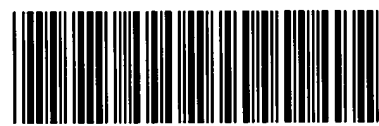


Company Registration No. 01829406 (England and Wales)

SPIRE HEALTHCARE PROPERTIES LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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SPIRE HEALTHCARE PROPERTIES LIMITED

COMPANY INFORMATION

Directors

J J Ash
P J Corfield
J H Sodha
H S Samra (Appointed 30 March 2022)

Secretary

P W Davies

Company number

01829406

Registered office

3 Dorset Rise
London
EC4Y 8EN

Auditor

Ernst & Young LLP
1 More London Place
London
SE1 2AF

SPIRE HEALTHCARE PROPERTIES LIMITED

CONTENTS

	Page
Strategic report	1 - 2
Directors' report	3 - 4
Directors' responsibilities statement	5
Independent auditor's report	6 - 9
Income statement	10
Statement of financial position	11
Statement of changes in equity	12
Notes to the financial statements	13 - 28

SPIRE HEALTHCARE PROPERTIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors of Spire Healthcare Properties Limited (the "Company") present their Strategic report for the year ended 31 December 2022.

Fair review of the business

The Company performed in line with expectations during the year.

Principal risks and uncertainties

The principal risks and uncertainties of the Company are managed at a Group level (with Spire Healthcare Group plc and its subsidiaries being the "Group") as part of the enterprise-wide risk management approach adopted by Spire. The Company is indirectly exposed to a number of risks as a subsidiary of the Group which are discussed below:

Principal risks and uncertainties

Climate Change

Our climate-related risks include severe storm weather events which has the potential to cause major damage and disruption to our sites and buildings, prolonged spells of extreme ambient temperatures, energy price fluctuation as providing healthcare is a relatively energy intensive business and changes in laws and regulations including failure to meet net zero targets and obligations.

COVID-19 new variants

Repeated waves of infection occur from current or future variants of COVID-19 resulting in high levels of patient and colleague sickness in all areas of healthcare in the UK. Further waves of infection could adversely impact the Group's operations and our profitability by reducing the amount of elective procedures hospitals can carry out because of cancellations from patient illness and colleague absence. Spire Healthcare hospitals could be required to support local NHS trusts that declare surge, preventing them from treating private patients and consultants and anaesthetists could be required to support their NHS trusts to treat COVID-19 patients or the backlog in waiting lists, reducing their availability to undertake work in Spire Healthcare facilities.

Credit risk

Credit risk arises principally from the Company's receivables of rent from Spire Healthcare Limited, a fellow group undertaking of Spire Healthcare Group plc, which, as the principal operating company of the Group, has leased the hospital property for a term of up to 15 years to December 2031.

Overall risk management

Overall risk is managed with reference to the Group and the principal risks and uncertainties facing the Company are therefore integrated with those facing the Group as a whole. Further information is provided in the 2022 Annual Report and Accounts of Spire Healthcare Group plc, which is available at www.spirehealthcare.com.

Key performance indicators

In view of the straight forward nature of the business, the Directors do not consider the use of key performance indicators necessary to provide an understanding of the development, performance or position of the business.

SPIRE HEALTHCARE PROPERTIES LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Directors' duties and Section 172 statement

The Company, as a property holding company, has no employees or suppliers and as such the Directors primarily consider the interests of the Spire Healthcare Group ("the Group") and its ultimate parent company, Spire Healthcare Group plc ("SPLC") and its subsidiary, Spire Healthcare Limited, when having regard to performing their duties on matters set out under Section 172 as outlined below:

- a) The likely consequences of any decisions in the long term
- b) The interest of the Company's employees
- c) The need to foster the Company's business relationships with suppliers, customers and others
- d) The impact of the Company's operations on the community and the environment
- e) The desirability of the Company maintaining a reputation for high standards of business conduct and
- f) The need to act fairly as between members of the Company.

