the company financial statements of Circle Holdings plc for the year ended 31 December 2016.

Simon O'Brien (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and
Recognised Auditors
London
28 March 2017

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Revenue	4	**133,452**	127,790
Cost of sales		**(93,055)**	(90,335)
Gross profit		**40,397**	37,455
Administrative expenses before exceptional items		**(49,961)**	(47,934)
Operating loss before exceptional items	5	**(9,564)**	(10,479)
Exceptional operating items	6	**2,181**	(389)
Operating loss	5	**(7,383)**	(10,868)
Finance income	10	**25**	5
Finance costs	9	**(773)**	(793)
Loss before taxation		**(8,131)**	(11,656)
Income tax	12	**–**	–
Loss for the financial year		**(8,131)**	(11,656)
Basic and diluted loss per ordinary share attributable to the owners of the parent (pence)	11	**(3.3)**	(4.7)

There is no other comprehensive income arising in the Group (2015:£nil) and therefore no separate statement of other comprehensive income has been prepared.

CONSOLIDATED BALANCE SHEET

As at 31 December 2016

	Notes	2016 £'000	2015 £'000
Non-current assets			
Intangible assets	13	**5,170**	5,340
Property, plant and equipment	14	**14,237**	17,550
Trade and other receivables	16	**2,500**	2,500
		21,907	25,390
Current assets			
Inventories	15	**1,650**	1,876
Trade and other receivables	16	**14,325**	14,692
Assets held for sale	17	**7,623**	-
Cash and cash equivalents	18	**7,431**	14,998
		31,029	31,566
Total assets		**52,936**	56,956
Current liabilities			
Trade and other payables	19	**(21,775)**	(19,902)
Loans and other borrowings	20	**(2,424)**	(2,332)
		(24,199)	(22,234)
Non-current liabilities			
Trade and other payables	19	**(1,886)**	(1,979)
Loans and other borrowings	20	**(6,818)**	(7,282)
Provisions	21	**-**	(50)
		(8,704)	(9,311)
Total liabilities		**(32,903)**	(31,545)
Net assets		**20,033**	25,411
Share capital	22	**4,956**	4,956
Share premium	22	**236,795**	236,795
Other reserves	22	**22,182**	22,182
Warrant reserve	23	**22,703**	22,703
Share-based charges reserve	24	**7,288**	4,535
Treasury share reserve	22	**(9,587)**	(9,587)
Retained deficit		**(264,304)**	(256,173)
Equity attributable to owners of the parent		**20,033**	25,411
Total equity		**20,033**	25,411

The financial statements on pages 24 to 66 were approved by the Board of Directors on 28 March and were signed on its behalf by:

Paolo Pieri
Chief Executive Officer
Circle Holdings plc

Sarah Marston
Interim Chief Financial Officer
Circle Holdings plc
Registered number [illegible] (Jersey)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

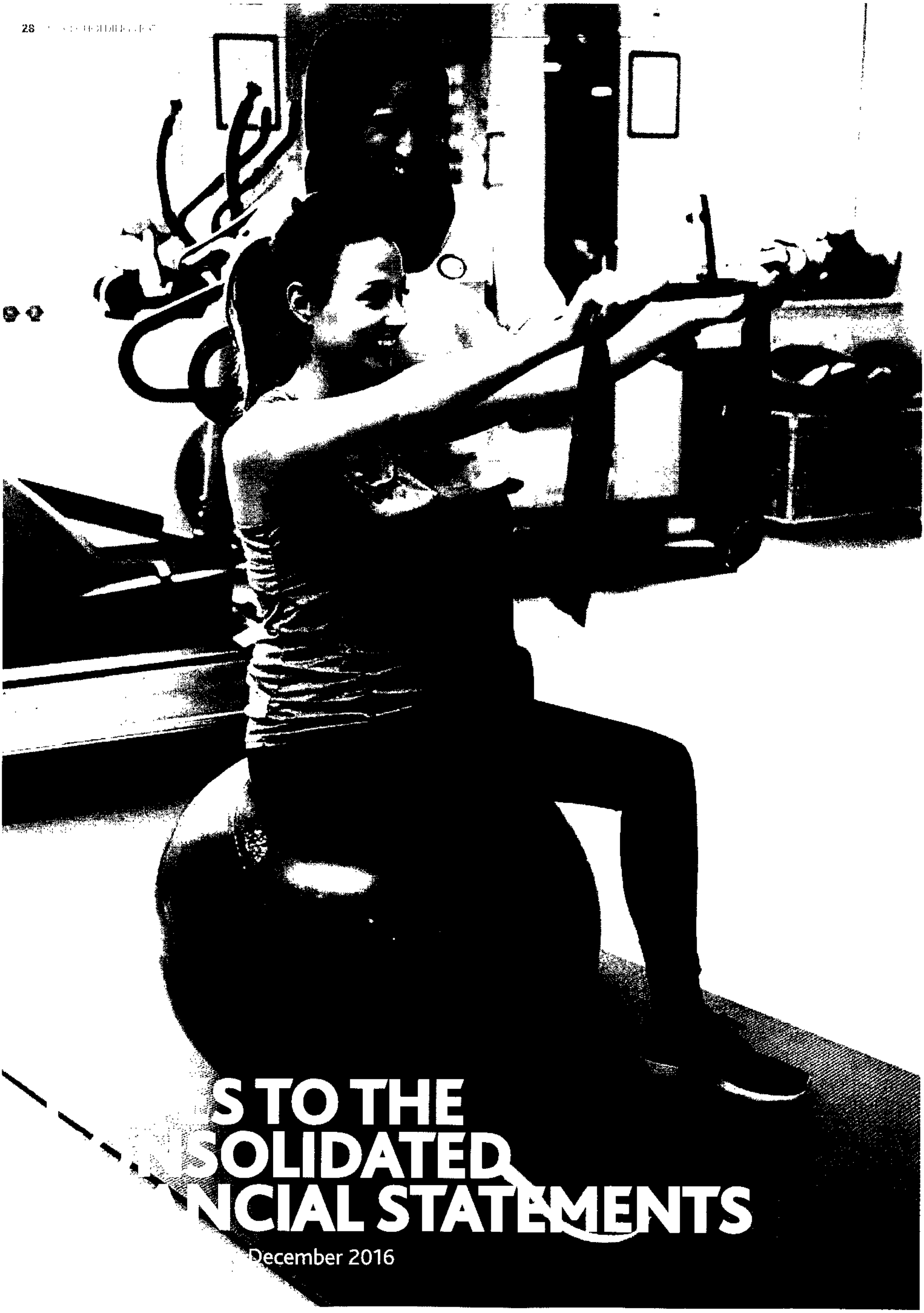
For the year ended 31 December 2016

	Share capital £'000	Share premium £'000	Other reserves £'000	Warrant reserve £'000	Treasury share reserve £'000	Share -based charges reserve £'000	Retained deficit £'000	Total equity £'000
At 1 January 2015	**4,956**	**236,795**	**22,182**	**22,703**	**(9,587)**	**1,842**	**(244,517)**	**34,374**
Loss and total comprehensive loss for the year	-	-	-	-	-	-	(11,656)	(11,656)
Transactions with owners								
Share-based charges (note 24)	-	-	-	-	-	2,693	-	2,693
At 1 January 2016	**4,956**	**236,795**	**22,182**	**22,703**	**(9,587)**	**4,535**	**(256,173)**	**25,411**
Loss and total comprehensive loss for the year	-	-	-	-	-	-	(8,131)	(8,131)
Transactions with owners								
Share-based charges (note 24)	-	-	-	-	-	2,753	-	2,753
At 31 December 2016	**4,956**	**236,795**	**22,182**	**22,703**	**(9,587)**	**7,288**	**(264,304)**	**20,033**

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2016

	Note	2016 £'000	2015 £'000
Cash flows from operating activities			
Net cash outflow from operating activities	27	**(1,328)**	(4,642)
Interest paid		**(773)**	(793)
Net cash used in operating activities		**(2,101)**	(5,435)
Cash flows from investing activities			
Purchase of computer software	13	**(45)**	(51)
Purchase of property, plant and equipment incl. assets held for sale		**(5,074)**	(1,998)
Net cash used in investing activities		**(5,119)**	(2,049)
Repayment of finance lease	28	**(3,292)**	(2,019)
Issuing of new finance lease	28	**2,920**	-
Interest received	10	**25**	5
Net cash (outflow) from financing activities		**(347)**	(2,014)
Net (decrease) in unrestricted cash and cash equivalents		**(7,567)**	(9,498)
Unrestricted cash and cash equivalents at the beginning of the year		**14,998**	24,496
Unrestricted cash and cash equivalents at the end of the year		7,431	14,998
Cash and cash equivalents consist of			
Cash at bank and in hand		**7,431**	14,998
Unrestricted cash at bank and on hand		7,431	14,998



