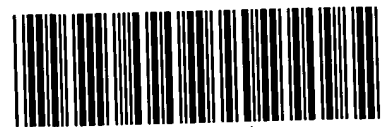


Company Registration No. 05389607 (England and Wales)

CLASSIC HOSPITALS PROPERTY LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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CLASSIC HOSPITALS PROPERTY LIMITED

COMPANY INFORMATION

Directors

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

Secretary

P W Davies

Company number

05389607

Registered office

3 Dorset Rise
London
EC4Y 8EN

Auditor

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

CLASSIC HOSPITALS PROPERTY LIMITED

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CLASSIC HOSPITALS PROPERTY LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

The Directors of Classic Hospitals Property Limited (the "Company") present their Strategic report for the year ended 31 December 2022.

Directors' duties and Section 172 statement

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

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

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

Review of the business

Fair review of the business

The Company performed in line with expectations during the year. During the year the company completed the sale of its held for sale property and recognised a profit on sale of £1,185,000.

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

Principal risks and uncertainties

Climate Change

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

COVID-19 new variants

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

Credit risk

Credit risk arises principally from the Company's receivables of rent from Spire Healthcare Limited, a fellow group undertaking of Spire Healthcare Group plc, which, as the principal operating company of the Group, has leased the hospital property for a term of up to 35 years, which commenced on 21 December 2007.

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 2022 Annual Report and Accounts of Spire Healthcare Group plc, which is available at www.spirehealthcare.com.

CLASSIC HOSPITALS PROPERTY LIMITED

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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 25 September 2023 and signed on its behalf by:



H S Samra

Director

25 September 2023

CLASSIC HOSPITALS PROPERTY LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Principal activities

The principal activity of Classic Hospitals Property Limited is the leasing of hospital properties to Spire Healthcare Limited under long term leases, further details of which are contained in note 18. There were no changes in its activities during the year.

Results and dividends

The profit for the year, after taxation, amounted to £5,976,000 (2021: £26,758,000). During the year the company completed the sale of its held for sale property and recognised a profit on sale of £1,185,000. In the prior year the group simplified the structure of Spire Group Plc and its subsidiaries due to the process the company received dividends of £51,459,000 from its investment in Classic Hospitals Limited prior to the subsidiary being put into members' voluntary liquidation. The dividend extracted the value from the investment and as such an impairment of £29,007,000 was recognised.

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 signing of the financial statements were as follows:

J J Ash
P J Corfield
J H Sodha
H S Samra

(Appointed 30 March 2022)

Qualifying third party indemnity provisions

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

Post reporting date events

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

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.

CLASSIC HOSPITALS PROPERTY LIMITED

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

Going concern

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

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

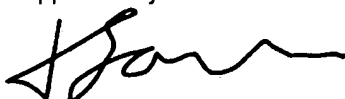
The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment.

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

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

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

Approved by the Board and signed on its behalf by:



H S Samra
Director

25 September 2023

CLASSIC HOSPITALS PROPERTY LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101"). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CLASSIC HOSPITALS PROPERTY LIMITED

Opinion

We have audited the financial statements of Classic Hospitals Property Limited for the year ended 31 December 2022 which comprise the Income statement, the Statement of financial position, the Statement of changes in equity and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

Use of our report

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

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

CLASSIC HOSPITALS PROPERTY LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Rental income		5,495	5,248
Depreciation		(319)	(436)
Impairment of investments		-	(29,007)
Profit on disposal of asset held for sale		1,185	-
Operating profit/(loss)	4	6,361	(24,195)
Income from shares in group undertakings	8	-	51,473
Interest receivable from group undertakings	8	1,092	589
Net finance income		1,092	52,062
Profit before taxation		7,453	27,867
Tax on profit	10	(1,477)	(1,109)
Profit for the financial year		5,976	26,758

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.