The key decisions approved during the year were made in line with the strategic goals and objectives of both its ultimate parent company, Spire Healthcare Group plc and its main trading subsidiary, Spire Healthcare Limited.

Approved by the Board on 25 September 2023 and signed on its behalf by:



H S Samra
Director

25 September 2023

SPIRE HEALTHCARE PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

Principal activities

The principal activity of Spire Healthcare Properties Limited is the leasing of hospital property to Spire Healthcare Limited under a long term lease, further details of which are contained in note . There were no changes in its activities during the year

Results and dividends

The profit for the year, after taxation, amounted to £1,376,000 (2021: £1,134,000).

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Directors

The directors who held office during the year and up to the date of signature of the financial statements were as follows:

J J Ash

P J Corfield

J H Sodha

H S Samra

(Appointed 30 March 2022)

Qualifying third party indemnity provisions

As at the date of this report and during the year, the Company had in force an indemnity provision in favour of one or more Directors of the Company, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Post reporting date events

Details of post balance sheet events impacting the company are included in note 20.

Future developments

The Directors do not foresee any changes in the Company's activities in the foreseeable future.

Auditor

The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

SPIRE HEALTHCARE PROPERTIES LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

The Company operates as part of the Spire Healthcare Group. The day to day liquidity requirements of the Company are sourced either from within the Company or, where necessary, from the continued support of certain other entities within the Spire Healthcare Group, such support having been confirmed in writing by Spire Healthcare Group plc as available until 31 December 2024.

The Group assessed going concern risk for the period through to 31 December 2024. As at 30 June 2023 the Group had cash of £75.7m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £100m. On 3rd March 2023, the Group exercised the option to extend the senior loan facility by a further year, the arrangement matures in February 2027. The financial covenants relating to this new agreement are materially unchanged and there have been no modifications to the agreement terms.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment.

The Group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it no longer forecasts a positive cash balance. This stress testing was based on flexing revenue downwards with a consistent percentage decline in variable costs, whilst maintaining the forecast of fixed costs. The testing did not allow for the benefit of any action that could be taken by management to preserve cash. This testing suggested that there would have to be at least a 44% fall in annual revenue before the Group no longer forecast a positive cash balance. We do not believe that such a reduction of income revenue is a plausible consequence of the Group's identified principal risks.

It should be noted that we are in a period of material geo-political and macro-economic uncertainty. Whilst the Directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly the actual financial impact of these risks may materially vary against the current view of their plausible impact.

Based on the current assessment of the likelihood of these risks arising by 31 December 2024, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the Directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

Approved by the Board and signed on its behalf by:



H S Samra
Director

25 September 2023

SPIRE HEALTHCARE PROPERTIES LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). 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 these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report, that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SPIRE HEALTHCARE PROPERTIES LIMITED

Opinion

We have audited the financial statements of Spire Healthcare Properties Limited for the year ended 31 December 2022 which comprise the Income Statement, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period to 31 December 2024.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. 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.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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 directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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.

Auditor's 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 auditor's 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant tax compliance regulations in the jurisdictions in which the Company operates.
- We understood how the company is complying with those frameworks by making enquiries of management and directors, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through our review of Board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override by posting fraudulent manual entries in relation to the valuation of investment properties. We incorporated data analytics into our testing of manual journal entries, including segregation of duties. We tested specific transactions to underlying source documentation and evidence of appropriate authorisation of transactions. We considered the internal processes that the company has established to address the risks identified, or that otherwise prevent, deter, and detect fraud and how senior management monitors these internal processes. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of board minutes to identify non-compliance with such laws and regulations, enquiries with management and testing of manual journals identified by specific risk criteria.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Ernst & Young LLP
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Spela Stefanov (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
28 September 2023

SPIRE HEALTHCARE PROPERTIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Rental income		2,947	2,779
Administrative expenses		(517)	(602)
Loss on lease modification		-	(196)
Operating profit	4	2,430	1,981
Interest receivable and similar income	8	-	69
Interest payable and similar charges	9	(716)	(606)
Net finance cost		(716)	(537)
Profit before taxation		1,714	1,444
Tax on profit	10	(338)	(310)
Profit for the financial year		1,376	1,134

The income statement has been prepared on the basis that all operations are continuing operations.