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SOLIDATED
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December 2016

1 GENERAL INFORMATION

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

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

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

New standards, amendments and interpretations

These consolidated financial statements are prepared in accordance with IFRS, as issued by the International Accounting Standards Board ('IASB') and as adopted by the European Union as at 31 December 2016. The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2016 but have not had material impact on the group:

Amendments to IAS 1 Disclosure Initiative

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2016, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group:

- IFRS 9 Financial instruments (as revised in 2014) will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date (annual periods beginning on or after 1 January 2018).
- IFRS 15 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally. Effective date is expected to be annual periods beginning on or after 1 January 2017. The impact of this standard is currently under review.
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations provide guidance on how to account for the acquisitions of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Effective for annual periods beginning on or after 1 January 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception. The amendments clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with IFRS 10. This is effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012-2014 Cycle
- IFRS 16 Leases issued in January 2016 and applies to annual reporting periods beginning on or after 1 January 2019.

Going concern

The Directors consider it to be appropriate for the financial statements to be prepared on a Going Concern basis based on the assumptions considered in the Directors' report on page 8.

Continued

Basis of consolidation

Subsidiaries

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

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

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

Segment reporting

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

Revenue

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

Any qualified provider

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

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

Contracts with guaranteed payments

The Bedford MSK contract has a term of 5 years. The contract aims to create a 'prime provider' which takes responsibility for coordinating and managing the rest of the system. The main contracting parties are Bedford CCG and local care providers. The contract revenue is spread over the term of the contract on a straight line basis, as activity is expected to increase by demographic growth only over the 5-year contract period. Additional revenue has been recognised, only to the extent that there is a high probability of receiving the revenue, and where it can be measured accurately. Additional revenue has been recognised in the financial statements relating to groups of patients that fall outside the initial contract scope.

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

Private and self-pay

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

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

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

Other miscellaneous income

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

Exceptional items

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

The exceptional income in the year ended 31 December 2016 was £2,181,000 (2015: cost of £389,000).

There are no exceptional finance costs during 2016 (2015: £nil).

Finance costs

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

Finance income

Finance income is recognised as earned.

Intangible assets

Intangible assets comprise:

Goodwill

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

Computer software

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

Other intangible assets

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

Impairment and amortisation

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

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

Computer software and other intangible assets are stated at historic cost less accumulated amortisation and impairment losses. Once the asset is complete, amortisation is provided on a straight line basis to allocate the cost of the asset over its estimated useful life and the charge is taken to administrative expenses. The intangible asset is assessed for impairment whenever there is an indication that the asset may be impaired.

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

Computer software	**3 years**
New-build programme know-how	**5 years**

Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment losses. Historical cost comprises all amounts directly attributable to making assets capable of operating as intended, including development costs and borrowing costs where relevant.

Depreciation is provided on all categories of property, plant and equipment with the exception of freehold land and assets under construction. Depreciation is based on cost less estimated residual value and is provided on a straight line basis over the estimated useful life of the asset as follows:

Leasehold land	**Life of lease**
Leasehold improvements	**Shorter of lease life or expected useful life (5 to 10 years)**
Clinical equipment	**3 to 5 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

Continued

business are reassessed periodically in the light of experience. The carrying values of property, plant and equipment are reviewed for impairment when events or changes of circumstances indicate the carrying value may not be recoverable.

Assets under construction

Commissioning costs in course of construction

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

Development costs in course of construction

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

Leases

Where substantially all the risks and rewards of ownership of the leased item are transferred to the Group, the lease is classified as a finance lease and capitalised at the fair value of the leased asset or, if lower, at the present value of the minimum future lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the income statement. Leased assets are depreciated over the useful life of the asset.

Where the Group does not retain substantially all the risks and rewards of ownership of the asset, leases are classified as operating leases. Operating lease rental payments are recognised as an expense in the income statement on a straight line basis over the lease term. Lease incentives are recognised over the lease term.

Inventories

Inventories, primarily medical consumables, are stated at the lower of cost and net realisable value. Cost comprises purchase price less trade discounts, and is determined on a first-in, first-out basis. Net realisable value means estimated selling price, less all costs incurred in marketing, selling and distribution. Obsolete stock is provided for in the income statement.

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

Assets held for sale

Assets classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and gains or losses on subsequent re-measurements are included in the income statement. Where an impairment has previously been charged against to asset, this will be reversed if the fair value less costs to sell is higher than the initial cost. No depreciation is charged on assets and businesses classified as held for sale.

Assets are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. The asset or business must be available for immediate sale and the sale must be highly probable within one year.

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

Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are initially recognised at fair value and subsequently measured at amortised cost. If payment is contractually not due for more than one year, they are classified as non-current liabilities.

Pension costs

The Group operates personal defined contribution pension schemes. Contributions are charged to the income statement as they become payable, in accordance with the rules of the scheme. The Group has no further payment obligation once the contributions have been paid.

Current and deferred income taxation

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

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

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

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

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

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

Provisions for other liabilities and charges

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

Warrants

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

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

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

Equity warrants

The proceeds on issue of equity warrants are included within shareholders' equity, net of transaction costs. Equity warrants are valued using an appropriate valuation methodology on a diluted pricing basis, based on the relevant share price at the time of issue or based on an assessment of the market price at the time of issue.

Share-based charges

Shares, and in some cases share warrants, are issued to employees and consultants. The fair value of the employee services received in exchange for the grant of the shares or share warrants is recognised as an expense, with a corresponding credit to equity. The total amount expensed is determined by reference to the fair value of the

Continued

warrants granted, including:

- Any market performance conditions such as an entity's share price;
- Non-market performance conditions and service conditions included in assumptions about the number of options that are expected to vest; and
- The impact of any non-vesting conditions.

And excluding:

- Impact of any service and non-market performance vesting conditions (profitability, sales growth targets and remaining an employee for a specified period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are expected to be satisfied.

Where modifications to existing share options occur, the difference between the revised charge and the existing charge will be recognised in the income statement.

Dividends

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

Share capital

Ordinary shares are classified as equity. Proceeds received, net of any directly attributable transaction costs, are credited to share capital (nominal value) and share premium.

Treasury shares

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

Significant accounting judgements and estimates

In the process of applying the Group's accounting policies, the Directors make judgements and estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The following judgements and estimates have the most significant effect on the amounts recognised in the consolidated financial statements:

Judgements

The key judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Revenue recognition

Across the Group, a number of CCGs have signed up to a framework agreement whereby payment is made in advance based on indicative volumes, and then reconciled to actual volumes over a period of up to 3 months when the CCGs then approve the activity levels. Revenue is estimated and recognised based on activity performed in the month which had not been approved at the end of the year.

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

Estimates

The key assumptions and estimates at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Tax

The recognition of deferred tax assets is dependent upon an estimation of future taxable profits that will be available against which deductible temporary differences can be utilised. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years. A deferred tax asset has not been recognised in the financial statements due to uncertainty over the availability of suitable future taxable profits against which they will reverse.

ii. Provisions

Provisions are assessed annually in accordance with the Group's accounting policy. Provisions are recognised where it is probable that an outflow of economic benefits will occur as a result of a past event or transaction and a reliable estimate of the outflow can be made. In the event that estimates are wrong, this may impact the financial statements in future years.

iii. Valuation of property, plant and equipment

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

iv. Share-based charges

Share-based charges are based on the share and warrant valuations calculated using several assumptions (for example share price volatility and time constraints) included within an option pricing model. In the event that estimates are wrong, this may impact the charge in future years.

v. Useful lives and recoverability of property, plant and equipment

Property, plant and equipment are reviewed on a regular basis to check they are still in use, to ensure that their useful economic life is in line with the expected life of the asset and that their carrying values are recoverable. In the event that estimates are wrong, this may impact the financial statements in future years.

vi. Allowance for impairment of trade receivables

An allowance for impairment of trade receivables is made, based on the difference between the asset's carrying amount and the present value of estimated cash flows. In the event that estimates are wrong, this may impact the financial statements in future years.

vii. Goodwill and intangibles

Goodwill and intangibles are recognised at cost less accumulated amortisation and impairment losses. The carrying amount of goodwill is assessed annually based on value in use calculations, using cash flow projections based on five year financial forecasts prepared by management. Key assumptions relating to forecasts in revenue growth and decline are used which include discounting back to present value using a risk adjusted pre-tax discount rate of 10.0% and assumptions in terms of volume and cost savings. In the event that these estimates are wrong, this may impact the financial statements in future years.

