

Registered No. 05389607

Classic Hospitals Property Limited

**Report and Financial Statements
For the year ended 31 December 2010**

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Report of the directors
for the year ended 31 December 2010

The directors present their report and the audited financial statements for the year ended 31 December 2010

1. Business review and principal activity

The principal activity of the company is the ownership and leasing of private hospitals

The directors consider the performance of the company to be satisfactory and do not foresee any significant changes in the forthcoming year

As at 31 December 2010 the company had net assets of £45,609,617 (2009 net assets £42,878,739 - restated)

2. Results and dividends

The results of the company for the year show a profit after taxation of £2,730,878 (2009 profit £2,784,000 - restated)

No ordinary dividend has been proposed for the year (2009 £nil)

3. Key performance indicators

In view of the straightforward nature of the business, the directors do not consider that the use of Key Performance Indicators is necessary to provide an understanding of the development, performance or position of the business

4. Principal risks and uncertainties

The company's activities expose it to a number of risks, which include the following

Credit risk

Credit risk arises principally from the company's receivables of rent from Classic Hospitals Limited, a subsidiary undertaking of the company.

Interest rate risk

The company is exposed to interest rate risk arising from fluctuations in market rates. This affects the future cost of borrowings.

Overall risk management

The company is managed on a group basis and the principal risks and uncertainties facing it are therefore integrated with those facing the group as a whole. Further information is provided in the Annual Review and Accounts of Spire Healthcare Limited Partnership, which are published on the Spire Healthcare website.

Report of the directors
for the year ended 31 December 2010 - continued

5. Directors

The names of directors who have held office since 1 January 2010 are as follows:

R Roger
D F Toner
R J Wise

6. Companies (Audit, Investigations and Community Enterprise) Act 2004

As at the date of this report and during the financial period, indemnities are in force under which the company has agreed to indemnify certain directors, to the extent permitted by law (and subject to the conditions set out in section 234 of the Companies Act 2006) and the company's articles of association, in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities, as directors of the company

7. Going concern

The Directors have considered the business and financial risks of the company and consider that the company is well placed to manage those risks successfully. Consequently, the Directors have a reasonable expectation that the company has adequate financial and other resources to continue in operational existence in the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis. Further information is contained in note 1 of the Financial Statements

8. Auditors

Ernst & Young LLP were the company's auditor for the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006

9. Disclosure of information to auditors

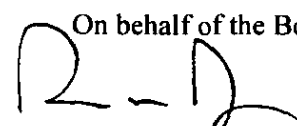
The directors who were members of the board at the time of approving the directors' report are shown above. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware, and
- Each director has taken all steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

Registered Office

120 Holborn
London
EC1N 2TD

13 April 2011

On behalf of the Board


R Roger
Secretary & Director

Statement of directors' responsibilities

The directors are responsible for preparing the Report of the directors 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 those financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent, and
- state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements

The directors are responsible for keeping proper 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 Classic Hospitals Property Limited

We have audited the financial statements of Classic Hospitals Property Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Independent auditor's report to the members of Classic Hospitals Property Limited - continued

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 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

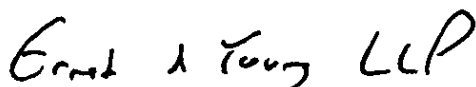
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

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

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



Matthew Williams (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

London

13 April 2011

Profit and Loss Account
for the year ended 31 December 2010

		Year ended 31 December 2010 £000	Year ended 31 December 2009 £000 (restated)
	<i>Notes</i>		
Rent receivable		5,842	5,770
Depreciation		<u>(471)</u>	<u>(471)</u>
Operating profit excluding exceptional items		5,371	5,299
Exceptional items	4	<u>(763)</u>	<u>(272)</u>
Operating profit		4,608	5,027
Interest receivable and similar income	5	843	806
Interest payable and similar charges	6	<u>(1,311)</u>	<u>(1,677)</u>
Profit on ordinary activities before taxation		4,140	4,156
Tax on profit on ordinary activities	8	<u>(1,410)</u>	<u>(1,372)</u>
Profit for the year		<u>2,731</u>	<u>2,784</u>

