Interim report and financial information

For the six months ended 30 June 2012

Registered number: 100016 (Jersey)

Circle Holdings plc

Interim report
For the six months ended 30 June 2012

Financial Highlights

- Revenue under management* on continuing facilities** up 149.1% to £78.7m (2011: £31.6m)
- Group revenue on continuing facilities** up 8.9% to £34.4m (2011: £31.6m)
- Group revenue down 15.5% to £34.4m (2011: £40.7m) reflecting the loss of the Burton contract
- EBITDA*** (before exceptional items) on continuing facilities** improved by 21.0% from a loss of £8.1m to a loss of £6.4m
- Basic and diluted loss per share of 14.9p (2011: 90.0p loss per share)
- £47.5m equity fundraising (before fees) during the period
- Repayment of £14.1m loan to James Caird Asset Management on 20 June 2012

Operational Highlights

- Patient procedures in continuing facilities**, excluding Hinchingbrooke, up 10.5% to 65,627 (2011: 59,371)
- 39.7% increase in volumes at CircleBath whilst maintaining 99.9% patient recommendation for the same period
- First five months at Hinchingbrooke have progressed well with independent recognition of improvements in clinical performance and patient experience
- New private hospital CircleReading opened on 1 August 2012, on time and on budget, with accreditation by regulatory authorities and insurers
- Business strategy progressing well, with funding discussions continuing with a number of parties regarding the development of CircleManchester

* includes revenue generated at Hinchingbrooke which is managed by the Group, but not included in the Group's consolidated revenue

** defined as those continuing as at 30 June 2012, which excludes Circle's Burton NHS Treatment Centre

*** defined as Earnings Before Interest, Tax, Depreciation, and Amortisation

Circle Holdings plc

Interim report
For the six months ended 30 June 2012

Michael Kirkwood, CMG, Chairman of Circle Holdings, commented:

'The Board is pleased to report that the first half of 2012 has seen further milestones achieved for the Group. CircleBath has made good progress and Nottingham continues to perform well. The NHS contract to run Hinchingbrooke commenced in February and early indicators are that this has been a successful transition. Our new facility at CircleReading opened according to schedule and is doing well. In difficult economic and financial environments the Board accelerated the Group's funding plan and successfully raised £47.5m in equity to fully fund the existing operations of Circle. We were pleased to attract a further major institutional investor, as well as enjoying the support of existing investors, in so doing. The operational achievements of the Group so far support our view that there are very significant opportunities to expand and scale our activities going forward. The Board recognises the dedication and commitment of our management teams at Group and hospital level – they are delivering the patient experience and operational excellence that is a hallmark of Circle and that underpins our confidence in the future.'

Ali Parsa, Chief Executive Officer of Circle Holdings, commented:

'The past six months have seen steady progress in our mission to redefine healthcare in this country, with revenue and patient volumes continuing to grow in all our key facilities, despite challenging operating conditions. In February, we commenced a ground-breaking contract to run Hinchingbrooke, the first NHS Trust hospital to be run by an independent provider. The Group has already brought its proven strengths to the task, with progress on quality and patient experience being widely recognised. The construction and commissioning of our second new-build hospital, CircleReading, was completed on time and on budget, and the hospital opened its doors to serve patients on 1 August 2012. We have always said achieving our ambition of making healthcare fundamentally better and more affordable will be a long-term endeavour; the past six months have seen good progress.'

For further information, please contact:

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Mary-Jane Elliott / Sarah Macleod / Claire Dickinson

An analyst briefing and live conference call will be held at 9:00am BST today at the offices of M:Communications, CityPoint, 1 Ropemaker Street, London, EC2Y 9AW.

Circle Holdings plc

Interim report
For the six months ended 30 June 2012

Chief Executive Officer's operating overview

The past six months have seen steady progress for Circle. Revenue and patient volumes have continued to grow in all our key facilities, despite challenging operating conditions with NHS commissioners seeking to manage demand in response to increasing budget constraints.

In February, we commenced a ground-breaking contract to run Hinchingbrooke Health Care NHS Trust ('Hinchingbrooke'), the first NHS Trust hospital to be run by an independent provider. In the period, we have been heartened by the continuing excellent feedback on our service at the Nottingham NHS Treatment Centre from patients and commissioners. We are seeking to continue to provide services at Nottingham from July 2013 when the current contract ends and are actively engaged with local commissioners as part of the public procurement process. Increasing revenues at CircleBath, and the attraction of consultants and patients beyond the catchment area, continue to support Circle’s new-build hospital concept. The construction and commissioning of our second new-build hospital, CircleReading, was completed on time and on budget, and the hospital opened its doors to serve patients on 1 August 2012.