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

Continued

3 SEGMENTAL REPORTING

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

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

2016	Circle hospital services £'000	Other Circle services £'000	All Other Segments and Unallocated Items £'000	Total Group £'000
Revenue from external customers	103,995	29,457	-	133,452
Cost of sales	(68,200)	(24,855)	-	(93,055)
Gross Profit	**35,795**	**4,602**	-	**40,397**
Administrative expenses before exceptional items, depreciation and amortisation	(34,734)	(3,059)	(9,008)	(46,801)
EBITDA before exceptional items	**1,061**	**1,543**	**(9,008)**	**(6,404)**
Depreciation and amortisation charge	(3,004)	(38)	(118)	(3,160)
Operating (loss)/profit before exceptional items	**(1,943)**	**1,505**	**(9,126)**	**(9,564)**
Exceptional items	-	-	2,181	2,181
Operating (loss)/profit	**(1,943)**	**1,505**	**(6,945)**	**(7,383)**
Finance income				25
Finance costs				(773)
Loss before taxation				**(8,131)**
Other information				
Capital additions	841	107	4,579	5,527

3 SEGMENTAL REPORTING

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

Continued

4 REVENUE

	2016 £'000	2015 £'000
Provision of healthcare services	**132,785**	127,321
Other miscellaneous income	**667**	469
	133,452	127,790

5 OPERATING LOSS

	Note	2016 £'000	2015 £'000
Operating loss is stated after charging / (crediting)			
Other miscellaneous income			
Amortisation of intangible assets	13	**215**	273
Depreciation of property, plant and equipment	14	**2,945**	2,779
Auditors' remuneration (see below)		**289**	291
Movement in provision for bad debts	17	**(135)**	222
Operating lease rental		**10,984**	10,445
Exceptional operating items	6	**(2,181)**	389

Auditors' remuneration payable to PricewaterhouseCoopers LLP		
Fees payable to Company's auditors for the parent Company and consolidated financial statements	**98**	98
Fees payable to the Company's auditors for other services		
– The audit of Company's subsidiaries	**162**	182
– Tax advisory services	**29**	11
	289	291

6 EBITDA AND EXCEPTIONAL ITEMS

Exceptional operating items

	Note	2016 £'000	2015 £'000
Reversal of impairment of property, plant and equipment	14	**(2,181)**	-
Share-based charges	24	-	552
Other exceptional expense / (income)		-	(163)
		(2,181)	389

The reversal of impairment relates to land in Manchester that was purchased in 2011 and impaired by £2,181,000 in 2012. As this land was sold in January 2017 for greater than the original purchase price, this impairment has been reversed, in accordance with IAS36. The reversal has been included as an exceptional item which is where the original impairment was charged.

7 EMPLOYEE INFORMATION

Staff costs

	Note	2016 £'000	2015 £'000
Wages and salaries		**32,380**	29,487
Share-based charges	24	**2,586**	2,512
Social security costs		**2,764**	2,715
Other pension costs	25	**1,593**	1,452
		39,323	36,166

Monthly average number of employees

	2016 Numbers	2015 Numbers
Administrative	**553**	529
Clinical	**564**	516
	1,117	1,045

The average number of employees includes Directors on service contracts.

Continued

8 DIRECTORS' EMOLUMENTS

	2016 £'000	2015 £'000
Total salary and other benefits	**1,328**	1,047
IFRS 2 share based payment charge	**1,266**	1,118
Aggregate emoluments	**2,594**	2,164

Directors' emoluments relate to the Non-Executive and Executive Directors, who are remunerated by Circle Holdings plc and Circle Health Limited.

The Directors had retirement benefit contributions during the year of £45,000 (2015: £55,000).

During 2016, no share options were granted to Non-Executive Directors (2015: £nil). Share based payment charge recognised in relation to the Executive Directors was nil (2015: £1,118,000). No share options were exercised by the Directors of the Group during 2016.

Please refer to the Directors' Remuneration Report for further details.

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:

	2016 £'000	2015 £'000
Total salary and other benefits	**1,048**	766
IFRS 2 share based payment charge	**1,266**	1,118
Short-term employment benefits	**2,314**	1,884

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

9 FINANCE COSTS

	2016 £'000	2015 £'000
Finance lease interest	**704**	745
Other bank charges	**69**	48
	773	793

10 FINANCE INCOME

	2016 £'000	2015 £'000
Bank interest receivable	**25**	5
	25	5

11 LOSS PER SHARE

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

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

	2016	2015
Loss and total comprehensive loss for the year attributable to owners of the parent (£000's)	**(8,131)**	(11,656)
Weighted average number of ordinary shares in issue (number)	**247,797,188**	247,797,188
Basic and diluted loss per ordinary share (pence)	**(3.3)**	(4.7)

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

Continued

12 TAXATION

i Analysis of income tax charge in year

	2016 £'000	2015 £'000
Current tax	-	-
UK corporation tax on profit	-	-
Deferred tax	-	-
Originating and reversal of timing differences	-	-
Income tax charge on loss for the year	**-**	-

ii Factors affecting the current tax charge for the year

Although the parent company is registered in Jersey, it is resident in the UK for tax purposes and is subject to UK corporation tax. The tax assessed on the Group's loss before taxation per the consolidated income statement differs from the rate of UK corporation tax of 20% (2015: 20.25%). The differences are explained below:

	2016 £'000	2015 £'000
Loss before taxation	**(8,131)**	(11,656)
Loss before taxation multiplied by the average standard rate of corporation tax in the UK of 20% (2015: 20.25%)	**(1,626)**	(2,360)
Effects of		
Expenses not deductible for tax purposes	**78**	440
Temporary differences for which no deferred tax recognised	**448**	456
Tax losses for which no deferred tax recognised	**1,100**	1,463
Effect of Jersey tax at 0.0%	-	1
Total income tax charge for the year	**-**	-

12 TAXATION

iii Factors that may affect future tax charges

The following tax rates had been substantively enacted at the balance sheet date and their effects have been included in these financial statements: 20% effective from 1 April 2015 reducing to 19% effective from 1 April 2017 and 17% effective from 1 April 2020.

The proposed rate changes may affect future tax charges. In addition the utilisation of any tax losses and temporary differences for which no deferred tax asset has been recognised may also affect future tax charges..

iv Deferred tax

UK deferred tax has been calculated at the rates of tax at which assets / (liabilities) are expected to reverse based on enacted tax rates. Deferred tax has been calculated at a rate of 17% (2015: 18%). The net deferred tax recognised in the balance sheet is as follows:

	2016 £'000	2015 £'000
At 1 January	-	-
Recognised during the year	-	-
At 31 December	**-**	-

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

	2016 Tax value £'000	**2016 Gross £'000**	2015 Tax value £'000	2015 Gross £'000
Tax losses carried forward	26,999	158,818	27,662	153,677
Deductible temporary differences	2,882	16,953	2,876	15,977
	29,881	**175,771**	**30,538**	**169,654**

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

Continued

13 INTANGIBLE ASSETS

	Goodwill £'000	Computer software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 January 2015	8,183	1,913	166	10,262
Additions	-	51	-	51
As at 1 January 2016	8,183	1,964	166	10,313
Additions	-	45	-	45
Disposals	-	-	(166)	(166)
As at 31 December 2016	**8,183**	**2,009**	**-**	**10,192**
Accumulated amortisation and impairment				
At 1 January 2015	3,212	1,322	166	4,700
Amortisation charge for the year	-	273	-	273
As at 1 January 2016	3,212	1,595	166	4,973
Amortisation charge for the year	-	215	-	215
Disposals	-	-	(166)	(166)
As at 31 December 2016	**3,212**	**1,810**	**-**	**5,022**
Net book amount				
At 31 December 2016	**4,971**	**199**	**-**	**5,170**
At 31 December 2015	4,971	369	-	5,340
At 1 January 2015	4,971	591	-	5,562

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

13 INTANGIBLE ASSETS

i 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 CGU:

	2016 £'000	2015 £'000
Circle's Nottingham NHS Treatment Centre	**4,971**	4,971

Goodwill is subject to impairment testing annually, or more frequently where there are indications that the goodwill may be impaired. The recoverable amounts of all CGUs are determined based on value in use calculations, using pre-tax cash flow projections based on management approved financial forecasts for the period of the contract. The key assumptions for these forecasts are those relating to revenue growth and decline, based on past experience and expectations of future changes in relevant CGUs. The Group prepares cash flow forecasts derived from the most recent financial plans approved by management for the period of the contract. Cash flows are discounted back to present value using a risk adjusted pre-tax discount rate of 10.0%, which represents an internally computed rate, based on gearing levels and loan interest rates.

