Spire Healthcare reports its results for the year ended 31 December 2022

London, UK, 2 March 2023, Spire Healthcare Group plc (LSE: SPI) ('Spire Healthcare', 'the Group' or 'the Company'), a leading independent healthcare group in the UK, today announces its preliminary results for the year ended 31 December 2022 ('the period' or 'FY22').

Strong underlying demand for private healthcare, driving positive financial performance

Summary Group results for the year ended 31 December 2022

	Year ended 31 December		
£m	**2022**	2021	**Variance**
Revenue	**1,198.5**	**1,106.2**	**8.3%**
Adjusted operating profit (Adjusted EBIT)	**105.6**	**81.1**	**30.2%**
Adjusting items included in operating profit	**(10.2)**	5.9	NM(1)
Operating profit	**95.4**	**87.0**	**9.7%**
Profit / (loss) before taxation	**3.9**	(1.9)	NM
Profit / (loss) after taxation(2)	**8.2**	(8.9)	NM
Basic profit / (loss) per share, pence	**2.1**	**(2.4)**	**NM**
Adjusted profit / (loss) per share, pence (3)	**4.2**	(7.1)	NM
Adjusted EBITDA (4)	**203.5**	**178.2**	**14.2%**
Adjusted FCF (5)	**28.0**	12.0	NM
Net bank debt (6)	**250.1**	**224.9**	**11.2%**
Net bank debt / EBITDA covenant ratio	**2.2**	2.3	(0.1)

1. Not meaningful
2. Profit / (loss) after taxation is stated after a revision to useful lives and residual values applied to certain freehold property assets. See pages 9 and 11 for more information.
3. Adjusted profit / (loss) per share is stated before the effects of Adjusting Items.
4. Adjusted EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items, referred to hereafter as 'Adjusted EBITDA' refer to page 11. For EBITDA for covenant purposes, refer to note 17.
5. Adjusted FCF (Free Cash Flow) is calculated as Adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the Purchase of plant, property and equipment.
6. Net bank debt is defined as bank borrowings less cash and cash equivalents.
7. Return in capital employed (ROCE) is the ratio of the Group's Adjusted EBIT to total assets less cash, capital investments made in the last 12 months and current liabilities refer to page 12.

Financial and operating highlights

Positive financial performance with revenue, earnings and margins significantly ahead of prior year

- Revenue up 8.3% to £1,198.5m, driven by increased private treatment; private revenue up by 14.5%
- Average revenue per case up 10.3% to £3,179; admissions up 7.8% to 262,801
- Adjusted EBIT up 30.2% to £105.6m and Adjusted EBITDA up 14.2% to £203.5m
- ROCE(7) increased to 6.2% (FY21: 4.9%)
- Profit after taxation of £8.2m (FY21: loss of £8.9m)
- Growth delivered despite material impacts from COVID, raised sickness and workforce pressure
- Good cost management with Adjusted EBITDA margin up from 16.1% to 17.0%
- Continued support for the NHS especially on 104-week waiting patients and orthopaedics
- Repaid £100m of bank loan and completed re-financing of the Group's £325m funding facilities
- Net bank debt / Adjusted EBITDA covenant ratio of 2.2x at 31 December 2022 (end FY21: 2.3x)
- Recommencing dividend payments with proposed final dividend of 0.5 pence per ordinary share

Continued development of the business in line with refreshed strategy

- 98% of inspected hospitals and clinics currently rated 'Good' or 'Outstanding' by the CQC or equivalent in Scotland and Wales (end FY21: 90%)
- Acquired The Doctors Clinic Group for £12m, an integrated provider of occupational health and private GP services
- New multi-year agreements signed with Bupa, Aviva and Vitality
- Delivered efficiency programme with more than £15m of cost savings
- £90.1m capex investment in facilities and equipment (FY21: £77.1m)
- 5% colleague salary increases from 1 September 2022, with in-year rises of over 16% for the lowest earners
- Continued progress towards target of becoming net carbon zero by 2030

Looking forward

- Continued top-line growth with strong demand for private and NHS
- Improving profitability, margins, ROCE and strong cash conversion expected
- Continuing inflation, staffing and agency cost pressures, and COVID/sickness may slow margin improvement
- Continued investment in digitisation, IT security and software as a service
- Continuing efficiency programme and existing cost hedges, targeting cost savings of £15m mainly in 2023
- Plans progressing to open 10 community-based clinics offering GP and outpatient consultations, with two in 2023

Current trading and outlook

2022 ended strongly for Spire and we are pleased that we are seeing this momentum continuing into the early months of 2023. Enquiries from private patients are ahead of prior year, with good private growth.

We believe this sets us up well for the rest of 2023, and we anticipate seeing continued growth in revenue, profit and ROCE during the year, with further margin improvement. Nonetheless, our margins remain susceptible to inflationary pressures, workforce challenges, agency costs and the continued presence of COVID and flu in society, which impact on our sickness absence and cancellation levels. To address this, we will deliver further efficiencies and are on track to deliver another £15m of savings. We will continue with pricing management as and where appropriate, and the nature of some of our pricing arrangement is such that the benefit will be seen more strongly in H2. We will also continue to respond to and to drive demand, including expanding the range of services we offer.