The operating profit is all derived from continuing operations

The accounting policies and notes form part of these financial statements

Statement of total recognised gains and losses

	2010 £000	2009 (restated) £000
Total recognised gains and losses related to the year	2,731	<u>2,784</u>
Prior year adjustment	<u>4,871</u>	
Total recognised gains and losses since last annual report	<u>7,602</u>	

Classic Hospitals Property Limited
Registered No. 05389607

Balance Sheet
as at 31 December 2010

	<i>Notes</i>	2010 £000	2009 £000 (restated)
Fixed assets			
Tangible assets	9	28,789	29,260
Investment in subsidiary undertakings	10	<u>29,007</u>	<u>29,007</u>
		<u>57,796</u>	<u>58,267</u>
Current assets			
Debtors			
Amounts falling due within one year	11	<u>25,557</u>	<u>23,701</u>
		25,557	23,701
Creditors: amounts falling due within one year	12	<u>(37,744)</u>	<u>(39,090)</u>
Net current liabilities		<u>(12,187)</u>	<u>(15,389)</u>
Net assets		<u>45,609</u>	<u>42,878</u>
Equity			
Called up share capital	13	28,649	28,649
Profit and loss account	14	<u>16,960</u>	<u>14,229</u>
Equity shareholders' funds		<u>45,609</u>	<u>42,878</u>

These financial statements were approved by the Board of Directors on 13 April 2011 and were signed on its behalf by



R Roger
Director

The accounting policies and notes form part of these financial statements

Notes to the financial statements
for the year ended 31 December 2010

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, under the historical accounting convention

The financial statements have been prepared on a going concern basis because the directors consider that financing facilities in place, together with the company's anticipated future trading performance, are sufficient to provide funds so that the company can meet its liabilities as they fall due for the foreseeable future. Whilst the company has net current liabilities as at 31 December 2010, this is attributable to loans due to a subsidiary undertaking of the company. The directors of that subsidiary have informed the directors of Classic Hospitals Property Limited that they do not intend to ask for repayment before 30 April 2012.

As described in note 2, Classic Hospitals Property Limited is a subsidiary undertaking of Fox Healthcare Holdco 2 Limited, which publishes consolidated financial statements and therefore it is exempt under Section 401 of the Companies Act 2006 from the requirement to produce consolidated accounts.

In addition, pursuant to Financial Reporting Standard 1 - *Cash flow statements*, the company is not required to prepare a cash flow statement.

Classic Hospitals Property Limited is a wholly owned subsidiary undertaking of Spire Healthcare Limited Partnership, a limited partnership registered in Guernsey, which publishes consolidated accounts that are publicly available from the Spire Healthcare website (www.spirehealthcare.com). Consequently, the company has, pursuant to Financial Reporting Standard 8 - *Related party disclosures*, not included details of transactions with other wholly owned subsidiary undertakings of Spire Healthcare Limited Partnership.

All accounting policies have been applied consistently during the year, except for the prior year adjustment as described below.

Prior year adjustment

The directors have considered that it is appropriate to change their accounting policy in respect of leases. In prior years the company did not spread the effect of fixed uplifts in lease payments across the term of the lease if such uplifts were considered to be in place to compensate for the general level of prices. However, for the 2010 financial statements, the directors have spread the effect of all fixed uplifts over the lease term in order that the financial statements reflect the practice under International Financial Reporting Standards as used in the consolidated financial statements of the parent, Spire Healthcare Limited Partnership. This has had the effect of increasing debtors by £6,765,000 and increasing group relief payable by £1,894,000 as at 31 December 2009, and increasing rent income by £1,125,000 and increasing profit after tax by £810,000 in the year to 31 December 2009.

Investments

Investments in subsidiary undertakings are carried at cost less provisions for impairment.

