

Registered No. 6409008

Spire Property 13 Limited

**Report and Financial Statements
For the year ended 31 December 2014**

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Spire Property 13 Limited
Registered No. 6409008

As required by the Companies Act 2006, the directors of Spire Property 13 Limited ("the company") present the annual report containing a strategic report, report of the directors and the financial statements for the year ended 31 December 2014.

Strategic Report

For the year ended 31 December 2014

1. Review of the business

The principal activity of the company is the leasing of hospital property.

The company leases the Spire Norwich Hospital to Spire Healthcare Limited.

As part of a reorganisation of the Spire Group prior to admission of Spire Healthcare Group plc to the premium segment of the Official List of the Financial Conduct Authority and the London Stock Exchange's main market for listed securities on 23 July 2014 (the "Admission"), the shares of the intermediate parent company of the company, Spire UK Holdco 2A Limited were sold to Spire Healthcare Finance Limited, a wholly owned subsidiary undertaking of Spire Healthcare Group plc (the "Reorganisation").

As part of the Reorganisation, on 23 July 2014 the company received cash of £59.5 million from its immediate parent undertaking, Spire UK Holdco 4 Limited, in exchange for the issuance of a new share at a premium. On the same date, the company used the cash to fully settle its bank loans and interest rate swap liabilities.

Also on 23 July 2014, the company settled its amounts due to Group undertakings, Spire UK Holdco 4 Limited, of £21.3 million in exchange for the issuance of a new share at a premium.

On 11 September 2014, the board of the company approved a reduction in capital, following which 236,328 ordinary shares were cancelled and extinguished, with the cancellation of share premium of £80,750,000.

At the balance sheet date, the company had net assets of £59,591,046 (2013: liabilities - £14,275,000).

Results and dividends

The loss for the year, after taxation, amounted to £4,490,000 (2013: £3,310,000).

An ordinary dividend of £2,394,000 was paid in the year (2013: £nil).

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.

Strategic Report
For the year ended 31 December 2014

2. Principal risks and uncertainties

The company's activities expose it to a number of risks which are discussed below:

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 has leased the hospital property from the company under a lease with a term of up to 35 years, which commenced on 21 December 2007.

Interest rate risk

As the company's liabilities outstanding under bank loans were fully repaid in the year, it no longer has exposure to interest rate risk. Previously its bank loans were subject to floating rates of interest and it entered into an interest rate swap in order to fix the rate of interest applicable to bank loans, which terminated when the debt was repaid. Further information is contained in note 13 of these financial statements.

Overall risk management

Risk is managed with reference to the wider 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 Annual Review and Accounts of Spire Healthcare Group plc, which are published on the Spire Healthcare website (www.spirehealthcare.com).

On behalf of the board



D F Toner
Director & secretary

15 April 2015

Report of the directors
For the year ended 31 December 2014

1. Directors

The names of directors who have held office since 1 January 2014 are as follows:

S Gordon
R Roger
D F Toner

2. Dividends

An ordinary dividend of £2,394,000 was paid in the year (2013: £nil).

3. Future developments

The directors do not foresee any changes in the company's activities in the foreseeable future.

4. Financial instruments

The company's financial risk management objectives and policies, including the exposure to market risk, credit risk and liquidity risk are set out in the Strategic Report.

5. Going concern

The directors have reviewed the current and projected financial position of the company, making reasonable assumptions about future performance. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

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

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

7. Auditor

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

Report of the directors
For the year ended 31 December 2014

8. Disclosure of Information to Auditor

The directors who were members of the board at the time of approving the Report of the directors are listed on page 3. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

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

Registered Office:

3 Dorset Rise
London
EC4Y 8EN

15 April 2015

On behalf of the board



D F Toner
Director & secretary

Statement of directors' responsibilities
For the year ended 31 December 2014

The directors are responsible for preparing the Strategic report, Report of the Directors and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of its profit or loss for the period. In preparing those financial statements, the directors are required to:

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

The directors are responsible for keeping proper accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and to 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 Property 13 Limited