In the medium to long term, we remain committed to help meet the high demand for healthcare, both private and through supporting the NHS. We retain our focus on improving ROCE and margins. Inflation and wage pressures notwithstanding, we are confident of continuing progress this year and beyond. In particular, the pricing management in 2023 will extend into 2024 when certain cost pressures are expected to ease.

We have a strong balance sheet that supports continuing investment in our hospitals and clinics as well as supporting expansion of our service offering. We are as committed as ever to delivering the highest quality patient care which will underpin our success, as well as making our business carbon zero by 2030 and more sustainable in every sense.

Overall in 2023, we expect to make further good progress and continued delivery of the Group's strategy.

Justin Ash, Chief Executive Officer of Spire Healthcare, said:

"Last year saw continued change in UK healthcare, with even more people seeking prompt and safe private care, and 2022 was a year of good performance for Spire Healthcare. I am encouraged by the growth in activity, revenue, earnings and return on investment of the business against a particularly challenging operating background. Momentum has continued into the new year. The Company has made encouraging progress in the delivery of its refreshed strategy and the acquisition of The Doctors Clinic Group, as we expand the business to meet significant healthcare demand."

"Our primary focus is on delivering the highest quality of care and patient safety every single day. To that end, I would like to take this opportunity to thank our outstanding colleagues for the enormous contribution that they make to Spire Healthcare and to our patients. The quality of our people, the resilience of our business model and the sustained demand for healthcare mean that despite the current macroeconomic uncertainty, we remain confident in the future growth and returns prospects for Spire Healthcare."

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About Spire Healthcare

Spire Healthcare is a leading independent healthcare group in the United Kingdom, with 39 hospitals and 33 clinics, medical centres and consulting rooms across England, Wales and Scotland. It operates a network of private GPs and provides occupational health services to over 700 corporate clients.

Working in partnership with over 8,760 experienced consultants, Spire Healthcare delivered tailored, personalised care to approximately 926,500 inpatients, outpatients and day-case patients in 2022, and is the leading private provider, by volume, of knee and hip operations in the United Kingdom. The Group's well-located and scalable hospitals have delivered successful and award-winning clinical outcomes, positioning the Group well with patients, consultants, the NHS, GPs and Private Medical Insurance (PMI) providers. 98% of Spire Healthcare's inspected hospitals and clinics are rated 'Good', 'Outstanding' by the CQC or the equivalent in Scotland and Wales.

Cautionary statement

This preliminary announcement contains certain forward-looking statements relating to the business of Spire Healthcare Group plc (the "Company") and its subsidiaries (collectively, the "Group"), including with respect to the progress, timing and completion of the Group's development, the Group's ability to treat, attract, and retain patients and customers, its ability to engage consultants and GPs and to operate its business and increase referrals, the integration of prior acquisitions, the Group's estimates for future performance and its estimates regarding anticipated operating results, future revenue, capital requirements, shareholder structure and financing. In addition, even if the Group's actual results or development are consistent with the forward-looking statements contained in this preliminary announcement, those results or developments may not be indicative of the Group's results or developments in the future. In some cases, you can identify forward-looking statements by words such as "could," "should," "may," "expects," "aims," "targets," "anticipates," "believes," "intends," "estimates," or similar words. These forward-looking statements are based largely on the Group's current expectations as of the date of this preliminary announcement and are subject to a number of known and unknown risks and uncertainties and other factors that may cause actual results, performance or achievements to be materially different from any future results, performance or achievement expressed or implied by these forward-looking statements. In particular, the Group's expectations could be affected by, among other things, uncertainties involved in the integration of acquisitions or new developments, changes in legislation or the regulatory regime governing healthcare in the UK, poor performance by consultants who practice at our facilities, unexpected regulatory actions or suspensions, competition in general, the impact of global economic changes, and the Group's ability to obtain or maintain accreditation or approval for its facilities or service lines. In light of these risks and uncertainties, there can be no assurance that the forward-looking statements made in this preliminary announcement will in fact be realised and no representation or warranty is given as to the completeness or accuracy of the forward-looking statements contained in this preliminary announcement.

The Group is providing the information in this preliminary announcement as of this date, and we disclaim any intention or obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Analyst and investor meeting

There will be an analyst and investor meeting today at 9.00am. Please register in advance for the live webinar of the meeting through the following link: https://spirehealthcare.zoom.us/webinar/register/WN_uSJ3csEcRtWRHIj3nSg2ag

The webinar will be available for replay following the meeting through the Company's investor website: https://investors.spirehealthcare.com/home/

Operating review

Overview

2022 was another good year for Spire Healthcare across every aspect of the business. We maintained the high-quality care our people work so hard to achieve, we have evolved our purpose and strategy to take account of the changing demands and dynamics of our market. We have delivered a positive financial performance as well as advancing our sustainability strategy.