Quality and patience experience

We are proud that our key facilities maintained their near faultless record on patient recommendation. CircleBath continued to attract acclaim from its GP and patient customers, achieving 99.9% patient recommendation ratings in the six months ended 30 June 2012 (six months ended 30 June 2011: 97.3%). In the same period, our Nottingham NHS Treatment Centre again achieved an average recommendation rating of 99.4%. Clinical results at both facilities remain first class with returns to theatre for CircleBath and unplanned transfers for our Nottingham NHS Treatment Centre being 0.18% and 0.44% respectively. Since taking on the management of Hinchingbrooke, we have made great progress on patient experience, coming first out of 46 hospitals in the Government’s first rank of ‘friends and family recommendations’. Progress on quality at Hinchingbrooke has been widely recognised, with metrics on Accident & Emergency performance, cancer waiting time targets and hospital productivity all pointing to a sustainable transformation programme. Out of the 46 hospitals in the Midlands and East region, the hospital’s Accident & Emergency department is the top-performing, and Hinchingbrooke came first for overall performance amongst full-service hospitals.

Current trading

On 1 August 2012, CircleReading opened its doors to patients, with accreditation by regulatory authorities and insurers. Early signs are encouraging with performance in line with expectation. Circle's Nottingham NHS Treatment Centre continues to trade in line with operating plan whilst focussing its efforts on its re-tender process, and CircleBath continues to grow positively, albeit in a challenging local NHS and private environment. The early focus in Hinchingbrooke has been on resolving many of the quality and safety issues; as the hospital's clinical performance and patient experience improve, we will seek to build on the quality gains whilst continuing to look at cost efficiencies as part of the phased cost reduction programme.

Chief Executive Officer's operating overview (continued)

Funding

In June, the Group raised a further £47.5m (before fees) to fund our continued growth and existing business plan. In the fundraising, the Group welcomed another well respected financial institution as a major investor, and existing shareholders increased their commitment. In difficult market conditions, we have now succeeded in raising the capital necessary to repay our high-interest loan owed to James Caird Asset Management ('JCAM'), fund our growth for the foreseeable future, and secure the most stable and sustainable platform possible for that growth.

Outlook

We have always said achieving our ambition of making healthcare fundamentally better and more affordable will be a long-term endeavour. We still have a way to go, but the past six months have seen good progress and we remain on track to meet our full year expectations.

Ali Parsa
Chief Executive Officer
26 September 2012

Circle Holdings plc

Interim report
For the six months ended 30 June 2012

Financial review

Introduction

The period has been one of continued progress for the Group, with revenue under management on continuing facilities increasing by 149.1% to £78.7m, primarily as a result of the commencement of the Hinchingbrooke contract on 1 February 2012 and the continuing improvement in the performance of CircleBath, which is now in its second full financial year of trading. In total, Group revenue decreased period on period by 15.5%, mainly attributable to the loss of the contract to run the Burton NHS Treatment Centre in July 2011. Group EBITDA (before exceptional items) on continuing facilities improved by 21.0% from a loss of £8.1m to a loss of £6.4m, primarily driven by increased volumes at CircleBath and further cost efficiencies in the Group.

Highlights

	Six months to 30 June 2012 £'000	Six months to 30 June 2011 £'000
Revenue under management* (continuing facilities**)	**78,726**	31,581
Group revenue (continuing facilities**)	**34,386**	31,581
Group revenue	**34,386**	40,743
Operating loss	**(9,958)**	(9,840)
Earnings before interest, tax, depreciation and amortisation ('EBITDA') before exceptional items*** (note 4)	**(6,352)**	(6,572)
Total operating loss before exceptional items*** (note 4)	**(7,951)**	(8,487)
Loss for the period attributable to equity holders of the parent	**(9,642)**	(21,262)
Net assets	**61,063**	35,462

* includes revenue generated at Hinchingbrooke which is managed by the Group, but not included in the Group's consolidated revenue

** defined as those continuing as at 30 June 2012, which excludes Circle's Burton NHS Treatment Centre

*** exceptional items in the six months ended 30 June 2012 of £2.0m (six months ended 30 June 2011: £1.4m) consist largely of share-based charges in respect of warrants issued, pre-opening costs in respect of CircleReading and re-scheduling of Birmingham finance lease payments

Patient procedures (excluding Hinchingbrooke)

	Six months to 30 June 2012 Number	Six months to 30 June 2011 Number*
Day case and inpatients	**17,260**	16,245
Outpatients	**48,367**	43,126
Total procedures	**65,627**	59,371

* The number of procedures in the six months ended 30 June 2011 exclude Circle's Burton NHS Treatment Centre, to enable a comparison of the Group's continuing facilities (defined as those existing at 30 June 2012).

Financial review (continued)

Review of performance

CircleBath revenue increased by 35.7% to £7.6m and patient volumes by 39.7% to 21,409. Performance was strong in both private and NHS, with insurance volumes exceeding expectations. NHS volumes have increased as a result of continued recruitment of additional NHS consultants and active engagement with local GP practices, although pressure on NHS budgets is becoming more apparent and is starting to affect NHS referrals.

