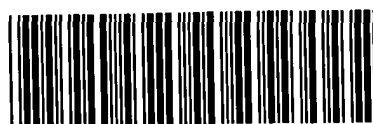


Registered No. 05389607

Classic Hospitals Property Limited

**Annual Report and Audited Financial Statements
For the year ended 31 December 2016**

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COMPANIES HOUSE

As required by the Companies Act 2006, the directors of Classic Hospitals Property Limited (the "Company") present the annual report containing a Strategic report, Directors' report and the financial statements for the year ended 31 December 2016.

Strategic report
for the year ended 31 December 2016

1. Business review and principal activity

The principal activity of the Company is the ownership and leasing of private hospitals.

The Company leases its private hospitals to other group undertakings of the Spire Healthcare group under long leases, further details of which are contained in note 13. There were no changes in its activities during the year.

As at 31 December 2016 the Company had net assets of £68,204,000 (2015: £65,549,000).

Results

The results of the Company for the year show a profit after taxation of £2,655,000 (2015: £4,039,000).

The rental income for the year is offset by £1,518,000 to reflect the release of accrued income relating to the lease on Spire St Saviour's Hospital which was terminated and surrendered to the company on 16 December 2015.

Key performance indicators

In view of the straightforward nature of the business, the directors do not consider that the use of key performance indicators is 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 include the following:

Credit risk

Credit risk arises principally from the Company's receivables of rent from Spire Healthcare Limited, another group Company.

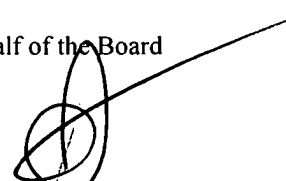
Interest rate risk

The Company is exposed to interest rate risk arising from fluctuations in market rates.

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 2016 Annual Report and Accounts of Spire Healthcare Group plc, which are available at www.spirehealthcare.com.

On behalf of the Board



D-F Toner

Secretary & Director

4 May 2017

Directors' report
for the year ended 31 December 2016

1. Directors

The names of directors who have held office between 1 January 2016 and up to the date of this report are as follows:

S Gordon

R Roger - resigned 30 June 2016

D F Toner

A W N White - appointed 1 July 2016

C L Mason - appointed 6 February 2017

2. Dividends

No ordinary dividend has been proposed for the year ended 31 December 2016 (2015: £nil).

3. Future developments

No changes are expected in the Company's activities in the foreseeable future.

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

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

5. Going concern

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

6. Auditor

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

7. Disclosure of information to auditor

The directors who were members of the board at the time of approving the Directors' report are shown page 2. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that:

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

Registered Office :

3 Dorset Rise
London
EC4Y 8EN

4 May 2017

On behalf of the Board

A handwritten signature in black ink, consisting of a large, stylized loop followed by a horizontal stroke extending to the right.

D F Toner
Secretary & Director

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic report, Directors' 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), including Financial Reporting Standard 101 "Reduced Disclosure Framework"(FRS 101). Under Company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those financial statements, the directors are required to:

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

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

We have audited the financial statements of Classic Hospitals Property Limited for the year ended 31 December 2016 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Equity, the Balance Sheet and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

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

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Independent auditor's report to the members of Classic Hospitals Property Limited - continued

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

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



Debbie O'Hanlon (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

8 May 2017

Classic Hospitals Property Limited
Registered No. 05389607

Income statement
for the year ended 31 December 2016

	<i>Notes</i>	2016 £000	2015 £000
Rental income		3,737	6,161
Depreciation	8	<u>(436)</u>	<u>(457)</u>
Operating profit		3,301	5,704
Interest receivable and similar income	6	116	43
Interest payable to subsidiary undertaking		<u>-</u>	<u>(577)</u>
Profit before taxation		3,417	5,170
Taxation	7	(762)	(1,131)
Profit for the year		<u>2,655</u>	<u>4,039</u>

The operating profit is all derived from continuing operations.