Demand for private healthcare remained strong throughout the period, with patients seeking prompt, safe and effective diagnosis and treatment amidst increasing NHS waiting lists in the wake of the COVID-19 pandemic. Our investments in systems and high quality patient care allowed Spire to attract an increasing number of these patients and increased our market share.

The Group operated in a tough trading environment in 2022, facing significant headwinds that included inflationary pressure, especially in people costs, raised absence levels amongst colleagues and consultants due to COVID-19 and other sickness, which led to greater reliance on agency staff. This was compounded by patients themselves cancelling procedures due to illness. Our teams worked hard to mitigate and respond to these challenges through the successful implementation of a targeted savings programme, improved operational leverage, focus on complex treatment and implementation of appropriate price rises.

Overall admissions and private patient volumes continued to increase. Adjusted EBIT rose by 30.2% to £105.6m and Adjusted EBITDA by 14.2% to £203.5m and leverage fell further to 2.2x. This resulted in an Adjusted EBITDA margin of 17.0%, up from 16.1% in 2021 and an Adjusted EBIT margin of 8.8%, up from 7.3%., improved profitability and targeted investment in our hospitals of £90.1m has raised ROCE to 6.2% from 4.9% in 2021, a key management focus. Profit before tax was £3.9m (FY21: loss of £1.9m) and Profit after tax was £8.2m (FY21: loss of £8.9m) – a welcome return to profitability.

We have also made good progress implementing our evolved strategy with the acquisition of The Doctors Clinic Group (DCG), an integrated provider of occupational health and private GP services, for a total cost of £12m.

We are pleased to announce a return to dividend at the end of 2022, reflecting the Board's confidence in the long-term prospects of the business

Safety and quality care

Patient safety remains our top priority at Spire Healthcare, allied to our ongoing investments in quality, which are vital to our ambitions to be a leader in this area. This year, we have embedded our new Quality Improvement strategy, and it is pleasing to report that in our latest survey 96% of patients rated their experience as 'Good' or 'Very Good', unchanged from a year ago.

We are proud that all ten of the Spire Healthcare hospitals inspected this year were rated 'Good' or 'Outstanding' by the CQC, or the equivalent in Scotland or Wales, with Manchester re-rated as 'Outstanding' for a second time, South Bank uprated to 'Good', Cardiff receiving excellent feedback and Murrayfield Edinburgh rated Good. 98% of our inspected hospitals and clinics are now rated 'Good' or 'Outstanding' by the CQC or the equivalent in Scotland and Wales, an improvement from the 90% at the end of 2021 and 69% at the end of 2016.

Improving margins, ROCE and on-going savings programme; staffing cost and agency inflationary background; accelerated IT investment

Our Adjusted EBITDA margin improved to 17.0% from 16.1%, as part of an ongoing programme to raise margins to a sustainable level consistent with high quality care. The margin improvement came through operational leverage from an 8.3% revenue growth to £1,198.5m and over £15m of efficiency savings, while focusing on a complex treatment mix and appropriate price rises. The savings were driven by the introduction of a best practice establishment model for hospital operations, combined with a safe staffing acuity tool, and a reorganisation of hospitals into hubs, sharing resources, marketing and referrals. We are targeting a further £15m savings across 2023-24, most of which will fall in 2023. An element of our cost base also benefits from arrangements with certain suppliers resulting in fixed price per unit contracts over the short term with energy commodity prices in particular fixed at 2021 pricing until Q3 2024.

This margin improvement was tempered by the costs and disruption associated with COVID-19 and raised sickness and absence, common across UK employers in 2022, higher staffing and agency costs as well as general inflation. Late patient cancellations were also well in excess of pre-pandemic run rates for the same reasons, which, taken with the testing costs, amounted to total COVID-related costs of £42.9m (2021: £53.5m). COVID and raised sickness levels continue to persist, though our ability to manage this improves continuously. A combination of COVID and increased sickness, together with high volumes, led to agency usage rising slightly, rather than the targeted reduction we had forecast.

In managing mix we maintained our strategic progress to a more complex treatment mix, and combined with appropriate price rises, average revenue per case during FY22 was £3,179 compared with an average of £2,960 in 2021, up 7.4%.

As a result of these and other actions, we remain positive about our ability to offset some of the ongoing inflationary risk. These include implementing price rises where appropriate, managing our mix of services and being more selective in the choice of products we use. Wage rate pressure is clearly an ongoing risk in UK healthcare, with agencies, in particular, taking advantage of pressure for marginal staffing needs. This could result in slower margin improvement in 2023 than would otherwise be the case, notwithstanding price rises and efficiency programmes.

In 2023, we will see an incremental annual increase in IT costs of c.£6m due to accelerating our investment in IT security and software as a service (SaaS), which will also deliver operational benefits in addition to our ongoing digitisation programme. This is to respond to the increasingly sophisticated risks in cyber security faced by all businesses.

Focus on strong demand for private healthcare

We saw a continued growth in demand from self-pay (SP) patients, and a strong rebound in our private medical insurance (PMI) business. This reflects changing market dynamics, as more people turn to private care to meet their treatment needs and Spire's strategic investment in SP capability and relations with key insurers. Continued strain on the NHS, manifested in over seven million people on waiting lists, is clearly a backdrop to this changing demand profile.

