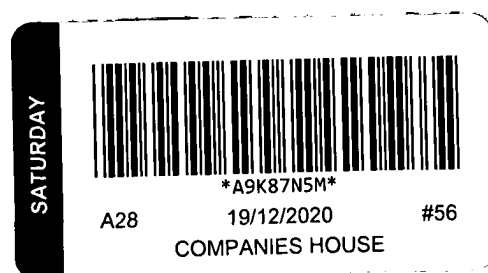


**Circle Nottingham Limited**  
**Annual Report and Financial Statements**  
**for the year ended 31 December 2019**



# Circle Nottingham Limited

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# Circle Nottingham Limited

## Company Information

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### **Directors**

Shane Cobb

Henry Davies

### **Company Secretary**

Shane Cobb

### **Independent Auditors**

PricewaterhouseCoopers LLP

Chartered Accountant and Statutory Auditors

1 Embankment Place

London

WC2N 6RH

### **Bankers**

Barclays Bank Plc

Level 27

1 Churchill Place

London

E14 5HP

### **Registered Office**

1<sup>st</sup> Floor 30 Cannon Street

London

EC4M 6XH

# Circle Nottingham Limited

## Strategic Report for the year ended 31 December 2019 (continued)

The Directors present the Strategic Report and audited financial statements for Circle Nottingham Limited (the 'Company') for the year ended 31 December 2019.

### Principal activities and review of business

The principal activity of the Company during the year was the provision of medical services. The Company operated a Treatment Centre in Nottingham which opened in July 2008 and provided services including orthopaedic surgery, general surgery, endoscopy, digestive diseases, gynaecology and dermatology. The contract to operate the Nottingham NHS Treatment Centre ended on 28 July 2019. Following termination of the contract, inventories and fixed assets were sold to the successor provider. Employees were also transferred under TUPE arrangements to the successor provider, as were property and equipment related leases. The Company is expected to become dormant and remain so for the foreseeable future whilst the directors review options around the future of the Company.

Revenue was lower than the previous year at £31,841k (2018: £54,893k), due to the contract ending part way through the year. Profit before taxation was £2,767k (2018: £3,576k).

### Key performance indicators (KPIs)

The Directors of the Company assess Circle's Nottingham NHS Treatment Centre's operations based on KPIs such as patient volumes and feedback ratings, revenues and profit for the year, which are summarised above.

### Results and dividends

The profit for the financial year amounted to £2,767k (2018: £1,937k). The Directors do not recommend the payment of any dividends (2018: £nil).

The Company has net assets of £24,828k as at 31 December 2019 (2018: £22,061k).

### Principal risks and uncertainties

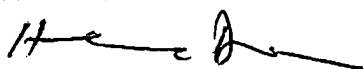
The Companies Act 2006 requires all companies to disclose and discuss the principal risks and uncertainties that they face which, in most cases, are normal business risks. As discussed elsewhere in the Strategic Report the Company is not operational following the contract ending on 28 July 2019. Given that the company is no longer trading, the directors do not consider there to be any material continuing risks.

### Section 172 (1) statement

From the perspective of the board, as a result of the Group governance structure (whereby the entity board is embedded within the group board), the matters that it is responsible for considering under Section 172 (1) of the Companies Act 2006 ('s172') have been considered to an appropriate extent by the Group board in relation both to the Group and to this entity. The board has also considered relevant matters where appropriate. To the extent necessary for an understanding of the development, performance and position of the entity, an explanation of how the Group board has considered the matters set out in s172 (for the Group and for the entity) is set out on pages 7 and 8 of the Group's annual report, which does not form part of this report.

This strategic report has been approved by the board.

On behalf of the board:



Henry Davies  
Director

22 December 2020

# Circle Nottingham Limited

## Directors' Report for the year ended 31 December 2019 (continued)

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The Directors present the Annual Report and the audited financial statements for the year ended 31 December 2019 for Circle Nottingham Limited (the 'Company'). The Company is a member of the group of companies whose ultimate parent is Circle Health Holdings Limited ('CHHL') and together the Group. Elements of this Directors' Report have been prepared for the Group, so as to emphasise those matters significant to the Group and its affiliate undertakings as a whole, which have a significant impact on the Company.