Classic Hospitals Property Limited
Registered No. 05389607

Statement of comprehensive income
for the year ended 31 December 2016

The Company has no other gains and losses and therefore no statement of total comprehensive income has been presented.

Statements of changes in equity
for the year ended 31 December 2016

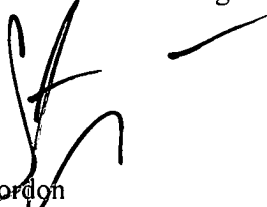
	Share capital £000	Retained earnings £000	Total equity £000
As at 1 January 2015	28,649	32,861	61,510
Profit for the year	-	4,039	4,039
Total comprehensive income for the year	-	4,039	4,039
As at 1 January 2016	28,649	36,900	65,549
Profit for the year	-	2,655	2,655
Total comprehensive income for the year	-	2,655	2,655
Balance at 31 December 2016	28,649	39,555	68,204

Classic Hospitals Property Limited
Registered No. 05389607

Balance Sheet
as at 31 December 2016

	<i>Notes</i>	2016 £000	2015 £000
Fixed assets			
Investment properties	8	25,561	25,997
Investment in subsidiary undertakings	9	29,007	29,007
		54,568	55,004
Current assets			
Other debtors	10	14,398	11,676
Creditors: amounts falling due within one year			
Other creditors	11	(762)	(1,131)
Net current assets		13,636	10,545
Total assets less current liabilities		68,204	65,549
Equity			
Called up share capital	12	28,649	28,649
Profit and loss account		39,555	36,900
Equity shareholders' funds		68,204	65,549

These financial statements were approved and authorised for issue by the board of directors on 4 May 2017 and were signed on its behalf by


S Gordon
Director

Notes to the financial statements
for the year ended 31 December 2016

1. Authorisation of financial statements and statement of compliance with FRS 101

The financial statements of Classic Hospitals Property Limited (the 'Company') for the year ended 31 December 2016 were authorised for issue by the board of directors on 4 May 2017 and the balance sheet was signed on the board's behalf by Simon Gordon.

Classic Hospitals Property Limited is incorporated and domiciled in England and Wales.

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

The Company's financial statements are presented in sterling and all values are rounded to the nearest thousand pounds (£000) except when otherwise indicated.

The principal accounting policies adopted by the Company are set out in note 2.

2. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with FRS 101 for all periods presented.

As described in note 3 the company is a wholly owned subsidiary undertaking of Spire Healthcare Group plc, a public limited company registered in England and Wales, which publishes consolidated accounts that are publicly available from the Spire Healthcare website (www.spirehealthcare.com).

The Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- (a) the requirements of IAS 7 *Statement of Cash Flows*
- (b) the requirements of paragraph 17 of IAS 24 *Related Party Disclosures*
- (c) 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.

Going concern

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

Notes to the financial statements
for the year ended 31 December 2016

Rental income

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

2. Accounting policies - continued

Taxation including deferred taxation

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

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except that:

- deferred income 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 on an undiscounted basis at the tax rates that are expected to apply when the related asset is realised or liability settled, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at the balance sheet date. Deferred tax assets and liabilities are offset, only if a legally enforceable right exists to set off tax assets against tax liabilities and the deferred taxes relate to the same taxation authority.

Interest-bearing loans and borrowings

Interest-bearing borrowings are recognised initially at their fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost on an effective interest basis.

Investment properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties continue to be accounted for at cost less accumulated depreciation, depreciated over their useful economic lives, as follows:

Freehold buildings	- 50 years
Leasehold land and buildings	- lower of useful life and remaining life of lease

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

Notes to the financial statements
for the year ended 31 December 2016

2. Accounting policies - continued

Significant judgements and estimates

In the application of the Company's accounting policies, the directors are required to make judgements, and 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. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates:

Judgements

a) Leases

In the determination of the classification of the lease as an operating lease, assumptions have been made about the discount rate applied to minimum lease payments over the remainder of the lease term and of the useful economic life of the hospitals.