Private revenue rose by 14.5% to £876.7m during 2022 compared to prior year. Our focus on making SP easy and accessible helped support SP revenue growth of 15.8% YOY to £338.0m. We were pleased to see a very strong performance in PMI this year, with new patient volumes and admissions recovering to pre-pandemic levels. PMI revenue growth in FY22, up 13.7% YOY to £538.7m, fulfilled our expectations of a return to growth in the insurance market. Our private GP service grew by 46% reflecting the desire of an increasing number of patients for fast access to longer face-to-face appointments with a GP. We were delighted to expand our GP services through the acquisition of The Doctor's Clinic Group in December, as well as entering the fast-growing occupational health sector, with the acquisition of Maitland Medical and Soma Health as part of the same transaction.

At the end of H1 22, the Group announced that it has signed a new four-year agreement with Bupa, to provide services to its UK health insurance customers through to March 2026. Since the year end, similar contract renewals have been signed with Aviva and Vitality, both over three years. These contracts are all now delivering robust patient volume growth. Generally, our PMI contracts include inflationary mechanisms, with PMI pricing reset with respect to inflation over the last 12 months, less certain efficiency factors. Inflationary related increases reflecting the 2021 environment will be applied from April 2023, and those reflecting this year's inflationary effects in April 2024. We have passed through appropriate pricing increases in SP to reflect the considerably increased costs of healthcare delivery.

Our payor mix of total revenue during FY22 was 45% PMI, 28% SP, 25% NHS and 2% Other. Comparable figures for FY21 are 43% PMI, 26% SP, 28% NHS and 2% Other, demonstrating the results of our ongoing shift to private pay during recent years.

Supporting the NHS

NHS commissioning in 2022 was lower than the significant support provided to the NHS by Spire Healthcare in 2020 and 2021 due to COVID-19. NHS revenue was down 6.1% YOY at £295.4m. Our focus in the period moved back to engagement with NHS GPs and local commissioners to maximise our capture of available referrals via the electronic referral system (eRS). By the end of the year, overall referrals were still marginally behind pre-pandemic levels. However, orthopaedic referrals were significantly outperforming 2019.

We have also supported local NHS systems in treating those patients who have been waiting the longest, helping first to reduce to almost zero, the list of NHS patients who had been waiting for over two years, and now, helping to treat those waiting over a year and a half. Local hospital teams are encouraged to be responsive to NHS requests for support in waiting list reduction.

In December, Spire Healthcare CEO Justin Ash joined the launch, by the Prime Minister, of the government's Elective Recovery Taskforce for England. We welcome this initiative and hope it will result in a long-term partnership between the NHS and the independent sector, where the sector is fully integrated as part of the solution for reducing the backlog in care. Since the launch, Spire Healthcare has been actively involved in supporting Trusts with requests to treat patients waiting 78 weeks or more for a first appointment.

Spire Healthcare advocates an increase in patient choice to make it easier to select a provider with shorter wait times for care, combined with improved visibility of NHS demand and a longer-term commitment to NHS use of the independent sector. A more predictable commissioner environment will make it easier for Spire Healthcare to invest in capacity and capability to serve NHS patients, especially those with more complex needs. The NHS tariff uplift for 2022-23 was 3.7% (net). The rate for the forthcoming year will be confirmed by April 2023.

Broadened our Purpose and refreshed our Strategy

The increased demand for healthcare is not just seen in hospital care but is also manifested in out-of-hospital, primary and community healthcare.

We have widened our Purpose in 2022, anticipating the opportunities presented by this increased demand to expand our proposition and range of services. Our purpose has gone from making a positive difference to 'patients' lives' to 'people's lives', broadening our offer of outstanding personalised care to more people in a wider range of settings. We aim to be involved in people's healthcare across both pre- and post-hospital care, thereby helping our workforce, providing support to local communities and responding to the demand we know is out there.

To deliver on this new purpose, we have refreshed our strategy, supported by five key pillars:

- We will **drive hospital performance**, through consistent growth in our existing hospital estate with increasing margins.
- We will **build on quality** and patient safety to make it a competitive advantage in all our activities.
- We will continue to **invest in our workforce** through strong recruitment, retention and development programmes.
- We will **champion sustainability**, as we aim to be recognised as a leader in our sector.
- We will **expand our proposition** through selective investments in new services that will attract new patients by meeting more of their healthcare needs.

All this will help us focus on delivering a **strong financial performance** with a particular emphasis on cash generation, investment, improving our return on capital and delivering strong shareholder returns.

Expanding our healthcare proposition

Spire Healthcare is now working towards becoming an integrated healthcare provider, with services in primary care, diagnosis, occupational health and long-term condition management.

We were already developing our primary care services through Spire GP, which is now present at most of our hospitals, and we are getting strong support from other GPs who want to work with us. The growth of 46% reflected an expansion of provision across the country.

