

Registered No: 06435138

Circle Clinics Limited

**Annual report and financial statements
For the year ended 31 December 2012**

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Circle Clinics Limited

Annual report and financial statements

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Circle Clinics Limited

Company Information

Directors

Rachael Magnani (appointed 18 March 2013)

Company secretary

Shane Cobb

Independent auditors

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

Bankers

Barclays plc
Level 27
1 Churchill Place
London
E14 5HP

Solicitors

Capsticks
77-83 Upper Richmond Road
London
SW15 2TT

Registered office

32 Welbeck Street
London
W1G 8EU

Circle Clinics Limited

Director's report for the year ended 31 December 2012

The Director presents the Annual report and the audited financial statements for the year ended 31 December 2012 for Circle Clinics Limited (the 'Company' or 'Circle Clinics'). The Company forms part of a group whose ultimate parent company is Circle Holdings plc (the 'Circle Holdings group')

Principal activity and review of the business

The principal activity of the Company during the year is that of providing medical practice services. The Company specialises in ophthalmology, outpatient consultations, minor treatments and day case surgical treatments to privately insured and self-paying patients. The Company currently operates a clinic in Stratford-upon-Avon.

Turnover for the year was down by 14.8% to £276,000 (2011: £324,000), representing charges to patients for consultations and procedures undertaken. The decrease was driven by the 3.9% fall in patient volumes to 785 (2011: 816) as well as the mix of procedures performed. The principal operating expenditures of the Company are staff salaries and overheads.

Future developments

The Company plans to increase revenues and to break-even in 2012 by increasing the number of consultants who undertake operations in the clinic and utilising spare capacity.

Key performance indicators (KPIs)

The Director of Circle Clinics Limited manages the Company's operations based on KPIs such as patient volumes, revenues and losses for the year, all of which are summarised above.

Results and dividends

The loss for the financial year amounted to £226,000 (2011: £508,000). The Director does not recommend the payment of any dividends (2011: £nil).

Principal risks and uncertainties

Medical service risk

As with all medical providers, clinical risk is a major consideration due to the consequences to the individuals concerned where processes break down or procedures are found to be negligent. The Circle Health Limited group, of which the Company is a subsidiary, has an Integrated Corporate Governance structure which is chaired by the Medical Director, Massoud Fouladi. This Integrated Corporate Governance structure includes senior staff across the operational, clinical and central support teams. The clinic has its own local governance structure, whilst a team of clinical care quality specialists is dedicated to developing up to date and consistent policies across all sites.

Circle Clinics Limited

Director's report for the year ended 31 December 2012 (continued)

Principal risks and uncertainties (continued)

Medical service risk (continued)

Local governance committees work to a rigorous assurance framework, manage day to day clinical risks through a risk register, provide appropriate training to staff and consultants and report their findings to the Circle Health Limited group's Integrated Governance Committee. A summary of the relevant findings is in turn presented to the two principal shareholders of Circle Health Limited, Circle Holdings plc (50.1%) and Circle Partnership Limited (49.9%).

Financial risk management

The Company's operations expose it to a variety of financial risks. The immediate parent undertaking of the Company, Circle Holdings plc, has in place a group risk management programme that seeks to limit the adverse effects on the financial performance of the Circle Holdings group by monitoring levels of debt finance and the related finance costs. Details of the risk management policy are included on pages 11 to 12 of the Circle Holdings group financial statements.

Going concern

The Company is dependent upon funding being made available by Circle Holdings plc, the ultimate parent company, and Circle Holdings plc has undertaken to provide the necessary funds for the Company to meet its financial obligations as and when they fall due, for a minimum of twelve months from the date of approval of these financial statements.

The Circle Holdings plc Directors have prepared cash flow forecasts for a period of 18 months from the date of signing the group financial statements for the year ended 31 December 2012. These forecasts have been prepared on the cash flows from the existing operating businesses to include the following assumptions:

- CircleBath and CircleReading revenue and margin growth, and
- Awarding of the new Nottingham contract on revised terms.

If sensitivities to the Group business plan were to materialise, management believe that it could mitigate these by undertaking some combination of the following:

- Utilisation of contingencies built into the base case,
- Head office cost savings, and
- The sale of some property asset holdings.

While the Circle Holdings plc Directors are confident that the Group can continue to meet their working capital requirements over the next 12 to 18 months, any significant deviations from the forecasts could impact on its ability to do so, and this represents a material uncertainty which may cast significant doubt upon the Group's, and consequently the Company's, ability to continue as a going concern. Nevertheless, the Circle Holdings plc Directors believe that, based on its latest business plan, the Group has adequate resources to continue in operational existence and provide the requisite support to the Company.