The financial plans reflect past experience and incorporate assumptions in terms of volumes, the mix of patient treatments and tariff changes. Volume increase is reasonably assumed to be 1.5% for 2017 and tariffs are assumed to be flat. The recoverable amount calculated based on value in use exceeded carrying value by£11,000. The value in use calculation assumes 18 months of cash flows until the end of the contract. A reduction in trading over the next 18 months could result in an impairment, however a renewal or extension of the contract would significantly increase the headroom.

ii Computer software

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

iii Other intangible assets

Other intangible assets included the development of 'know-how' for a new programme to build hospitals within a shortened time frame. This is achieved by utilising standard build components which have been manufactured off site at a reduced cost and reducing the amount of build time on site. During 2014, this was fully impaired and, in 2016, it was completely written off.

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

	2016 £'000	2015 £'000
Computer software	**119**	261
	119	261

Continued

14 PROPERTY, PLANT AND EQUIPMENT

	Freehold and leasehold land £'000	Assets under construction £'000	Leasehold improvements £'000	Clinical equipment £'000	Furniture, fittings and office equipment £'000	Total £'000
Cost						
At 1 January 2015	11,842	3,376	3,353	10,362	16,367	45,300
Additions	-	1,128	116	1,231	365	2,840
Disposals	-	-	-	(7)	(2)	(9)
At 1 January 2016	11,842	4,504	3,469	11,586	16,730	48,131
Additions	-	1,244	407	381	2,601	4,633
Disposals	-	-	-	(112)	(2)	(114)
Reclassifications	(7,181)	-	-	-	-	(7,181)
At 31 December 2016	4,661	5,748	3,876	11,855	19,329	45,469
Accumulated depreciation and impairment						
At 1 January 2015	2,420	3,072	2,509	4,534	15,267	27,802
Depreciation charge for the year	35	-	113	2,189	442	2,779
At 1 January 2016	2,455	3,072	2,622	6,723	15,709	30,581
Depreciation charge for the year	60	-	128	2,119	638	2,945
Reversal of impairment charge	(2,181)	-	-	-	-	(2,181)
Disposals	-	-	-	(113)	-	(113)
At 31 December 2016	334	3,072	2,750	8,729	16,347	31,232
Net book amount						
At 31 December 2016	**4,327**	**2,676**	**1,126**	**3,126**	**2,982**	**14,237**
At 31 December 2015	9,387	1,432	847	4,863	1,021	17,550
At 1 January 2015	9,422	304	844	5,828	1,100	17,498

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

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

The land impairment charge of £2,181,000 has been reversed. This impairment related to land in Manchester that was sold in January 2017. See notes 17 and 31 for details.

14 PROPERTY, PLANT AND EQUIPMENT EQUIPMENT

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

	2016 £'000	2015 £'000
Leasehold land	**4,327**	4,237
Clinical equipment	**2,278**	3,994
Furniture, fittings and office equipment	**163**	395
	6,768	8,626

The additions during the year comprise lease agreements with Shawbrook Bank Limited and Close Leasing Limited to finance the purchase of clinical equipment at the Circle Reading and Circle Nottingham hospitals.

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

	2016 £'000	2015 £'000
Freehold	-	5,150
Leasehold	**4,327**	4,237
	4,327	9,387

15 INVENTORIES

	2016 £'000	2015 £'000
Consumables	**1,650**	1,876

At 31 December 2016, an amount of £nil (2015: £nil) has been provided against the gross cost of inventories. The cost of inventories recognised as an expense in the year is £14,714,000 (2015: £14,051,000).

Continued

16 TRADE AND OTHER RECEIVABLES

	Current		Non-current	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade receivables	**10,295**	10,111	**-**	-
Less: allowance for impairment of trade receivables	**(274)**	(409)	**-**	-
Net trade receivables	**10,021**	9,702	**-**	-
Prepayments and accrued income	**2,535**	4,335	**2,500**	2,500
Other receivables	**1,769**	655	**-**	-
	14,325	14,692	**2,500**	2,500

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

	2016 £'000	2015 £'000
At 1 January	**409**	187
Increase/(decrease) in the year	**(135)**	222
At 31 December	**274**	409

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

	2016 £'000	2015 £'000
Not past due	**7,145**	5,536
Past due 0-30 days, but not impaired	**1,361**	1,052
Past due 31-60 days but not impaired	**471**	960
Past due by more than 60 days but not impaired	**1,044**	2,153
	10,021	9,702

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

17 ASSETS HELD FOR SALE

	Freehold land £'000
Cost	
At 1 January 2015	-
Additions	-
Disposals	-
At 1 January 2016	-
Additions	**442**
Disposals	-
Reclassifications	**7,181**
At 31 December 2016	**7,623**
Accumulated depreciation and impairment	
At 1 January 2015	-
Depreciation charge for the year	-
At 1 January 2016	-
Depreciation charge for the year	-
Reversal of impairment charge	-
Disposals	-
At 31 December 2016	-
Net book amount	
At 31 December 2016	**7,623**
At 31 December 2015	-
At 1 January 2015	-

In January 2016, marketing for the sale of land held by Health Properties (South Manchester) Limited commenced.

This land was then sold in January 2017. See note 31 for details.

18 CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
Cash and cash equivalents	**7,431**	14,998

The Directors consider the carrying amount of cash and cash equivalents approximate to their fair value.

There is no unrestricted cash in 2016 or 2015.

Continued

19 TRADE AND OTHER PAYABLES

	Current		Non-current	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Trade payables	**6,490**	6,840	**-**	-
Deferred income	**2,899**	847	**-**	-
Accruals	**11,343**	10,969	**1,886**	1,979
Social security and other taxation	**1,043**	1,246	**-**	-
	21,775	19,902	**1,886**	1,979

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

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

20 LOANS AND OTHER BORROWINGS

	Current		Non-current	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
Secured finance leases (i)	**2,424**	2,332	**6,818**	7,282
	2,424	2,332	**6,818**	7,282

i Finance leases
Finance leases comprise various lease agreements with Close Leasing Limited, Shawbrook Bank Limited and GE Capital Equipment Finance Limited to finance the purchase of Information Technology ('IT') assets, fixtures, fittings and furniture and medical equipment, for the commissioning of Circle Reading hospital and the 125 year lease for land in Birmingham entered into with Pebble Mill Investments Limited ('Pebble Mill') in November 2011.

	2016 £'000	2015 £'000
Gross finance lease liabilities - minimum lease payments		
Falling due:		
- No later than 1 year	**2,983**	2,987
- Later than 1 year and no later than 5 years	**3,596**	4,093
- Later than 5 years	**9,159**	9,323
	15,738	16,403
Future finance charges on finance leases	**(6,496)**	(6,789)
	9,242	9,614

20 LOANS AND OTHER BORROWINGS

	2016 £'000	2015 £'000
The breakdown of the present value of finance leases is as follows		
Falling due:		
- No later than 1 year	**2,424**	2,332
- Later than 1 year and no later than 5 years	**2,116**	2,697
- Later than 5 years	**4,702**	4,585
	9,242	9,614

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

In June 2015, Circle Bath signed a finance lease commitment for a facility of £21,000 over a 3 year period. In July 2015, Circle Reading signed a new finance lease with Shawbrook Bank Limited for a facility of £45,000 over a five year period. In addition, in November, the Group signed finance lease commitments with GE Capital Equipment Limited for a total facility of £800,000 to lease medical equipment at Circle Nottingham until June 2018.