No other gains and losses other than those above have occurred, therefore no separate statement of comprehensive income has been prepared.

SPIRE HEALTHCARE PROPERTIES LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment	11	339	413
Investment property	12	35,540	35,977
		<u>35,879</u>	<u>36,390</u>
Current assets			
Deferred tax asset	16	28	28
Trade and other receivables	14	142	197
		<u>170</u>	<u>225</u>
Current liabilities	13	(21,968)	(23,910)
Net current liabilities		<u>(21,798)</u>	<u>(23,685)</u>
Total assets less current liabilities		<u>14,081</u>	<u>12,705</u>
Provisions for liabilities	17	(519)	(519)
Net assets		<u><u>13,562</u></u>	<u><u>12,186</u></u>
Equity			
Retained earnings		13,562	12,186
Total equity		<u><u>13,562</u></u>	<u><u>12,186</u></u>

The notes set out on pages 13 - 28 are an integral part of these financial statements

The financial statements were approved by the board of directors and authorised for issue on 25 September 2023 and are signed on its behalf by:



H S Samra
Director

Company Registration No. 01829406

SPIRE HEALTHCARE PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

	Retained earnings £'000
Balance at 1 January 2021	11,052
Year ended 31 December 2021:	
Profit for the year	1,134
Balance at 31 December 2021	<u>12,186</u>
Year ended 31 December 2022:	
Profit for the year	1,376
Balance at 31 December 2022	<u><u>13,562</u></u>

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Spire Healthcare Properties Limited is a private company limited by shares incorporated in England and Wales. The registered office is 3 Dorset Rise, London, EC4Y 8EN. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

The financial statements are prepared in sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest £'000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- the requirements of IAS 7 Statement of Cash Flows;
- the requirements of IFRS 7 Financial Instruments: Disclosures;
- the requirements of paragraph 17 of IAS 24 Related Party Disclosures;
- the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations; and
- the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

The financial statements of the Company are consolidated in the financial statements of Spire Healthcare Group plc. The consolidated financial statements are available from www.spirehealthcare.com. The Company itself is a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

The Company operates as part of the Spire Healthcare Group. The day to day liquidity requirements of the Company are sourced either from within the Company or, where necessary, from the continued support of certain other entities within the Spire Healthcare Group, such support having been confirmed in writing by Spire Healthcare Group plc as available until 31 December 2024.

The Group assessed going concern risk for the period through to 31 December 2024. As at 30 June 2023 the Group had cash of £75.7m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £100m. On 3rd March 2023, the Group exercised the option to extend the senior loan facility by a further year, the arrangement matures in February 2027. The financial covenants relating to this new agreement are materially unchanged and there have been no modifications to the agreement terms.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment.

The Group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it no longer forecasts a positive cash balance. This stress testing was based on flexing revenue downwards with a consistent percentage decline in variable costs, whilst maintaining the forecast of fixed costs. The testing did not allow for the benefit of any action that could be taken by management to preserve cash. This testing suggested that there would have to be at least a 44% fall in annual revenue before the Group no longer forecast a positive cash balance. We do not believe that such a reduction of income revenue is a plausible consequence of the Group's identified principal risks.

It should be noted that we are in a period of material geo-political and macro-economic uncertainty. Whilst the Directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly the actual financial impact of these risks may materially vary against the current view of their plausible impact.

Based on the current assessment of the likelihood of these risks arising by 31 December 2024, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the Directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

1.3 Property, plant and equipment

Property, plant and equipment are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Leasehold improvements

5 years or life of lease

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 Investment properties

Investment Properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties continue to be accounted for at cost less accumulated depreciation, depreciated over their useful economic lives, as follows:

Buildings	10-50 years
Fixtures and fittings	10 years

No depreciation is provided on land.