As such, the Director of Circle Clinics Limited considers it appropriate for these financial statements to be prepared on a going concern basis.

Events after the balance sheet date

There are no events subsequent to balance sheet date which would have a material effect on the Company's financial statements at 31 December 2012.

Circle Clinics Limited

Director's report for the year ended 31 December 2012 (continued)

Directors

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

Patrick Butterworth (resigned 18 March 2013)

Rachael Magnani (appointed 18 March 2013)

In its Articles, the Company has granted an indemnity to its Directors in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provisions remain in force until resignation as a Director. There are no outstanding claims or provisions as at the balance sheet date.

Statement of Director's responsibilities

The Director is responsible for preparing the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Director must not approve the financial statements unless she is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Director is required to

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

The Director is 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 to enable them to ensure that the financial statements comply with the Companies Act 2006. She is 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.

Circle Clinics Limited

Director's report for the year ended 31 December 2012 (continued)

Statement of disclosure of information to auditors

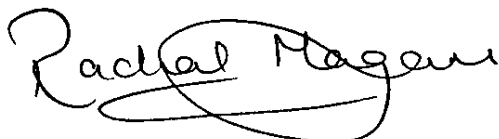
So far as the Director in office at the date of approval of these financial statements is aware

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

Independent auditors

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

By order of the Board

A handwritten signature in black ink, appearing to read 'Rachael Magnani', with a large, stylized loop at the end.

Rachael Magnani, Director
17 May 2013

Circle Clinics Limited

Independent auditors' report to the members of Circle Clinics Limited

We have audited the financial statements of Circle Clinics Limited for the year ended 31 December 2012 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Director's responsibilities set out on page 6, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the 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.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Director's report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its loss for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Circle Clinics Limited

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

Emphasis of Matter – Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The Company is dependent upon funding being available from Circle Holdings plc, the ultimate parent company. While the Circle Holdings plc Directors are confident that the Group can continue to meet their working capital requirements over the next 12 to 18 months, any significant deviations from their forecasts could impact on its ability to do so, and these conditions as explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Director's remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Nigel Reynolds (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
17 May 2013

Circle Clinics Limited

Profit and loss account for the year ended 31 December 2012

| | Note | 2012 £'000 | 2011 £'000 |
|--|------|---------------|---------------|
| Turnover | 2 | 276 | 324 |
| Cost of sales | | (148) | (170) |
| Gross profit | | 128 | 154 |
| Administrative expenses | | (317) | (637) |
| Operating loss | 3 | (189) | (483) |
| Interest payable and similar charges | 6 | (37) | (25) |
| Loss on ordinary activities before taxation | | (226) | (508) |
| Tax on loss on ordinary activities | 7 | - | - |
| Loss for the financial year | 15 | (226) | (508) |

The activities of the Company relate to continuing operations

The Company has no recognised gains and losses other than those above and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the loss on ordinary activities before taxation and the loss for the financial years stated above (2011 no difference) and their historical cost equivalents

Circle Clinics Limited

Profit and loss account for the year ended 31 December 2012

| | Note | 2012 £'000 | 2011 £'000 |
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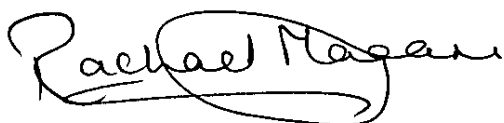
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Circle Clinics Limited

Balance sheet as at 31 December 2012

| | Note | 2012 £'000 | 2011 £'000 |
|--|------|----------------|----------------|
| Fixed assets | | | |
| Investments | 8 | - | - |
| Tangible fixed assets | 9 | 191 | 237 |
| Current assets | | | |
| Stock | 10 | 18 | 25 |
| Debtors | 11 | 45 | 40 |
| Cash at bank and in hand | 12 | 3 | - |
| | | <u>66</u> | <u>65</u> |
| Creditors - amounts falling due within one year | 13 | (2,376) | (2,195) |
| Net current liabilities | | <u>(2,310)</u> | <u>(2,130)</u> |
| Total assets less current liabilities | | <u>(2,119)</u> | <u>(1,893)</u> |
| Net liabilities | | <u>(2,119)</u> | <u>(1,893)</u> |
| Capital and reserves | | | |
| Called up share capital | 14 | - | - |
| Profit and loss account | 15 | (2,119) | (1,893) |
| Total shareholders' deficit | 16 | <u>(2,119)</u> | <u>(1,893)</u> |

The financial statements on pages 10 to 22 were approved by the Board on 17 May 2013 and were signed on its behalf by



Rachael Magnani, Director
Circle Clinics Limited

Registered No: 06435138

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012

1 Accounting policies

Basis of preparation

These financial statements are prepared on the going concern basis under the historical cost convention and in accordance with the Companies Act 2006 and applicable accounting standards in the United Kingdom. The principal accounting policies, which have been applied consistently throughout the year, are set out below.

