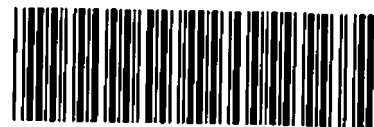


Classic Hospitals Property Limited

Annual report and financial statements

For the year ended 31 December 2019

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Classic Hospitals Property Limited

Registration No. 05389607

Company Information

Directors

J J Ash
P J Corfield
J H Sodha

Company secretary

P W Davies (appointed on 31 March 2020)

Registered office

3 Dorset Rise
London
EC4Y 8EN

Auditors

Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

Classic Hospitals Property Limited

Registration No. 05389607

Contents

	Page
Strategic Report	3
Directors' Report	4
Statement of Directors' responsibilities	6
Independent Auditor's Report	7
Income Statement	10
Statement of Financial Position	11
Statement of Changes in Equity	12
Notes to the financial statements	13

Classic Hospitals Property Limited

Registration No. 05389607

Strategic Report For the year ended 31 December 2019

The Directors of Classic Hospitals Property Limited (the "Company") present their Strategic Report for the year ended 31 December 2019.

Principal activities and review of the business

The principal activity of Classic Hospitals Property Limited (the "Company") is the leasing of hospital property to Spire Healthcare Limited under long leases, further details of which are contained in note 14. There were no changes in its activities during the year.

Results

The profit for the year, after taxation, amounted to £4,231,000 (2018: £4,040,000).

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.

Principal risks and uncertainties

COVID-19 – a new Principal Risk

The directors of Spire Healthcare Group plc consider that the COVID-19 virus represents an on-going material risk to the Group. A second wave of infections in the autumn or winter of 2020-2021 could affect the Group's ability to continue its private healthcare activities if elective procedures are largely unable to continue as occurred from March to May 2020, or if patient confidence falls. This could have a material impact on the Group's profitability and cash generation. Foreseeable scenarios from a second wave 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 35 years, which commenced in August 2005.

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 2019 Annual Report and Accounts of Spire Healthcare Group plc, which is available at www.spirehealthcare.com.

Approved by the Board on 8 October 2020 and signed on its behalf by:



.....
J H Sodha

Director

Classic Hospitals Property Limited

Registration No. 05389607

Directors' Report For the year ended 31 December 2019

The Directors present their Annual Report and audited financial statements for the year ended 31 December 2019.

Directors

The Directors who held office during the year and up to the date of this report were as follows:

J J Ash	
P J Corfield	
J H Sodha	(appointed 14 January 2019)
D F Toner	(resigned 31 March 2020)

Dividends

No ordinary dividend has been proposed for the year ended 31 December 2019 (2018: £nil).

Future developments

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

Post balance sheet events

Details of post balance sheet events impacting the company are included in note 17.

Going concern

The Company operates as part of the 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 Group. The Directors of the Company have received written confirmations from both the ultimate parent company, Spire Healthcare Group plc, and from the main trading entity in the Group, Spire Healthcare Limited, that, to the extent necessary to meet the Company's liabilities, they will provide financial support to the Company for at least 12 months from the approval of these financial statements.

The Group is financed by a bank loan facility which was due to mature in July 2022, but has been extended by one year. As at 30 June 2020, the Group had cash of £90.9m and access to a further £100.0m through a committed and undrawn credit facility.

Given the economic uncertainty arising from the COVID-19 pandemic, the Directors of Spire Healthcare Group plc have taken a number of actions since the year-end, including cancelling the final dividend for the year ended 31 December 2019 and deferring certain capital investment which was planned during 2020, in order to strengthen its liquidity position. In addition, as announced in April, the lenders of the Senior Loan facility have agreed to waive the covenant testing required under the agreement for the next two scheduled test periods on 30 June and 31 December 2020.

In March 2020, the Group agreed to support the NHS during the COVID-19 pandemic, which resulted in certain cash costs being covered, and also confirmed Heads of Terms for a further variation to the NHS England (NHSE) contract in August 2020 allowing the Group to undertake a phased transition back to normal business, by providing NHS elective care to reduce waiting lists whilst increasing private activity at 35 hospitals in England. The varied contract is expected to remain in place until at least 31 October 2020, with a definitive expiry date at the end of December 2020 at latest.

