Company Registration No. 01829406 (England and Wales)

SPIRE HEALTHCARE PROPERTIES LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

SPIRE HEALTHCARE PROPERTIES LIMITED

COMPANY INFORMATION

Directors	J J Ash P J Corfield J H Sodha
Secretary	P W Davies
Company number	01829406
Registered office	3 Dorset Rise London EC4Y 8EN
Auditor	Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE

SPIRE HEALTHCARE PROPERTIES LIMITED

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SPIRE HEALTHCARE PROPERTIES LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors of Spire Healthcare Properties Limited (the "Company") present their Strategic report for the year ended 31 December 2020.

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.

Review of the business

Fair review of the business

The Company performed in line with expectations during the year.

Principal Risks and uncertainties

COVID-19 – Principal Risk

The Board considers that the COVID-19 virus represents an ongoing material risk to the Group. Further waves of infections, for example from new variants, in 2021 could affect the Group's ability to continue its private healthcare activities if elective procedures are largely unable to continue as occurred March 2020 – May 2020, or patient confidence falls. This could have a material impact on the Group's profitability and cash generation. Foreseeable scenarios from further waves of COVID-19 infections have been modelled as part of the going concern and viability testing by management.

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 Spire Healthcare Group plc and its subsidiaries (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 2020 Annual Report 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.

Approved by the Board on 14 July 2021 and signed on its behalf by:

J H Sodha
Director
14 July 2021

SPIRE HEALTHCARE PROPERTIES LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present their annual report and financial statements for the year ended 31 December 2020.

Principal activities
The principal activity of Spire Healthcare Properties Limited is the leasing of hospital property to Spire Healthcare Limited under a long lease, further details of which are contained in note 22. There were no changes in its activities during the year

Results and dividends
The profit for the year, after taxation, amounted to £1,144,000 (2019: £988,000).

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	
D F Toner	(Resigned 31 March 2020)

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 23.

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.

Going concern

The directors have at the time of approving the financial statements a reasonable expectation that the company has adequate resources to continue in operational existence up to the end of July 2022. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The day to day liquidity requirements of the Company are sourced either from within the Company or, where necessary, from the continued support from the parent company, such support having been confirmed in writing by Spire Healthcare Group plc (the "Group") as available until 31 December 2022.

At 31 December 2020, the Group had unrestricted cash of £106.3m and access to a further £100m through a committed and undrawn credit facility.

On the 26th of May 2021 it was announced that the directors of the Group had recommended an offer to acquire Spire Healthcare Group plc by Ramsay Health Care Limited. A shareholder vote on the acquisition is scheduled for the 19th of July 2021 and, if shareholder and Court approval are granted, it is expected that change of control will become effective on the 23rd July. However, the acquisition is subject to regulatory review by the UK's Competition and Markets Authority (CMA). Once acquired, it is unclear how the Company will be impacted by the acquisition and subsequent integration with Ramsay Health Care Limited, although integration will not be able to begin until the CMA has issued its decision.

At this time, it is unclear how the potential acquisition may impact the Company. It is possible that the subsequent integration may result in a restructure of the Group's subsidiary companies, changes in financing arrangements or other changes. Such a restructure may give rise to an orderly transfer of the Company's trading activities to another subsidiary company. Whilst the Directors are not aware of any such restructuring plans, they accept that, in accordance with ISA (UK) 570 (Revised September 2019) - Going Concern (2019), this represents a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. However, the Directors have a reasonable expectation that the Company will manage its business risks and to continue in operational existence for 12 months from the date of signing of the accounts. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

Approved by the Board and signed on its behalf by:

J H Sodha
Director

14 July 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable 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). 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 and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

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 2020 which comprise the Income Statement, the Statement of Financial Position and the Statement of changes in equity and the related notes 1 to 24, 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 2020 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 Standard, 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.

