

Spire UK Holdco 4 Limited

Annual report and financial statements

For the year ended 31 December 2019

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Spire UK Holdco 4 Limited

Registration No. 06342689

Company Information**Directors**J J Ash
P J Corfield
J H Sodha**Company secretary**

P W Davies (appointed on 31 March 2020)

Registered office3 Dorset Rise
London
EC4Y 8EN**Auditors**Ernst & Young LLP
Apex Plaza
Forbury Road
Reading
RG1 1YE

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Strategic Report
For the year ended 31 December 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

Principal activities and review of the business

The principal activity of Spire UK Holdco 4 Limited (the "Company") is that of a holding company.

The Directors carried out an assessment of the value of a number of its investments in subsidiary undertakings as at 31 December 2019, taking account the value of the hospital properties owned by the respective companies. Following this review the Directors concluded that the impairment reserve should be increased by £3,178,000 (2018: increased by £21,362,000).

Results

The profit for the year, after taxation, amounted to £17,950,000 (2018: Loss £7,755,000).

Key performance indicators

As a result of the 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 arose principally from the balances due from subsidiary undertakings of the Company. The Company is the owner of a number of hospital property leasing companies, which generate cash from rentals receivable from a hospital operating company, *Spire Healthcare Limited*, which is a fellow subsidiary of Spire Healthcare Group plc.

Liquidity risk

In relation to its obligation to pay interest, the Company may elect to settle interest payable by the issue of further loan notes.

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:



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J H Sodha

Director

Spire UK Holdco 4 Limited

Registration No. 06342689

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

An ordinary dividend of £45,670,000 was paid in the year (2018: £44,295,000).

Future developments

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

Going concern

The Company operates as part of the Spire Healthcare group ("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 Group Directors have taken a number of actions during the period to June 2020, 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 English hospitals. 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.

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

Directors' Report
For the year ended 31 December 2019 (continued)

Going concern (continued)

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.

Post balance sheet events

Details of post balance sheet events impacting the company are included in note 16.

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:



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J H Sodha

Director

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 Spire UK Holdco 4 Limited

Opinion

We have audited the financial statements of Spire UK Holdco 4 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 16, 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 – effects of COVID-19

We draw attention to notes 2 and 16 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 Spire UK Holdco 4 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 Spire UK Holdco 4 Limited (continued)

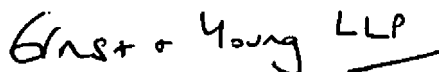
Auditor's responsibilities for the audit of the financial statements

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.

 Ernst & Young LLP

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

Reading
8 October 2020

Spire UK Holdco 4 Limited

Registration No. 06342689

Income Statement**For the year ended 31 December 2019**

	Note	2019 £'000	2018 £'000
Impairment of investments	9	(3,178)	(21,362)
Operating loss		(3,178)	(21,362)
Interest receivable and similar income	6	1,353	1,124
Interest payable and similar charges	7	(37,332)	(33,332)
Dividends received		45,670	44,295
Net finance income		9,691	12,087
Profit/(loss) on ordinary activities before taxation		6,513	(9,275)
Tax on profit/(loss) on ordinary activities	8	11,437	1,520
Profit/(loss) for the financial year		17,950	(7,755)

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.

Balance Sheet
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments	9	598,277	601,455
		<u>598,277</u>	<u>601,455</u>
Current assets			
Trade and other receivables	10	61,737	48,947
Net current assets		<u>61,737</u>	<u>48,947</u>
Payables: amounts falling due after one year	11	<u>(348,442)</u>	<u>(311,110)</u>
Net assets		<u>311,572</u>	<u>339,292</u>
Capital and reserves			
Share capital	12	1,000	1,000
Retained earnings		310,573	338,292
Total Equity		<u>311,572</u>	<u>339,292</u>

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.