Notes to the financial statements
for the year ended 31 December 2010

1. Accounting policies (continued)

Rental income

Rents receivable arising from leased properties are accounted for on a straight line basis over the lease

Taxation including deferred taxation

The charge for taxation is based on the result for the year and takes into account deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or receive more, tax, except that deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on current tax rates and laws

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation

No depreciation is provided on freehold land

Property plant and equipment is depreciated so as to write off the carrying amounts of the assets evenly over their expected useful lives as follows

Freehold buildings	- 50 years
Leasehold land and buildings	- lower of useful life and remaining life of lease

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable

Notes to the financial statements
for the year ended 31 December 2010

2. Immediate and ultimate parent undertakings

The immediate parent undertaking of Classic Hospitals Property Limited is Classic Hospitals Group Limited, a company registered in England and Wales, which is a subsidiary of Fox Healthcare Holdco 2 Limited, a company also registered in England and Wales. The smallest group in which the results of Classic Hospitals Property Limited are consolidated is Fox Healthcare Holdco 2 Limited and copies of these accounts may be obtained from the Registrar of Companies, Cardiff, CF14 3UZ.

The largest group in which the results of Classic Hospitals Property Limited are consolidated is headed by Spire Healthcare Limited Partnership, a limited partnership registered in Guernsey, which publishes consolidated accounts that are publicly available from the Spire Healthcare website.

The ultimate parent undertakings of Classic Hospitals Property Limited are Fourth Cinven Fund (No 1) LP, Fourth Cinven Fund (No 2) LP, Fourth Cinven Fund (No 3 - VCOC) LP, Fourth Cinven Fund (No 4) LP, Fourth Cinven Fund (UBTI) LP, Fourth Cinven Fund Co-Investment Partnership and Fourth Cinven (MACIF) LP (together the 'Cinven Funds'), being funds managed and advised by Cinven Limited, a company incorporated under the laws of England and Wales.

Accordingly, the directors consider that the Company's ultimate controlling party is Cinven Limited, the managers and advisor to the Cinven Funds.

3. Directors and employees

The company had no employees during the year and consequently incurred no staff costs.

The directors are remunerated for their work for the Spire Healthcare Limited Partnership group, of which the company is a member, in the fellow subsidiary of the Spire Healthcare Limited Partnership, Spire Healthcare Limited.

4. Exceptional items

The company incurred the following costs in relation to a potential refinancing and sale of assets of the business. In 2009 the costs related to the change of ownership of the Classic Hospitals Group.

	2010 £000	2009 £000
Costs of potential sale of assets and refinancing	763	-
Costs of termination of lease of former head office building	-	272
	<u>763</u>	<u>272</u>

Notes to the financial statements
for the year ended 31 December 2010

5. Interest receivable and similar income

	2010	2009
	£000	£000
Dividends receivable	172	-
Interest receivable from parent undertaking	671	806
	<u>843</u>	<u>806</u>

6. Interest payable and similar charges

	2010	2009
	£000	£000
Interest payable to subsidiary undertaking	1,311	1,677
	<u>1,311</u>	<u>1,677</u>

7. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is arrived at after charging

	2010	2009
	£000	£000
Depreciation - owned tangible assets	471	471
Auditor's remuneration - audit service	-	-
	<u>-</u>	<u>-</u>

Auditor's costs have been borne by Spire Healthcare Limited, a fellow subsidiary undertaking of Spire Healthcare Limited Partnership

Notes to the financial statements
for the year ended 31 December 2010

8. Tax on profit on ordinary activities

	2010 £000	2009 £000 (restated)
(a) Analysis of tax charge in year		
Current tax		
UK Corporation tax on profits for the year	1,457	1,372
Adjustments in respect of prior periods	(47)	-
	<u>1,410</u>	<u>1,372</u>

(b) Factors affecting the current tax charge

The tax assessed for the year is higher than the standard rate of corporation tax in the UK of 28% (2009 28%) The differences are explained below