1.5 Impairment of tangible assets

At each reporting end date, the company reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Where a reasonable and consistent basis of allocation can be identified, assets are allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Impairment of tangible assets (continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.6 Cash and cash equivalents

Cash comprise cash balances and call deposits.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1. Accounting policies

(Continued)

1.7 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

Trade and other receivables are measured at fair value plus any directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest rate method less any impairment.

Where applicable, the Company applies the simplified approach to measuring expected credit losses.

1.8 Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Short term payables are measured at fair value, net of directly attributable transaction costs.

1.9 Equity instruments

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.10 Taxation

Current tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

Current tax assets and liabilities are measured at the amount expected to be received from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax

Where there is an uncertain tax position, a provision shall be booked based on either the most likely amount, where the range of results is binary, or as a weighted average of possible outcomes where a range of outcomes is possible.

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements where the initial recognition exemption does not apply.

Deferred tax assets are recognised only to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carried forward tax credits or tax losses can be utilised.

Deferred tax assets and liabilities are measured in an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability is settled, based on tax rates and laws enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred taxes relates to the same taxation authority and that authority permits the Company to make a single net payment.

1.11 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event and it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.12 Leases

Company as lessor

When the company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases.

When the company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately, classifying the sub-lease as a finance or operating lease with reference to the right-of-use asset arising from the head lease instead of the underlying asset. At the commencement date of the sub-lease the Company derecognises the right-of-use asset relating to the head lease that it transfers to the sub-lessee and recognises the net investment in the sub-lease. Any difference between the carrying amounts of the right-of-use asset and the net investment in the sub-lease is recognised in profit or loss. The Company as lessor continues to recognise the lease liability relating to the head lease, which represents the lease payments owed to the head lessor.

Company as lessee

Under IFRS 16 a lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Company incurs a depreciation charge on the right-of-use asset (over the term of the lease) as well as an interest charge on the lease liability over the same period.

The Company has elected the recognition exemption for short-term leases (less than 12 months) and low value assets.

The Company adopted IFRS 16 on a fully retrospective basis on 1 January 2019 utilising the practical expedient to not reassess whether a contract contains a lease.

The application of IFRS 16 requires the Company to make judgements that affect the valuation of the lease liabilities and right of use (ROU) assets. These are set out in note 3.

At inception, the Company assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Company obtains substantially all the economic benefits from the use of that asset, and whether the Company has the right to direct the use of the asset when considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

After initial recognition, the lease liability is measured at amortised cost using the effective interest method. A reassessment of the lease liability occurs when there is a change in lease payments. The incremental borrowing rate is only revised where the change in payments is a result of a change in floating interest rates, lease term change or a change in assessment relating to the exercise of purchase option charges. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any difference is recorded in profit or loss.

The Company recognises a right of use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, less any incentives received. Initial direct costs and costs to dismantle or restore an asset are included. The ROU is depreciated over the shorter of the lease term or the useful economic life of the underlying asset. The incremental borrowing rate is used to discount the assets over the relevant term. The ROU is subject to testing for impairment if there is an indicator for impairment.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Leases (continued)

Company as lessee (continued)

Lease payments generally include fixed payments and variable payments that depend on an index (such as inflation index). When the lease contains an extension or purchase option that the Company considered reasonably certain to be exercised, the cost of the option is included in the lease payments. The incremental borrowing rate is used to discount the lease payments over the term of the lease.

ROU assets are categorised to reflect the nature of the underlying asset and consistent with the Plant, Property & Equipment note. The assets are depreciated over the term of the lease, accounting for break clauses or options to extend in line with the lease liability decision.

ROU assets are disclosed as Plant, Property & Equipment on the balance sheet (non-current) with a separate disclosure within the associated note, and the lease liability is included in the headings Lease Liability (current and non-current) on the Consolidated balance Sheet.

