Registration No. 06487777

Fox Healthcare Acquisitions Limited

Annual report and financial statements

For the year ended 31 December 2019

Fox Healthcare Acquisitions Limited
Registration No. 06487777

Company Information

Directors	J J Ash P J Corfield J H Sodha
Company secretary	P W Davies (appointed on 31 March 2020)
Registered office	3 Dorset Rise London EC4Y 8EN
Auditors	Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE

Fox Healthcare Acquisitions Limited
Registration No. 06487777

Contents

Strategic Report for the Year Ended 31 December 2019

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

1. Principal activities and review of the business

The principal activities of Fox Healthcare Acquisitions Limited (the "Company") are to hold investments and the leasing of medical and other equipment to a fellow subsidiary undertaking of Spire Healthcare Group plc.

Results

The loss for the year, after taxation, amounted to £9,428k (2018: loss £7,461k). As at 31 December 2019, the Company had net assets of £16,252k (2018: £25,681k).

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.

2. Principal risks and uncertainties

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

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 Company. A second wave of infections in the autumn or winter of 2020-2021 could affect the Company's ability to continue its private healthcare activities if elective procedures are largely unable to continue as occurred from March 2020 to May 2020, or patient confidence falls. This could have a material impact on the Company's profitability and cash generation. Foreseeable scenarios from a second wave of COVID-19 infections have been modelled as part of the going concern and viability testing by management.

Credit risk

Credit risk arises principally from the Company's receivables of rent from Spire Healthcare Limited, the principal operating company and fellow group undertaking of Spire Healthcare Group plc, under leases with terms of up to five years.

Interest rate risk

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

Overall risk management

Overall risk is managed with reference to Spire Healthcare Group plc and its subsidiaries (the "Group") and the principal risks and uncertainties facing the Company are therefore integrated with those facing the Group as a whole. Further information is provided in the 2019 Annual Report and Accounts of Spire Healthcare Group plc, which is available at www.spirehealthcare.com.

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

....
J H Sodha

Director

Fox Healthcare Acquisitions Limited
Registration No. 06487777

Directors' Report
For the year ended 31 December 2019

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

Directors

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

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

Dividends

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

Future developments

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

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. The Directors of the Company have received written confirmations from both the ultimate parent company, Spire Healthcare 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 has 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 to defer 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, the Group agreed to support the NHS during the COVID-19 pandemic, which resulted in certain cash costs being covered, and have also confirmed Heads of Terms for a further variation to the NHS England contract in August to allow 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 the NHSE provide Spire Healthcare 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. Spire Healthcare currently has a Senior

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

Going concern (continued)

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 (with more detail available in the Risk Management and Internal Control Section) 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 19.

Directors' indemnity

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

Disclosure of information to auditor

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

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

Reappointment of auditors

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

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

....
J H Sodha

Director

Fox Healthcare Acquisitions Limited
Registration No. 06487777

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 Fox Healthcare Acquisitions Limited

Opinion

We have audited the financial statements of Fox Healthcare Acquisitions 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 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 2019 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.

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 note 2 and 19 of the financial statements, which describes the economic and social actions 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 Fox Healthcare Acquisitions 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 Fox Healthcare Acquisitions 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

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

Reading
8 October 2020

Fox Healthcare Acquisitions Limited
Registration No. 06487777

Income Statement
For the year ended 31 December 2019

	Note	2019 £'000	2018 £'000
Other income		1	-
Operating profit		**1**	**-**
Interest receivable and similar income	7	5,060	4,316
Interest payable to Group undertakings	8	(16,368)	(14,362)
Net finance expense		(11,308)	(10,046)
Loss before taxation		**(11,307)**	**(10,046)**
Taxation	9	1,879	2,585
Loss for the year		**(9,428)**	**(7,461)**

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.

Fox Healthcare Acquisitions Limited
Registration No. 06487777

Statement of Financial Position
As at 31 December 2019

	Note	2019 £'000	2018 £'000
Non-current assets			
Investments	10	103,732	103,732
Trade and other receivables	11	120,280	117,903
		224,012	**221,635**
Current assets			
Trade and other receivables	11	29,918	10,989
Income tax receivable	9	7,237	4,763
Cash at bank		22	22
		37,176	**15,774**
Payables: amounts falling due within one year	13	(112,719)	(93,519)
Net current liabilities		**(75,543)**	**(77,745)**
Total assets less current liabilities		**148,469**	**143,890**
Payables: amounts falling due after more than one year	14	(125,192)	(111,778)
Deferred tax liabilities		(7,025)	(6,431)
Net assets		**16,252**	**25,681**
Capital and reserves			
Share capital	15	4,576	4,576
Capital reserve	16	135,000	135,000
Retained earnings		(123,324)	(113,895)
Total Equity		**16,252**	**25,681**