Our acquisition of DCG in December 2022 provides further capacity to our GP offering. It also adds occupational health as a new service thereby extending the range of healthcare services delivered by the Group, through the Maitland and Soma occupational health businesses. This also aligns with our plans to target 10 new clinics to meet the growing healthcare needs in our communities, as well as digital services we are looking to offer patients in the future. The first of our new clinics in Abergele, North Wales, is due to open in late 2023, and our ambition is to open a second clinic and have a further two clinics in development by the end of 2023.

In December, we launched a pilot for a subscription-based, nurse-led Type 2 diabetes care, a new service in long-term condition management.

Supporting the development of our workforce and consultant body

One of the biggest challenges for our sector is the shortage of skilled healthcare staff in the UK and internationally. This places pressure on our costs, especially when it comes to agency usage, and can limit capacity. Investing in our workforce is therefore also a vital part of our strategy. As a people business, we recognise our key role in addressing this shortage of clinical staff, and work hard to recruit and retain talented people, offering colleagues genuine opportunities to grow and develop their careers with us and in the NHS.

One of the Group's most successful initiatives – our nurse degree apprenticeship programme, run in partnership with the University of Sunderland – is aimed at building a talent pipeline for our business and for the UK healthcare sector more broadly, and continues to grow, with 180 trainee nurses now on the programme. Looking across a broader range of clinical and non-clinical roles, we now have around 550 apprentices in all, representing some 5% of our total workforce.

We continue to focus on colleagues' learning and development with more than 1,000 colleagues on professional and other development programmes. We also have around 520 overseas nurses across the business. We are committed to ethical recruitment – only recruiting actively from 'green' countries under the Department of Health and Social Care definition. We provide training and development opportunities for these colleagues so that eventually these nurses can take a range of new skills and opportunities back to the countries they've come from.

2022 was another challenging year in which to deliver high quality care. We were pleased despite this to see again a positive result from our engagement survey, with 77% of colleagues participating in the survey and 80% saying they are proud to work for Spire Healthcare. We supported colleagues with an on average 5% pay rise in September 2022, following on from continued pay rises over the last few years, with up to 16% for lower paid colleagues, and less for senior managers. In 2023 we will launch our reward strategy to provide a clearer set of job families and career progression for colleagues, which will also accommodate any inflationary rises.

We are also pleased to receive improved feedback from our consultants on the service we provide them and the high quality of care provided by Spire Healthcare. During 2022, we continued close working with our employed MAC Chairs, raised communication with all consultants, and sought to develop the practice of many with investments in equipment and marketing support. Our rigorous oversight of all aspects of consultant clinical practice continued to be an area of focus also.

Sustainability

Alongside integrating sustainability into Spire Healthcare's business strategy, we also developed and articulated our sustainability strategy this year. We have made it clear how sustainability and championing the environment, social and governance issues are integral to the way we operate. Our aim is to be recognised as an ESG/sustainability leader in the sector. During the year, we also established our waste strategy, helping us to increase recycling rates, and mitigate where possible the waste we send to end disposal.

During FY22, we reduced our carbon emission by 6%. We remain on target to reach net carbon zero by 2030, though our trajectory has been slower this year due to a shortage of electricity from green sources. For now, we have protected our energy prices from existing sources, but we will buy more green energy in the future and are taking advantage of initiatives such as replacing gas-powered boilers, installing electric vehicle charging points, increasing recycling rates and mitigating where possible the waste we send to landfill. Our endeavours in this area were recognised in 2022 when we were highly commended in the BusinessGreen Leaders Awards, in the Net Zero Strategy of the Year category.

Strong cash conversion enabling ongoing capex investment and further leverage reduction

Net bank debt at 31 December 2022 was £250.1m (vs £224.9m at 31 December 2021), with a cash balance of £74.2m (vs £202.6m at 31 December 2021). The increase in net bank debt over the period reflects the anticipated reduction in cash following repayment of £100m of bank debt, the acquisition of the DCG business and the insurer settlement of £13.3m disclosed in the Group's H1 22 results. The Group also completed a re-financing of the Group's bank funding facilities in February 2022. The Group entered into an interest rate hedge in July 2022, with the result that 75% of the risk from increasing interest rates is now mitigated until April 2024, reducing down to 50% thereafter.

As a result of the above, the Group's leverage ratio continued to reduce, resulting in a net bank debt / Adjusted EBITDA covenant ratio of 2.2x as at 31 December 2022 (from 2.3x at the end of FY21). This represents the lowest level of leverage since 2016.

The Group continued to be cash generative during the period. Cash inflow from adjusted operating activities during the period was £188.1m, which constitutes a cash conversion rate of 92% from £203.5m Adjusted EBITDA (FY21: 106% conversion of £178.2m Adjusted EBITDA).

Capital investment in FY22 was £90.1m. Our capex budget includes investment in significant capacity projects, such as the completed major refurbishment at Spire Shawfair Park in Edinburgh and the ongoing major developments at Spire Yale in Wrexham, but also covers further investment in patient care and digital transformation, the replacement of nine X-ray rooms and four MRI/CT scanners this year, as well as refurbishment and maintenance work in several hospitals.