### Future developments

The contract to operate the Nottingham NHS Treatment Centre ended on 28 July 2019. The Company is expected to become dormant and remain so for the foreseeable future whilst the directors review options around the future of the Company.

### Adoption of new accounting standard

The Company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. This has resulted in the recognition of right-of-use assets of £1,604k, and a lease liability of £1,585k, reflecting the present value of the future lease payments in the Company's statement of financial position as at 1 January 2019. The weighted average incremental borrowing rate applied to lease liabilities at 1 January 2019 was 2.5%. Further detail on this is included in Notes 13 and 23.

### Dividends

The Directors do not recommend the payment of any dividends (2018: £nil).

### Financial risk management

The Company's operations expose it to a variety of financial risks. The ultimate parent undertaking of the Company, Circle Health Holdings Limited, maintains a group risk management programme that seeks to mitigate any adverse effects on the financial performance of the Circle Health Holdings Group by managing levels of debt finance and the related finance costs. Details of the risk management policy are included on pages 5 to 7 of the Circle Health Holdings Group financial statements.

### Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in existence for the foreseeable future. The Company is a member of the group of companies whose ultimate parent is Circle Health Holdings Limited ('CHHL'). The Company has net assets of £24,828k (2018: £22,061k) and net current assets of £24,828k (2018: £20,763) and is able to settle its liabilities as they fall due.

On 8 January 2020 the Company became a guarantor under the Group borrowing facilities, the Company's going concern assessment is tied to that of the Group. Management of the Group have prepared covenant and liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts reflect the latest views, taking into account the impact of Covid 19. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Group has sufficient facilities to provide liquidity through the review period.

After making enquiries, including reviewing the forecasts and sensitivities, the directors have concluded that they have a reasonable expectation that the Group and the Company have adequate resources available to them, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

# Circle Nottingham Limited

## Directors' Report for the year ended 31 December 2019 (continued)

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### Events after balance sheet date

The Directors are not aware of any material event which took place after the reporting date and up to the date of the Directors' Report.

### Directors

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

Shane Cobb (appointed 23 October 2020)

Henry Davies (appointed 23 October 2020)

Ben Gooding (resigned 19 July 2019)

Benjamin Lloyd (appointed 25 September 2019) (resigned 23 October 2020)

Paul Manning (resigned 23 October 2020)

Paul Sillandy (resigned 27 July 2019)

In its Articles, the Company has granted an indemnity to its Directors in respect of proceedings brought by third parties. The Company has procured third party liability insurance for all directors and officers of the Company during the financial year and as at the date of approval of the financial statements. There are no outstanding claims or provisions as at the balance sheet date.

### Donations

The Company made charitable donations totalling £nil (2018: £nil) during the year to charitable organisations within the UK.

The Company did not make any donations in either year to any political party registered in the UK under the Political Parties, Elections and Referendums Act 2000.

### Disabled employees

The Company is committed to employment policies, which follow best practice, based on equal opportunities for all employees, irrespective of sex, race, colour, disability or marital status. The Company gives full and fair consideration to applications for employment for disabled persons, having regard to their particular aptitudes and abilities. Appropriate arrangements are made for the continued employment and training, career development and promotion of disabled persons employed by the Company. If members of staff become disabled the Company continues employment, either in the same or an alternative position, with appropriate retraining being given if necessary.

# Circle Nottingham Limited

## Directors' Report for the year ended 31 December 2019 (continued)

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### Employee involvement

The Company systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Company is encouraged, as achieving a common awareness on the part of all employees of the financial, operational and clinical factors affecting the Company is considered to be of the utmost importance. The ultimate parent company, Circle Health Holdings Limited, also encourages the involvement of all employees within the Group, further details of which can be found in the Circle Health Holdings Limited Annual Report.