The Pebble Mill site lease liabilities are unsecured but are guaranteed by Circle Holdings plc. The Group can terminate the lease on 1 August 2046 or 1 August 2071 by giving at least six months written notice to the landlord. In addition, the Group has two opportunities to reduce the annual rent: the first buy down right is within a period of five years from the date of the lease and the second buy down right is within a period of six months prior to the first lease break date in 2046. Both instances require payment of a premium calculated in accordance with a formula set out in the lease and adjusted using the RPI index. There are no contingent rents. The value of the finance lease creditor is £4,840,000 (2015: £4,895,000).

iv Maturity profile

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

2016	Less than 1 year £'000	Between 1-2 years £'000	Between 2-3 years £'000	Greater than 4 years £'000	Total £'000
Finance leases	2,424	764	442	5,612	9,242
	2,424	**764**	**442**	**5,612**	**9,242**

2015	Less than 1 year £'000	Between 1-2 years £'000	Between 2-3 years £'000	Greater than 4 years £'000	Total £'000
Finance leases	2,332	2,031	664	4,587	9,614
	2,332	**2,031**	**664**	**4,587**	**9,614**

Continued

21 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	2016 £'000	2015 £'000
Current	-	-
Non-current	-	50
	-	50

	Dilapidations £'000	*Total* £'000
At 1 January 2015	50	50
Released to the income statement	-	-
Utilised during the year	-	-
At 1 January 2016	50	50
Released to the income statement	(38)	(38)
Utilised during the year	(12)	(12)
At 31 December 2016	-	-

Dilapidations

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

22 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

Authorised

	2016 £'000	2015 £'000
Ordinary shares of £0.02 each	6,500	6,500
Convertible shares (18 months) of £0.02 each	250	250
Convertible shares (36 months) of £0.02 each	250	250
	7,000	**7,000**

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

Allotted and fully paid up

	Par value	Shares (number)	Share capital £'000	Share premium £'000	Treasury shares £'000	Other reserves £'000	Total £'000
Ordinary shares							
At 1 January 2014		130,785,122	2,616	193,145	-	22,182	217,943
Fundraise – 9 January 2014 (net of costs)	£0.02	55,000,000	1,100	25,120	-	-	26,220
Shares issued – 16 June 2014 (net of costs)	£0.02	62,769	1	-	-	-	1
Project Reset - ordinary shares issued – 8 December 2014 (net of costs)	£0.02	38,855,367	777	7,560	(9,587)	-	(1,250)
Project Reset - convertible shares issued – 8 December 2014 (net of costs)	£0.02	23,093,930	462	10,970	-	-	11,432
At 31 December 2014		247,797,188	4,956	236,795	(9,587)	22,182	254,346
At 31 December 2015		247,797,188	4,956	236,795	(9,587)	22,182	254,346
At 31 December 2016		**247,797,188**	**4,956**	**236,795**	**(9,587)**	**22,182**	**254,346**

Continued

22 SHARE CAPITAL, SHARE PREMIUM AND OTHER RESERVES

The following table details the movement in share capital (ordinary and convertible) in the year ending 31 December 2016 by major shareholder.

	At 1 January 2016	Additional purchases / (sales)	At 31 December 2016 £'000
Lansdowne Partners	54,167,008	-	54,167,008
Invesco Perpetual	18,268,920	(18,268,920)	-
Toscafund	62,397,297	3,896,012	66,293,309
Balderton Capital	16,756,534	-	16,756,534
BlueCrest Capital Management	9,252,685	(9,252,685)	-
BlackRock	5,624,270	240,645	5,864,915
Polar Capital	1,400,000	(100,000)	1,300,000
Circle Partnership Benefit Trust	61,949,297	(1,650,002)	60,299,295
Richard Griffiths	-	23,226,137	23,226,137
Other	17,981,177	1,908,813	19,889,990
	247,797,188	-	247,797,188

The following table details the movement in ordinary share capital in the year ending 31 December 2015 by major shareholder.

	At 1 January 2016	Additional purchases / (sales)	At 31 December 2015 £'000
Lansdowne Partners	54,167,008	-	54,167,008
Invesco Perpetual	53,268,920	(35,000,000)	18,268,920
Odey Asset Management	27,447,406	(27,447,406)	-
Toscafund	-	62,397,297	62,397,297
Balderton Capital	16,756,534	-	16,756,534
BlueCrest Capital Management	9,252,685	-	9,252,685
BlackRock	5,781,380	(157,110)	5,624,270
Polar Capital	1,000,000	400,000	1,400,000
Circle Partnership Benefit Trust	61,949,297	-	61,949,297
Henderson	5,200,000	(5,200,000)	-
Other	12,973,958	5,007,219	17,981,177
	247,797,188	-	247,797,188

23 WARRANTS

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

Warrants treated as equity instrument

Movements in the warrant reserve during the year are as follows:	2016 £'000	2015 £'000
At 1 January and at 31 December	**22,703**	22,703

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

	Notes	Exercise price £	Original warrants (number)	Modified (number)	Revised warrants (number)	At 1 January 2016 £'000	Share-based charges £'000	At 31 December 2016 £'000
Beneficiary								
Warrants issued in 2008								
Balderton Capital	b	£1.52	523,460	-	523,460	4,111	-	4,111
Lansdowne Partners	b	£1.52	99,630	-	99,630	783	-	783
JCAM		£10.31	238,930	-	238,930	1,616	-	1,616
Warrants issued in 2009								
Balderton Capital	b	£1.52	172,355	-	172,355	675	-	675
Lansdowne Partners	b	£1.52	172,355	-	172,355	479	-	479
BlueCrest Capital Management	b	£1.52	75,510	-	75,510	296	-	296
Warrants modified in 2011								
Health Trust (Jersey)	a, b	£1.52	-	2,340,765	2,340,765	14,743	-	14,743
			1,282,240	**2,340,765**	**3,623,005**	**22,703**	-	**22,703**

a. The 2,340,765 share warrants vested over a 24 month period from May 2011 until May 2013 and were exercisable from the date they vest (1/24 every month from May 2011) and do not have any expiry date. None of the warrants were exercised during 2016 (2015: nil).

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

Continued

24 SHARE-BASED CHARGES

Shares, shares options and share warrants are issued to directors, employees, clinicians and external investors who contribute to the success and growth in value of the Group. The issuance of these warrants and shares, including the issue of shares to scheme participants and employees, qualifies as equity-settled share-based payment transactions and falls within the scope of IFRS 2 'Share-based payment'. The impact on the income statement in respect of share-based charges is as follows. Note there is no charge associated with the transaction where the employees subscribe for the shares at full market value:

	Note	Type	2016 £'000	2015 £'000
Share options issued to Circle employees and partners	a	Shares options	**2,753**	2,693
			2,753	2,693

a Share options issued to Circle employees and partners

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

	2016 £'000	2015 £'000
Share-based charges reserve		
At 1 January	**4,535**	1,842
Share-based charges	**2,753**	2,693
At 31 December	**7,288**	4,535

The parameters on which the fair values of the various share option schemes were calculated are detailed below. The fair value of a share option disclosed below represents the value of the share option as determined by IFRS2 minus the strike price payable by the holder of the option upon exercise.

24 SHARE-BASED CHARGES

Share option granted to CFO

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

2013 and 2014 share options award - 2 pence

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

2013 and 2014 share options award - 50 pence

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

2015 share options award - 2 pence

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

Continued

24 SHARE-BASED CHARGES

2015 share options award - 50 pence	
Stock price at grant date (25 September 2015)	£0.38
Exercise price	£0.50
Expected volatility	79.1%
Risk free interest rate	0.620%
Vesting period	2 years
Fair value of share option	£0.13

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

Management incentive plan (with market conditions attached) - 50 pence	
Stock price at grant date (23 June 2015)	£0.48
Exercise price	£0.50
Expected volatility	79.1%
Risk free interest rate	0.72%
Vesting period	2 years
Fair value of share option	£0.23

2016 share options award - 2 pence	
Stock price at grant date (24 June 2016)	£0.19
Exercise price	£0.02
Expected volatility	79.1%
Risk free interest rate	0.275%
Vesting period	2 years
Fair value of share option	£0.17

2016 share options award - 50 pence	
Stock price at grant date (24 June 2016)	£0.19
Exercise price	£0.02
Expected volatility	79.1%
Risk free interest rate	0.275%
Vesting period	2 years
Fair value of share option	£0.03

25 PENSION COMMITMENTS

The Group participates in two personal defined contribution pension schemes for its employees. The assets of the schemes are held separately from those of the Group in independently administered funds. The contributions by the Group for the year were £1,593,000 (2015: £1,452,000). As at 31 December 2016 outstanding contributions totalled £132,000 (2015: £127,000).