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

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

....
J H Sodha

Director

Fox Healthcare Acquisitions Limited
Registration No. 06487777

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

	Share capital £'000	Capital reserve £'000	Retained earnings £'000	Total equity £'000
At 1 January 2018	**4,576**	**135,000**	**(106,434)**	**33,142**
Loss for the financial year	-	-	(7,461)	(7,461)
Total comprehensive expense	-	-	(7,461)	(7,461)
At 31 December 2018	**4,576**	**135,000**	**(113,895)**	**25,681**
At 1 January 2019	**4,576**	**135,000**	**(113,895)**	**25,681**
Adjustment in respect of a prior period	-	-	(1)	(1)
Loss for the financial year	-	-	(9,428)	(9,428)
Total comprehensive expense	-	-	**(9,428)**	**(9,428)**
At 31 December 2019	**4,576**	**135,000**	**(123,324)**	**16,252**

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

1 General information

Fox Healthcare Acquisitions 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.

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 Spire Healthcare 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 has 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. Spire Healthcare 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 (with more detail available in the Risk Management and Internal Control Section) 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.

Investments

Investments in subsidiaries are held at historical cost less provisions for impairment. In testing for impairment, the carrying values of the investments are compared to its recoverable amount, being its fair value less costs of disposal.

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.

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.

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

2 Accounting policies (continued)

Current and deferred taxation (continued)

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 review at each balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforcement right exists to set off current tax assets against current tax liabilities, the deferred taxes relates to the same taxation authority and that authority permits the Company to make a single net payment.

Cash and cash equivalents

Cash and cash equivalents comprise of cash balances and call deposits.

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.

Leases

Leasing arrangements which transfer to the Company substantially all the risks and rewards of ownership of an asset are treated as if the asset had been purchased outright.

Interest on finance leases is charged at a rate of 3% above LIBOR. An element of the interest charge is therefore variable with movements in LIBOR and this element is accounted for as contingent rent and recognised in the income statement in the period in which it is charged. The fixed component is recognised in the income statement over the period of the lease and represents a constant proportion of the balance of the capital repayments outstanding.

The capital element of the leasing balance receivable is included in debtors at an amount equal to the company's net investment in the lease. Lease rentals comprise capital and interest elements. The capital element of the lease is typically settled at the end of each lease term, applied in the reduction of the outstanding lease obligation and the interest element is credited to the income statement.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

2 Accounting policies (continued)

Financial assets and liabilities

Classification

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 Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, 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.

The Company determines the classification of financial liabilities at initial recognition.

Recognition, measurement and impairment

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.

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.

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.

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.

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.

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 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 Loss on ordinary activities before taxation

Operating loss on ordinary activities is arrived after charging/(crediting):

	2019 £'000	2018 £'000
Net proceeds from disposal of assets	1	-

5 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.

6 Auditor's remuneration

The audit fee for the Company of £4k (2018: £3k) 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.

7 Interest receivable and similar income

	2019 £'000	2018 £'000
Interest receivable from other Group undertakings	216	190
Finance lease interest from Group undertakings	4,844	4,126
	5,060	**4,316**

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

8 Interest payable and similar charges

	2019 £'000	2018 £'000
Interest payable to other Group undertakings	16,368	14,362
	16,368	**14,362**

9 Taxation

	2019 £'000	2018 £'000
Current tax		
UK corporation tax on profits of the year	(5,350)	(4,763)
UK corporation tax adjustment to prior period	2,876	(75)
Total current tax	(2,474)	(4,838)
Deferred tax		
Origination and reversal of temporary differences	2,917	2,554
Adjustments in respect of prior periods	(2,322)	(301)
Total deferred taxation	595	2,253
Total tax credit	**(1,879)**	**(2,585)**

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 reconciled below:

	2019 £'000	2018 £'000
Loss before tax	(11,307)	(10,046)
Corporation tax at standard rate	(2,148)	(1,909)
Tax effects of:		
UK corporation tax adjustment to prior period	554	(376)
Permanent items for tax purposes	53	-
Effects of rate change to deferred tax	(338)	(300)
Total tax credit	**(1,879)**	**(2,585)**

The current tax credit represents the amounts receivable from other Group undertakings in respect of group relief surrendered for taxation purposes.

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

9 Taxation (continued)

Deferred tax relates to the following:

	Statement of financial position	
	2019	**2018**
	£'000	**£'000**
Leases	(7,025)	(6,431)

The Government have announced the cancellation 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.

The impact expected in 2020 to revalue the deferred tax liability to 19% from 17% is £826k charge to the income statement.

The Company has losses carried forward of £11,743k (2018: 11,743k) to offset against future profits. A deferred tax asset has not been recognised in respect of these losses as the recoverability of these losses is currently uncertain.