Material uncertainty related to going concern

We draw attention to note 1 of the financial statements which states that post the balance sheet date, the boards of Ramsay Health Care Limited and Spire Healthcare Group plc (the ultimate parent company of Spire Healthcare Properties Limited) announced that they had reached agreement on the terms of acquisition of the entire ordinary share capital of Spire Healthcare Group plc by Ramsay Health Care (UK) Limited.

On the 26th of May 2021 it was announced that the directors of the Group had recommended an offer to acquire Spire Healthcare Group plc by Ramsay Health Care Limited. On 5 July 2021, Ramsay announced that it had increased its offer price to acquire Spire. A shareholder vote on the acquisition is scheduled for the 19th of July 2021 and, if approved by shareholders and the Court, it is expected that change of control will become effective on the 23rd July. However, the acquisition is subject to regulatory review by the UK's Competition and Markets Authority (CMA). Once acquired, it is unclear how the Company will be impacted by the acquisition and subsequent integration with Ramsay Health Care Limited, although integration will not be able to begin until the CMA has issued its decision. This gives rise to material uncertainty, which may cast significant doubt about the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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 there is 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 4, 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.

Our approach was as follows:

- 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 (FRS101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees and GDPR.
- Based on our understanding we designed our audit procedures to identify non-compliance with these laws and regulations and to respond to the assessed risks. Our procedures included verifying that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through inquiry with management and the Directors, reading of board minutes and correspondence with relevant authorities with no indication of non-compliance identified.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address the risk identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. 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; testing of manual journals identified by specific risk criteria.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a risk of management override of control through fraudulent manual top-side adjustments. In order to address the risk, we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation.

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.

Ernst & Young LLP

Spela Stefanov (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 16 July 2021

SPIRE HEALTHCARE PROPERTIES LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Rental income		2,743	2,694
Administrative expenses		(608)	(574)
Operating profit	**4**	**2,135**	**2,120**
Interest receivable and similar income	**8**	281	289
Interest payable and similar charges	**9**	(872)	(1,080)
Net finance cost		**(591)**	**(791)**
Profit before taxation		**1,544**	**1,329**
Tax on profit	**10**	(400)	(341)
Profit for the financial year		**1,144**	**988**

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 2020

	Notes	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Non-current assets					
Property, plant and equipment	**11**		486		561
Investment property	**12**		36,481		36,985
			36,967		37,546
Current assets					
Trade and other receivables falling due after more than one year	**14**	1,568		1,717	
Deferred tax asset	**18**	25		25	
Trade and other receivables falling due within one year	**14**	626		645	
		2,219		2,387	
Current liabilities	**15**	(26,137)		(27,869)	
Net current liabilities			(23,918)		(25,482)
Total assets less current liabilities			13,049		12,064
Non-current liabilities					
Lease liabilities	**17**	1,478		1,638	
			(1,478)		(1,638)
Provisions for liabilities			(519)		(518)
Net assets			11,052		9,908
Equity					
Called up share capital	**20**		-		-
Retained earnings			11,052		9,908
Total equity			11,052		9,908

The notes set out on pages 12 - 29 are an intergral part of these financial statements

The financial statements were approved by the board of directors and authorised for issue on 14 July 2021 and are signed on its behalf by:

J H Sodha
Director

Company Registration No. 01829406

SPIRE HEALTHCARE PROPERTIES LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019	-	8,920	8,920
Year ended 31 December 2019:			
Profit and total comprehensive income for the year	-	988	988
Balance at 31 December 2019	-	9,908	9,908
Year ended 31 December 2020:			
Profit and total comprehensive income for the year	-	1,144	1,144
Balance at 31 December 2020	-	11,052	11,052

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 £.

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.

1 Accounting policies **(Continued)**

1.2 Going concern

The directors have at the time of approving the financial statements a reasonable expectation that the company has adequate resources to continue in operational existence up to the end of July 2022. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

The day to day liquidity requirements of the Company are sourced either from within the Company or, where necessary, from the continued support from the parent company, such support having been confirmed in writing by Spire Healthcare Group plc (the "Group") as available until 31 December 2022.