Going concern

The Directors consider it to be appropriate for the accounts to be prepared on a Going Concern basis based on the assumptions considered in the Director's report on page 5.

Cash flow statement

The Director has taken advantage of the exemption in FRS 1 (revised 1996) 'Cash flow statements' from including a cash flow statement in the financial statements on the grounds that the Company is wholly owned and its immediate parent, Circle Health Limited, publishes consolidated financial statements.

Related party transactions

The Director has taken advantage of the exemption in FRS 8 'Related party disclosures' from disclosing transactions with other members of the Circle Holdings plc group with which the Company is a constituent of a 100.0% group.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation. Such costs include costs directly attributable to making assets capable of operating as intended.

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valuation, less their estimated residual value, over their expected useful lives on the following bases:

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

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation (continued)

Residual values, if material, and useful lives are reviewed at the end of each reporting period. The carrying values of tangible fixed assets are reviewed for impairment when events or changes of circumstances indicate the carrying value may not be recoverable.

Turnover

Turnover represents the total amount earned by the Company in the ordinary course of business for services rendered for the provision of healthcare services. Turnover is recognised to the extent that the Company obtains the right to consideration in exchange for its performance. Turnover is measured at the fair value of the consideration received, for activity performed. Turnover from the provision of medical services is recognised once the patient has been discharged.

Operating leases

Where the Company does not retain substantially all the risks and rewards of ownership of the asset, leases are classified as operating leases. Rentals under operating leases are charged on a straight line basis over the lease term and lease incentives are recognised over the shorter of the lease term and the date of the next rent review.

Stock

Consumable stock is 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 (net of trade discounts), less all costs incurred in marketing, selling and distribution. Obsolete stock is provided for through the profit and loss account. Where title never transfers to the Company, consignment stock is held off balance sheet.

Trade debtors

Trade debtors are amounts due from customers for services performed in the ordinary course of business. Trade debtors are measured at cost, less provision for impairment.

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

1 Accounting policies (continued)

Cash at bank and in hand

Cash at bank and in hand 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 recognised at cost.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax.

Deferred tax assets are recognised only to the extent that the Director considers there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences reverse, based on the tax rates or laws enacted or substantively enacted at the balance sheet date.

Pensions

The Company participates in a group personal defined contribution pension scheme. Contributions are charged in the profit and loss account as they become payable in accordance with the rules of the scheme.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in net profit or loss when the liabilities are derecognised or impaired as well as through the amortisation process.

2 Turnover

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

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

3 Operating loss

| | | |
|---|---------------|---------------|
| Operating loss is stated after charging | 2012 £'000 | 2011 £'000 |
| Depreciation of tangible fixed assets | 46 | 103 |
| Impairment of investment | - | 354 |
| Operating lease charges | | |
| - Land and buildings | 58 | 58 |

The auditors' remuneration of £5,200 payable to PricewaterhouseCoopers LLP (2011 £6,000) in relation to the provision of audit services was borne by Circle Health Limited, the immediate parent of the Company

4 Employee Information

| | | |
|-----------------------------|---------------|---------------|
| Staff costs were as follows | 2012 £'000 | 2011 £'000 |
| Wages and salaries | 104 | 104 |
| Social security costs | 10 | 10 |
| Other pension costs | 3 | - |
| | 117 | 114 |

For the first three months of 2011, salaries and wages were paid by the Company's immediate parent, Circle Health Limited and recharged at cost to the Company

The average monthly number of employees, including the Director, during the year was as follows

| | | |
|----------------------|----------------|----------------|
| | 2012 Number | 2011 Number |
| Clinical staff | 4 | 4 |
| Administrative staff | 2 | 2 |
| | 6 | 6 |

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

5 Director's emoluments

| | 2012 £'000 | 2011 £'000 |
|-----------------------|---------------|---------------|
| Aggregate emoluments | <u>108</u> | <u>97</u> |
| Highest paid Director | <u>108</u> | <u>97</u> |

The Director of the Company is also a Director or officer of a number of other companies within the ultimate parent group (Circle Holdings group), and is remunerated in respect of services provided to the Circle Holdings group. The Director does not consider the time spent on dealing with the Company's matters to be material and therefore has not sought to separate out their costs in respect of services to each individual company in the Circle Holdings group. The amounts disclosed above is the Director's total emoluments as per their employment contracts.