	2010 £000	2009 £000 (restated)
Profit on ordinary activities before taxation	<u>4,140</u>	<u>4,156</u>
Applying the profit before tax to the UK corporation tax rate of 28% (2009 28%)	1,159	1,164
Effects of		
Expenses not deductible for tax purposes	297	208
Adjustments in respect of prior periods	(47)	-
Total current tax charge for the year	<u>1,409</u>	<u>1,372</u>

The current tax charge represents the amounts payable to other group undertakings in respect of group relief utilised for taxation purposes

Deferred tax

There are no amounts recognised or unrecognised in respect of deferred taxation for the year ended 31 December 2010 (2009 £nil)

Notes to the financial statements
for the year ended 31 December 2010

9. Tangible fixed assets

	Freehold land and buildings £000	Long leasehold land and buildings £000	Total £000
Cost:			
At 1 January 2010 and 31 December 2010	29,380	1,941	31,321
Depreciation:			
At 1 January 2010	1,942	119	2,061
Provided during the year	445	26	471
At 31 December 2010	2,387	145	2,532
Net book value:			
At 31 December 2010	26,993	1,796	28,789
At 31 December 2009	27,438	1,822	29,260

10. Investment in subsidiary companies

	£000
Cost	
Ordinary share capital	28,649
Preference shares	358
At 31 December 2009 & 2010	29,007

The subsidiary undertaking of the company is described below, which is wholly owned and registered in England and Wales

	Principal activities	
Classic Hospitals Limited	Health provision	Ordinary

Notes to the financial statements
for the year ended 31 December 2010

11. Debtors

	2010	2009
	£000	£000
		(restated)
Accrued income	7,778	6,765
Amounts owed by parent undertaking	17,607	16,936
Dividends on shares classified as a liability	172	-
	<u>25,557</u>	<u>23,701</u>

Included in accrued income is £7,779,000 (2009 £6,765,000) that will reverse in more than one year

The amount owed by the parent undertaking is unsecured and is repayable on demand

12. Creditors - amounts falling due within one year

	2010	2009
	£000	£000
		(restated)
Amounts owed to subsidiary undertaking	32,020	35,221
Group relief	5,274	3,865
Accruals	450	4
	<u>37,744</u>	<u>39,090</u>

The amounts owed to group undertakings are unsecured and are repayable on demand

13. Share capital

	2010	2010
	No	£000
Authorised		
Ordinary shares	<u>30,000,000</u>	<u>30,000</u>
Allotted, called-up and fully paid		
Ordinary shares	<u>28,648,943</u>	<u>28,649</u>
	2009	2009
	No	£000
Authorised		
Ordinary shares	<u>30,000,000</u>	<u>30,000</u>
Allotted, called-up and fully paid		
Ordinary shares	<u>28,648,943</u>	<u>28,649</u>

Notes to the financial statements
for the year ended 31 December 2010

14. Reconciliation of shareholders' funds and movements on reserves

	Share capital £000	Profit & loss £000	Total shareholders' funds £000
At 1 January 2009 as previously reported	28,649	7,385	36,034
Profit for the year - restated	-	2,784	2,784
Prior year adjustment	-	4,060	4,060
At 31 December 2009 - restated	28,649	14,229	42,878
At 1 January 2010	28,649	14,229	42,878
Profit for the year	-	2,731	2,731
At 31 December 2010	28,649	16,960	45,609

15. Contingent liabilities

Under the Senior Facilities Agreement entered into by Fox Healthcare Acquisitions Limited on 17 March 2008, its intermediate parent company, the company has given certain undertakings relating to obligations under the senior finance documentation and the assets of the company are subject to a fixed and floating charge. The amount outstanding at the balance sheet date for these loans was £71.9 million (2009 £87.8 million).

Under the lease agreements entered into on 26 January 2010 by Classic Hospitals Limited, a subsidiary undertaking of the company, the company has given certain undertakings relating to obligations in the lease documentation and the assets of the company are subject to a fixed and floating charge.