Circle's Nottingham NHS Treatment Centre increased revenue by 3.6% to £26.2m, despite day case and outpatient numbers remaining broadly consistent in the period, and improved its EBITDA before exceptional items from £1.9m to £2.5m for the six months ended 30 June 2012.

On 1 February 2012, the Group commenced the operation to run Hinchingbrooke, which will see the Group manage an estimated £1 billion of revenue over the ten year contract period. Under the terms of the contract, the Group has agreed to make working capital contributions of up to £5.0m and will share surpluses generated over the term of the contract with the Trust. The contract allows either party to terminate if Hinchingbrooke incurs more than £5.0m in aggregate deficits, at which point the Group is also required to pay a further £2.0m in termination costs to Hinchingbrooke (which amount is currently held in cash escrow).

For accounting purposes, the Group is not deemed to control Hinchingbrooke and therefore does not consolidate the net assets and results of the company. Until such time that surpluses are generated by Hinchingbrooke, the Group will not recognise any income associated with the running of the contract and meanwhile revenue generated by Hinchingbrooke will be presented as proforma 'revenue under management' which is a non-statutory term.

Since 1 February 2012, Hinchingbrooke revenue has totalled £44.3m, supported by increased out-patient and Accident & Emergency attendances, and admissions. During this time, the Group has focused on quality and safety as a priority and made some financial improvements during this phase, however it did trade behind plan in the first quarter, with plans to help recover this now being implemented.

As part of the recent fund-raise process, the Group has re-focussed its efforts on key priorities over the near term and as such, has provided for any relevant impact on other property assets within the Group, including Birmingham, by taking a net exceptional charge of £1.0m in the period.

Financing

In June 2012 the Group successfully raised £47.5m (before fees) by way of equity funding. The proceeds from this fundraise have been used, in part, to pay down the entire £14.1m loan owed to JCAM, and complete the commissioning of CircleReading. Additionally, they are intended to fund the short-term cash flow requirements of CircleReading, support working capital requirements of the Group's business plan, and finance additional bidding expenses to manage further NHS Trusts when they are put out to tender.

The Group continues to explore further financing for its real estate development and is currently in funding discussions with a number of parties regarding the development of CircleManchester.

Paolo Pieri
Chief Financial Officer
26 September 2012

Circle Holdings plc

Consolidated income statement
For the six months ended 30 June 2012

	Notes	**Unaudited Six months to 30 June 2012 £'000**	Unaudited Six months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Revenue		**34,386**	40,743	74,607
Cost of sales		**(23,767)**	(27,091)	(50,887)
Gross profit		**10,619**	13,652	23,720
Administrative expenses before exceptional items		**(18,570)**	(22,139)	(40,853)
Operating loss before exceptional items	4	**(7,951)**	(8,487)	(17,133)
Exceptional operating items	4	**(2,007)**	(1,353)	(1,413)
Operating loss		**(9,958)**	(9,840)	(18,546)
Finance income	5	**1,727**	1,694	3,454
Finance costs	6	**(3,463)**	(3,330)	(6,809)
Exceptional finance items	4	**137**	(10,709)	(10,097)
Provision for joint venture deficit		**(60)**	(228)	(926)
Loss before taxation		**(11,617)**	(22,413)	(32,924)
Tax		**(30)**	(115)	613
Loss for the financial period / year		**(11,647)**	(22,528)	(32,311)
Loss for the period / year attributable to:				
– Equity holders of the parent		**(9,642)**	(21,262)	(28,693)
– Non-controlling interests		**(2,005)**	(1,266)	(3,618)
		(11,647)	(22,528)	(32,311)
Total comprehensive loss attributable to:				
– Equity holders of the parent		**(9,642)**	(21,262)	(28,693)
– Non-controlling interests		**(2,005)**	(1,266)	(3,618)
		(11,647)	(22,528)	(32,311)
Basic and diluted loss per ordinary share (pence)	7	**(14.9)**	(90.0)	(64.4)

There is no other comprehensive income arising in the joint venture (six months ending 30 June 2011: £nil, year ending 31 December 2011: £nil).