Director's emoluments in 2012 and 2011 were paid and expensed in Circle Health Limited.

The Director does not have any retirement benefits accruing under money purchase schemes (2011 none) and there was no compensation paid for loss of office during the year (2011 £nil).

6 Interest payable and similar charges

| | 2012 £'000 | 2011 £'000 |
|----------------------------------|---------------|---------------|
| Unwind of discount on loan notes | <u>37</u> | <u>25</u> |

7 Tax on loss on ordinary activities

(a) Tax on loss on ordinary activities

The tax charge is made up as follows

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Current tax | | |
| UK corporation tax | - | - |
| Deferred tax | | |
| Origination and reversal timing differences | - | - |
| Tax on loss on ordinary activities | <u>-</u> | <u>-</u> |

(b) Factors affecting current tax for the year

The tax assessed for the year is higher (2011 higher) than the average rate of corporation tax in the UK 24.5% (2011 26.5%). The differences are explained below

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

7 Tax on loss on ordinary activities (continued)

(b) Factors affecting current tax for the year (continued)

| | 2012 £'000 | 2011 £'000 |
|---|---------------|---------------|
| Loss on ordinary activities before taxation | (226) | (508) |
| Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 24.5% (2011: 26.5%) | (55) | (135) |
| Effects of | | |
| Depreciation in excess of capital allowances | 2 | (3) |
| Expenses not deductible for tax purposes | 18 | 88 |
| Group relief surrendered for nil payment | 35 | - |
| Unrelieved tax losses | - | 50 |
| Current tax charge for the year | - | - |

(c) Factors affecting future tax charges

The standard rate of corporation tax in the UK changed from 26% to 24% with effect from 1 April 2012. Legislation was enacted to reduce the main rate of corporation tax from 24% to 23% from 1 April 2013.

On 5 December 2012, a reduction in the main rate of corporation tax from 23% to 21% with effect from 1 April 2014 was announced. A further rate change was announced on 20 March 2013 in the 2013 Budget Statement. The main rate of corporation tax will be reduced and unified with the small profits rate of corporation tax from 1 April 2015. The new unified corporation tax main rate will be 20%. Legislation will be introduced in Finance Act 2013 to enact these rate changes. As these rate changes had not been substantively enacted at the balance sheet date, their effects have not been included in these financial statements.

The proposed rate changes may affect future tax charges and reduce deferred tax liabilities.

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

8 Investments (continued)

On 4 July 2008, the Company acquired 100 0% of the issued share capital of Windsor Hand Surgery Limited for a cash consideration of £363,000 and deferred consideration of £301,000. The investment in Windsor Hand Surgery Limited was initially recognised in the Company's balance sheet at its fair value at the date of acquisition. Following an initial impairment in 2008, further indicators of impairment were identified during 2011 and consequently a further provision of £354,000 was raised against the cost of the investment.

The amount of deferred consideration and loan notes payable is dependent upon the turnover achieved by Windsor Hand Surgery Limited in the five years following its acquisition by the Company. The present value of the amount the Director expects to be payable after current year reassessment is £353,000 (2011: £326,000). Estimates of the deferred consideration will be revised as further and more certain information becomes available.

9 Tangible fixed assets

| | Leasehold improvements £'000 | Clinical equipment £'000 | Fixtures, fittings and office equipment £'000 | Total £'000 |
|---------------------------------|------------------------------------|--------------------------------|---|----------------|
| Cost | | | | |
| At 1 January 2012 | 390 | 352 | 65 | 807 |
| Additions | - | - | - | - |
| At 31 December 2012 | 390 | 352 | 65 | 807 |
| Accumulated depreciation | | | | |
| At 1 January 2012 | 160 | 346 | 64 | 570 |
| Charge for the year | 39 | 6 | 1 | 46 |
| At 31 December 2012 | 199 | 352 | 65 | 616 |
| Net book value | | | | |
| At 31 December 2012 | 191 | - | - | 191 |
| At 31 December 2011 | 230 | 6 | 1 | 237 |

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

10 Stocks

| | 2012 £'000 | 2011 £'000 |
|-------------|---------------|---------------|
| Consumables | <u>18</u> | <u>25</u> |