We have audited the financial statements of Spire Property 13 Limited for the year ended 31 December 2014 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of directors and auditor

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Spire Property 13 Limited
Registered No. 6409008

Independent auditor's report
to the members of Spire Property 13 Limited - continued

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Matthew Williams (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
London
15 April 2015

Spire Property 13 Limited
Registered No. 6409008

Profit and loss account
For the year ended 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Rent receivable		4,615	4,574
Depreciation		<u>(1,121)</u>	<u>(1,149)</u>
Operating profit		3,494	3,425
Interest receivable and similar income	4	5	1
Interest payable and similar charges	5	<u>(9,430)</u>	<u>(6,736)</u>
Loss on ordinary activities before taxation		(5,931)	(3,310)
Tax on loss on ordinary activities	7	1,441	-
Loss for the year		<u><u>(4,490)</u></u>	<u><u>(3,310)</u></u>

The operating profit is all derived from continuing operations.


The company has no other gains and losses and therefore no statement of total recognised gains and losses has been presented.

Spire Property 13 Limited
Registered No. 6409008

Balance sheet
as at 31 December 2014

	<i>Note</i>	2014 £000	2013 £000
Fixed assets			
Tangible assets	8	57,733	58,854
Current assets			
Debtors	9	2,857	2,634
Creditors: amounts falling due within one year	10	(999)	(54,988)
Net current assets/(liabilities)		1,858	(52,354)
Total assets less current liabilities		59,591	6,500
Creditors: amounts falling due after more than one year	11	-	(20,775)
Net assets/(liabilities)		59,591	(14,275)
Capital and reserves			
Called up share capital	15	1,000	1,236
Share premium	16	-	-
Profit and loss account	16	58,591	(15,511)
Equity shareholders' funds/(deficit)		59,591	(14,275)

These financial statements were approved by the Board of Directors on 15 April 2015 and were signed on its behalf by


S Gordon
Director

Notes to the financial statements
For the year ended 31 December 2014

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards, under the historical cost accounting convention and on a going concern basis.

All accounting policies have been applied consistently during the year.

Going concern

The directors have reviewed the current and projected financial position of the company, making reasonable assumptions about future performance. On the basis of this review, and after making due enquiries, the directors have a reasonable expectation that the company has adequate resources to continue to operate for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Reporting exemptions

As described in note 2 the company is a wholly owned subsidiary undertaking of Spire Healthcare Group plc, a public limited company registered in England and Wales, which publishes consolidated accounts that are publicly available from the Spire Healthcare website (www.spirehealthcare.com). Consequently, the company has:

- Pursuant to Financial Reporting Standard 1 - *Cash flow statements*, not prepared a cash flow statement; and
- Pursuant to Financial Reporting Standard 8 - *Related party disclosures*, not included details of transactions with other wholly owned subsidiary undertakings of Spire Healthcare Group plc.

Rental income

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

Notes to the financial statements
For the year ended 31 December 2014

1. Accounting policies - continued

Taxation including deferred taxation

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

Deferred tax is provided in full on all timing differences that have originated, but not reversed, at the balance sheet date which result in an obligation to pay more, or a right to pay less or to receive more tax except that deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Interest rate swaps

The company's criteria for interest rate swaps are:

- the instrument must be related to an asset or a liability; and
- it must change the character of the interest rate by converting a variable rate to a fixed rate or vice versa.

Premiums paid for derivatives are amortised over the term of the derivative.

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value. If they are terminated early, the gain/ loss is spread over the remaining maturity of the original instrument.

Interest-bearing loans and borrowings

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 year and reduced by payments made in respect of the debts of the year. Finance costs of debt are allocated over the term of the debt at a constant rate on the carrying amount.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation.

No depreciation is provided on freehold land.

Tangible assets are depreciated so as to write off the cost by equal annual instalments over their lives, as follows:

Freehold buildings	- 5 - 50 years
Fixtures & fittings	- 3 - 10 years

The estimated economic lives of the freehold properties are reviewed annually and revised as appropriate, taking into consideration the levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals.