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J H Sodha

Director

Spire UK Holdco 4 Limited

Registration No. 06342689

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

	Share capital £'000	Retained earnings £'000	Total £'000
At 1 January 2018	1,000	390,342	391,342
Loss for the financial year	-	(7,755)	(7,755)
Total comprehensive expense	-	(7,755)	(7,755)
Dividends	-	(44,295)	(44,295)
At 31 December 2018	1,000	338,292	339,292
At 1 January 2019	1,000	338,292	339,292
Profit for the financial year	-	17,950	17,950
Total comprehensive income	-	17,950	17,950
Dividends	-	(45,670)	(45,670)
At 31 December 2019	1,000	310,572	311,572

Spire UK Holdco 4 Limited

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

1 General information

Spire UK Holdco 4 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

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

Spire UK Holdco 4 Limited

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Notes to the financial statements

For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Changes in accounting standards (continued)

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.

Interest Income

Interest is recognised on an effective interest rate basis.

Investments

Investments in subsidiaries are held at historical cost less provisions for impairment.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets other than derivatives

Initial recognition and measurement

Financial assets within the scope of IFRS 9, are classified as financial assets at fair value through profit or loss, amortised cost or fair value through other comprehensive income.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Company initially measures a financial asset at its fair value plus,

Spire UK Holdco 4 Limited

Registration No. 06342689

Notes to the financial statements

For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial Instruments (continued)

in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include cash and short-term deposits and trade and other receivables.

Subsequent measurement

Trade receivables are accounted for at amortised cost. The Company applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. Where there is a specific indicator of impairment, the Company makes an estimate of the asset's recoverable amount. Losses arising from impairment are recognised in the Income Statement in Other operating costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest rate ('EIR') method, less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the Income Statement.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the Company has transferred its rights to receive cash flows from the asset including transferring substantially all the risks and rewards of the asset.

Impairment

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors

Spire UK Holdco 4 Limited

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Notes to the financial statements

For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Financial Instruments (continued)

specific to the receivables and the economic environment. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and the days past due. The Company has concluded that the expected loss rates for trade receivables, are a reasonable approximation of the loss rates for each ageing bucket based on historical debt trends of our portfolio of customers for the last two reporting periods.

ii) Financial liabilities other than derivatives

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or at amortised cost. The Company determines the classification of financial liabilities at initial recognition.

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and interest payable in the profit or loss. Amortised cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Balance Sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Foreign currency transactions and balances

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate ruling at the balance sheet date. All differences are taken to the income statement.

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.

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.

Spire UK Holdco 4 Limited

Registration No. 06342689

Notes to the financial statements

For the year ended 31 December 2019 (continued)

2 Accounting policies (continued)

Current and deferred taxation (continued)

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

Deferred tax is recognised on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, with the following exemption;

When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

However, for taxable temporary differences associated with investment in subsidiaries, branches, associates and interests in joint ventures, a deferred tax liability shall be recognised in accordance with IAS 12.39.

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 relate to the same taxation authority and that authority permits the Company to make a single net payment.

Interest bearing loans receivable

Interest bearing loans receivable are initially recognised at net proceeds. Interest receivable is recognised in the profit and loss account in accordance with the interest rate chargeable in the period in the relevant loan agreement and using the effective interest rate method.

Interest bearing borrowing and loans

All interest-bearing loans and borrowings are initially recognised at net proceeds. After initial recognition debt is increased by the finance cost in respect of the reporting period and reduced by payments made in respect of the debts of the period. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Share capital

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

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders. Interim dividends are recognised when paid.

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Notes to the financial statements

For the year ended 31 December 2019 (continued)

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.

Investments in subsidiary undertakings

The Company's investments in subsidiary undertakings have been tested for impairment by comparison against the recoverable amount of investment properties owned by the subsidiary undertakings. These recoverable amounts are deemed to be the fair values based on valuations prepared and reviewed internally by senior management and property managers within the Spire Group, after taking advice from external advisors about key market conditions, including yields. However, valuations are inherently subjective and may not prove to be accurate.