The Company has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than 12 months, or for leases of low value equipment. The payments for such leases are recognised in the Consolidated income statement on a straight line basis over the lease term.

1.13 Rental income

Rent arising on leased properties is accounted for on a straight line basis over the lease term.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

2 Adoption of new and revised standards and changes in accounting policies

The following amendments to existing standards were effective for the Company from 1 January 2022, these amendments have not had a material impact.

Amendments to IFRS 3 Business Combinations – reference to the conceptual framework
Amendments to IAS 16 – Property, Plant and Equipment: proceeds before intended use
Amendments to IAS 37 – Onerous Contracts – costs of fulfilling a contract
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The effective date stated above are those given in the original IASB/IFRIC standards and interpretations that are consistent with the endorsement process for use in the UK.

The following new and amended standards, interpretations and amendments in issue are applicable to the Company but not yet effective and thus, have not been applied by the Company

Amendments to IAS 1 – Classification of liabilities as current or non-current effective 1 January 2023
Amendments to IAS 8 – Definition of accounting estimates effective 1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction effective 1 January 2023
IFRS 17 – Insurance contracts effective 1 January 2023
Amendments to IFRS 16 – Lease Liability in a sale and leaseback effective 1 January 2024

The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the group prepares its financial statements in accordance with IFRS as issued by the IASB as endorsed by the UK, the application of new standards and interpretations will result in an effective date subject to that agreed by the UK Endorsement process.

IFRS 17 is under review by management and the impact if any is still to be quantified. All other amendments are not expected to have a material impact on the group.

Changes in accounting estimates

In line with our accounting policy, management has reviewed the expected useful lives and residual values of property, plant and equipment. This exercise included a detailed benchmarking exercise. As a result, the useful life and residual value for freehold land and buildings has been revised, and with effect from 1 July 2022 the group changed its estimate for freehold buildings from 5-50 years to 5-60 years.

The benchmarking exercise confirmed that it would be appropriate to also revise the residual value on freehold hospital buildings to 20% from a nil residual value and this change took place with effect from 1 July 2022.

Management has therefore concluded that it would be appropriate to apply a 20% residual value to the original cost of the freehold properties, and this change took effect on 1 July 2022.

Management has concluded that the impact of climate-related risks would not have a material impact on the extended useful life and residual value of its freehold land and buildings, as these risks have been mitigated.

The depreciation charged to the profit and loss in the current year was £511,000 (2021:£577,000). The change in accounting estimate has resulted in a reduction in depreciation of £66,000 in the current year. The effect of the change in future period is to decrease annual depreciation by £132,000.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Critical accounting estimates and judgements

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Leases

The application of IFRS 16 requires the Group to make certain judgements which affect the value of the ROU asset and lease liability, and these include: determining contracts in the scope of IFRS 16 and the contract term.

The lease term is determined by the Group comprising non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and period covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The Group reviews the business plan, investment in leasehold improvements and market conditions when considering the certainty of options to extend or terminate. For lease contracts with an indefinite term, the Group determines the length of the contract to be equal to the average or typical market contract term of the particular type of lease. The same life is then applied to determine the depreciation rate of ROU assets.

Investment property disclosed values

In valuing investment properties judgements are required about the assumptions, in particular regarding the market rent and market yield. Further details are provided in note 12 below.

Key sources of estimation uncertainty

Leases

The present value of the lease payment is determined using the discount factor (incremental borrowing rate) which is determined by a reference rate (being UK Government bonds or Sterling LIBOR) adjusted by an applicable credit spread or margin to reflect the credit standing of the Group observed in the period when the lease contract commences or is modified. The incremental borrowing rate applied reflects a rate for a similar term and security to that of the lease and is determined at inception. Details of incremental borrowing rates can be found on note .

4 Operating profit

	2022 £'000	2021 £'000
Operating profit for the year is stated after charging:		
Depreciation of property, plant and equipment	74	73
(Profit)/loss on lease modification	-	196
Depreciation of investment property	437	504
	<u> </u>	<u> </u>

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

5 Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the company's auditor and associates:		
For audit services		
Audit of the financial statements of the company	6	6

The audit fee for the Company was borne by another Group company, and no recharge was made to the Company in respect of these costs in the current or comparative year.