The agreements with NHSE provide the Group with liquidity and a greater degree of certainty as the Group is paid weekly in advance, with the ability to return to normal trading over time.

Classic Hospitals Property Limited

Registration No. 05389607

Directors' Report

For the year ended 31 December 2019 (continued)

Going concern (continued)

The Group has reached agreement with its lenders to provide the necessary financial flexibility to continue to support the NHS for a longer period than was initially envisaged. In addition to the covenant waivers already announced and agreed for June 2020 and December 2020, a further covenant waiver of the net debt / EBITDA ratio and interest cover test for June 2021 has been agreed. A new liquidity measure will take effect as a consequence of this arrangement. This test requires cash and cash equivalents, including headroom under undrawn committee facilities, to remain above £50m. For December 2021 the agreement allows for a maximum net debt / EBITDA ratio of 6x, if this measure has not already reduced below 4x. The Group currently has a Senior Loan Facility of £425m and an undrawn Revolving Credit Facility (RCF) of £100m. The maturity date of the Senior Loan Facility has also been extended by one year to July 2023. The RCF will remain at £100m until July 2022 and £87m thereafter until July 2023.

Notwithstanding the above actions, given the economic uncertainty of the COVID-19 pandemic, the Group has considered its forecasts and projections, including modelling for various scenarios, covering both the risk of a national or extensive regional lockdown in late 2020 and early 2021.

As a result of the above, the directors of Spire Healthcare Group plc are confident that the Group has sufficient headroom to stay within the new covenants, with the mitigations available, even in its severe but plausible downside scenarios, such that it will have the ability to support the Company if required. Therefore, the Directors of the Company have concluded it is appropriate to prepare the accounts on a going concern basis.

Directors' indemnity

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.

Disclosure of information to auditor

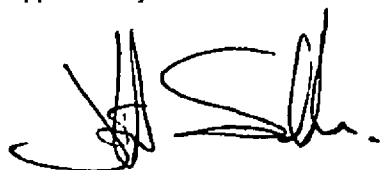
Having made enquiries of fellow Directors and the Company's auditor, each of the Directors confirms that:

- to the best of their knowledge and belief, there is no relevant audit information of which the Company's auditor is unaware; and
- they have taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditor is aware of that information.

Reappointment of auditors

The auditor, Ernst & Young LLP, was the Company's auditor during the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Approved by the Board on 8 October 2020 and signed on its behalf by:



.....
J H Sodha

Director

Classic Hospitals Property Limited

Registration No. 05389607

Statement of Directors' Responsibilities For the year ended 31 December 2019

The Directors acknowledge their responsibilities 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 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 and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has 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 Classic Hospitals Property Limited

Opinion

We have audited the financial statements of Classic Hospitals Property Limited for the year ended 31 December 2019 which comprise of the Income Statement, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 17, 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 2019 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 below. 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.

Emphasis of matter

We draw attention to notes 2 and 17 of the financial statements, which describes the economic and social actions that the Company are undertaking as a result of COVID-19. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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.

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.

Independent Auditor's Report to the Members of Classic Hospitals Property Limited (continued)

Other information (continued)

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. 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.

Independent Auditor's Report to the Members of Classic Hospitals Property Limited (continued)

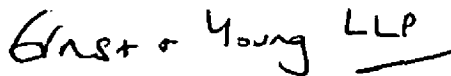
Auditor's responsibilities for the audit of the financial statements

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.

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.

Handwritten signature of Debbie O'Hanlon in black ink, reading "Ernst & Young LLP" with a horizontal line underneath.

Debbie O'Hanlon (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor

Reading
8 October 2020

Classic Hospitals Property Limited

Registration No. 05389607

Income Statement For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Rental income		5,206	5,154
Depreciation	8	(436)	(436)
Operating profit		4,770	4,718
Interest receivable and similar income	6	505	317
Dividends received	6	43	43
Net finance income		548	360
Profit on ordinary activities before taxation		5,318	5,078
Tax on profit on ordinary activities	7	(1,087)	(1,038)
Profit for the financial year		4,231	4,040

All the results in the current and prior periods were derived from continuing operations.