### Statement of directors' responsibilities in respect of the financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are 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 keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

### Directors' confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

# Circle Nottingham Limited


## Directors' Report for the year ended 31 December 2019 (continued)

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### Independent auditors

PricewaterhouseCoopers LLP is the auditor for the year ended 31 December 2019. Subsequent to the signing of these financial statements, Deloitte LLP will be appointed for the year ending 31 December 2020.

On behalf of the board



**Henry Davies**  
**Director**  
22 December 2020



# Circle Nottingham Limited

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

### **Report on the audit of the financial statements**

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#### **Opinion**

In our opinion, Circle Nottingham Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2019; the statement of comprehensive income and the statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

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#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence*

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

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#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

# Circle Nottingham Limited

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

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

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### **Responsibilities for the financial statements and the audit**

#### *Responsibilities of the directors for the financial statements*

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### *Auditors' responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

#### *Use of this report*

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

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## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

# Circle Nottingham Limited

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

- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andy Grimby (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Cambridge  
22 December 2020

# Circle Nottingham Limited

## Statement of Comprehensive Income for the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Revenue</b>	4	<b>31,841</b>	54,893
Cost of sales		(21,382)	(36,813)
<b>Gross profit</b>		<b>10,459</b>	18,080
Administrative expenses		(8,751)	(14,495)
Exceptional administrative expenses	6	1,103	-
<b>Operating profit</b>	5	<b>2,811</b>	3,585
Finance income	9	1	1
Finance costs	10	(45)	(10)
<b>Profit before taxation</b>		<b>2,767</b>	3,576
Tax on profit	11	-	(1,639)
<b>Profit and total comprehensive income for the financial year</b>		<b>2,767</b>	1,937

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

The notes on pages 15 to 32 form part of these financial statements.

# Circle Nottingham Limited

## Statement of Financial Position as at 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Fixed assets</b>			
Property, plant and equipment	12	-	1,298
		<u>-</u>	<u>1,298</u>
<b>Current assets</b>			
Inventories	14	-	444
Trade and other receivables	15	23,364	24,442
Cash and cash equivalents		1,587	2,284
		<u>24,951</u>	<u>27,170</u>
Current lease liabilities	13	-	(135)
Creditors: amounts falling due within one year	16	(123)	(6,272)
<b>Current liabilities</b>		<u>(123)</u>	<u>(6,407)</u>
<b>Net current assets</b>		<u>24,828</u>	<u>20,763</u>
<b>Net assets</b>		<u>24,828</u>	<u>22,061</u>
<b>Equity</b>			
Called up share capital	17	500	500
Retained earnings		23,226	20,459
Capital contribution reserve		1,102	1,102
<b>Total shareholders' funds</b>		<u>24,828</u>	<u>22,061</u>

The notes on pages 15 to 32 form part of these financial statements.

The financial statements of Circle Nottingham Limited (company registration no: 05153608) on pages 12 to 32 were approved by the board of Directors and authorised for issue on 18 December 2020. They were signed on its behalf by:



Henry Davies, Director  
Circle Nottingham Limited  
22/12/2020

# Circle Nottingham Limited

## Statement of Changes in Equity For the year ended 31 December 2019

	Called up share capital £'000	Retained earnings £'000	Capital contribution reserve £'000	Total shareholders' funds £'000
<b>At 1 January 2018</b>	500	18,522	1,102	20,124
Profit and total comprehensive income for the year	-	1,937	-	1,937
<b>At 31 December 2018 and 1 January 2019</b>	500	20,459	1,102	22,061
Profit and total comprehensive income for the year	-	2,767	-	2,767
<b>At 31 December 2019</b>	<b>500</b>	<b>23,226</b>	<b>1,102</b>	<b>24,828</b>

The notes on pages 15 to 32 form part of these financial statements.