At 31 December 2020, the Group had unrestricted cash of £106.3m and access to a further £100m through a committed and undrawn credit facility.

On the 26th of May 2021 it was announced that the directors of the Group had recommended an offer to acquire Spire Healthcare Group plc by Ramsay Health Care Limited. A shareholder vote on the acquisition is scheduled for the 19th of July 2021 and, if shareholder and Court approval are granted, it is expected that change of control will become effective on the 23rd July. However, the acquisition is subject to regulatory review by the UK's Competition and Markets Authority (CMA). Once acquired, it is unclear how the Company will be impacted by the acquisition and subsequent integration with Ramsay Health Care Limited, although integration will not be able to begin until the CMA has issued its decision.

At this time, it is unclear how the potential acquisition may impact the Company. It is possible that the subsequent integration may result in a restructure of the Group's subsidiary companies, changes in financing arrangements or other changes. Such a restructure may give rise to an orderly transfer of the Company's trading activities to another subsidiary company. Whilst the Directors are not aware of any such restructuring plans, they accept that, in accordance with ISA (UK) 570 (Revised September 2019) - Going Concern (2019), this represents a material uncertainty that may cast significant doubt over the Company's ability to continue as a going concern. However, the Directors have a reasonable expectation that the Company will manage its business risks and to continue in operational existence for 12 months from the date of signing of the accounts. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern. The financial statements do not contain the adjustments that would result if the company was unable to continue as a going concern.

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

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 Accounting policies **(Continued)**

1.5 Impairment of tangible and intangible 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.

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.

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.

1 Accounting policies **(Continued)**

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.

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.

1 Accounting policies **(Continued)**

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 in 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.

1.12 Leases

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.

1 Accounting policies **(Continued)**

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.

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.

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.

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

Changes in accounting standards
Standards and interpretations which have become effective during the financial year:

Standard or interpretation	Effective
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020

There has been no material impact on the Company's financial statements on the adoption of these standards.

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.

3 Critical accounting estimates and judgements **(Continued)**

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 22.

4 Operating profit

	2020	**2019**
	£'000	**£'000**
Operating profit for the year is stated after charging/(crediting):		
Depreciation of property, plant and equipment	75	73
Depreciation of investment property	504	504

5 Auditor's remuneration

	2020	**2019**
Fees payable to the company's auditor and associates:	**£'000**	**£'000**
For audit services		
Audit of the financial statements of the company	6	4

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.

6 Employees

The Company had no employees during the year (2019: 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 (2019: £nil) on the basis that the amount attributable to the Company is negligible.

8 Investment income

	2020	**2019**
	£'000	**£'000**
Interest income		
Other interest income	281	289

Other interest income is from the lease of hospital property.

9 Finance costs

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	710	908
Interest on other financial liabilities:		
Interest on lease liabilities	162	172
Total interest expense	872	1,080

Interest payable on lease liabilities is for hospital property.

10 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	400	277
Adjustments in respect of prior periods	(1)	10
Total UK current tax	399	287
Deferred tax		
Origination and reversal of temporary differences	1	58
Adjustment in respect of prior periods	-	(4)
	1	54
Total tax charge	400	341

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

	2020 £'000	2019 £'000
Profit before taxation	1,544	1,329
Expected tax charge based on a corporation tax rate of 19.00% (2019: 19.00%)	293	253
Effect of expenses not deductible in determining taxable profit	48	89
Adjustment in respect of prior years	-	10
Effect of change in UK corporation tax rate	60	(7)
Deferred tax adjustments in respect of prior years	(1)	(4)
Taxation charge for the year	400	341

10 Taxation **(Continued)**

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 UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. These changes were not substantively enacted at the balance sheet date and hence have not been reflected in the measurement of deferred tax balances at the period end. If the company's deferred tax balances at the period end were remeasured to reflect an increase in the tax rate to 25% effective from 1 April 2023, this would result in a £155k charge to the P&L.