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

Classic Hospitals Property Limited

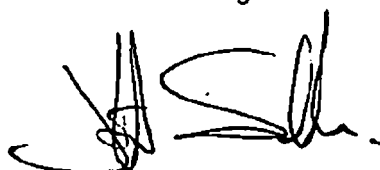
Registration No. 05389607

Statement of Financial Position As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investment properties	8	22,253	22,689
Investments	9	29,007	29,007
Trade and other receivables	10	8,992	9,220
Non-current assets held for sale	8	2,000	2,000
		62,252	62,916
Current assets			
Trade and other receivables	10	19,643	13,704
Other financial assets	11	559	516
		20,202	14,220
Payables: amounts falling due within one year	12	(2,125)	(1,038)
Net current assets		18,077	13,182
Net assets		80,329	76,098
Capital and reserves			
Share capital	13	28,649	28,649
Retained earnings		51,680	47,449
Total Equity		80,329	76,098

The notes on pages 13 to 23 are an integral part of these financial statements.

The financial statements on pages 10 to 23 were authorised for issue by the Board of Directors on 8 October 2020 and signed on its behalf by:



.....
J H Sodha

Director

Classic Hospitals Property Limited

Registration No. 05389607

Statement of Changes in Equity For the year ended 31 December 2019

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2018	28,649	43,409	72,058
Profit for the financial year	-	4,040	4,040
Total comprehensive income	-	4,040	4,040
At 31 December 2018	28,649	47,449	76,098
At 1 January 2019	28,649	47,449	76,098
Profit for the financial year	-	4,231	4,231
Total comprehensive income	-	4,231	4,231
At 31 December 2019	28,649	51,680	80,329

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements For the year ended 31 December 2019

1 General information

Classic Hospitals Property Limited (the "Company") is a limited company incorporated and domiciled in England and Wales. The address of its registered office and principal place of business is disclosed in the Company Information.

The Company's functional and presentational currency is the British Pound, denominated by the symbol "£", and unless otherwise stated, the financial statements have been presented in thousands ('000).

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have, unless otherwise stated, been consistently applied to all periods presented.

2 Accounting policies

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 ("FRS 101") 'Reduced Disclosure Framework' and the Companies Act 2006.

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.

Changes in accounting standards

Standards and interpretations which have become effective during the financial year:

Standard or interpretation	Effective
Annual Improvements 2015–2017 Cycle	1 January 2019
IFRIC 23 – Uncertain tax positions	1 January 2019
IFRS 16 Leases	1 January 2019

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Changes in accounting standards (continued)

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

Going concern

As highlighted in the Strategic Report and Directors' Report, 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 Group, such support having been confirmed in writing by Spire Healthcare Group plc and Spire Healthcare Limited as available for at least 12 months from the approval of these financial statements.

The Group is financed by a bank loan facility which was due to mature in July 2022, but has been extended by one year. As at 30 June 2020, the Group had cash of £90.9m and access to a further £100.0m through a committed and undrawn credit facility.

The Group has reached agreement with its lenders to provide the necessary financial flexibility to continue to support the NHS for a longer period than was initially envisaged. In addition to the covenant waivers already announced and agreed for June 2020 and December 2020, a further covenant waiver of the net debt / EBITDA ratio and interest cover test for June 2021 has been agreed. A new liquidity measure will take effect as a consequence of this arrangement. This test requires cash and cash equivalents, including headroom under undrawn committee facilities, to remain above £50m. For December 2021 the agreement allows for a maximum net debt / EBITDA ratio of 6x if this measure has not already reduced below 4x. The Group currently has a Senior Loan Facility of £425m and an undrawn Revolving Credit Facility (RCF) of £100m. The maturity date of the Senior Loan Facility has also been extended by one year to July 2023. The RCF will remain at £100m until July 2022 and £87m thereafter until July 2023.

Notwithstanding the above actions, given the economic uncertainty of the COVID-19 pandemic, the Group has considered its forecasts and projections, including modelling for various scenarios, covering both the risk of a national or extensive regional lockdown in late 2020 and early 2021.