10 Investments

	Investments in subsidiary companies £'000
Cost or valuation	
At 1 January 2019	103,732
At 31 December 2019	**103,732**
Carrying value	
At 31 December 2019	**103,732**
At 31 December 2018	103,732

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.

The subsidiary undertakings of the company as at balance sheet date are shown below, which, unless otherwise indicated, are wholly owned and are registered in England and Wales.

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

10 Investments (continued)

Name of subsidiary	Principal activity	Registered office	Class of share
Classic Hospitals Group Limited*	Holding company	England and Wales	Ordinary
Classic Hospitals Property Limited	Property company	England and Wales	Ordinary
Classic Hospitals Limited	Non-trading	England and Wales	Ordinary

* directly owned

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

11 Trade and other receivables

	2019 £'000	2018 £'000
Amounts falling due within one year:		
Amounts owed by other Group undertakings	7,623	7,407
Finance lease receivables	22,295	3,582
	29,918	**10,989**

Amounts owed by Group and subsidiary undertakings are unsecured and repayable on demand. Income tax receivable of £7,237k (2018: £4,763k), shown on the face of the balance sheet, reflects group relief payments for the 2018 and 2019 year. These expect to be settled in 2020.

	2019 £'000	2018 £'000
Amounts falling due after more than one year:		
Finance lease receivables	120,280	117,903
	120,280	**117,903**

Amounts owed by Group undertakings are unsecured and due in more than one year.

Plant and equipment assets are leased to fellow subsidiary undertakings of Spire Healthcare Group plc under terms as set out in the master lease agreements. Interest is chargeable at 3% above the 3 month LIBOR rate and is settled quarterly in arrears. Other rental payments are due at the end of the lease term. Assets are leased on a rolling basis under the master lease agreements. The lease term applicable to each leased asset group is the lower of 5 years and the useful life of the assets, where the asset lives are less than 5 years.

The Company adopted IFRS 9 Financial Instruments from 1 January 2018 and now applies the IFRS 9 simplified approach to measuring Expected Credit Losses (ECLs). The Company considers the ECL provisions to be immaterial to its results and that the debtors are fully recoverable.

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

12 Obligations under leases and hire purchase contracts

The Company leases equipment to another company within the Group. There are no residual value guarantees as the assets are generally sold at the end of the lease so the lessee, or to a third party. The risk is considered low due the nature of the leasing arrangement being within the same Group.

Finance leases

	Minimum lease payments £'000	Present value £'000
2019		
Within one year	22,701	22,295
After one year but not more than five years	132,164	120,280
Total minimum lease payments	154,865	142,575
Finance charges allocated to future periods	(12,290)	-
Present value of minimum lease payments	**142,575**	**142,575**

	Minimum lease payments £'000	Present value £'000
2018		
Within one year	3,645	3,582
After one year but not more than five years	131,243	117,903
Total minimum lease payments	134,888	121,485
Finance charges allocated to future periods	(13,403)	-
Present value of minimum lease payments	**121,485**	**121,485**

The present values of future finance lease payments are analysed as follows:

	2019 £'000	2018 £'000
Current assets	22,295	3,582
Non-current assets	120,280	117,903
	142,575	**121,485**

13 Payables: Amounts falling due within one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	112,719	93,519

The amount owed to Group undertakings is unsecured and is repayable on demand.

14 Payables: Amounts falling due after more than one year

	2019 £'000	2018 £'000
Amounts owed to Group undertakings	125,192	111,778

The amount owed to parent undertakings is unsecured and interest bearing at the rate of 12% per annum (2018: 12%) and is repayable in September 2038.

15 Share capital

Allotted, called up and fully paid shares

	2019 £'000	2018 £'000
4,576,000 ordinary shares of £1 each	4,576	4,576

16 Capital reserves

On 18 December 2013, Fox Healthcare Holdco 2 Limited, the parent company provided funding of £120 million to the Company by way of a capital contribution. In November 2015, the Company received a capital contribution from Spire Healthcare Holdings 3 Limited an indirect parent undertaking, in the form of a capital contribution.

17 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 £425,000k (2018: £425,000k), and the revolving facility remains undrawn (2018: Undrawn).

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

18 Parent and ultimate parent undertaking

The Company's immediate parent undertaking is Fox Healthcare Holdco 2 Limited, a company registered in England and Wales.

The Company's ultimate parent undertaking is Spire Healthcare Group plc, a company registered in England and Wales. Spire Healthcare Group plc heads the smallest and largest group which prepares consolidated financial statements in which the results of the Company are included. The financial statements of Spire Healthcare Group plc are available at www.spirehealthcare.com or from The Company Secretary, 3 Dorset Rise, London EC4Y 8EN, which is also the registered office of the ultimate parent.

19 Post balance sheet events

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 our 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 will allow Spire 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 latest. Further information can be found in the RNS released on 13 August.

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.