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019

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### 1. General information

Circle Nottingham Limited (the Company) is a private company limited by shares that is incorporated, registered and domiciled in the England and Wales under The Companies Act 2006. The address of the registered office is 1<sup>st</sup> Floor 30 Cannon Street, London, EC4M 6XH. The principal activity of the Company during the year was the provision of medical services. The Company operated a Treatment Centre in Nottingham which opened in July 2008 and provided services including orthopaedic surgery, general surgery, endoscopy, digestive diseases, gynaecology and dermatology. The Company is a private company limited by shares.

### 2. Significant accounting policies

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

#### Basis of preparation

These financial statements are prepared for the Company for the year ended 31 December 2019. The financial statements have been prepared in accordance with The Companies Act 2006 as applicable to companies using FRS 101 Reduced Disclosure Framework. These financial statements are prepared under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7 Financial Instruments: Disclosures.
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 73 (e) of IAS 16 Property, Plant and equipment.
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 16 (statement of compliance with all IFRS);
  - 38B–D (additional comparative information);
  - 111 (statement of cash flows information); and
  - 134–136 (capital management disclosures).
- IAS 7, 'Statement of cash flows'
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' to disclose information when an entity has not applied a new IFRS that has been issued but is not yet effective.
- The requirements in IAS 24, 'Related party disclosures' to disclose:
  - related party transactions entered into between two or more members of a group; and
  - key management personnel compensation.

# Circle Nottingham Limited

## Directors' Report for the year ended 31 December 2019 (continued)

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### 2. Significant accounting policies (continued)

#### Basis of preparation (continued)

- The requirements of paragraphs 113(a), 114, 123, 125 and 127 of IFRS 15 Revenue from Contracts with Customers.
- The requirements of paragraphs 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

The principal accounting policies are set out below.

#### Going concern

The financial statements have been prepared on the going concern basis which assumes that the Company will continue in existence for the foreseeable future. The Company is a member of the group of companies whose ultimate parent is Circle Health Holdings Limited ('CHHL'). The Company has net assets of £24,828k (2018: £22,061k) and net current assets of £24,828k (2018: £20,763) and is able to settle its liabilities as they fall due.

On 8 January 2020 the Company became a guarantor under the Group borrowing facilities, the Company's going concern assessment is tied to that of the Group. Management of the Group have prepared covenant and liquidity forecasts for the purpose of the going concern review and have also applied various sensitivities. These forecasts reflect the latest views, taking into account the impact of Covid 19. These forecasts and sensitivities have been reviewed by the directors of the Company together with the underlying assumptions. The forecasts show that the Group will comply with its financial covenant throughout the forecast period with appropriate headroom. The forecasts also show that the Group has sufficient facilities to provide liquidity through the review period.

After making enquiries, including reviewing the forecasts and sensitivities, the directors have concluded that they have a reasonable expectation that the Group and the Company have adequate resources available to them, to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.



# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

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### New standards, amendments and IFRIC interpretations

IFRS 16 is a new accounting standard that is effective for the year ended 31 December 2019 and has had a material impact on the company's financial statements – see note 23. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2019 that have had a material impact on the company's financial statements.

### 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 value added tax (where services provided are not exempt).

Management has undertaken a detailed assessment of all revenue streams using the five-step approach specified by IFRS 15:

- Identify the contract(s) with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) a performance obligation is satisfied

The Nottingham contract offers guaranteed payments. The Company receives guaranteed payments each month from the contracted Clinical Commissioning Groups ('CCGs'), which amount to 1/12th of the overall annual activity plan. There is a three month period after each month where any queries are resolved, and following on from this the activity and revenue for that month is frozen. Revenue is recognised when the appointment or procedure takes place. 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. Revenue is accrued or deferred where treatment takes place ahead or behind contractual activity levels.

### Expenses

All costs that are directly attributable to any single service provided to patients are categorised as costs of sale. All other costs that are incurred to provide services to patients but which cannot wholly be allocated to any single service provided to patients are categorised as administrative expenses.