As a result of the above, the Directors are confident that the Group has sufficient headroom to stay within the new covenants, with the mitigations available, even in its severe but plausible downside scenarios, such that it will have the ability to support the Company if required. Therefore, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis.

Rental income

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

Interest Income

Interest is recognised on an effective interest rate basis.

Current and deferred taxation

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.

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Current and deferred taxation (continued)

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.

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.

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:

Freehold buildings	10-50 years
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No depreciation is provided on land.

Impairment of non-financial assets

Investment property is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). 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.

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements

For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Investments

Investments in subsidiaries are held at historical cost less provisions for impairment. The carrying values are reviewed at each reporting date to determine whether there is an indication of impairment. If such an indication exists, the recoverable amount of the investment is estimated to ensure the carrying value remains supported. Value in use models as well as consideration of the net asset position of the investment are used to estimate the recoverable amount of the asset.

Non-current assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Such assets are measured as the lower of their carrying value and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the income statement.

Trade and other receivables

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.

Payables

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

Share capital

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

3 Significant judgements and estimates

In the application of the Company's accounting policies, which are described in Note 2, the Directors are required to make estimates about the carrying amounts 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.

Critical accounting estimates and areas of judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions, will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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 8 below.

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements For the year ended 31 December 2019 (continued)

4 Staff costs and Directors' remuneration

The Company had no employees during the year (2018: Nil) and consequently incurred no staff costs.

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 (2018: £nil) on the basis that the amount attributable to the Company is negligible.

5 Auditor's remuneration

The audit fee for the Company of £4,000 (2018: £3,000) 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 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from other Group undertakings	505	317
Dividend income	43	43
	548	360

7 Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits for the year	1,087	1,038
Total tax charge	1,087	1,038

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements

For the year ended 31 December 2019 (continued)

7 Taxation (continued)

Factors affecting the tax expense for the year

The tax assessed for the year is higher (2018: higher) than the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%). The differences are explained below:

	2019 £'000	2018 £'000
Profit before tax	5,318	5,078
Corporation tax at standard rate	1,010	965
Tax effects of:		
Increase in current tax from adjustment from prior periods	2	-
Expenses not deductible for tax purposes	83	83
Decrease from effect of revenues exempt from taxation	(8)	(8)
Total tax charge	1,087	1,038

8 Investment Properties

	Freehold buildings £'000
Cost or valuation	
At 1 January 2019	23,619
At 31 December 2019	23,619
Depreciation	
At 1 January 2019	930
Charge for the year	436
At 31 December 2019	1,366
Net book value	
At 31 December 2019	22,253
At 31 December 2018	22,689

The Group is committed to sell Spire St Saviour's Hospital which closed in 2015. As such, it was reclassified at its carrying value to a Non-current asset held for sale during the prior period.

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements For the year ended 31 December 2019 (continued)

8 Investment Properties (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 advice from external advisors about 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 table below summarises the key unobservable inputs used in the valuation of the Company's wholly owned investment property at 31 December 2018 and in the Directors' opinion, there have been no material changes to these amounts during the year, and therefore reflects the position at 31 December 2019.

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.

	Market value 2018 £'000	Estimated rental value 2018 £'000	Equivalent yield 2018 %
Hospital Property 1	22,610	1,087	4.81
Hospital Property 2	41,776	2,008	4.81
Hospital Property 3	63,266	3,041	4.81
Hospital Property 4	40,251	1,934	4.81
Hospital Property 5	18,856	906	4.81
Hospital Property 6	2,000	-	-
Hospital Property 7	23,398	1,124	4.81

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements

For the year ended 31 December 2019 (continued)

9 Investments

	Investments in subsidiary companies £'000
Cost or valuation	
At 1 January 2019	
- Ordinary share capital	28,649
- Preference shares	358
At 31 December 2019	29,007
Net book value	
At 31 December 2019	29,007
At 31 December 2018	29,007

The subsidiary undertaking of the Company as at 31 December 2019 is shown below, and is wholly owned.