Circle Holdings plc

Consolidated balance sheet
As at 30 June 2012

	Notes	**Unaudited 30 June 2012 £'000**	Unaudited 30 June 2011 £'000	Audited 31 December 2011 £'000
Non-current assets				
Intangible assets		**5,531**	5,406	5,391
Property, plant and equipment		**21,718**	15,458	20,594
Trade and other receivables		**42,287**	45,298	43,961
		69,536	66,162	69,946
Current assets				
Inventories		**1,472**	1,414	901
Trade and other receivables		**16,260**	23,284	19,788
Cash and cash equivalents		**48,244**	39,795	26,004
		65,976	64,493	46,693
Total assets		**135,512**	130,655	116,639
Current liabilities				
Trade and other payables		**(13,415)**	(18,923)	(15,303)
Loans and other borrowings		**(8,697)**	(27,219)	(22,099)
Provisions for other liabilities and charges		**(1,292)**	(549)	(924)
		(23,404)	(46,691)	(38,326)
Non-current liabilities				
Loans and other borrowings		**(46,215)**	(42,280)	(46,259)
Deferred tax liabilities		**-**	(645)	-
Provision for joint venture deficit		**(2,748)**	(1,990)	(2,688)
Provisions for other liabilities and charges		**(230)**	(500)	(707)
Derivative financial instruments		**(1,852)**	(3,087)	(2,475)
		(51,045)	(48,502)	(52,129)
Total liabilities		**(74,449)**	(95,193)	(90,455)
Net assets		**61,063**	35,462	26,184
Shareholders' equity				
Share capital	8	**2,614**	1,255	1,255
Share premium	8	**193,200**	148,823	148,548
Other reserve	8	**22,182**	22,182	22,182
Warrant reserve		**21,990**	20,695	21,475
Retained deficit		**(154,828)**	(143,428)	(147,106)
Equity attributable to equity holders of the parent		**85,158**	49,527	46,354
Non-controlling interests		**(24,095)**	(14,065)	(20,170)
Total shareholders' equity		**61,063**	35,462	26,184

Circle Holdings plc

Consolidated statement of changes in equity (unaudited at 30 June 2012 and 2011)
For the six months ended 30 June 2012

	Share capital £'000	Share premium £'000	Other reserve £'000	Warrant reserve £'000	Retained deficit £'000	Total equity attributable to equity holders of the parent £'000	Non-controlling interests £'000	Total share-holders' equity £'000
At 1 January 2011	**425**	**111,680**	**-**	**19,878**	**(128,049)**	**3,934**	**(9,157)**	**(5,223)**
Total comprehensive loss for the period	-	-	-	-	(21,262)	**(21,262)**	(1,266)	**(22,528)**
Transactions with owners:								
Issue of shares	535	40,674	-	-	2,241	**43,450**	-	**43,450**
Issue of shares under warrants	295	-	22,182	-	-	**22,477**	-	**22,477**
Share-based charges in respect of warrants issued	-	-	-	817	-	**817**	-	**817**
Capitalised costs in relation to fundraising	-	(3,531)	-	-	-	**(3,531)**	-	**(3,531)**
Effect of shares vesting in the period	-	-	-	-	1,438	**1,438**	(1,438)	**-**
Fair value of shares issued to Health Partners Limited	-	-	-	-	2,204	**2,204**	(2,204)	**-**
At 30 June 2011	**1,255**	**148,823**	**22,182**	**20,695**	**(143,428)**	**49,527**	**(14,065)**	**35,462**
Total comprehensive loss for the period	-	-	-	-	(7,431)	**(7,431)**	(2,352)	**(9,783)**
Transactions with owners:								
Issue of shares	-	-	-	-	-	**-**	-	**-**
Share-based charges in respect of warrants issued	-	-	-	780	-	**780**	-	**780**
Capitalised costs in relation to fundraising	-	(275)	-	-	-	**(275)**	-	**(275)**
Winding up of Health Properties Benefit Trust	-	-	-	-	835	**835**	(835)	**-**
Effect of Nations Healthcare group restructure	-	-	-	-	2,383	**2,383**	(2,383)	**-**
Effect of anti-dilutive shares issued to Health Partners	-	-	-	-	535	**535**	(535)	**-**
At 31 December 2011	**1,255**	**148,548**	**22,182**	**21,475**	**(147,106)**	**46,354**	**(20,170)**	**26,184**
Total comprehensive loss for the period	-	-	-	-	(9,642)	**(9,642)**	(2,005)	**(11,647)**
Transactions with owners:								
Issue of shares	1,357	46,143	-	-	-	**47,500**	-	**47,500**
Issue of shares in respect of awards to Non-Executive Directors	2	55	-	-	-	**57**	-	**57**
Share-based charges in respect of warrants issued	-	-	-	515	-	**515**	-	**515**
Capitalised costs in relation to fundraising	-	(1,546)	-	-	-	**(1,546)**	-	**(1,546)**
Effect of shares vesting in the period	-	-	-	-	1,920	**1,920**	(1,920)	**-**
At 30 June 2012	**2,614**	**193,200**	**22,182**	**21,990**	**(154,828)**	**85,158**	**(24,095)**	**61,063**