### Exceptional administrative expenses

Exceptional administrative expenses are disclosed separately in the financial statements where it is necessary to do so to provide further understanding of the financial performance of the Company. The exceptional administrative expense relates to the write off of irrecoverable intercompany debtors.

### Property, plant and equipment and depreciation

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

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

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### 2. Significant accounting policies (continued)

#### Property, plant and equipment and depreciation (continued)

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

Leasehold improvements	– shorter of lease life or expected useful life (5 - 10 years)
Clinical equipment	– 3 to 5 years straight line
Fixtures, fittings and office equipment	– 3 to 5 years straight line

Residual values and useful lives are reviewed at the end of each reporting period. The expected useful lives of the assets to the business are reassessed periodically in the light of experience. The carrying values of property, plant and equipment are reviewed for impairment when events or changes of circumstances indicate the carrying value may not be recoverable.

#### Inventories

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

#### Trade receivables

Trade receivables represent amounts due from customers arising from the performance of services or sale of goods in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. Likewise, if collection is expected in over one year then they are classified as non-current assets.

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost, less provision for impairment. The movement in the allowance for impairment is taken to administrative expenses.

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets. Each hospital site uses a formula to calculate the expected credit loss. Trade receivables have been grouped based on shared characteristics (e.g. payer type). Different credit risk ratings have been applied to each grouping, including to reflect that credit risk increases as the aging of debt increases.

A different percentage allowance is used for each purchaser type (e.g. NHS, PMI, SP) to reflect the varying credit risk. This percentage allowance reflects the likelihood of default, and the anticipated shortfall of cash if default occurs.

#### Cash and cash equivalents

Cash and cash equivalent includes cash in hand, deposits held at call with banks and restricted cash balances.

#### Trade creditors

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

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

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### 2. Significant accounting policies (continued)

#### Leases

Until the 2018 financial year, leases of property, plant and equipment were classified as either finance leases or operating leases. From 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the company under residual value guarantees;
- The exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentives received;
- Any initial direct costs; and
- Restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

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### 2. Significant accounting policies (continued)

#### Leases (continued)

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Information about critical accounting estimates and judgements in the application of lease accounting is disclosed in note 3.

As explained in notes 2 and 23, the company has changed its accounting policy for leases where the company is the lessee. The impact of the change is explained in note 23. Prior to this change, leases of property, plant and equipment where the company, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, were included in creditors: amounts falling due within 12 months and the long-term component was included in creditors: amounts falling due after more than one year. Each lease payment was allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life, or over the shorter of the asset's useful life and the lease term if there was no reasonable certainty that the company would obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

#### Pensions

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

#### Deferred taxation

Deferred tax is provided in full (without discounting) based on current tax rates and law, on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax in the future, except as otherwise required by FRS101.

#### Provisions for liabilities

A provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

#### Called up 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 for any proceeds that exceed nominal value.

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

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### 3. Critical accounting judgements and estimates

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

##### (a) Taxation

The recognition of deferred tax assets is dependent upon management judgement of the level of future taxable profits that will be available against which deductible temporary differences can be utilised. Such a judgement is based on cash flow forecasts that have been generated, along with their expectations of future market performance. In the event that actual taxable profits are different, such differences may impact the carrying value of such deferred tax assets in future years.

#### Critical accounting estimates

The Company has not made any critical accounting estimates or assumptions in applying the accounting policies.

### 4. Revenue

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

£1,624k (2018: £158k) of the revenue recognised in the current year was included in the deferred income balance at the beginning of the year.

### 5. Operating profit

Operating profit is stated after charging:

	2019 £'000	2018 £'000
Staff costs (note 7)	6,805	17,306
Depreciation of property, plant and equipment (note 12)	172	639
Depreciation of right-of-use assets (note 13)	1,173	-
Movement in bad debt provision (note 15)	-	53
Operating lease charges		
- plant and machinery	7	175
- land and buildings	-	2,083
Inventory expense	3,467	5,739

The auditors' remuneration of £47k payable to PricewaterhouseCoopers LLP (2018: £46k) in relation to the provision of audit services was borne by Circle Health Holdings Limited, and then recharged to the Company. No non-audit services were provided during the year (2018: none).