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 Auditors' remuneration

The audit fee for the Company of £2,000 (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	2018
	£'000	£'000
Interest receivable from other Group undertakings	1,353	1,124

7 Interest payable and similar charges

	2019	2018
	£'000	£'000
Interest payable to other Group undertakings	37,332	33,332

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Notes to the financial statements**For the year ended 31 December 2019 (continued)****8 Taxation**

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profit/(loss) for the year	(6,836)	(1,520)
UK corporation tax adjustment to prior periods	(4,601)	-
Total tax credit	(11,437)	(1,520)

Factors affecting the tax credit for the year

The tax assessed for the year is lower (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/(loss) before tax	6,513	(9,275)
Corporation tax at standard rate	1,237	(1,762)
Tax effects of:		
Adjustments to prior year	(4,601)	-
Decrease from effect of revenues exempt from taxation	(8,677)	(8,416)
Expenses not deductible for tax purposes	604	4,050
Group relief surrendered	-	4,608
Total tax credit	(11,437)	(1,520)

The Government have announced the abolishment of the corporation tax rate reduction to 17% from 1 April 2020. Therefore, the corporation tax rate will remain at 19%. Changes to the UK Corporation tax rate from 17% to 19% have been substantively enacted post year end.

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Notes to the financial statements**For the year ended 31 December 2019 (continued)****9 Investments**

	<i>Investments in subsidiary companies £'000</i>
Cost or valuation	
At 1 January 2019	692,001
At 31 December 2019	692,001
Impairment provision	
At 1 January 2019	90,546
Charge for the year	3,178
At 31 December 2019	93,724
Net book value	
At 31 December 2019	598,277
At 31 December 2018	601,455

The subsidiary undertakings of the Company as at balance sheet date are shown below, which are wholly owned and registered in England and Wales. The registered office for each subsidiary is 3 Dorset Rise, London EC4Y 8EN.

Name of subsidiary	Principal activity	Registered office	Class of Share
Spire Property 1 Limited	Property company	England and Wales	Ordinary
Spire Property 4 Limited	Property company	England and Wales	Ordinary
Spire Property 5 Limited	Property company	England and Wales	Ordinary
Spire Property 6 Limited	Property company	England and Wales	Ordinary
Spire Property 13 Limited	Property company	England and Wales	Ordinary
Spire Property 16 Limited	Property company	England and Wales	Ordinary
Spire Property 17 Limited	Property company	England and Wales	Ordinary
Spire Property 18 Limited	Property company	England and Wales	Ordinary
Spire Property 19 Limited	Property company	England and Wales	Ordinary
Spire Property 23 Limited	Property company	England and Wales	Ordinary

At each reporting date, the Company reviews the carrying amounts of its investments to determine whether there is any indication that these investments have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

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

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

9 Investments (continued)

The Directors carried out an assessment of the value of its investments in subsidiary undertakings as at 31 December 2019, taking into account the value of the hospital properties owned by the respective companies. Following this review, the Directors concluded that the impairment reserve should increase to £93,724,000 (2018: £90,546,000).

10 Trade and other receivables

	2019 £'000	2018 £'000
Amounts owed by Group undertakings	44,173	42,820
Corporation tax	17,564	6,127
	61,737	48,947

Amounts owed by Group and subsidiary undertakings are unsecured and repayable on demand.

11 Payables: amounts falling due after one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	348,442	311,110
	348,442	311,110

Included in amounts owed to Group undertakings are loans repayable at par in August 2038. Under terms of these loan notes, at the option of the issuer, interest arising thereon may be capitalised. During 2019, interest of £37,333,000 was capitalised (2018: £32,292,000).

Terms and debt repayment schedule

	Currency	Nominal interest rate	Principal £'000	2019 £'000	2018 £'000
Loan notes	GBP	12%	240,274	348,442	311,110

12 Share capital

Allotted, called up and fully paid shares

	2019 £'000	2018 £'000
1,000,000 ordinary shares of £1 each	1,000	1,000

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Notes to the financial statements

For the year ended 31 December 2019 (continued)

13 Dividends

	2019 £'000	2018 £'000
Interim dividend of £45.67 (2018: £44.29) per ordinary share	45,670	44,295

14 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 16, 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 the tests for the for the two 2021 testing periods have been adjusted, following the COVID-19 outbreak.

15 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Spire UK Holdco 2A Limited, a company 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.

16 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 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 Spire 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 Spire Healthcare Group plc RNS released on 13 August.

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

16 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.