11 Property, plant and equipment

	Leasehold improvements £'000
Cost	
At 31 December 2019	1,646
At 31 December 2020	1,646
Accumulated depreciation and impairment	
At 31 December 2019	1,085
Charge for the year	75
At 31 December 2020	1,160
Carrying amount	
At 31 December 2020	486
At 31 December 2019	561

12 Investment property

	2020 £'000
Fair value	
At 1 January 2020 and 31 December 2020	38,497
Accumulated depreciation	
At 1 January 2020	1,512
Charge for the year	504
At 31 December 2020	2,016
Carrying value	
At 31 December 2020	36,481
At 31 December 2019	36,985

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 table below summarises the key unobservable inputs used in the valuation of the Company's wholly owned investment property at 31 December 2020:

	Market value 2020	Estimated rental value 2020	Equivalent yield 2020
	£'000	£'000	%
Hospital Property 1	52,018	2,500	4.81
Hospital Property 2	74,128	3,563	4.81
Hospital Property 3	41,615	2,000	4.81

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

	Market value 2019	Estimated rental value 2019	Equivalent yield 2019
	£'000	£'000	%
Hospital Property 1	52,018	2,500	4.81
Hospital Property 2	72,826	3,500	4.81
Hospital Property 3	41,615	2,000	4.81

13 Finance lease receivables

	2020 £'000	2019 £'000
Gross amounts receivable under finance leases:		
Within one year	3,237	3,196
One to two years	3,311	3,276
Two to three years	3,387	3,374
Three to four years	3,464	3,400
Four to five years	3,543	3,484
Over five years	20,669	24,381
Total undiscounted lease payments receivable	37,611	41,111
Unearned finance income	(35,589)	(38,946)
Net investment	2,022	2,165

Analysis of finance leases
Lease receivables are due from Group undertakings.

Other leasing information is included in note 22.

14 Trade and other receivables

	Current 2020 £'000	Current 2019 £'000	Non-current 2020 £'000	Non-current 2019 £'000
Finance lease receivables (note 13)	454	448	1,568	1,717
Prepayments and accrued income	172	197	-	-
	626	645	1,568	1,717
Deferred tax asset (note 18)	-	-	25	25
	626	645	1,593	1,742

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

15 Liabilities

	Notes	Current 2020 £'000	Current 2019 £'000	Non-current 2020 £'000	Non-current 2019 £'000
Trade and other payables	**16**	25,008	27,144	-	-
Taxation and social security		778	380	-	-
Lease liabilities	**17**	351	345	1,478	1,638
		26,137	27,869	1,478	1,638

16 Trade and other payables

	2020 £'000	2019 £'000
Amounts owed to fellow group undertakings	25,008	27,144

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

17 Lease liabilities

Maturity analysis	2020 £'000	2019 £'000
Within one year	351	345
In two to five years	1,406	1,405
In over five years	703	1,054
Total undiscounted liabilities	2,460	2,804
Future finance charges and other adjustments	(631)	(821)
Lease liabilities in the financial statements	1,829	1,983

Lease liabilities are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £'000	2019 £'000
Current liabilities	351	345
Non-current liabilities	1,478	1,638
	1,829	1,983

Amounts recognised in profit or loss include the following:	2020 £'000	2019 £'000
Interest on lease liabilities	162	172

18 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 2019	(29)
Deferred tax movements in prior year	
Other	4
Deferred tax asset at 1 January 2020 and 31 December 2020	(25)

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. During the year, the Government abolished the rate reduction to 17% from 19% from 1 April 2020.

19 *Provisions for liabilities*

	2020 £'000	2019 £'000
Deferred tax provision	519	518

Movements on provisions:	Deferred tax provision £'000
At 1 January 2020	518
Additional provisions in the year	1
At 31 December 2020	519

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 year, the Government abolished the rate reduction to 17% from 19% from 1 April 2020.