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 6. Exceptional administrative expenses

Exceptional administrative expenses include:

	2019 £'000	2018 £'000
Profit on the sale of fixed assets	1,103	-
	<u>1,103</u>	<u>-</u>

### 7. Employees

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

	2019 Number	2018 Number
Clinical staff	180	322
Administrative staff	147	261
	<u>327</u>	<u>583</u>

Their aggregate remuneration comprised:

	2019 £'000	2018 £'000
Wages and salaries	5,904	15,047
Social security costs	524	1,370
Other pension costs (note 19)	377	889
	<u>6,805</u>	<u>17,306</u>

### 8. Directors' emoluments

The Directors' emoluments were as follows:

	2019 £'000	2018 £'000
Total salary and other benefits	436	506
Company pension contributions to defined contribution scheme	9	11
Aggregate emoluments	<u>445</u>	<u>517</u>

Post-employment benefits are accruing for one (2018: nil) director under a defined contribution scheme.

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 8. Directors' emoluments (continued)

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

	2019 £'000	2018 £'000
Total salary and other benefits	205	202
Company pension contributions to defined contribution scheme	-	-
Highest Director aggregate emoluments	205	202

The amounts disclosed above are the Directors' total emoluments as per their employment contracts.

Of the four directors (2018: four) within the Company, two (2018: three) were remunerated through the Company.

Two directors (2018: one) were directors of a number of other companies within the Group and are remunerated through Circle Health Limited in respect of services provided to the Group. The Directors do not consider their time spent on dealing with the Company's matters to be material and therefore have not separated out their costs or made a recharge in respect of services provided to Nottingham.

Of the total aggregate Directors' emoluments £183k was paid and expensed in Circle Nottingham Limited (2018: £304k).

### 9. Finance income

	2019 £'000	2018 £'000
Bank interest receivable	1	1

### 10. Finance costs

	2019 £'000	2018 £'000
Lease interest	45	10

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 11. Tax on profit

Tax charge included in profit or loss:

	2019 £'000	2018 £'000
<b>Current tax</b>		
UK Corporation tax on profits for the year	-	-
<b>Deferred tax</b>		
Current year	-	1,832
Adjustments in respect of prior years	-	-
Effect of changes in tax rate	-	(193)
<b>Income tax charge on profit for the year</b>	<b>-</b>	<b>1,639</b>

#### Factors affecting the current tax charge for the year

The tax assessed in 2019 is lower (2018: higher) than the standard rate of corporation tax in the UK of 19.0% (2018: 19.0%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before taxation	<b>2,767</b>	<b>3,576</b>
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19.0% (2018: 19.0%)	<b>526</b>	<b>679</b>
Effects of:		
Expenses not deductible for tax purposes	<b>51</b>	<b>12</b>
Tax rate changes	-	(193)
Effects of group relief claimed for nil payment	-	(470)
Temporary difference for which no deferred tax recognised	<b>(577)</b>	<b>1,611</b>
<b>Tax charge for the year</b>	<b>-</b>	<b>1,639</b>

#### Factors that may affect future tax charges

The tax rate for the current year and prior year is 19.0%. The Finance Act 2016 reduced the rate of corporation tax to 17.0% from 1 April 2020. This reduction was reversed by the Finance Act 2020 which set the rate of corporation tax at 19.0% for the financial years beginning 1 April 2020 and 1 April 2021. As these changes were not substantively enacted at the balance sheet date their effects have not been included in these financial statements.

The proposed rate change may affect future tax charges. In addition the utilisation of any tax losses and temporary differences for which no deferred tax asset has been recognised may also affect future tax charges. Deferred taxes at the balance sheet date have been measured using enacted tax rates and reflected in these financial statements.



# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 11. Tax on profit (continued)

#### Deferred Taxation

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 17.0% (2018: 17.0%). The net deferred tax recognised in the balance sheet is as follows:

	2019 £'000	2018 £'000
At 1 January	-	1,639
Recognised in the year	-	(1,639)
<b>Deferred tax asset at 31 December</b>	<b>-</b>	<b>-</b>

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

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

	2019 Tax value £'000	2019 Gross Value £'000	2018 Tax value £'000	2018 Gross Value £'000
Losses	<u>1,135</u>	<u>6,679</u>	<u>1,441</u>	<u>8,476</u>

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

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 12. Property, plant and equipment

	Leasehold improvements £'000	Clinical equipment £'000	Fixtures, fittings and office equipment £'000	Total £'000
<b>Cost</b>				
At 1 January 2019	1,649	3,260	1,402	6,311
Effect of adoption of IFRS 16 Leases (note 23)	-	(231)	-	(231)
Additions	10	7	14	31
Disposals	(1,659)	(3,036)	(1,416)	(6,111)
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Accumulated Depreciation</b>				
At 1 January 2019	756	2,963	1,294	5,013
Effect of adoption of IFRS 16 Leases (note 23)	-	(77)	-	(77)
Depreciation charge for the year	93	43	36	172
Disposals	(849)	(2,929)	(1,330)	(5,108)
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net book amount</b>				
<b>At 31 December 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
At 31 December 2018	893	297	108	1,298

As at 31 December 2018 the net carrying amount of assets held under finance leases included in clinical equipment was £154k. From 2019 leased assets are presented as a separate line item in the balance sheet (right-of-use assets). See note 23 for details about the effect of adoption of IFRS 16.

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 13. Leases

The company had lease contracts for the hospital and office space. The amounts recognised in the financial statements in relation to the leases are as follows:

#### i. Amounts recognised in the statement of financial position:

	31 Dec 19 £'000	1 Jan 19 £'000
<b>Right-of-use assets</b>		
Buildings	-	1,450
Furniture, fittings and office equipment	-	154
	<u>-</u>	<u>1,604</u>
<b>Lease liabilities</b>		
Current	-	(1,197)
Non-current	-	(388)
	<u>-</u>	<u>(1,585)</u>

#### ii. Amounts recognised in the statement of comprehensive income

	2019 £'000	2018 £'000
<b>Depreciation charge of right-of-use assets</b>		
Buildings	1,041	-
Furniture, fittings and office equipment	132	-
	<u>1,173</u>	<u>-</u>
Interest expense	(45)	(10)
Expense relating to short-term leases	(5)	(175)

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 13. Leases (continued)

#### Future minimum lease payments

The future minimum lease payments are as follows:

	2019 £'000	2018 £'000
No later than 1 year	-	135
Total gross payments	-	135
Impact of finance charges	-	-
<b>Carrying value of lease liability</b>	<b>-</b>	<b>135</b>

The company initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16 is recognised in retained earnings at the date of initial application. Thus, the comparative future minimum lease payments presented are based on IAS 17 while the current year are based on IFRS 16.

For adjustments recognised on adoption of IFRS 16 on 1 January 2019, please refer to note 23.

The total cash outflow for leases in 2019 was £1,213k (2018: £2,628k).

### 14. Inventories

	2019 £'000	2018 £'000
Consumables	-	444

There is no significant difference between the replacement cost of consumables and their carrying amount.

### 15. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	498	1,028
Amounts owed by group undertakings	22,847	22,340
Other debtors	18	168
Prepayments and accrued income	1	906
	<b>23,364</b>	<b>24,442</b>

Trade receivables are stated after provisions for impairment of £105k (2018: £105k).

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

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 16. Creditors: amounts falling due within one year

	2019 £'000	2018 £'000
Trade creditors	123	777
Amounts owed to group undertakings	-	739
Other creditors	-	100
Accruals and deferred income	-	4,656
	<u>123</u>	<u>6,272</u>

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

### 17. Called up share capital

	2019 £'000	2018 £'000
<b>Ordinary share capital</b>		
<b>Authorised</b>		
500,000 (2018: 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>
<b>Issued and fully paid</b>		
500,000 (2018: 500,000) ordinary shares of £1 each	<u>500</u>	<u>500</u>

### 18. Capital commitments

At 31 December, the Company had the following capital commitments.