Amounts payable to Ernst & Young LLP and their associates by the Company in respect of non-audit services were £nil (2021: £Nil).

6 Employees

The Company had no employees during the year (2021: Nil) and consequently incurred no staff costs.

7 Director's Remuneration

Emoluments for the Directors of the Company are paid for by Spire Healthcare Limited, a fellow subsidiary of Spire Healthcare Group plc. Spire Healthcare Limited has not recharged any amount to the Company (2021: £nil) on the basis that the amount attributable to the Company is negligible.

8 Investment income

	2022 £'000	2021 £'000
Interest income		
Other interest income	-	69

Other interest income is from the lease of hospital property.

9 Finance costs

	Notes	2022 £'000	2021 £'000
Interest on financial liabilities measured at amortised cost:			
Interest payable to group undertakings		716	565
Interest on other financial liabilities:			
Interest on lease liabilities		-	41
Total interest expense		716	606

Interest payable on lease liabilities is for hospital property.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	331	312
Adjustments in respect of prior periods	7	-
Total UK current tax	<u>338</u>	<u>312</u>
Deferred tax		
Origination and reversal of temporary differences	-	(2)
Total tax charge	<u>338</u>	<u>310</u>

The charge for the year can be reconciled to the profit per the income statement as follows:

	2022 £'000	2021 £'000
Profit before taxation	<u>1,714</u>	<u>1,444</u>
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	326	274
Effect of expenses not deductible in determining taxable profit	-	34
Deferred tax adjustments in respect of prior years	12	2
Taxation charge for the year	<u>338</u>	<u>310</u>

The Finance Act 2020, which received Royal Assent in July 2020, cancelled the planned reduction in corporation tax rate to 17% from 1 April 2020, and therefore the tax rate for future years has been enacted at 19%.

The Finance Act 2021, which received Royal Assent in June 2021, enacted a corporation tax rate of 25% to apply from April 2023. These changes were substantively enacted at the balance sheet date and have been reflected in the measurement of deferred tax balances at the period end.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 DECEMBER 2022

11 Property, plant and equipment

	Leasehold improvements £'000
Cost	
At 31 December 2021	1,646
At 31 December 2022	1,646
Accumulated depreciation and impairment	
At 31 December 2021	1,233
Charge for the year	74
At 31 December 2022	1,307
Carrying amount	
At 31 December 2022	339
At 31 December 2021	413

12 Investment property

	2022 £'000
Fair value	
At 1 January 2022 and 31 December 2022	38,497
Accumulated depreciation	
At 1 January 2022	2,520
Charge for the year	437
At 31 December 2022	2,957
Carrying value	
At 31 December 2022	35,540
At 31 December 2021	35,977

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Investment property

(Continued)

Impairment testing

Valuations are the responsibility of the Directors. They are prepared and reviewed internally by senior management and property managers within the Group after taking into account a number of key market conditions, including yields. This includes discussions of the key assumptions used, as well as a review of the resulting valuations.

The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast earnings are used to estimate the sustainable market rents applicable to the hospital property, which together with the estimated costs are discounted at market derived capitalisation rates to produce the Directors' opinion of the fair value of the property. The capitalisation rate which, if applied to rental cash flows would produce the fair value, is described as the equivalent yield.

The Company considers its investment property falls within 'Level 3', as defined by IFRS 13. There has been no transfer of the property within the fair value hierarchy in the financial year.

The Directors have identified a number of key assumptions relevant to impairment calculations, being the rental yield, which is impacted by a number of elements. Therefore, sensitivity analysis has been undertaken and determined that if the rental yield increased to 20%, no impairment would arise on any property.

The investment properties have been pledged as security against the new loan.