26 OPERATING LEASE COMMITMENTS

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

	Plant and machinery		Land and buildings	
	2016 £'000	2015 £'000	**2016 £'000**	2015 £'000
No later than 1 year	**516**	547	**10,851**	10,283
Later than 1 year and no later than 5 years	**208**	724	**36,472**	37,327
Later than 5 years	-	-	**134,558**	142,964
	724	1,271	**181,881**	190,574

27 NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Notes	2016 £'000	2015 £'000
Loss before taxation		**(8,131)**	(11,656)
Finance costs		**773**	793
Finance income		**(25)**	(5)
Amortisation of intangible assets	13	**215**	273
Depreciation of property, plant and equipment	13	**2,945**	2,779
Loss on sale of tangible fixed assets		**-**	9
Reversal of impairment of property, plant and equipment	14	**(2,181)**	-
Share-based charges	25	**2,753**	2,693
Movements in working capital:			
- (Increase)/decrease in inventories		**226**	(70)
- (Increase)/decrease in trade and other receivables		**367**	1,990
- Increase/(decrease) in trade and other payables		**1,780**	(1,448)
- Increase/(decrease) in provisions		**(50)**	-
Net cash outflow from operating activities		**(1,328)**	(4,642)

Continued

28 RECONCILIATION AND ANALYSIS OF NET DEBT

	2016 £'000	2015 £'000
(Decrease) in unrestricted cash in the year	**(7,567)**	(9,498)
(Decrease) in restricted cash in the year	-	-
Issuing of new finance lease	**(2,920)**	-
Repayment of finance lease	**3,292**	2,019
Movement in net debt from cash flow	**(7,195)**	(7,479)
Other non-cash movements	-	(842)
Movement in net debt	**(7,195)**	(8,321)
Net debt at 1 January	**5,384**	13,705
Net debt at 31 December	**(1,811)**	5,384

2016	At 1 January £'000	Cash flow £'000	Reclassifications £'000	Other non-cash changes £'000	At 31 December 2016 £'000
Liquid resources					
Unrestricted cash	14,998	(7,567)	-	-	**7,431**
Debt due within one year					
Finance leases	(2,332)	372	(464)	-	**(2,424)**
Debt due after one year					
Finance leases	(7,282)	-	464	-	**(6,818)**
Net debt	5,384	(7,195)	-	-	**(1,811)**

2015	At 1 January £'000	Cash flow £'000	Reclassifications £'000	Other non-cash changes £'000	At 31 December 2016 £'000
Liquid resources					
Unrestricted cash	24,496	(9,498)	-	-	**14,988**
Debt due within one year					
Finance leases	(1,922)	2,019	(2,152)	(277)	**(2,332)**
Debt due after one year					
Finance leases	(8,869)	-	2,152	(565)	**(7,282)**
Net debt	13,705	(7,479)	-	(842)	**5,384**

29 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 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 and levels of individual debt instruments and overall debt levels.

Classes of financial instruments

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

Continued

29 FINANCIAL RISK MANAGEMENT

The following tables classify the Group's financial instruments according to IAS 39 'Financial Instruments; recognition and measurement':

	Note	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total £'000
As at 31 December 2016					
Financial assets					
Trade and other receivables	17	11,790	-	-	11,790
Cash and cash equivalents	18	7,431	-	-	7,431
Total financial assets		**19,221**	-	-	**19,221**
Financial liabilities					
Trade and other payables	19	-	-	(6,490)	(6,490)
Finance lease liabilities	20	-	-	(9,242)	(9,242)
Total financial liabilities		-	-	(15,732)	**(15,732)**

	Note	Loans and receivables £'000	Fair value through profit and loss £'000	Amortised cost £'000	Total £'000
As at 31 December 2015					
Financial assets					
Trade and other receivables	17	10,357	-	-	10,357
Cash and cash equivalents	18	14,998	-	-	14,998
Total financial assets		**25,355**	-	-	**25,355**
Financial liabilities					
Trade and other payables	19	-	-	(6,840)	(6,840)
Finance lease liabilities	20	-	-	(9,614)	(9,614)
Total financial liabilities		-	-	**(16,454)**	**(16,454)**

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 from or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

29 FINANCIAL RISK MANAGEMENT

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

1) Interest rate risk

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

The following table summarises the fixed and variable rate loans:

	Fixed £'000
At 31 December 2016	
Loans and other borrowings	9,242
At 31 December 2015	
Loans and other borrowings	9,614

2) Other price risks

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

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

b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or 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 invoiced revenue is collected according to agreed terms, that policies exist to limit exposure to any one party and ensure approved credit limits are reviewed regularly. These all help to eliminate significant concentrations of credit risk.

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

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

Continued

29 FINANCIAL RISK MANAGEMENT

Liquidity risk

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

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

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

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

	Less than 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
At 31 December 2016						
Trade and other payables	(6,490)	-	-	-	-	-
Finance Lease	(2,983)	(1,178)	(824)	(797)	(797)	(9,159)
Net outflows	**(9,473)**	**(1,178)**	**(824)**	**(797)**	**(797)**	**(9,159)**
At 31 December 2015						
Trade and other payables	(6,840)	-	-	-	-	-
Finance Lease	(2,987)	(2,635)	(696)	(389)	(374)	(9,323)
Net outflows	**(9,827)**	**(2,635)**	**(696)**	**(389)**	**(374)**	**(9,323)**

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

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 and other stakeholders. The Group raises financing when needed through a combination of equity and debt.

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

30 RELATED PARTY TRANSACTIONS

Subsidiaries

Details of the investments in which the Group holds 20.0% or more of the nominal value of any class of share capital and quasi subsidiaries are as follows:

Name of company	*Holding*	*Nature of business*	*Proportion of voting rights held*	*Country of incorporation*
Circle International plc	Ordinary shares	Holding	100.0%	United Kingdom
Health Properties Limited	Ordinary shares	Holding	100.0%	Jersey
Circle Health Limited	Ordinary shares	Holding and management	100.0%	United Kingdom
Nations Healthcare Limited	'A' Ordinary shares	Holding and management	100.0%	United Kingdom
Circle Nottingham Limited	'C' Preferred shares	Holding and management	n/a	United Kingdom
Circle Nottingham Limited	Ordinary shares	Medical practice services	100.0%	United Kingdom
Circle Hospital (Bath) Limited	Ordinary shares	Medical practice services	100.0%	United Kingdom
Circle Hospital (Reading) Limited	Ordinary shares	Medical practice services	100.0%	United Kingdom
Circle Clinical Solutions Limited	Ordinary shares	Medical practice services	100.0%	United Kingdom
Circle Birmingham Limited	Ordinary shares	Property development	100.0%	United Kingdom
Health Properties (South Manchester) Limited*	Ordinary shares	Property ownership and development	100.0%	Jersey
Circle Partnership Limited**	Ordinary shares	Former employee share ownership plan	100.0%	British Virgin Islands

Trading transactions

During the year, the Group entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into and trading balances outstanding are as follows:

	Note	2016 Amounts owed by related party £'000	2016 **Amounts owed to related party £'000**	2015 Amounts owed by related party £'000	2015 Amounts owed to related party £'000
Capita	a	-	**11**	-	-
		-	**11**	-	-

Continued

30 RELATED PARTY TRANSACTIONS

Capita

a. During 2016 the Group was charged £47,000 (2015: £85,000) by Capita for fiduciary services provided to companies within the Group during the year. The amount outstanding at 31 December 2016 was £11,000 (2015: £nil).

The Capita Group also provided IT data hosting services during 2015. The Group was charged £nil (2015: £514,000) for these services in 2016. The amount outstanding at 31 December 2016 was £nil (2015: £nil).

Health Trust (Jersey)

Health Trust (Jersey) also holds 2,340,765 warrants in the Company (note 22).