The strong operational performance of Spire Healthcare in the period resulted in Adjusted EBIT climbing by 30.2% to £105.6m, leading to a material improvement in ROCE, up by 1.3 percentage points to 6.2%.

Dividend

The Directors of Spire Healthcare have recommended the payment of a final dividend of 0.5 pence per share for the year ending 31 December 2022. Subject to shareholder approval at the forthcoming Annual General Meeting on 11 May 2023, the dividend will be paid on 23 June 2023 to shareholders of the Company at the close of business on 26 May 2023. This represents the first dividend payment since the decision to suspend dividends due to COVID-19 uncertainties was made in April 2020, and reflects the financial strength of the business and strong capital position as well as the Board's confidence in current prospects and the outlook for the Group. As we outlined at our Capital Markets Day, we have a clear and sustainable dividend policy whereby dividends will typically be set at 25-35% of Profit After Tax, provided bank leverage remains less than 2.5 times.

Board changes

We welcomed Paula Bobbett as an independent non-executive director on 1 November 2022 and, since the year-end, Debbie White was appointed on 1 February 2023 and Natalie Ceeney will join us from 1 May 2023 in a similar role. All three bring considerable expertise to the Board particularly in digital and PLC experience. Both Debbie and Natalie will be appointed members of the Company's Audit and Risk Committee and the Nomination Committee from 1 May 2023.

Debbie White will take over as the Board's Senior Independent Director from 12 May 2023 and Spire is grateful to Martin Angle for agreeing to step aside from this role in order for the Company to meet the changes to the Listing Rules brought about by the FCA's statement on diversity and inclusion. Martin will remain as the Company's Deputy Chairman and will also become a member of the Clinical Governance and Safety Committee on 1 May 2023. Dame Janet Husband was appointed Vice Chair from 1 March 2023.

Financial review

Selected financial information

(£m)	Year ended 31 December 2022 Total before Adjusting items	Adjusting items (note 9)	Total	Year ended 31 December 2021 Total before Adjusting items	Adjusting items (note 9)	Total
Revenue	**1,198.5**	**-**	**1,198.5**	1,106.2	–	1,106.2
Cost of sales	**(660.1)**	**-**	**(660.1)**	(615.0)	–	(615.0)
Gross profit	**538.4**	**-**	**538.4**	491.2	–	491.2
Other operating costs	**(435.8)**	**(10.2)**	**(446.0)**	(411.2)	(17.4)	(428.6)
Other income	**3.0**	**-**	**3.0**	1.1	23.3	24.4
Operating profit	**105.6**	**(10.2)**	**95.4**	81.1	5.9	87.0
Net finance costs	**(91.5)**	**-**	**(91.5)**	(88.1)	(0.8)	(88.9)
Profit / (loss) before taxation	**14.1**	**(10.2)**	**3.9**	(7.0)	5.1	(1.9)
Taxation	**2.5**	**1.8**	**4.3**	(20.8)	13.8	(7.0)
Profit / (loss) for the period[1]	**16.6**	**(8.4)**	**8.2**	(27.8)	18.9	(8.9)
Profit / (loss) for the year attributable to owners of the Parent	**17.0**	**(8.4)**	**8.6**	(28.6)	18.9	(9.7)
Profit for the year attributable to non-controlling interest	**(0.4)**	**-**	**(0.4)**	0.8	-	0.8
Adjusted EBITDA [2]			**203.5**			178.2
Basic earnings / (loss) per share, pence			**2.1**			(2.4)
Adjusted FCF [3]			**28.0**			12.0
Net cash from operating activities			**180.1**			183.8
Net bank debt [4]			**250.1**			224.9

1. Profit / (loss) for the period is stated after a revision to useful lives and residual values applied to certain freehold property assets. See pages 9 and 11 for more information.
2. Adjusted EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and Adjusting items, referred to hereafter as 'Adjusted EBITDA' refer to page 11. For EBITDA for covenant purposes, refer to note 17.
3. Adjusted FCF (Free Cash Flow) is calculated as Adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the Purchase of plant, property and equipment.
4. Net bank debt is defined as bank borrowings less cash and cash equivalents

Revenue

Group revenues increased 8.3% to £1,198.5m (2021: £1,106.2m). The increase in revenue is due to the increased demand for private treatment with the continued growth in self-pay seen during the prior period, but also the recovery by PMI patients. NHS revenue of £295.4m includes £3.5m (2021: £314.5m and £58.1m respectively) revenue from specific COVID-19 contracts. In Q1 2021 the Group operated under an NHS volume-based contract with a minimum income guarantee, included in the £58.1m below was £47.4m reflecting the "top up" to minimum income guaranteed under the contract.