Notes to the financial statements
For the year ended 31 December 2014

2. Immediate and ultimate parent undertakings and controlling party

The immediate parent undertaking of Spire Property 13 Limited is Spire UK Holdco 4 Limited, a company registered in England and Wales.

On 23 July 2014, as part of the Reorganisation, the shares of the intermediate parent company of the company, Spire UK Holdco 2A Limited, were sold to Spire Healthcare Finance Limited, a wholly owned subsidiary undertaking of Spire Healthcare Group plc, following which Spire Healthcare Group plc became the ultimate parent company undertaking and controlling party of the company. The results of Spire Property 13 Limited are included in the consolidated financial statements of Spire Healthcare Group plc, which publishes consolidated accounts that are publicly available from the Spire Healthcare website (www.spirehealthcare.com).

3. Staff costs and directors' remuneration

The company had no employees during the year (2013: 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 (2013: nil) on the basis that the amount attributable to the company is negligible.

4. Interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable	<u>5</u>	<u>1</u>

5. Interest payable and similar charges

	2014 £000	2013 £000
Payable to other Group undertakings	1,301	2,128
Loan interest	2,316	4,608
Amounts arising on settlement of interest rate swap	5,813	-
	<u>9,430</u>	<u>6,736</u>

Notes to the financial statements
For the year ended 31 December 2014

6. Auditor's remuneration

	2014	2013
	£000	£000
Fees for the audit of the company	<u>3</u>	<u>3</u>

Fees for the audit of the company are borne by other group companies.

7. Tax on loss on ordinary activities

	2014	2013
	£000	£000
(i) Analysis of tax credit in year		
Current tax		
UK corporation tax on losses for the year	<u>(166)</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	<u>(1,275)</u>	<u>-</u>
	<u>(1,441)</u>	<u>-</u>

(ii) Factors affecting the tax credit

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 21.5% (2013: 23.25%). The differences are explained below:

	2014	2013
	£000	£000
Loss on ordinary activities before taxation	<u>(5,931)</u>	<u>(3,310)</u>
Applying the loss before tax to the UK corporation tax rate of 21.5% (2013: 23.25%)	(1,275)	(770)
Effects of:		
Non taxable expenses not deductible for tax purposes	(12)	169
Depreciation in excess of capital allowances	22	31
Losses carried forward	1,099	144
Group relief not paid for	<u>-</u>	<u>426</u>
Current tax for the year	<u>(166)</u>	<u>-</u>

Notes to the financial statements
For the year ended 31 December 2014

8. Fixed assets

	Freehold land & buildings £000	Fixtures & Fittings £000	Total £000
Cost			
At 1 January and 31 December 2014	65,104	914	66,018
Depreciation			
At 1 January 2014	6,385	779	7,164
Charge for the year	1,064	57	1,121
At 31 December 2014	7,449	836	8,285
Net Book Value			
At 31 December 2014	57,655	78	57,733
At 31 December 2013	58,719	135	58,854

9. Debtors

	2014 £000	2013 £000
Amounts due from other Group undertakings	-	1,135
Corporation tax	166	-
Accrued income	1,416	1,499
Deferred tax (note 14)	1,275	-
	<u>2,857</u>	<u>2,634</u>

Included in accrued income is £1,416,000 (2013: £1,499,000) that will reverse in more than one year.

10. Creditors - amounts falling due within one year :

	2014 £000	2013 £000
Amounts owed to other Group undertakings	999	944
Accruals and deferred income	-	294
Loans (note 12)	-	53,750
	<u>999</u>	<u>54,988</u>

Notes to the financial statements
For the year ended 31 December 2014

11. Creditors - amounts falling due after more than one year :

	2014 £000	2013 £000
Amounts owed to other Group undertakings	-	19,993
Accruals and deferred income	-	782
	<u>-</u>	<u>20,775</u>

Amounts due to other Group undertakings were settled during the year.

For 31 December 2013, amounts due to other Group undertakings were repayable in August 2038 and bore interest at 12% per annum.