The table below summarises the key unobservable inputs used in the valuation of the Company's wholly owned investment property at 31 December 2022:

	Market value 2022	Estimated rental value 2022	Equivalent yield 2022
	£'000	£'000	%
Hospital Property 1	103,500	5,250	4.75
Hospital Property 2	113,300	5,750	4.75
Hospital Property 3	83,800	4,250	4.75

The key unobservable inputs used in the prior year were as follows:

	Market value 2021	Estimated rental value 2021	Equivalent yield 2021
	£'000	£'000	%
Hospital Property 1	120,450	5,250	4.36
Hospital Property 2	131,900	5,750	4.36
Hospital Property 3	97,500	4,250	4.36

The valuation is based on the special assumption of a sale and leaseback of 35 years at a market rent to a tenant of similar covenant strength as Spire Healthcare Limited.

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

13 Liabilities

	Notes	2022 £'000	2021 £'000
Trade and other payables	15	20,550	22,769
Taxation and social security		1,418	1,091
Lease liabilities		-	50
		<u>21,968</u>	<u>23,910</u>

Liabilities are settled by other Group entities.

14 Trade and other receivables

	Current		Non-current	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Finance lease receivables (note)	-	50	-	-
Prepayments and accrued income	142	147	-	-
	<u>142</u>	<u>197</u>	<u>-</u>	<u>-</u>
Deferred tax asset (note 16)	-	-	28	28
	<u>142</u>	<u>197</u>	<u>28</u>	<u>28</u>

The accrued income relates to intercompany rent recognised over the remaining lease term.

15 Trade and other payables

	2022 £'000	2021 £'000
Amounts owed to fellow group undertakings	<u>20,550</u>	<u>22,769</u>

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

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

16 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the company and movements thereon during the current and prior reporting period.

	Investment property £'000
Deferred tax asset at 1 January 2021	(25)
Deferred tax movements in prior year	
Other	(3)
Deferred tax asset at 1 January 2022 and 31 December 2022	<u>(28)</u>

Deferred tax has arisen on the adoption of IFRS 16. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date.

17 Provisions for liabilities

	2022 £'000	2021 £'000
Deferred tax provision	<u>519</u>	<u>519</u>
Movements on provisions:		Deferred tax provision £'000
At 1 January 2022 and 31 December 2022		<u>519</u>

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. During the prior year, the Government abolished the rate reduction to 17% from 19% from 1 April 2020. During 2021, the Government substantively enacted a further corporation tax rate increase from 19% to 25%. The deferred tax liability has therefore been revalued taking account of the increased rate and projected unwind of the liability.

18 Share capital

	2022 £	2021 £
Issued and fully paid		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

SPIRE HEALTHCARE PROPERTIES LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

19 Contingent liabilities

On 24 February 2022, Spire Healthcare Group plc successfully refinanced its debt facilities with a syndicate of existing and new lenders. As part of the exercise and in recognition of the fact that the group had substantial cash reserves at 31 December 2021, the group repaid £100.0 million of the Senior Loan Facility. The new arrangement has a maturity of four years with an option to extend for one year which has been exercised and approved. The financial covenants relating to this new agreement are materially unchanged. The loan is non-amortising and carries interest at a margin of 2.05% over SONIA (2021: 2.25% over LIBOR). The bank loans are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the group.

At 31 December 2022 the net debt / EBITDA ratio was 2.2x (2021: 2.3x), the loan amount outstanding was £325,000,000 (2021: £425,000,000), and the revolving facility remained undrawn (2021: Undrawn).

20 Events after the reporting date

There are no post-balance sheet events requiring disclosure.

21 Controlling party

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

The Company's ultimate parent undertaking is Spire Healthcare Group plc, a company registered in England and Wales. Spire Healthcare Group plc heads the smallest and largest group which prepares consolidated financial statements in which the results of the Company are included. The financial statements of Spire Healthcare Group plc are available at www.spirehealthcare.com or from The Company Secretary, 3 Dorset Rise, London EC4Y 8EN, which is also the registered office of the ultimate parent.