Revenue by location and payor

(£m)	2022	2021	Variance % (2022-2021)
Total revenue	**1,198.5**	1,106.2	8.3%
Of which:			
Inpatient	**487.5**	414.2	17.7%
Day case	**348.0**	307.0	13.3%
Out-patient	**333.1**	300.9	10.7%
Other	**26.4**	26.0	1.4%
NHS – COVID-19	**3.5**	58.1	(93.9%)
Total revenue	**1,198.5**	1,106.2	8.3%

Of which:			
PMI	**538.7**	473.7	13.7%
Self-pay	**338.0**	292.0	15.8%
Total Private	**876.7**	765.7	14.5%
Total NHS	**295.4**	314.5	(6.1%)
Other	**26.4**	26.0	1.5%
Total revenue	**1,198.5**	1,106.2	8.3%

Cost of sales and gross profit

Gross margin for the year is 44.9% compared to 2021 levels of 44.4%. Cost of sales increased in the period by £45.1m or 7.3% (2021: £150.9m, 32.5%) to £660.1m (2021: £615.0m) on revenues that increased by 8.3% (2021: 20.3%). Increased costs are due to inflationary pressures, increased agency costs and continued wage rate expansion. Increased agency spend is due to managing short notice absences caused by the peaks of COVID-19 during the year. The margin was higher in 2022 as a result of increased private volumes, and good cost management against the inflationary backdrop.

Cost of sales is broken down, and presented as a percentage of relevant revenue, as follows:

	2022		2021	
	Year ended 31 December		Year ended 31 December	
	£m	% of revenue	£m	% of revenue
Clinical staff	**275.3**	**23.0%**	260.8	23.6%
Direct costs	**280.3**	**23.4%**	263.4	23.8%
Medical fees	**104.5**	**8.7%**	90.8	8.2%
Cost of sales	**660.1**	**55.1%**	615.0	55.6%
Gross profit	**538.4**	**44.9%**	491.2	44.4%

Other operating costs

Excluding Adjusting items, other operating costs have increased by £24.6m, or 6.0% to £435.8m (2021: £411.2m) the main driver is increased staff costs due to continued wage rate expansion and other inflationary pressures. Depreciation for the year was £97.9m (2021: £97.1m). The depreciation charge in 2022 benefits from a reduction in charge of £2.9m as a consequence of a revision of the useful life and residual value policy in respect of freehold properties so that it more closely aligns with external benchmark information. The useful life has been extended from a maximum of 50 years to a maximum of 60 years, and the Group has set the residual value equal to 20% of cost (previously nil). This change is anticipated to result in a reduction in depreciation of approximately £5.8m in 2023.

Adjusting items included in operating costs decreased by £7.2m versus 2021 mainly due to £11.4m of charges relating to remediation of regulatory compliance and malpractice costs in the prior year versus £1.1m in the current year with an increase of £4.5m in the current year due to business reorganisation and restructuring costs. Other operating costs including Adjusting items for the year ended 31 December 2022 increased by £17.4m or 4.1% to £446.0m (2021: £428.6m)

Operating margin for the year ended 31 December 2022 is 8.0% (2021: 7.9%) in 2021. Excluding Adjusting items, operating margin is 8.8%, up from 7.3% at 2021.

Adjusted EBITDA

Adjusted EBITDA for the Group has increased by 14.2% in the period from £178.2m to £203.5m for 2022. The increase is due to continued growth in private revenue and good cost management.

Share-based payments

During the period, grants were made to Executive Directors and other employees under the Company's Long Term Incentive Plan. For the year ended 31 December 2022, the charge to the income statement is £2.3m (2021: £2.8m), or £2.6m inclusive of National Insurance (2021: £3.2m). In addition, the Group has a Share save scheme which was launched in 2022. Further details are contained in note 27 of the Annual Report and Accounts.

Adjusting items

(£m)	Year ended 31 December 2022	2021
Business reorganisation and corporate restructuring costs	**4.5**	1.2
Costs related to / (income from) asset disposals and aborted projects	**4.3**	4.5
Remediation of regulatory compliance or malpractice costs	**1.1**	11.4
Hospitals set up and closure costs	**0.3**	0.3
Income from asset disposals	**-**	(23.3)
Total Adjusting items in operating costs	**10.2**	(5.9)
Interest payable on Adjusting items	**-**	0.8
Total pre-tax Adjusting items	**10.2**	(5.1)
Income tax (credit) / charge on Adjusting items	**(1.8)**	(13.8)
Total post-tax Adjusting items	**8.4**	(18.9)

Adjusting items comprise those matters where the Directors believe the financial effect should be adjusted for, due to their nature, size or incidence, in order to provide a more accurate comparison of the Group's underlying performance.

During H2 21, the Group announced a strategic, group wide initiative that impacts the operating model of the Group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £4.5m (2021: £1.2m) has been incurred. The initial phase of the initiative was completed in 2022, the estimated time frame to overall completion being the end of 2024.

Asset acquisitions, disposals, impairment and aborted project costs of £4.3m mainly comprise costs in respect of the acquisition of the Doctors Clinic Group, and the acquisition of the minority interest in Claremont, as well as its integration with the Group. In the prior year costs incurred by the Group relating to Merger and Acquisition (M&A) costs, related to the attempted takeover bid by Ramsay Health Care, and the acquisition and integration of Claremont.

In December 2022, the Group acquired 100% of the share capital in the Doctors Clinic Group Limited for £12m as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £1.8m have been incurred in the period. Costs for integration are expected to continue into FY23.