CLASSIC HOSPITALS PROPERTY LIMITED

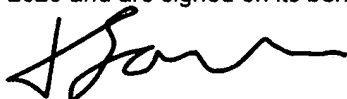
STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Non-current assets			
Property, plant and equipment held for sale	13	-	2,000
Investment property	11	21,062	21,381
		<u>21,062</u>	<u>23,381</u>
Current assets			
Trade and other receivables falling due after more than one year	12	7,545	8,157
Trade and other receivables falling due within one year	12	42,408	32,024
		<u>49,953</u>	<u>40,181</u>
Current liabilities	14	(5,795)	(4,318)
Net current assets		<u>44,158</u>	<u>35,863</u>
Net assets		<u>65,220</u>	<u>59,244</u>
Equity			
Called up share capital	15	28,649	28,649
Retained earnings		36,571	30,595
Total equity		<u>65,220</u>	<u>59,244</u>

The notes set out on pages 13 - 23 are an integral part of these financial statements

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



H S Samra
Director

Company Registration No. 05389607

CLASSIC HOSPITALS PROPERTY LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2021		28,649	55,912	84,561
Year ended 31 December 2021:				
Profit for the year		-	26,758	26,758
Dividends	9	-	(52,075)	(52,075)
Balance at 31 December 2021		<u>28,649</u>	<u>30,595</u>	<u>59,244</u>
Year ended 31 December 2022:				
Profit for the year		-	5,976	5,976
Balance at 31 December 2022		<u><u>28,649</u></u>	<u><u>36,571</u></u>	<u><u>65,220</u></u>

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

Company information

Classic Hospitals Property 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.

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.2 Going concern

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

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

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

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

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

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

1.3 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	10-60 years
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No depreciation is provided on land.

Investment properties are 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.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

1.4 Non-current assets held for sale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in the income statement.

1.5 Financial assets

Trade and other receivables are measured at fair value plus any directly attributable transaction costs.

Financial assets held at amortised cost

Subsequently, such assets are measured at amortised cost, using the effective interest rate method less any impairment.

Impairment of financial assets

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

1.6 Financial liabilities

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

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.

1.7 Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Company.

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

CLASSIC HOSPITALS PROPERTY LIMITED

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

1 Accounting policies

(Continued)

1.8 Taxation

Current tax

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

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

Deferred tax

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

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

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

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable 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.

1.9 Leases

At inception, the Company assesses whether a contract is, or contains, a lease within the scope of IFRS 16. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Where a tangible asset is acquired through a lease, the Company recognises a right-of-use asset and a lease liability at the lease commencement date. Right-of-use assets are included within property, plant and equipment, apart from those that meet the definition of investment property.

When the Company acts as a lessor, leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees, over the major part of the economic life of the asset. All other leases are classified as operating leases. If an arrangement contains lease and non-lease components, the Company applies IFRS 15 to allocate the consideration in the contract. When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately, classifying the sub-lease with reference to the right-of-use asset arising from the head lease instead of the underlying asset.

1.10 Rental income

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

1.11 Interest income

Interest is recognised on an effective interest rate basis.

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

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

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

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

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

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

Changes in accounting estimates

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

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

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

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

The depreciation charged to the profit and loss in the current year was £319,000 (2021:£436,000).

The change in accounting estimate has resulted in a reduction in depreciation of £117,000 in the current year. The effect of the change in future period is to decrease annual depreciation by £234,000.

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

3 Critical accounting estimates and judgements

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

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

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

Critical judgements

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 11 below.

Asset held for sale

During the year the Company sold its asset held for sale and as such asset held for sale is not a critical accounting judgement for 2022. However in the prior year the Company recognised one asset held for sale. These assets were recognised as held for sale for more than 12 months. The assets remained classified as held for sale, rather than reverting to Investment Property as they continued to meet the criteria for recognition. There were a number of delays in the sale completion of these assets. The Company's management were committed to the sale of the property and considered it to be highly probable.