Name of subsidiary	Principal activity	Registered office	Class of Share
Classic Hospitals Limited	Non trading	England and Wales	Ordinary

The registered office for the investment is 3 Dorset Rise, London, EC4Y 8EN.

10 Trade and other receivables

Amounts falling due within one year	2019 £'000	2018 £'000
Amounts owed by other Group undertakings	19,414	13,597
Accrued income relating to intercompany rent	229	107
	19,643	13,704

Amounts falling due in more than one year	2019 £'000	2018 £'000
Accrued income relating to intercompany rent	8,992	9,220

The accrued income relates to intercompany rent recognised over the remaining lease term, and therefore is split between amounts due within one year and amounts due in more than one year. Amounts owed by other Group undertakings are repayable on demand.

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements For the year ended 31 December 2019 (continued)

11 Other financial assets

	2019 £'000	2018 £'000
Dividends receivable on preference shares	559	516

12 Payables: amounts falling due within one year

	2019 £'000	2018 £'000
Corporation tax	2,125	1,038

13 Share capital

	2019 £'000	2018 £'000
Allotted, called up and fully paid shares		
28,648,943 Ordinary shares of £1 each	28,649	28,649

14 Lease arrangements - as lessor

The Company has entered into a lease on each of its investment properties which consist of hospital buildings (see note 8). The lease has a term of 35 years up to August 2040, subject to renewal or extension. Rent is indexed annually by reference to RPI, subject to a floor 2.5%.

The total future value of minimum lease payments as at 31 December is as follows:

	2019 £'000	2018 £'000
Within one year	5,449	5,264
After one year but not more than five years	23,193	22,405
More than five years	115,882	120,697
	144,524	148,366

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements

For the year ended 31 December 2019 (continued)

15 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 2.50% over LIBOR (2018: 2.25% over LIBOR). In July 2018, the Group extended the maturity of its bank loan facility for a further three years.

At the balance sheet date, the loan amount outstanding was £425,000,000 (2018: £425,000,000), and the revolving facility remains undrawn (2018: Undrawn).

As disclosed in note 17, the Group Covenant testing has been waived by the lender for the two 2020 testing periods, being 30 June 2020 and 31 December 2020, and adjusted tests for the 2021 period, following the COVID-19 outbreak.

16 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Classic Hospitals Group 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.

17 Post balance sheet event

Following the balance sheet date, a global pandemic has arisen which has effected the global economic environment, and created significant uncertainty about future recovery following lockdown procedures in both the UK, and other countries. The scale and duration of these developments remain uncertain but could impact on earnings, cash flow and financial condition. The Group actively assesses the situation across the country to ensure business continuity plans are put in place to sustain operations and supply chains with a focus on safe working environments and safe conditions for patients, consultants and employees.

In March 2020, the Group signed an agreement to assist the NHS in its response to the pandemic for a period of 14 weeks, with the option to extend. In addition, lenders have agreed to waive the two covenant testing periods in 2020, being 30 June 2020 and 31 December 2020. The Directors have reviewed the viability of the Company, and the wider Spire Healthcare Group following the pandemic and the agreement with the NHS and confirmed, whilst there is uncertainty, the Company remains a going concern.

On 13 August 2020, the Group announced a Heads of Terms to vary the NHS England contract. This allows the Group to undertake a phased transition back to normal business, by providing NHS elective care to reduce waiting lists, whilst increasing private activity as its 35 English Hospitals. This contract is expected to remain in place until at least the end of October 2020, but will have a definite expiry date at the end of December 2020 at the latest. Further information can be found in the RNS released by Spire Healthcare Group plc on 13 August 2020.

Classic Hospitals Property Limited

Registration No. 05389607

Notes to the financial statements

For the year ended 31 December 2019 (continued)

17 Post balance sheet event (continued)

Following the announcement to support the NHS for a longer period than was initially envisaged, the Group has obtained agreement from its lenders that covenant testing in June 2021 will be limited to certain liquidity measures (such that cash plus cash equivalents, i.e. including headroom under undrawn committed facilities should not fall below £50m) whilst net debt to EBITDA and interest cover ratio covenant tests will be waived. In addition to this, the maturity date of the Senior Loan Facility has also been extended by one year to July 2023.