Circle Holdings plc

Consolidated statement of cash flows
For the six months ended 30 June 2012

	Notes	**Unaudited Six months to 30 June 2012 £'000**	Unaudited Six months to 30 June 2011 £'000	Audited Year to 31 December 2011 £'000
Cash flows from operating activities				
Cash used in operating activities	9	**(9,610)**	(16,457)	(23,575)
Interest paid		**(1,485)**	(3,381)	(6,040)
Interest received		**1,727**	1,694	3,454
Net cash used in operating activities		**(9,368)**	(18,144)	(26,161)
Cash flows from investing activities				
Additional consideration for Circle Clinic Windsor		**-**	-	(10)
Purchase of intangible assets		**(384)**	(64)	(185)
Purchase of property, plant and equipment		**(1,797)**	(8,157)	(10,530)
Proceeds from disposal of property, plant and equipment		**42**	-	-
Proceeds on cessation of contract to run Circle's Burton NHS Treatment Centre		**-**	-	2,500
Net cash used in investing activities		**(2,139)**	(8,221)	(8,225)
Cash flows from financing activities				
Proceeds from issuance of warrants	8	**-**	295	295
Proceeds from issuance of ordinary shares		**47,502**	52,545	52,545
Capitalised costs in relation to fundraising		**(1,546)**	(3,531)	(3,806)
Repayment of borrowings		**(12,114)**	(465)	(5,922)
Proceeds from borrowings		**-**	5,000	5,000
Repayment of finance lease		**(95)**	(6)	(44)
Restricted cash:				
– Release of minimum balance - GE Capital Equipment Finance Limited ('GE') and DOH		**-**	-	600
– Release of DoH performance bond		**-**	500	500
– Committed cash in respect of future interest on Allied Irish Bank ('AIB') loan		**175**	-	(175)
– Hinchingbrooke deposit		**(2,000)**	-	-
– JCAM deposit		**(1,536)**	-	-
Net cash inflow from financing activities		**30,386**	54,338	48,993
Net increase in unrestricted cash and cash equivalents		**18,879**	27,973	14,607
Unrestricted cash and cash equivalents at the beginning of the period / year		**22,729**	8,122	8,122
Unrestricted cash and cash equivalents at the end of the period / year		**41,608**	36,095	22,729
Cash and cash equivalents consist of:				
Cash at bank and in hand		**48,244**	39,795	26,004
Restricted cash:				
– Minimum balance – GE & DOH		**(1,300)**	(1,900)	(1,300)
– CircleBath GE letter of Credit		**(1,800)**	(1,800)	(1,800)
– Committed cash in respect of future interest on AIB loan		**-**	-	(175)
– Hinchingbrooke deposit		**(2,000)**	**-**	**-**
– JCAM deposit		**(1,536)**	**-**	**-**
Unrestricted cash at bank and on hand		**41,608**	36,095	22,729

Circle Holdings plc

Notes to the consolidated interim financial information
For the year ended 30 June 2012

1 General information

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

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

2 Basis of preparation and accounting policies

Basis of preparation

The Interim report and financial information for the six months ended 30 June 2012 has been prepared on a going concern basis in line with projections of the Group's anticipated results, which show that the Group has adequate resources to continue in existence for the foreseeable future. The Interim report and financial information should be read in conjunction with the Annual report and financial statements for the year ended 31 December 2011, which were prepared in accordance with IFRS and IFRIC interpretations as endorsed by the EU, under the historical cost convention, as modified by the revaluation of derivative financial instruments and the fair valuing of share-based charges and certain loans. As the Group is listed on AIM, it is not required to adopt IAS 34 'Interim Financial Reporting' in preparing the consolidated interim financial information and therefore it is not fully compliant with IFRS.

The Interim report and financial information is unaudited and has not been reviewed by external auditors. The condensed set of financial information in the Interim report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The Group's Annual report and financial statements for the year ended 31 December 2011 were approved by the Board of Directors on 29 May 2012. The report of the auditors on those accounts was unqualified and did not contain an emphasis of matter paragraph or a statement under Section 498 of the Companies Act 2006. The Interim report and financial information was approved by the Board of Directors on 26 September 2012.

Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future. The Directors have prepared cash flow forecasts for a period of not less than 12 months from signing the financial statements for the six months ended 30 June 2012. Existing cash balances and cash flows from the operating businesses are sufficient to fund head office costs necessary to sustain the current operations, cost of financing (as detailed in the Financial review) over the next 12 months and future growth plans. These plans include taking on the management of NHS Hospitals and funding the commissioning and start-up losses of the projected independent hospital roll out programme. On this basis, the Directors conclude that it is appropriate for these accounts to be prepared on a going concern basis.

Significant accounting policies

The accounting policies adopted in the preparation of the Interim report and financial information are consistent with those of the Group's Annual report and financial statements for the year ended 31 December 2011. In addition, at interim periods, taxes on income are accrued using the tax rate that is expected to be applicable for the full financial year and the impact of other relevant taxes.

2 Basis of preparation and accounting policies (continued)

Significant accounting policies (continued)

The following new standards are effective for accounting periods beginning 1 January 2012 but have not had a material impact on the results or financial position of the Group:

– Amendment to IAS 12 'Income Taxes' - Deferred tax: Recovery of Underlying Assets. Limited scope amendment regarding recovery of underlying assets.

