Company Registration No. 06342689 (England and Wales)

SPIRE UK HOLDCO 4 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

SPIRE UK HOLDCO 4 LIMITED

COMPANY INFORMATION

Directors	J J Ash P J Corfield J H Sodha
Secretary	P W Davies
Company number	06342689
Registered office	3 Dorset Rise London EC4Y 8EN
Auditor	Ernst & Young LLP Apex Plaza Forbury Road Reading RG1 1YE

SPIRE UK HOLDCO 4 LIMITED

CONTENTS

The Directors present the strategic report for the year ended 31 December 2020.

Directors' duties and Section 172 statement
Spire UK Holdco 4 Limited (the "Company"), as an intermediate holding company, has no employees or suppliers and as such the Directors primarily consider the interests of the Spire Healthcare Group ("the Group") and its ultimate parent company, Spire Healthcare Group plc ("SPLC") and its subsidiary, Spire Healthcare Limited, when having regard to performing their duties on matters set out under Section 172 as outlined below:

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

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

Review of the business
Fair review of the business
The Directors carried out an assessment of the value of a number of the Company's investments in subsidiary undertakings as at 31 December 2020, taking account of 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 £11,751,000 (2019: increased by £3,178,000).

Principal risks and uncertainties
COVID-19 – a new Principal Risk
The Board considers that the COVID-19 virus represents an ongoing material risk to the Group. Further waves of infections, for example from new variants, in 2021 could affect the Group's ability to continue its private healthcare activities if elective procedures are largely unable to continue as occurred March 2020 – May 2020, or patient confidence falls. This could have a material impact on the Group's profitability and cash generation. Foreseeable scenarios from further waves 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 2020 Annual Report and Accounts of Spire Healthcare Group plc, which is available at www.spirehealthcare.com.

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.

On behalf of the board

J H Sodha
Director
22 July 2021

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors present their annual report and financial statements for the year ended 31 December 2020.

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

Results and dividends
The profit for the year, after taxation, amounted to £1,812,000 (2019: £17,950,000).

An ordinary dividend of £46,534,000 was paid in the year (2019: £45,670,000).

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

J J Ash	
P J Corfield	
J H Sodha	
D F Toner	(Resigned 31 March 2020)

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

Post reporting date events
Details of post balance sheet events impacting the Company are included in note 18.

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

Auditor
The auditor, Ernst & Young LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the Company's auditor is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Company operates as part of the Spire Healthcare Group. The day to day liquidity requirements of the Company are sourced either from within the Company or, where necessary, from the continued support of certain other entities within the Spire Healthcare Group, such support having been confirmed in writing by Spire Healthcare Group plc as available until 31 December 2022.

The Board considers that the COVID-19 virus represents an ongoing material risk to the Group. Further waves of infections, for example from new variants, in 2021 could affect the Group's ability to continue its private healthcare activities if elective procedures are largely unable to continue as occurred March 2020 – May 2020, or patient confidence falls. This could have a material impact on the Group's profitability and cash generation. Foreseeable scenarios from further waves of COVID-19 infections have been modelled as part of the going concern.

In 2020, the material mitigation against loss of income from suspended elective procedures was the NHSE contract. As set out in the Group's announcement on 13 August 2020, NHSE and independent hospital providers agreed terms for the variation of the NHSE Contract. The variation allowed Spire Healthcare to undertake a phased transition back to normal business, by providing NHS elective care to reduce waiting lists, whilst increasing private activity in its 35 English hospitals. The NHSE Contract, and subsequent variation, remained in place until 31 December 2020.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Specific scenarios covered by its testing were as follows:

- a key hospital is subject to permanent or temporary suspension of trade, for example, due to a major fire or regulatory matter;
- the Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems;
- the downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer;
- significant change in Government or NHS policy; and
- the business is subject to significant uninsured losses arising from medical malpractice, negligence or similar claims.

This review included the following key assumptions:

- no change in capital structure given the Group extended its existing senior finance facility and revolving credit facility to mature in July 2023; and
- the Government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS.