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

The following are related parties by virtue of their significant shareholding. Notes 21 and 22 provide further details:

	Number of shares held (including convertible shares)	% shareholding	Value of warrants held £
Balderton Capital	16,756,534	7%	4,786
Lansdowne Partners	54,167,008	22%	1,262
Richard Griffiths	23,226,137	9%	-
Toscafund	66,293,309	27%	-
Circle Partnership Benefit Trust	60,299,295	24%	-

Other than the above and the equity transactions detailed in notes 21 and 22, there have been no transactions with these related parties.

31 EVENTS AFTER THE BALANCE SHEET DATE

In January 2017, the sale of land held by Health Properties (South Manchester) Limited was completed for £9.1m plus VAT. This land had a carrying value of £7.6m at 31 December 2016.

INDEPENDENT AUDITORS' REPORT

To the members of Circle Holdings plc

Report on the Company's financial statements

Our opinion

In our opinion, Circle Holdings plc's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31 December 2016;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

What we have audited

The financial statements, included within the Group financial statements (the "Annual Report"), comprise:

- the company balance sheet as at 31 December 2016;
- the statement of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

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

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

Other matters on which we are required to report by exception

Accounting records and information and explanations received

Under the Companies (Jersey) Law 1991, we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Our respo

Under the Companies (Jersey) Law 1991 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Article 113A of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

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

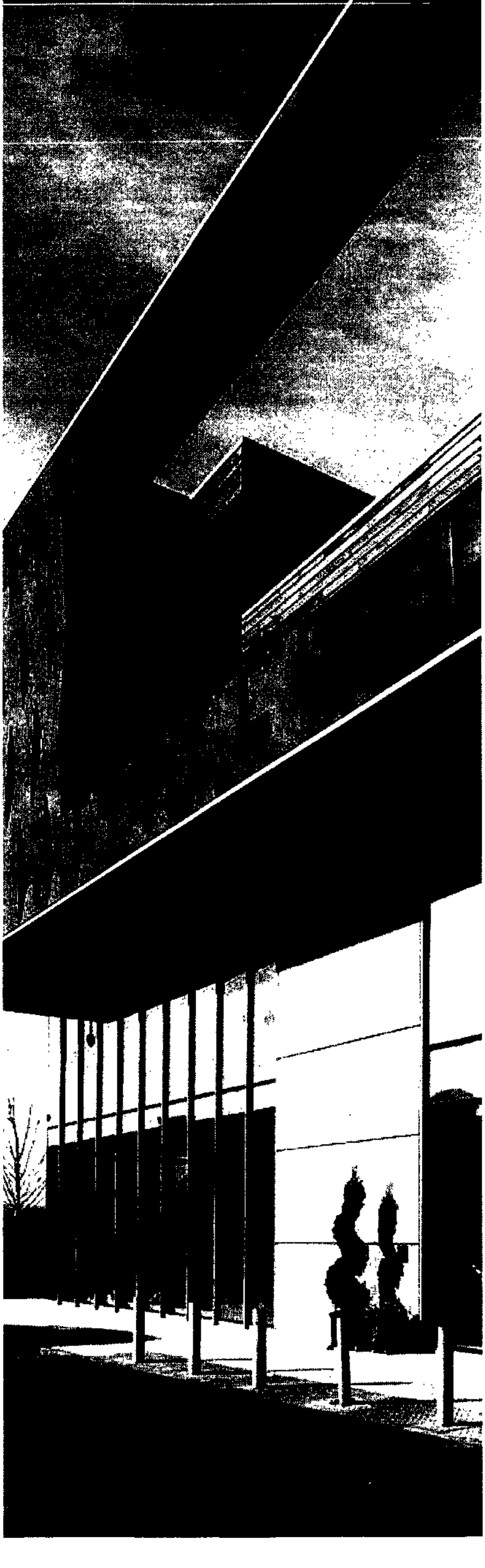
We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

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

Other matter

We have reported separately on the group financial statements of Circle Holdings plc for the year ended 31 December 2016.

Simon O'Brien (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and
Recognised Auditors
London
28 March 2017



	Note	2016 £'000	2015 £'000
Non-current assets			
Investments	5	-	-
Current assets			
Debtors	6	**9,620**	2,919
Cash at bank and in hand		**724**	8,313
		10,344	11,232
Creditors - amounts falling due within one year	7	**(3,097)**	(3,217)
Net current assets		**7,247**	8,015
Total assets less current liabilities		**7,247**	8,015
Net assets		**7,247**	8,015
Capital and reserves			
Called up share capital	8	**4,956**	4,956
Share premium	8	**236,795**	236,795
Other reserves	8	**11,303**	11,303
Warrant reserve	9, 11	**22,703**	22,703
Share-based charges reserve	9, 11	**7,288**	4,535
Treasury share reserve	9	**(9,587)**	(9,587)
Profit and loss account	9	**(266,211)**	(262,690)
Total shareholders' funds	10	**7,247**	8,015

The financial statements on pages 71 to 78 were approved by the Board of Directors on 28 March 2017 and were signed on its behalf by:

Paolo Pieri
Chief Executive Officer
[illegible]
[illegible]

Sarah Marston
Interim Chief Financial Officer

NOTES TO THE COMPANY FINANCIAL STATEMENTS

For the year ended 31 December 2016

1 ACCOUNTING POLICIES

Basis of preparation

These financial statements are prepared for Circle Holdings plc (the 'Company') for the year ended 31 December 2016. The Company is the ultimate parent entity of the Circle Holdings plc Group (the 'Group'). The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). These financial statements are prepared under the historical cost convention and in accordance with the Companies Jersey Law 1991 and applicable accounting standards in the United Kingdom.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods and services received was determined)
- IAS 7, 'Statement of cash flows' and paragraph 10(d) of IAS 1 (statement of cash flows)
- The requirement in IAS 24, 'Related party disclosures ' to disclose related party transactions entered into between two or more members of a group.

The principal accounting policies, which have been applied consistently for both years presented, are set out below.

Accounting convention

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

Going concern

The Directors' consider it to be appropriate for the Company financial statements to be prepared on a Going Concern basis based on the assumptions considered in the Directors' report on page 8.

Investments

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

Deferred tax

Deferred tax is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future except as otherwise required by FRS 101.

Warrants

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

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

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

Equity warrants

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

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

Capital contributions

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

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

2 PROFIT AND LOSS

The result for the year is a loss of £3,521,000 (2015: loss of £107,568,000). During 2015, the Company provided for a number of intercompany loans. These intercompany loans are to be written off as in accordance with the objectives of Project Reset.

3 OPERATING COSTS

The Company incurred £29,000 (2015: £29,000) in relation to UK statutory audit fees for the year ended 31 December 2016.

4 DIRECTORS' EMOLUMENTS

During the year £280,000 (2015: £280,000) was paid by the Company to Directors of the Company which includes amounts received in respect of share-based charges. Remuneration was paid to other Directors via subsidiary companies, total details of which are included in the Directors' Remuneration report.

5 INVESTMENTS

Company

	Note	2016 £'000	2015 £'000
Cost			
At 1 January		**82,446**	178,029
Capital reduction on preference shares in Circle (Welbeck) Limited		-	97,791
Additions - capital contributions	12	**2,831**	2,208
At 31 December		**85,277**	82,446
Provision for impairment			
At 1 January		**82,446**	178,029
Provision in the year		**2,831**	2,208
Capital reduction on preference shares in Circle (Welbeck) Limited		-	(97,791)
At 31 December		**85,277**	82,446
Net book amount at 31 December		-	-

The Directors consider that the value of the company's fixed asset investments, which are listed below, is supported by their underlying assets:

Name of company	Holding	Nature of business	Proportion of voting rights held	Country of incorporation
Circle International Plc	Ordinary shares	Holding and management	100.0%	United Kingdom
Health Properties Limited	Ordinary shares	Holding and management	100.0%	Jersey
Circle (Welbeck) Limited	Preference share	Finance company	n/a	United Kingdom
Circle Partnership Limited	Ordinary shares	Sub-holding company	100%	British Virgin Islands

Continued

6 DEBTORS

	2016 £'000	2015 £'000
Prepayments and accrued income	**19**	20
Other debtors	**11**	11
Amounts owed by Group undertakings	**9,590**	2,888
	9,620	2,919

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

7 CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016 £'000	2015 £'000
Trade creditors	**48**	59
Amounts owed to Group undertakings	**2,774**	2,639
Accruals and deferred income	**275**	519
	3,097	3,217

Amounts owed to Group undertakings are unsecured and repayable on demand.