IFRS standards in issue, not yet effective as at 30 June 2012, but which will apply in the future are as follows:

– Amendment to IAS 34, ‘Interim financial reporting’ - This will bring IAS 34 in line with the full requirements of IFRS 8 ‘Operating segments’ (applies retrospectively for annual periods beginning on or after 1 January 2013).
– IFRS 10, ‘Consolidated financial statements’ - The standard will replace all the guidance on control and consolidation in IAS 27 'Consolidated and separate financial statements' and SIC-12 'Consolidation – special purpose entities' (applies to annual periods beginning on or after 1 January 2013).
– IFRS 11, ‘Joint arrangements’ and IAS 28 (revised 2011) ‘Associates and joint ventures’ - These standards provide for a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement, rather than its legal form (applies to annual periods beginning on or after 1 January 2013).
– IFRS 12, ‘Disclosures of interests in other entities’ - The standard requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity’s interests in subsidiaries, associates, joint arrangements and other off balance sheet vehicles (applies to annual periods beginning on or after 1 January 2013).
– IFRS 13, ‘Fair value measurement’ - The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs, excluding the fair value measurement of share-based charges (applies to annual periods beginning on or after 1 January 2013).

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

Significant accounting judgements and estimates

The judgements and estimates which have the most significant effect on the amounts recognised in the Interim report and financial information are consistent with those reported in the Annual report and financial statements for the year ended 31 December 2011.

Circle Holdings plc

Notes to the consolidated interim financial information
For the year ended 30 June 2012

3 Segmental reporting

During 2011, the Board changed the way it reviewed the results of the business and no longer allocates the majority of head office and other central costs across the business segments. This has resulted in the June 2011 segmental information being restated. 'IFRS Improvement' (endorsed 23 March 2010) has been adopted in relation to non-disclosure of segment assets under IFRS 8. Assets and liabilities are not disclosed by segment as they are not reported to the Board.

Overall, the Directors consider that the Group is principally a hospital operator, that treats privately insured, self-pay and NHS patients. As the Group grows, a significant proportion of the independent hospitals' revenue is likely to derive from NHS patients, and consequently the Board going forward may manage the business as a single segment, as the distinction between the type of patient and where they are treated becomes less distinct. This would lead to an equivalent change in the disclosures below.

Six months ended 30 June 2012 (unaudited)	**Circle NHS £'000**	**Circle Independent £'000**	**Other Segments and Unallocated Items £'000**	**Total Group £'000**
Revenue from external customers	26,198	8,071	117	34,386
Gross profit	7,928	2,590	101	10,619
EBITDA before exceptional items	2,510	(2,807)	(6,055)	(6,352)
Operating profit / (loss)	**1,355**	**(3,429)**	**(7,884)**	**(9,958)**
Finance income				1,727
Finance costs				(3,463)
Exceptional finance costs				137
Provision for joint venture deficit				(60)
Loss before taxation				**(11,617)**

Circle Holdings plc

Notes to the consolidated interim financial information
For the year ended 30 June 2012

3 Segmental reporting (continued)

Six months ended 30 June 2011 (unaudited)	**Circle NHS Restated £'000**	**Circle Independent Restated £'000**	**Other Segments and Unallocated Items Restated £'000**	**Total Group £'000**
Revenue from external customers	34,498	6,106	139	40,743
Gross profit	12,339	1,174	139	13,652
EBITDA before exceptional items	3,410	(3,814)	(6,168)	(6,572)
Operating profit / (loss)	**1,817**	**(4,234)**	**(7,423)**	**(9,840)**
Finance income				1,694
Finance costs				(3,330)
Exceptional finance costs				(10,709)
Provision for joint venture deficit				(228)
Loss before taxation				**(22,413)**

Year ended 31 December 2011 (audited)	**Circle NHS £'000**	**Circle Independent £'000**	**Other Segments and Unallocated Items £'000**	**Total Group £'000**
Revenue from external customers	61,175	13,224	208	74,607
Gross profit	20,930	2,593	197	23,720
EBITDA before exceptional items	6,489	(8,463)	(11,659)	(13,633)
Operating profit / (loss)	**5,167**	**(9,156)**	**(14,557)**	**(18,546)**
Finance income				3,454
Finance costs				(6,809)
Exceptional finance costs				(10,097)
Provision for joint venture deficit				(926)
Loss before taxation				**(32,924)**

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For the year ended 30 June 2012