Estimates

a) Estimation of useful lives and residual values

Investment property is depreciated over their useful lives, taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining lives of the assets and projected disposal values. The estimated useful life of investment property is set out in note 2 above.

b) Investment property disclosed valuations

In valuing investment properties judgements are required about the assumptions, in particular regarding the market rent and market yield. Further details are provided in note 8.

Notes to the financial statements
for the year ended 31 December 2016

3. Immediate and ultimate parent undertakings and controlling party

The Company's immediate parent company is Classic Hospital Group Limited, a company registered in England and Wales. The ultimate parent company is Spire Healthcare Group plc.

The largest and smallest group for which consolidated financial statements are prepared and are available to the public is Spire Healthcare Group plc, a company registered in England and Wales. The results of Classic Hospitals Property Limited are included in the consolidated financial statements of Spire Healthcare Group plc, which publishes consolidated accounts that are publicly available. The financial statements of Spire Healthcare Group plc may be obtained from the Company Secretary, 3 Dorset Rise, London EC4Y 8EN or Spire Healthcare website (www.spirehealthcare.com).

4. Directors and employees

The Company had no employees during the year (2015: 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 (2015: nil) on the basis that the amount attributable to the Company is negligible.

5. Auditor's remuneration

Fees for the audit of the Company of £3,000 (2015: £3,000) were borne by another Company within the Spire Healthcare Group.

6. Interest receivable and similar income

	2016 £000	2015 £000
Dividends receivable	43	43
Interest receivable from parent undertaking	73	-
	<u>116</u>	<u>43</u>

Notes to the financial statements
for the year ended 31 December 2016

7. Taxation

	2016 £000	2015 £000
(i) Tax charged in the income statement		
Current tax		
UK Corporation tax on profits for the year	762	1,131
Total tax expense	762	1,131

(ii) Reconciliation of the total tax charge

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 20% (2015: 20.25%). The differences are explained below.

	2016 £000	2015 £000
Profit before taxation	3,417	5,170
Tax calculated at the UK standard rate of corporation tax of 20% (2015: 20.25%). The differences are explained below:	683	1,047
Effects of:		
Intra group dividends, non taxable	(9)	(9)
Expenses not deductible for tax purposes	88	93
Total tax expense	762	1,131

The current tax charge represents the amounts payable to other group undertakings in respect of group relief utilised for taxation purposes.

Deferred tax

There are no amounts recognised or unrecognised in respect of deferred taxation for the year ended 31 December 2016 (2015: £nil).

Notes to the financial statements
for the year ended 31 December 2016

8. Investment properties

	Investment properties £000
Cost:	
At 1 January and 31 December 2016	<u>30,761</u>
Depreciation:	
At 1 January 2016	4,764
Charged during the year	436
	<u></u>
At 31 December 2016	<u>5,200</u>
Net book value:	
At 31 December 2016	<u>25,561</u>
At 31 December 2015	<u>25,997</u>

Fair value of investment property

Valuations are the responsibility of the directors. They are 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. This includes discussions of the key assumptions used, as well as a review of the resulting valuations.

The fair value of investment properties is determined using the income capitalisation approach. Under this approach, forecast earnings are used to estimate the sustainable market rents applicable to the hospital property, which together with the estimated costs are discounted at market derived capitalisation rates to produce the director's opinion of the fair value of the property.

The capitalisation rate which, if applied to rental cash flows would produce the fair value, is described as the equivalent yield.

The Company considers its investment property falls within 'Level 3', as defined by IFRS 13. There has been no transfer of the property within the fair value hierarchy in the financial year.