8 CALLED UP SHARE CAPITAL

Authorised

	2016 £'000	2015 £'000
Ordinary shares of £0.02 each	**6,500**	6,500
Convertible shares (18 months) of £0.02 each	**250**	250
Convertible shares (36 months) of £0.02 each	**250**	250
	7,000	7,000

	2016 Number	2015 Number
Ordinary shares of £0.02 each	**325,000,000**	325,000,000
Convertible shares (18 months) of £0.02 each	**12,500,000**	12,500,000
Convertible shares (36 months) of £0.02 each	**12,500,000**	12,500,000
	350,000,000	350,000,000

8 CALLED-UP SHARE CAPITAL

Allotted and fully paid up

	Shares (number)	Called up share capital £'000	Share premium £'000	Other reserves £'000	Total £'000
Ordinary shares					
At 1 January 2015	247,797,188	4,956	236,795	11,303	241,623
At 31 December 2015	247,797,188	4,956	236,795	11,303	241,623
At 31 December 2016	**247,797,188**	**4,956**	**236,795**	**11,303**	**241,623**

9 RESERVES

	Share premium £'000	Warrant reserve £'000	Other reserve £'000	Treasury share reserve £'000	Share based charges reserve £'000	Profit and loss account £'000
At 1 January 2016	236,795	22,703	11,303	(9,587)	4,535	262,690
Loss for the financial year	-	-	-	-	-	(3,521)
Issue of shares options	-	-	-	-	2,753	-
At 31 December 2016	**236,795**	**22,703**	**11,303**	**(9,587)**	**7,288**	**(266,211)**

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

10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Note	2016 £'000	2015 £'000
Loss for the financial year		**(3,521)**	(107,568)
Issue of share options	12	**2,753**	2,693
Net addition to shareholders' funds		**(768)**	(104,875)
Opening shareholders' funds		**8,015**	112,890
Closing shareholders' funds		**7,247**	8,015

11 WARRANTS

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

Warrants treated as equity instruments

Movements in the warrant reserve during the year are as follows:

	2016 £'000	2015 £'000
At 1 January and 31 December	**22,703**	22,703

11 WARRANTS

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

	Note	Revised exercise price £	Original warrants, restated for five-for-one split (number)	Modified (number)	Revised warrants (number)	At 1 January 2016 £'000	Share based charges £'000	At 31 December 2016 £'000
Beneficiary								
Warrants issued in 2008								
Balderton Capital	b	£1.52	523,460	-	523,460	4,111	-	4,111
Lansdowne Partners	b	£1.52	99,630	-	99,630	783	-	783
JCAM		£10.31	238,930	-	238,930	1,616	-	1,616
Warrants issued in 2009								
Balderton Capital	b	£1.52	172,355	-	172,355	675	-	675
Lansdowne Partners	b	£1.52	172,355	-	172,355	479	-	479
BlueCrest Capital Management	b	£1.52	75,510	-	75,510	296	-	296
Warrants modified in 2011								
Health Trust (Jersey)	a	£1.52	-	2,340,765	2,340,765	14,743	-	14,743
			1,282,240	**2,340,765**	**3,623,005**	**22,703**	**-**	**22,703**

a. The cancellation of the warrants issued to Health Trust (Jersey) and Health Trust (Jersey) - option pool and re-issue of warrants to Health Trust (Jersey) are detailed in note 23 of the consolidated financial statements.

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

12 CAPITAL CONTRIBUTIONS

Shares and share warrants are issued to employees and clinicians and external investors who contribute to the success and growth in value of the Group. The issuance of these warrants and shares, including the issue of shares to scheme participants and employees, qualifies as equity-settled share-based payment transactions and falls within the scope of IFRS 2 'Share-based payment'. The impact on the income statement in respect of share-based charges is as follows. Note there is no charge associated with the transaction where the employees subscribe for the shares at full market value:

	Note	2016 £'000	2015 £'000
Other share-based charges	a	**2,753**	2,693
		2,753	2,693

a. Other share based charges

During 2015, £2,753,000 (2016: £2,693,000) was the IFRS 2 share based payment charge for share options issued to Circle employees and partners. This charge has been passed onto the subsidiary company in which the services are being provided, namely Circle Health Limited, by way of capital contribution.

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

Stock price	£1.52
Exercise price	£1.52
Expected volatility*	50.0%
Risk free interest rate	5.0%
Warrant life**	10 years
Fair value of warrant	£1.02

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

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

Continued

13 RELATED PARTY TRANSACTIONS

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

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

		2016		2015	
	Note	Amounts owed by related party	Amounts owed to related party	Amounts owed by related party	Amounts owed to related party
Capita	a	-	11	-	-

a. Capita

During 2016 the Group was charged £47,000 (2015: £85,000) by Capita for fiduciary services provided to companies within the Group during the year. The amount outstanding at 31 December 2016 was £11,000 (2015: £nil).

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

	Number of shares held	Shareholding	Value of warrants held £
Balderton Capital	16,756,534	7%	4,786
Lansdowne Partners	54,167,008	22%	1,262
Richard Griffiths	23,226,137	9%	-
Toscafund	66,293,309	27%	-
Circle Partnership Benefit Trust	60,299,295	24%	-

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

14 EVENTS AFTER THE BALANCE SHEET DATE

There are no post balance sheet date events to report.

COMPANY INFORMATION

NON-EXECUTIVE DIRECTORS
Michael Kirkwood, CMG
Lorraine Baldry OBE
Andrew Shilston
Justin Jewitt
John Hutton

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Massoud Fouladi
Paolo Pieri

COMPANY SECRETARY
Shane Cobb

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Channel Islands

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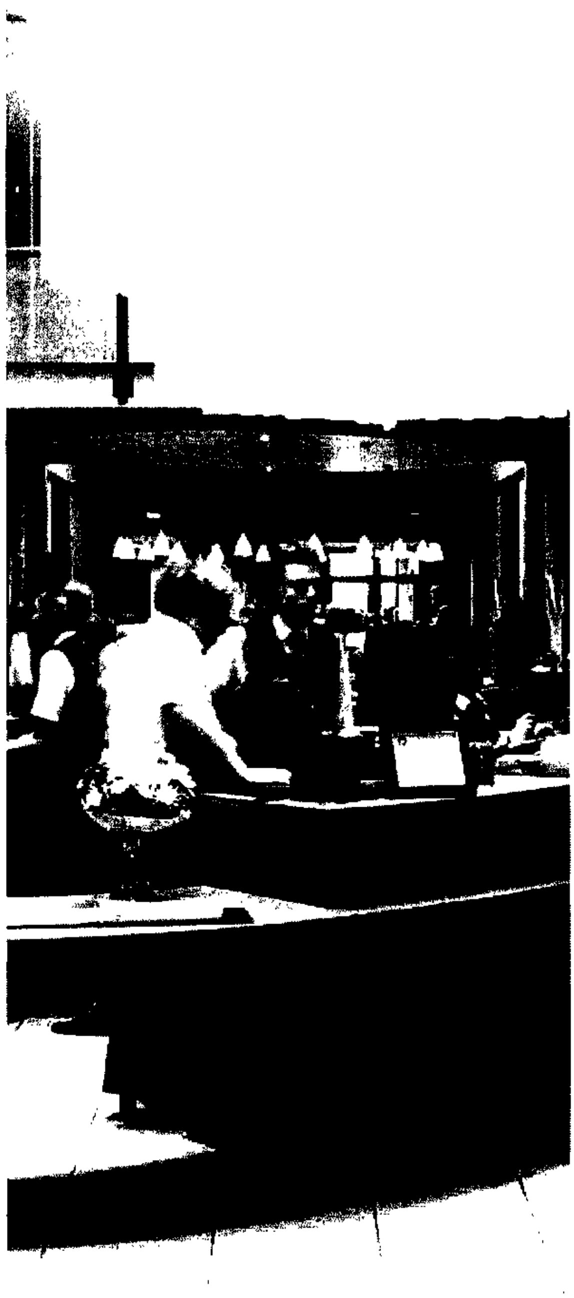

Circle Holdings

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