Commitments for minimum lease payments in relation to non-cancellable operating leases (under IAS 17) are as follows:

	Land and buildings		Other	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Not later than one year	-	1,236	-	154
Later than one year and not later than five years	-	288	-	-
Later than five years	-	150	-	-
	<u>-</u>	<u>1,674</u>	<u>-</u>	<u>154</u>

### 19. Pension commitments

The Company participates in a Group personal defined contribution pension scheme for its employees. The assets of the scheme are held separately from those of the Company in an independently administered fund. The contributions for the year were £377k (2018: £889k). There were £nil of outstanding contributions as at 31 December 2019 (2018: £60k).

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

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### 20. Related party transactions

The Company has taken advantage of the exemption allowed under FRS 101, not to disclose the transactions entered into between Group members as required by IAS 24 Related Party Disclosures.

The Company has transactions with Circle Rehabilitation Services Limited, a joint venture between Circle Health Limited and VAMED Management Und Service Gmb.

#### 2019

	Sales to related party £'000	Purchases from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
Circle Rehabilitation Services Limited	4	-	-	-

#### 2018

	Sales to related party £'000	Purchases from related party £'000	Amounts owed from related party £'000	Amounts owed to related party £'000
Circle Rehabilitation Services Limited	9	-	3	-

Sales to Circle Rehabilitation Services Limited relate to hospital services provided. The payment terms are standard payment terms.

### 21. Events after the balance sheet date

The Directors are not aware of any material event which took place after the reporting date and up to the date of the Directors' Report.

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

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### 22. Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Nations Healthcare Limited, a company registered in England and Wales.

The Directors regard Circle Health Holdings Limited, a company registered in England and Wales, as the Company's ultimate parent undertaking and controlling party.

Circle Health Holdings Limited is the parent undertaking of the smallest and largest group for which consolidated financial statements are prepared that include the financial statements of the Company. Copies of the group financial statements for Circle Health Holdings Limited may be obtained from 1<sup>st</sup> Floor 30 Cannon Street, London, EC4M 6XH.

### 23. Effect of adoption of IFRS 16 - Leases

As indicated in notes 2 and 13, the company has adopted IFRS 16 Leases retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in note 2.

On adoption of IFRS 16, the company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 2.5%.

At 1 January 2019, the company had one lease previously classified as a finance lease under IAS 17 Leases, relating to furniture, fittings and office equipment.

#### i. Practical expedients applied

In applying IFRS 16 for the first time, the company has used the following practical expedients permitted by the standard:

- Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

# Circle Nottingham Limited

## Notes to the Financial Statements for the year ended 31 December 2019 (continued)

### 23. Effect of adoption of IFRS 16 – Leases (continued)

#### ii. Measurement of lease liabilities

	£'000
Operating lease commitments disclosed as at 31 December 2018	1,674
Reduction in lease payments	(161)
	<u>1,513</u>
Discounted using the lessee's incremental borrowing rate of 2.5% at the date of initial application	1,450
Add: finance lease liabilities recognised as at 31 December 2018	135
(Less): short-term leases not recognised as a liability	-
(Less): low-value leases not recognised as a liability	-
Lease liability recognised as at 1 January 2019	<u><u>1,585</u></u>
Of which are:	
Current lease liabilities	1,197
Non-current lease liabilities	388
	<u><u>1,585</u></u>

#### iii. Measurement of right-of-use assets

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

#### iv. Adjustments recognised in the statement of financial position on 1 January 2019

The change in accounting policy affected the following items in the statement of financial position on 1 January 2019:

- Property, plant and equipment – decrease by £154k
- Right-of-use assets – increase by £1,604k
- Lease liabilities – increase by £1,450k

The net impact on retained earnings on 1 January 2019 was £nil.