4 Operating profit/(loss)

	2022 £'000	2021 £'000
Operating profit/(loss) for the year is stated after charging:		
Profit on disposal of asset held for sale	(1,185)	-
Depreciation of investment property	319	436
	<u> </u>	<u> </u>

5 Auditor's remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor and associates:		
For audit services		
Audit of the financial statements of the Company	6	6
	<u> </u>	<u> </u>

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

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

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

6 Employees

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

7 Directors' remuneration

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

8 Investment income

	2022 £'000	2021 £'000
Interest income		
Interest receivable from group companies	1,092	589
Income from fixed asset investments		
Income from shares in group undertakings	-	51,473
Total income	<u>1,092</u>	<u>52,062</u>

9 Dividends

	2022 per share £'000	2021 per share £'000	2022 Total £'000	2021 Total £'000
Amounts recognised as distributions:				
Ordinary shares				
Dividend paid	-	1.82	-	52,075

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

10 Taxation

	2022 £'000	2021 £'000
Current tax		
UK corporation tax on profits for the current period	1,477	1,109
The charge for the year can be reconciled to the profit per the income statement as follows:		
	2022 £'000	2021 £'000
Profit before taxation	7,453	27,867
Expected tax charge based on a corporation tax rate of 19.00% (2021: 19.00%)	1,416	5,295
Effect of expenses not deductible in determining taxable profit	61	5,595
Income not taxable	-	(9,781)
Taxation charge for the year	1,477	1,109

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

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

11 Investment property

	2022 £'000
Cost	
At 1 January 2022 and 31 December 2022	23,619
Accumulated depreciation	
At 1 January 2022	2,238
Charge for the year	319
At 31 December 2022	2,557
Carrying value	
At 31 December 2022	21,062
At 31 December 2021	21,381

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

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

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

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

	Market value 2022	Estimated rental value 2022	Equivalent yield 2022
	£'000	£'000	%
Hospital Property 1	12,300	625	4.75
Hospital Property 2	44,400	2,250	4.75
Hospital Property 3	39,400	2,000	4.75
Hospital Property 4	36,500	1,850	4.75
Hospital Property 5	23,700	1,200	4.75
Hospital Property 7	25,600	1,300	4.75

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

	Market value 2021	Estimated rental value 2021	Equivalent yield 2021
	£'000	£'000	%
Hospital Property 1	34,400	1,500	4.25
Hospital Property 2	57,350	2,500	4.25
Hospital Property 3	45,900	2,000	4.25
Hospital Property 4	34,400	1,500	4.25
Hospital Property 5	28,700	1,250	4.25
Hospital Property 6	2,000	-	-
Hospital Property 7	22,950	1,000	4.25

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

CLASSIC HOSPITALS PROPERTY LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2022

12 Trade and other receivables

	Current		Non-current	
	2022	2021	2022	2021
	£'000	£'000	£'000	£'000
Amounts owed by fellow group undertakings	42,408	32,024	7,545	8,157

Amounts owed by fellow group undertakings relate to the straight lining of intercompany rent 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.

13 Assets and liabilities classified as held for sale

	2022	2021
	£'000	£'000
Property, plant and equipment	-	2,000

During the year the Company sold the Spire St Saviours Hospital property, which closed in 2015. The Company recognised a profit on sale of £1,185,000.

14 Liabilities

	2022	2021
	£'000	£'000
Taxation and social security	5,795	4,318

Liabilities are settled by other Group entities.

15 Share capital

	2022	2021	2022	2021
	Number	Number	£'000	£'000
Ordinary share capital Issued and fully paid				
Ordinary shares of £1 each	28,648,943	28,648,943	28,649	28,649

16 Contingent liabilities

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

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

CLASSIC HOSPITALS PROPERTY LIMITED

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

17 Events after the reporting date

There are no post-balance sheet events requiring disclosure.

18 Other leasing information

Lessor

The Company has entered into a lease on each of its investment properties which consist of hospital buildings (see note 11). 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:

	2022 £'000	2021 £'000
Within one year	6,424	5,779
One to two years	6,584	5,924
Two to three years	6,749	6,072
Three to four years	6,918	6,223
Four to five years	7,090	6,379
Over five years	96,418	104,377
Total undiscounted lease payments receivable	130,183	134,754

19 Controlling party

The Company's immediate parent undertaking is Spire UK Holdco 4 Limited, a company that is 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.