The Group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it no longer forecasts a positive cash balance.

This stress testing was based on flexing revenue downwards with a consistent percentage decline in variable costs, whilst maintaining the forecast of fixed costs. The testing did not allow for the benefit of any action that could be taken by management to preserve cash. This testing suggested that there would have to be at least a 35% fall in annual revenue before the Group no longer forecast a positive cash balance. We do not believe that such a reduction of income revenue is a plausible consequence of the Group's identified principal risks.

Going concern (continued)

Based on the results of this analysis, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Based on the current assessment of the likelihood of these risks arising by the 31 December 2022, together with their assessment of the planned mitigating actions being successful, the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis.

Approved by the Board and signed on its behalf by:

J H Sodha
Director

22 July 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

The Directors are responsible 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 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 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

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 2021 which comprise the Income Statement, the Statement of Financial Position, Statement of changes in equity and the related notes1 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 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period up to the end of July 2022 from when the financial statements are authorised for issue.

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

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, employees and GDPR.
- Based on our understanding we designed our audit procedures to identify non-compliance with these laws and regulations and to respond to the assessed risks. Our procedures included verifying that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006. Compliance with other operational laws and regulations was covered through inquiry with management and the Directors, reading of board minutes and correspondence with relevant authorities with no indication of non-compliance identified.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address the risk identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved; review of board minutes to identify non-compliance with such laws and regulations; enquiries with management; testing of manual journals identified by specific risk criteria.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur through internal team conversations and inquiry of management and those charged with governance. Through these procedures we determined there to be a risk of management override of control through fraudulent manual top-side adjustments. In order to address the risk, we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation.

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

Spela Stefanov (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
23 July 2021

SPIRE UK HOLDCO 4 LIMITED

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £'000	2019 £'000
Impairment of investments		(11,751)	(3,178)
Operating loss		(11,751)	(3,178)
Income from shares in group undertakings	7	46,534	45,670
Interest receivable from group undertakings	7	1,107	1,353
Finance costs	8	(41,813)	(37,332)
(Loss)/profit before taxation		(5,923)	6,513
Tax on (loss)/profit	9	7,735	11,437
Profit and total comprehensive income for the financial year		1,812	17,950

The income statement has been prepared on the basis that all operations are continuing operations.

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

SPIRE UK HOLDCO 4 LIMITED

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		2020		2019	
	Notes	**£'000**	**£'000**	**£'000**	**£'000**
Non-current assets					
Investments	**11**		586,526		598,277
Current assets					
Trade and other receivables	**13**	70,579		61,737	
Net current assets			70,579		61,737
Total assets less current liabilities			657,105		660,014
Non-current liabilities	**15**		(390,255)		(348,442)
Net assets			266,850		311,572
Equity					
Called up share capital	**16**		1,000		1,000
Retained earnings			265,850		310,572
Total equity			266,850		311,572

The notes set out on pages 14 - 27 are an intergral part of these financial statements.

The financial statements were approved by the board of directors and authorised for issue on 22 July 2021 and are signed on its behalf by:

J H Sodha
Director

Company Registration No. 06342689

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital £'000	Retained earnings £'000	Total £'000
Balance at 1 January 2019		1,000	338,292	339,292
Year ended 31 December 2019:				
Profit and total comprehensive income for the year		-	17,950	17,950
Dividends	10	-	(45,670)	(45,670)
Balance at 31 December 2019		1,000	310,572	311,572
Year ended 31 December 2020:				
Profit and total comprehensive income for the year		-	1,812	1,812
Dividends	10	-	(46,534)	(46,534)
Balance at 31 December 2020		1,000	265,850	266,850

1 Accounting policies

Company 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.

1.1 Accounting convention

The financial statements have been prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and in accordance with applicable accounting standards.

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.

1 Accounting policies **(Continued)**

1.2 Going concern

The Company operates as part of the Spire Healthcare Group. The day to day liquidity requirements of the Company are sourced either from within the Company or, where necessary, from the continued support of certain other entities within the Spire Healthcare Group, such support having been confirmed in writing by Spire Healthcare Group plc as available until 31 December 2022.