4 EBITDA and exceptional items

Exceptional operating items	**Unaudited Six months to 30 June £'000**	Unaudited Six months to 30 June £'000	Audited Year to 31 December 2011 £'000
Impairment of goodwill (after acquisition adjustment)	**-**	-	33
Write off of intangible assets	**142**	-	-
Impairment of property, plant and equipment	**177**	-	30
Gain on disposal of property, plant and equipment	**(29)**	-	-
Profit on cessation of contract to run Circle's Burton NHS Treatment Centre	**-**	-	(1,493)
Revaluation of finance lease payments	**501**	-	-
CircleReading pre-opening expenses	**407**	-	-
Increase in provision for onerous leases including dilapidations	**239**	-	999
Share-based charges in respect of warrants issued	**515**	817	1,597
Share-based charges in respect of awards to Non-Executive Directors	**55**	-	-
AIM listing costs not capitalised	**-**	393	293
Other exceptional costs / (income)	**-**	143	(46)
	2,007	1,353	1,413

The revaluation of the finance lease payments has arisen due to the delay in developing the Birmingham hospital site, which will result in a higher rent being paid until such time that the site is developed.

Exceptional finance items	**Unaudited Six months to 30 June £'000**	Unaudited Six months to 30 June £'000	Audited Year to 31 December 2011 £'000
Shareholder warrant expense	**-**	10,879	10,879
Costs associated with warrant liability	**-**	237	237
Accelerated finance charge due to early repayment of JCAM loan	**325**	-	-
Costs associated with the repayment of JCAM loan	**161**	-	-
Change in fair value of interest rate derivative	**(623)**	(407)	(1,019)
	(137)	10,709	10,097

The 2011 shareholder warrant expense relates to the fair value movement on the warrant instruments issued as part of equity raises.

Circle Holdings plc

Notes to the consolidated interim financial information
For the year ended 30 June 2012

4 EBITDA and exceptional items (continued)

Operating loss and EBITDA before exceptional items	**Unaudited Six months to 30 June 2012**	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
	£'000	£'000	£'000
Operating loss before exceptional items	**(7,951)**	(8,487)	(17,133)
Depreciation	**483**	645	1,190
Amortisation of intangibles	**102**	42	57
Charge recognised in respect of amounts recoverable on contracts	**1,014**	1,228	2,253
EBITDA before exceptional items	**(6,352)**	(6,572)	(13,633)

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

5 Finance income

	Unaudited Six months to 30 June 2012	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
	£'000	£'000	£'000
Bank interest receivable	**38**	5	77
Interest receivable on operating financial asset	**1,689**	1,689	3,377
	1,727	1,694	3,454

6 Finance costs

	Unaudited Six months to 30 June 2012	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
	£'000	£'000	£'000
Interest on Barclays Bank loan	**1,102**	1,120	2,246
Interest on JCAM loan (i)	**1,970**	1,997	4,122
Interest on Allied Irish Bank ('AIB') loan	**195**	177	359
Finance lease interest	**177**	18	57
Interest unwind of discount on deferred consideration of Circle Clinic Windsor	**19**	18	25
	3,463	3,330	6,809

(i) James Caird Asset Management loan facility of £14,131,000 (2011: 13,300,000) repaid on 20 June 2012

During the period ended 30 June 2011, £nil of interest was capitalised (six months to 30 June 2011: £55,000, year to 31 December 2011: £296,000).

7 Loss per share

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

The following table sets out the computation for basic and diluted net loss per share for the six months ended 30 June 2012 and 2011 and the year ending 31 December 2011:

	Unaudited Six months to 30 June 2012	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
Loss attributable to equity holders of parent (£000's)	**(9,642)**	(21,262)	(28,693)
Weighted average number of ordinary shares in issue	**64,818,639**	23,612,149	44,547,594
Basic and diluted loss per ordinary share (pence)	**(14.9)**	(90.0)	(64.4)

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

8 Share capital, share premium and other reserve

Authorised	**Unaudited 30 June 2012**	Unaudited 30 June 2011	Audited 31 December 2011
	£'000	£'000	£'000
Ordinary shares of £0.02 each (six months ending 30 June 2011: £0.02 each, year ending 31 December 2011: £0.02 each)	**5,000**	2,000	2,000
Number of authorised shares	**250,000,000**	100,000,000	100,000,000

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For the year ended 30 June 2012

8 Share capital, share premium and other reserve (continued)

Allotted and fully paid up

Ordinary shares:		Shares (number)	Share capital £'000	Share premium £'000	Other reserve £'000	Total £'000
At 1 January 2011		4,248,300	425	111,680	-	112,105
Shares issued - March 2011	£0.10	234,375	23	2,277	-	2,300
Shares issued - May 2011	£0.10	1,793,722	179	13,448	-	13,627
		6,276,397	627	127,405	-	128,032
Five-for-one share split	£0.02	31,381,984	627	127,405	-	128,032
Shares issued - June 2011 (net of costs)	£0.02	16,633,552	333	21,418	-	21,751
Shares issued from warrants - June 2011	£0.02	14,755,513	295	-	22,182	22,477
At 30 June 2011		62,771,049	1,255	148,823	22,182	172,260
Additional costs capitalised		-	-	(275)	-	(275)
At 31 December 2011		62,771,049	1,255	148,548	22,182	171,985
Shares issued - 18 June 2012 (net of costs)	£0.02	78,465	2	55	-	57
Shares issued - 19 June 2012 (net of costs)	£0.02	67,857,143	1,357	44,597	-	45,954
At 30 June 2012		**130,706,657**	**2,614**	**193,200**	**22,182**	**217,996**

Transaction costs incurred during the 2012 equity raises totalled £1,546,000 (30 June 2011: £4,161,000, 31 December 2011 £4,336,000), of which £1,546,000 (30 June 2011: £3,531,000, 31 December 2011 £3,806,000) have been taken to share premium.