20 Share capital

	2020 £	2019 £
Issued and fully paid		
2 Ordinary shares of £1 each	2	2

21 Contingent liabilities

On 23 July 2014, Spire Healthcare Group plc was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising of a five-year £425.0 million term loan and a five-year £100.0 million revolving facility, which has been guaranteed by the Company and other material subsidiaries of the Group. The loan is non-amortising and carries interest at a margin of 2.25% over LIBOR (2019: 2.50% over LIBOR). In July 2018, the Group extended the maturity of its bank loan facility for a further three years. During 2020, the bank loan was extended again, to July 2023.

As was announced in September 2020, following the Covid-19 pandemic and Spire Healthcare's subsequent support to the NHS, the Group obtained agreement from its lenders that net debt to EBITDA and interest cover ratio covenant testing would be waived for June 2021. A new liquidity measure replaced these tests and requires cash and cash equivalents, including headroom under undrawn committed facilities, to remain above £50m.

For December 2021 the agreement allows for a maximum net debt to EBITDA ratio of 6x, if this measure has not already dipped below 4x at any month end from June to November 2021. If the ratio does fall below this, then the maximum leverage ratio reverts to 4x at 31 December 2021.

At 31 December 2020 the net debt / EBITDA ratio was 3.9x, the loan amount outstanding was £425,000,000 (2019: £425,000,000), and the revolving facility remained undrawn (2019: Undrawn).

22 Other leasing information

Lessee

Amounts recognised in profit or loss as an expense during the period in respect of lease arrangements are as follows:

	2020 £'000	2019 £'000
Expense relating to short-term leases	29	(3)

Lessor

The Company has entered into leases on each of its investment properties consisting of hospital properties (see note 12). The leases have a maximum term of 15 years up to December 2031.

At the reporting end date the Company had the following amounts receivable:

	2020 £'000	2019 £'000
Within one year	3,237	3,196
One to two years	3,311	3,276
Two to three years	3,387	3,374
Three to four years	3,464	3,400
Four to five years	3,544	3,484
Over five years	20,669	24,381
Total undiscounted lease payments receivable	37,612	41,111

22 Other leasing information **(Continued)**

Information relating to lease liabilities is included in note 17. Information relating to finance lease receivables is included in note 13.

23 Events after the reporting date

Entity Rationalisation

Subsequent to year-end, in order to simplify the structure of Spire Healthcare Group plc and its subsidiaries (the "Group") and reduce costs, the Group has undertaken a process in which the following companies within the Group have been identified for either members voluntary liquidation or voluntary strike-off:

- Classic Hospitals Group Limited
- Fox Healthcare Holdco 2 Limited
- Spire UK Holdco 2A Limited
- Spire Healthcare Holdings 1
- Spire Cambridge (Disposal) Limited
- Spire Fertility (Disposal) Limited
- Spire Healthcare Group UK Limited
- SHC Holdings Limited
- Spire Healthcare Holdings 3 Limited
- Spire Healthcare Holdings 2 Limited
- Classic Hospitals Limited
- Lifescan Limited
- Spire Thames Valley Hospital Limited

As of the date that these financial statements are approved and signed by the board of the directors, the process is ongoing however the directors confirm that they expect all required documentation for the above process to be filed with Companies House by the end of 2021.

Recommended Cash Offer from Ramsay Health Care Limited

On 26 May 2021, the boards of Ramsay Health Care Limited and Spire Healthcare Group plc announced that they had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Spire by Ramsay's wholly owned subsidiary, Ramsay Health Care (UK) Limited. The transaction is to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

The Court Meeting and the General Meeting to approve the transaction are scheduled to be held at 10.30am and 10.45am (or as soon thereafter as the Court Meeting has concluded or been adjourned), respectively, on 19 July 2021 at the offices of J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP.

The current expected timetable of principal events for the implementation of the scheme, is available on Spire Healthcare Group plc's website at https://investors.spirehealthcare.com/news/regulatory-news/. Subject to the approval of shareholders and the Court, and to the satisfaction or waiver of the other conditions set out in the scheme of agreement, the scheme is expected to become effective on 23 July 2021.

24 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.