The Board considers that the COVID-19 virus represents an ongoing material risk to the Group. Further waves of infections, for example from new variants, in 2021 could affect the Group's ability to continue its private healthcare activities if elective procedures are largely unable to continue as occurred March 2020 – May 2020, or patient confidence falls. This could have a material impact on the Group's profitability and cash generation. Foreseeable scenarios from further waves of COVID-19 infections have been modelled as part of the going concern.

In 2020, the material mitigation against loss of income from suspended elective procedures was the NHSE contract. As set out in the Group's announcement on 13 August 2020, NHSE and independent hospital providers agreed terms for the variation of the NHSE Contract. The variation allowed Spire Healthcare to undertake a phased transition back to normal business, by providing NHS elective care to reduce waiting lists, whilst increasing private activity in its 35 English hospitals. The NHSE Contract, and subsequent variation, remained in place until 31 December 2020.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Specific scenarios covered by its testing were as follows:

- a key hospital is subject to permanent or temporary suspension of trade, for example, due to a major fire or regulatory matter;
- the Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems;
- the downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer;
- significant change in Government or NHS policy; and
- the business is subject to significant uninsured losses arising from medical malpractice, negligence or similar claims.

This review included the following key assumptions:

- no change in capital structure given the Group extended its existing senior finance facility and revolving credit facility to mature in July 2023; and
- the Government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS.

1 Accounting policies **(Continued)**

The Group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it no longer forecasts a positive cash balance.

This stress testing was based on flexing revenue downwards with a consistent percentage decline in variable costs, whilst maintaining the forecast of fixed costs. The testing did not allow for the benefit of any action that could be taken by management to preserve cash. This testing suggested that there would have to be at least a 35% fall in annual revenue before the Group no longer forecast a positive cash balance. We do not believe that such a reduction of income revenue is a plausible consequence of the Group's identified principal risks.

Based on the results of this analysis, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the next three years.

Based on the current assessment of the likelihood of these risks arising by the 31 December 2022, together with their assessment of the planned mitigating actions being successful, the Directors have concluded that it is appropriate to prepare the accounts on a going concern basis.

1.3 Non-current investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.4 Financial assets

Financial assets are recognised in the Company's statement of financial position when the Company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

1 Accounting policies **(Continued)**

Financial assets at fair value through profit or loss
When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

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, 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'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, trade and other receivables and interest bearing loans receivable.

Financial assets held at amortised cost
Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Financial assets at fair value through other comprehensive income
Debt instruments are classified as financial assets measured at fair value through other comprehensive income where the financial assets are held within the Company's business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument measured at fair value through other comprehensive income is recognised initially at fair value plus transaction costs directly attributable to the asset. After initial recognition, each asset is measured at fair value, with changes in fair value included in other comprehensive income. Accumulated gains or losses recognised through other comprehensive income are directly transferred to profit or loss when the debt instrument is derecognised.

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.

1 Accounting policies ***(Continued)***

Impairment of financial assets
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 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.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership to another entity.

1.5 Financial liabilities
The Company recognises financial debt when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss
Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

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

1 Accounting policies **(Continued)**

Other financial liabilities
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 and charged to the Income Statement.

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

Derecognition of financial liabilities
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.

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

Equity shares are included in shareholders' funds. Other instruments are classified as liabilities if they contain an obligation to transfer economic benefits and if not they are included in shareholders' funds. The finance cost recognised in the profit and loss account in respect of capital instruments other than equity shares is allocated to periods over the term of the instrument at a constant rate on the carrying amount.

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.

1.7 Taxation
The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset when the Company has a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

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.

1.8 Interest income

Interest is recognised on an effective interest rate basis.

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

In the current year, the following new and revised Standards and Interpretations have been adopted by the Company and have an effect on the current period or a prior period or may have an effect on future periods:

Standard or interpretation	Effective
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020

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

3 Critical accounting estimates and judgements

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

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

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

Critical judgements

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 Auditor's remuneration

	2020	2019
Fees payable to the Company's auditor and associates:	£'000	£'000
For audit services		
Audit of the financial statements of the Company	3	2

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

5 Employees

The Company had no employees during the year (2019: Nil) and consequently incurred no staff costs.