On 18 June 2012, the Group issued, at nominal value, an aggregate of 78,465 ordinary shares of £0.02 each in the capital of the Company to Non-Executive Directors pursuant to individual share awards.

On 19 June 2012, the Group received £47,500,000 of equity investment. Of the total consideration received, £1,357,000 has been allocated to share capital (67,857,143 ordinary shares at £0.02 each) and £44,597,000 to share premium. In addition, the Group received £2,000 from the allocation of shares to Non-Executive Directors.

Circle Holdings plc

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For the year ended 30 June 2012

9 Net cash outflow from operating activities

	Unaudited Six months to 30 June 2012	Unaudited Six months to 30 June 2011	Audited Year to 31 December 2011
	£'000	£'000	£'000
Loss before tax	**(11,617)**	(22,413)	(32,924)
Provision for joint venture deficit	**60**	228	926
Exceptional finance items	**(137)**	10,709	10,097
Finance costs	**3,463**	3,330	6,809
Finance income	**(1,727)**	(1,694)	(3,454)
Depreciation of property, plant and equipment	**483**	645	1,190
Impairment of goodwill (after acquisition adjustment)	**-**	-	33
Impairment of property, plant and equipment	**177**	-	30
Write off of intangible assets	**142**	-	-
Gain on disposal of property, plant and equipment	**(29)**	-	-
Profit on cessation of contract to run Circle's Burton NHS Treatment Centre	**-**	-	(1,493)
Re-scheduling of Birmingham finance lease payments	**501**	-	-
CircleReading pre-opening expenses	**259**	-	-
Share-based charges in respect of warrants issued	**515**	817	1,597
Share-based charges in respect of awards to Non-Executive Directors	**55**	-	-
Other exceptional costs / (income)	**-**	143	(46)
Recognised in respect of amounts recoverable under contracts	**1,014**	1,228	2,253
Amortisation of intangible assets	**102**	42	57
Movements in working capital:			
– (Increase) / decrease in inventories	**(571)**	(105)	283
– Decrease / (increase) in trade and other receivables	**(37)**	(7,460)	(3,968)
– (Decrease) in trade and other payables	**(2,154)**	(1,616)	(5,386)
– (Decrease) / increase in provisions	**(109)**	(311)	421
Cash flows from operating activities	**(9,610)**	(16,457)	(23,575)

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For the year ended 30 June 2012

10 Related party transactions

There have been no material changes to the principal subsidiaries and joint ventures as listed in the Annual report and financial statements for the year ended 31 December 2011.

All related party transactions between subsidiaries and joint ventures arose during the ordinary course of business and were on an arm's length basis.

11 Events after the balance sheet date

Lease agreement

On 13 July 2012, the Group signed a lease agreement with Close Leasing Limited to finance up to £2,000,000 of IT equipment, fixtures, fittings and furniture over a five-year period.

AIB loan default

Health Properties (Edinburgh) Limited ('HPE'), a wholly owned subsidiary of the Group, is in default of the £7,380,000 loan from AIB, full repayment of which fell due on 30 June 2012. The Directors of HPE and AIB have agreed terms of a standstill, with a view to handing back the Edinburgh land to AIB. Having taken legal advice, the Directors believe that the loan is non-recourse to the Group.

Release of £1,536,000 escrow amount

On 4 July 2012, an amount of £1,536,000 was released from escrow following the Group repaying in full the £14,131,000 loan owed to JCAM on 20 June 2012.

Other than the matters stated above there have been no other events subsequent to the balance sheet date which would have a material effect on the Interim report and financial information for the six months ended 30 June 2012.

Circle Holdings plc

Statement of Directors' responsibilities

The Directors confirm that the condensed set of consolidated financial information in the Interim report has not been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as adopted by the European Union and that the Interim report includes a fair review of the information, including:

- an indication of important events that have occurred during the first six months and their impact on the condensed set of consolidated financial information;
- a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related party transactions in the first six months and any material changes in the related party transactions described in the last Annual report and financial statements.

The Directors and their positions held during the period were as published in the Annual report and financial statements for the year ended 31 December 2011.

On behalf of the Board

Ali Parsa
Chief Executive Officer
26 September 2012

Paolo Pieri
Chief Financial Officer