At 31 December 2012, the consignment stock balance amounted to £18,000 (2011 £18,000)

11 Debtors

| | 2012 £'000 | 2011 £'000 |
|--------------------------------|---------------|---------------|
| Trade debtors | 22 | 18 |
| Prepayments and accrued income | 23 | 22 |
| | <u>45</u> | <u>40</u> |

12 Cash at bank and in hand

| | 2012 £'000 | 2011 £'000 |
|--------------------------|---------------|---------------|
| Cash at bank and in hand | <u>3</u> | <u>-</u> |

13 Creditors – amounts falling due within one year

| | 2012 £'000 | 2011 £'000 |
|------------------------------------|---------------|---------------|
| Bank loans and overdrafts | - | 2 |
| Trade creditors | 23 | 23 |
| Amounts owed to group undertakings | 1,993 | 1,834 |
| Accruals and deferred income | 7 | 10 |
| Loan note | 348 | 316 |
| Contingent consideration | 5 | 10 |
| | <u>2,376</u> | <u>2,195</u> |

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

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

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

13 Creditors – amounts falling due within one year (continued)

In relation to the acquisition of Circle Clinic Windsor, the Group has issued loan notes to the former owners David Evans and Pat Morrish that mature over five years from the date of acquisition and are dependent on performance over that period. The Director believes the undiscounted values of these loan notes are £274,000 (2011: £273,000) and £91,000 (2011: £91,000) respectively. These are payable on 4 July 2013 and do not attract interest.

In addition to the loan notes, contingent consideration based on annual turnover over five years is payable in annual instalments to David Evans. On acquisition these balances were discounted to present value using a rate of 10.0% with the discount unwinding over the five years post acquisition.

During the year, the cash flow liabilities were reassessed based on actual and budgeted turnover over the life of the agreement. The movements during the year can be summarised as follows:

| | Loan notes £'000 | Contingent consideration £'000 | Total £'000 |
|----------------------------------|---------------------|--------------------------------------|----------------|
| At 1 January 2012 | 316 | 10 | 326 |
| Unwind of discount on loan notes | 32 | 5 | 37 |
| Payments made | - | (10) | (10) |
| At 31 December 2012 | 348 | 5 | 353 |

14 Called up share capital

| | 2012 £'000 | 2011 £'000 |
|--|---------------|---------------|
| Authorised | | |
| 100 (2011: 100) ordinary shares of £1 each | - | - |
| Allotted and fully paid | | |
| 1 (2011: 1) ordinary share of £1 each | - | - |

15 Profit and loss account

| | Profit and loss account £'000 |
|-----------------------------|-------------------------------------|
| At 1 January 2012 | (1,893) |
| Loss for the financial year | (226) |
| At 31 December 2012 | (2,119) |

Circle Clinics Limited

Notes to the financial statements for the year ended 31 December 2012 (continued)

16 Reconciliation of shareholders' deficit

| | 2012 £'000 | 2011 £'000 |
|-------------------------------|----------------|----------------|
| Opening shareholders' deficit | (1,893) | (1,385) |
| Loss for the financial year | (226) | (508) |
| Closing shareholders' deficit | <u>(2,119)</u> | <u>(1,893)</u> |

17 Capital commitments

At 31 December 2012, the Company had no capital commitments (2011 £nil)

18 Operating lease commitments

At 31 December, the Company had annual commitments under non-cancellable operating leases as follows

| | Land and buildings | |
|----------------------------|--------------------|---------------|
| | 2012 £'000 | 2011 £'000 |
| Expiry date: | | |
| After more than five years | 58 | 58 |
| | <u>58</u> | <u>58</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 £3,000 (2011 £nil). There were £nil in outstanding contributions as at 31 December 2012 (2011 £nil).

20 Events after the balance sheet date

There are no events subsequent to balance sheet date which would have a material effect on the Company's financial statements at 31 December 2012.

21 Ultimate parent undertaking and controlling party

The Company's immediate parent undertaking is Circle Health Limited, a company registered in England and Wales and is the smallest group for which consolidated financial statements are prepared that include the financial statements of the Company.

Circle Holdings plc is the parent company of the largest group for which consolidated financial statements are prepared that include the financial statements of the Company. Copies of the group financial statements for Circle Holdings plc may be obtained from 12 Castle Street, St Helier, JE2 3RT, Jersey.

At 31 December 2012, the Director regards Circle Holdings plc, a company registered in Jersey, as the Company's ultimate parent undertaking and controlling party.