6 Directors' remuneration

Emoluments for the Directors of the Company are paid for by Spire Healthcare Limited, a fellow subsidiary of Spire Healthcare Group plc. Spire Healthcare Limited has not recharged any amount to the Company (2019: £nil) on the basis that the amount attributable to the Company is negligible.

7 Investment income

	2020 £'000	2019 £'000
Interest income		
Interest receivable from group companies	1,107	1,353
Income from fixed asset investments		
Income from shares in group undertakings	46,534	45,670
Total income	47,641	47,023

8 Finance costs

	2020 £'000	2019 £'000
Interest on financial liabilities measured at amortised cost:		
Interest payable to group undertakings	41,813	37,332

9 Taxation

	2020 £'000	2019 £'000
Current tax		
UK corporation tax on profits for the current period	(7,735)	(6,836)
Adjustments in respect of prior periods	-	(4,601)
Total UK current tax	(7,735)	(11,437)

The charge for the year can be reconciled to the (loss)/profit per the income statement as follows:

	2020 £'000	2019 £'000
(Loss)/profit before taxation	(5,923)	6,513
Expected tax (credit)/charge based on a corporation tax rate of 19.00% (2019: 19.00%)	(1,125)	1,237
Effect of expenses not deductible in determining taxable profit	2,232	604
Income not taxable	(8,842)	(8,677)
Adjustment in respect of prior years	-	(4,601)
Taxation credit for the year	(7,735)	(11,437)

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

The Finance Act 2021, which received Royal Assent in June 2021, enacted a corporation tax rate of 25% to apply from April 2023.

10 Dividends

	2020 £ per share	2019 £ per share	2020 £'000	2019 £'000
Amounts recognised as distributions to equity holders:				
Ordinary share				
Interim dividend paid	46.53	45.67	46,534	45,670

11 Investments

	Current 2020 £'000	2019 £'000	Non-current 2020 £'000	2019 £'000
Investments in subsidiaries	-	-	586,526	598,277

Fair value of financial assets carried at amortised cost

The Directors consider that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

Fixed asset investments revalued

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 cashflows 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 cashflows have not been adjusted.

The Directors carried out an assessment of the value of its investments in subsidiary undertakings as at 31 December 2020, 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 £105,475,000 (2019: £93,724,000).

The subsidiary undertakings of the Company as at 31 December 2020 are shown in note 12.

11 Investments **(Continued)**

Movements in non-current investments

	Shares in group undertakings £'000
Cost or valuation	
At 1 January 2020 & 31 December 2020	692,001
Impairment	
At 1 January 2020	(93,724)
Impairment losses	(11,751)
At 31 December 2020	(105,475)
Carrying amount	
At 31 December 2020	586,526
At 31 December 2019	598,277

12 Subsidiaries

Details of the Company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Address	Principal activities	% Held Direct
Spire Property 1 Limited	1	Property company	100.00
Spire Property 4 Limited	1	Property company	100.00
Spire Property 5 Limited	1	Property company	100.00
Spire Property 6 Limited	1	Property company	100.00
Spire Property 13 Limited	1	Property company	100.00
Spire Property 16 Limited	1	Property company	100.00
Spire Property 17 Limited	1	Property company	100.00
Spire Property 18 Limited	1	Property company	100.00
Spire Property 19 Limited	1	Property company	100.00
Spire Property 23 Limited	1	Property company	100.00

Registered office address:

1 3 Dorset Rise, London, EC4Y 8EN, England

13 Trade and other receivables

	2020 £'000	2019 £'000
Corporation tax recoverable	7,734	17,564
Amounts owed by fellow group undertakings	62,845	44,173
	70,579	61,737

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

14 Borrowings

	2020 £'000	2019 £'000
Unsecured borrowings at amortised cost		
Loans from fellow group undertakings	390,255	348,442

Analysis of borrowings

Borrowings are classified based on the amounts that are expected to be settled within the next 12 months and after more than 12 months from the reporting date, as follows:

	2020 £'000	2019 £'000
Non-current liabilities	390,255	348,442

The amounts owed to Group undertakings are loans repayable at par in August 2038. Under the terms of these loan notes, at the option of the issuer, interest arising thereon may be capitalised. During 2020, interest of £41,813,000 was capitalised (2019: £37,333,000).