Notes to the financial statements
for the year ended 31 December 2016

8. Investment properties - continued

The table below summarises the key unobservable inputs used in the valuation of the Company's investment properties at 31 December 2016:

	Market value 2016 £000	Estimated rental value 2016 £000	Equivalent yield 2016 %
Hospital property:			
Spire Dunedin Hospital	21,492	1,377	6.00%
Spire Elland Hospital	35,247	2,117	5.63%
Spire Liverpool Hospital	50,401	3,230	6.00%
Spire Methley Park Hospital	25,073	1,573	5.88%
Spire Regency Hospital	18,835	1,207	6.00%
Former site of Spire St Saviour's Hospital	2,000	-	-
Spire Yale Hospital	15,398	1,007	6.13%

	Market value 2015 £000	Estimated rental value 2015 £000	Equivalent yield 2015 %
Hospital property:			
Spire Dunedin Hospital	18,206	1,204	6.25%
Spire Elland Hospital	29,299	1,782	5.75%
Spire Liverpool Hospital	42,843	2,833	6.25%
Spire Methley Park Hospital	30,469	1,934	6.00%
Spire Regency Hospital	19,429	1,233	6.00%
Former site of Spire St Saviour's Hospital	2,000	-	-
Spire Yale Hospital	13,741	909	6.25%

On 16 December 2015 the lease on Spire St Saviour's Hospital was terminated and surrendered to the Company.

Notes to the financial statements
for the year ended 31 December 2016

9. Investment in subsidiary companies

	£000
Cost	
Ordinary share capital	28,649
Preference shares	<u>358</u>
At 1 January and 31 December 2016	<u>29,007</u>

The subsidiary undertaking of the Company is described below, which is wholly owned and registered in England and Wales.

	Principal activities	Class of share
Classic Hospitals Limited	Non-trading company	Ordinary and preference

On 1 July 2016, Classic Hospitals Limited sold its entire operating business, including its tangible assets, trading assets, and trading liabilities, but excluding cash and amounts owed by/to Group undertakings, as a going concern to a group undertaking, Spire Healthcare Limited, for a consideration of £1,000 as a hive up transaction, following which the Company ceased trading.

At the year end, the investment was reviewed for indicators of impairment and no indicators for impairment were found.

10. Other debtors

	2016 £000	2015 £000
Accrued income relating to intercompany rent	9,191	10,471
Amounts owed by other Group undertakings	4,777	818
Dividends receivable on preference shares	<u>430</u>	<u>387</u>
	<u>14,398</u>	<u>11,676</u>

Included in accrued income is £9,191,000 (2015: £10,471,000) that will reverse in more than one year.

The amount owed by the parent undertaking is unsecured and is repayable on demand.

11. Creditors - amounts falling due within one year

	2016 £000	2015 £000
Corporation tax	<u>762</u>	<u>1,131</u>

The amounts owed to group undertakings are unsecured and are repayable on demand.

Notes to the financial statements
for the year ended 31 December 2016

12. Share capital

	2016 £000	2015 £000
Authorised		
30,000,000 Ordinary shares of £1 each	<u>30,000</u>	<u>30,000</u>
	2016 £000	2015 £000
Allotted, called-up and fully paid		
28,648,943 Ordinary shares of £1 each	<u>28,649</u>	<u>28,649</u>

13. Operating lease arrangements - as lessor

The Company has entered into operating leases on each of its investment properties. The leases have a term of 35 years up to August 2040, subject to renewal or extension. Rent is indexed annually by reference to RPI, subject to a floor of 2.5%.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	2016 £000	2015 £000
Within one year	5,215	5,088
After one year but not more than five years	20,859	20,350
More than five years	<u>99,079</u>	<u>101,750</u>
	<u>125,153</u>	<u>127,188</u>

14. Contingent liabilities

On 11 July 2014, Spire Healthcare Group plc entered into a Senior Facility Agreement in the amount of £525,000,000 which has been guaranteed by the Company and other material subsidiaries of the Group. In addition, the Company and a number of other material subsidiaries have charged their shareholdings, by way of a fixed charge, in favour of HSBC Bank plc as Security Agent for and on behalf of the Lenders.

The loan amounts outstanding at the balance sheet date were £425,000,000 (2015: £425,000,000).

Under the lease agreements entered into on 26 January 2010 by Classic Hospitals Limited, a subsidiary undertaking of the Company, the Company has given certain undertakings relating to obligations in the lease documentation and consequently the assets of the Company are subject to a fixed and floating charge.