12. Loans

	2014 £000	2013 £000
Amounts falling due - in one year or less	-	54,004
Less issue costs not yet amortised	-	(254)
	<u>-</u>	<u>53,750</u>

Bank loans and Payment in Kind (PIK) notes

	Fixed margin above LIBOR %	2014 £000	2013 £000
Tranche A - maturity date 30 June 2015	3.07	-	30,940
Tranche B - maturity date 30 June 2015	4.17	-	17,449
PIK notes - maturity date 30 June 2015	8.87	-	5,361
		<u>-</u>	<u>53,750</u>

The bank loans were settled on 23 July 2014 funded by cash received from its immediate parent company, Spire UK Holdco 4 Limited for the issuance of new shares, (see note 15). As a consequence the fixed charge over the property held by the company was released.

Notes to the financial statements
For the year ended 31 December 2014

13. Derivative fair value

The company had entered into an interest swap agreement to mitigate the risk of losses through interest rate rises on its variable rate bank loans. The fair value of this swap agreement was as follows:

	2014 £000	2013 £000
Interest rate swap liability	-	8,453

The interest rate swap liability was settled in 2014.

14. Deferred taxation

Deferred tax assets/(liabilities) are analysed as follows:

	2014 £000	2013 £000
Accelerated capital allowances	(437)	(458)
Trading losses	1,712	458
Deferred tax asset (note 9)	1,275	-

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. A reduction in the UK corporate tax rate to 20% on 1 April 2015 has been enacted and so deferred tax is primarily calculated at this rate as the timing differences are substantially expected to reverse after 1 April.

The company has losses carried forward of £8,564,000 (2013: £2,771,000) to offset against future profits.

Deferred tax assets have been recognised in respect of these losses to the extent that:

- they can be offset against existing deferred tax liabilities, such as those associated with accelerated capital allowances.
- it is sufficiently probable that suitable future profits will arise against which the losses can be recovered.

On 23 July 2014 the company repaid bank loans, interest rate swap liabilities and loans due to Spire UK Holdco 4 Limited as detailed in the Report of the directors. As a consequence the company has now significantly reduced its annual interest cost and the directors consider that they can reliably forecast future taxable profits such that deferred tax assets have been recognised of £1,275,000 (2013 £nil), for the first time, in respect of the losses that have not otherwise been offset against existing deferred tax liabilities.

Notes to the financial statements
For the year ended 31 December 2014

15. Share capital

	2014 £000	2013 £000
Allotted, called-up and fully paid		
1,000,000 (2013: 1,236,326) ordinary shares of £1 each	<u>1,000</u>	<u>1,236</u>

As part of the Reorganisation, on 23 July 2014 the company issued 1 ordinary share of £1 at a premium to its immediate parent company, Spire UK Holdco 4 Limited, for a cash consideration of £59.5 million.

On the same date the company issued 1 ordinary share of £1 at a premium to its immediate parent company, Spire UK Holdco 4 Limited, as settlement for its loan amount due of £21.3 million.

On 11 September 2014 the board of the company approved a reduction in capital, following which 236,328 ordinary shares were cancelled and extinguished.

16. Reconciliation of shareholders' funds/(deficit) and movements on reserves

	Share premium £000	Share capital £000	Profit and loss account £000	Total share- holders' (deficit)/ funds £000
At 1 January 2013	-	1,236	(12,201)	(10,965)
Loss for the year	-	-	(3,310)	(3,310)
At 31 December 2013	-	1,236	(15,511)	(14,275)
Shares issued in the year	80,750	-	-	80,750
Reduction of capital in the year	(80,750)	(236)	80,986	-
Loss for the year	-	-	(4,490)	(4,490)
Dividend paid in the period	-	-	(2,394)	(2,394)
At 31 December 2014	-	1,000	58,591	59,591

On 11 September 2014 the board of the company approved a reduction in capital, following which the share premium account of £80,750,000 was cancelled.

17. Contingent liabilities

On 11 July 2014 Spire Healthcare Group plc entered into a Senior Facility Agreement in the amount of £525,000,000 which has been guaranteed by the company and other material subsidiaries of the Group. The loan amounts outstanding at the balance sheet date were £425,000,000.