The loan notes are in GBP, carry a nominal interest rate of 12% and have a principal of £240,274,000.

15 Liabilities

		Non-current	
	Notes	2020 £'000	2019 £'000
Borrowings	14	390,255	348,442

16 Share capital

	2020 £'000	2019 £'000
Ordinary share capital		
Issued and fully paid		
1,000,000 Ordinary share of £1 each	1,000	1,000

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 2.25% over LIBOR (2019: 2.50% over LIBOR). In July 2018, the Group extended the maturity of its bank loan facility for a further three years. During 2020, the bank loan was extended again, to July 2023.

As was announced in September 2020, following the Covid-19 pandemic and Spire Healthcare's subsequent support to the NHS, the Group obtained agreement from its lenders that net debt to EBITDA and interest cover ratio covenant testing would be waived for June 2021. A new liquidity measure replaced these tests and requires cash and cash equivalents, including headroom under undrawn committed facilities, to remain above £50m.

For December 2021 the agreement allows for a maximum net debt to EBITDA ratio of 6x, if this measure has not already dipped below 4x at any month end from June to November 2021. If the ratio does fall below this, then the maximum leverage ratio reverts to 4x at 31 December 2021.

At 31 December 2020 the net debt / EBITDA ratio was 3.9x, the loan amount outstanding was £425,000,000 (2019: £425,000,000), and the revolving facility remained undrawn (2019: Undrawn).

18 Events after the reporting date

Entity Rationalisation

Subsequent to year-end, in order to simplify the structure of Spire Healthcare Group plc and its subsidiaries (the "Group") and reduce costs, the Group has undertaken a process in which the following companies within the Group have been identified for either members voluntary liquidation or voluntary strike-off:

- Classic Hospitals Group Limited
- Fox Healthcare Holdco 2 Limited
- Spire UK Holdco 2A Limited
- Spire Healthcare Holdings 1
- Spire Cambridge (Disposal) Limited
- Spire Fertility (Disposal) Limited
- Spire Healthcare Group UK Limited
- SHC Holdings Limited
- Spire Healthcare Holdings 3 Limited
- Spire Healthcare Holdings 2 Limited
- Classic Hospitals Limited
- Lifescan Limited
- Spire Thames Valley Hospital Limited

As of the date that these financial statements are approved and signed by the board of the Directors, the process is ongoing however the Directors confirm that they expect all required documentation for the above process to be filed with Companies House by the end of 2021.

Recommended Cash Offer from Ramsay Health Care Limited
On 26 May 2021, the boards of Ramsay Health Care Limited and Spire Healthcare Group plc announced that they had reached agreement on the terms of a recommended cash acquisition of the entire issued and to be issued ordinary share capital of Spire by Ramsay's wholly owned subsidiary, Ramsay Health Care (UK) Limited. On 5 July 2021, Ramsay announced that it had increased its offer price to acquire Spire. The transaction was to be effected by means of a Court-sanctioned scheme of arrangement under Part 26 of the Companies Act.

The Court Meeting and the General Meeting to approve the transaction was held on 19 July 2021 at the offices of J.P. Morgan, 60 Victoria Embankment, London EC4Y 0JP. At these meetings, Shareholder votes needed to approve the resolutions to effect the acquisition failed to meet the required 75% threshold and therefore the acquisition was terminated and the scheme has lapsed. As a result, there is no bearing on the going concern assessment for the Company.

More details of the events are available on Spire Healthcare Group plc's website at https:// investors.spirehealthcare.com/news/regulatorynews/.

19 Controlling party

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.