Following the acquisition of Claremont Hospital in November 2021, the Group has incurred costs of £0.5m for integration alongside some transitional services in the period. In addition, on 31 March 2022, the Group acquired the remaining minority interest for £2.7m, of which £1.9m had been provided for in FY21. Therefore, £0.8m is included in Adjusting items. Other costs incurred mainly relate to the final business transfer of the Sussex Hospital to the NHS Trust which completed on 31 March 2022, as announced during FY21. In addition, integration costs of £0.5m were incurred in the period.

In December 2022, the Group completed on the sale of St Saviours, an asset held for sale, for £3.2m, following a write down in value reported at H1 2022 of £0.5m.

In the prior period, the Group agreed the sale and leaseback of its Cheshire Hospital for consideration of £89m. A gain on disposal of £23.5m has been recognised, offset by £0.2m of costs to sell.

Remediation of regulatory compliance or malpractice costs includes amounts paid to the Insurer following the Court of Appeal hearing. £13.0m was provided in FY21, with £13.3m being settled in FY22. The £0.3m recognised in the period reflects this additional amount. In the prior year, and in response to the Public Inquiry the Group commenced a detailed patient review initiative, during the year the Group has re-evaluated the expected cost of completing this complex project, and its associated settlement of claims. As a result, the Group has increased its provision by £0.9m for the project. In the prior year, a credit of £0.4m was recognised following the settlement of costs to Spire from its insurer following the original judgment finding in favour of the Group in FY20.

Hospital set up and closure costs mainly relate to the maintenance costs of non-operational sites.

Net finance costs

Net finance costs increased by 2.9% to £91.5m (2021: £88.9m). The increase is due to a one-off charge of £3.1m in respect of unamortised fees which were recognised in full following the refinancing of the senior loan facility in Q1 2022 as well as increased finance costs related to additional lease liabilities. In the prior year Adjusting items of £0.8m costs relates to the interest repayment on the Court of Appeal judgment in respect of an insurer.

Taxation

The effective tax rate assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK.

The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

(£m)	Year ended 31 December 2022	2021
Profit / (loss) before taxation	**3.9**	(1.9)
Tax at the standard rate	**0.7**	(0.4)
Effects of:		
Expenses and income not deductible or taxable	**8.2**	4.5
Tax adjustment for the Super-deduction allowance	**(2.6)**	(2.2)
Tax adjustment in respect of sale and leaseback	**-**	(16.0)
Impairment charge in respect of held for sale assets (not tax deductible)	**0.1**	–
One-off impact of revision to useful economic life and residual value of freehold property portfolio	**(9.0)**	–
Adjustments to prior year	**(1.8)**	3.5
Difference in tax rates	**0.1**	17.7
Deferred tax not previously recognised	**-**	(0.1)
Total tax (credit)/charge	**(4.3)**	7.0

Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was not meaningful (2021: not meaningful) as a result of prior year adjustments and movements on deferred tax which are not directly linked to profit. As noted on page 9, during the period, the Group has revised the useful life and residual value of its freehold property portfolio so that it more closely aligns with external benchmark information. This revision results in a one-off deferred tax credit of £9.0m in 2022. The prior year deferred tax charge was largely driven by the effects of revaluing deferred tax assets and liabilities from 19% to 25% due in April 2023, and the deferred tax movement as a result of the sale and leaseback of Spire Cheshire.

Profit after taxation

The profit after taxation for the year ended 31 December 2022 was £8.2m (2021: Loss £8.9m). This is stated after the impact of adjusting the useful life and residual value of freehold properties, including the £9.0m credit to deferred tax as set out above.

Adjusted financial information

This statement was prepared for illustrative purposes only and did not represent the Group's actual earnings. The information was prepared as described in the notes set out below.

Non-GAAP financial measures

We have provided in this release financial information that has not been prepared in accordance with IFRS. We use these non-GAAP financial measures internally in analysing our financial results and believe they are useful to investors, as a supplement to IFRS measures, in evaluating our ongoing operational performance. We believe that the use of these non-GAAP financial measures provides an additional tool for investors to use in evaluating ongoing operating results and trends in comparing our financial results with other companies in the industry, many of which present similar non-GAAP financial measures to investors.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with IFRS. Investors are encouraged to review the reconciliation of these non-GAAP financial measures to their most directly comparable IFRS financial measures provided in the financial statements table in the press release.

Adjusted EBITDA and Adjusted EBIT

(£m)	Year ended 31 December 2022	2021
Operating profit	**95.4**	87.0
Remove effects of:		
Adjusting items before interest and tax[1]	**10.2**	(5.9)
Adjusted EBIT	**105.6**	81.1
Depreciation	**97.9**	97.1
Adjusted EBITDA	**203.5**	178.2

1 In the prior year adjusting items before tax total £5.1m including the £0.8m interest payable on the Court of Appeal judgment in respect of an insurer which was previously awarded to Spire Healthcare. Interest payable is not included in Adjusted EBIT or Adjusted EBITDA.

Adjusted profit after tax and adjusted earnings per share

Adjustments have been made to remove the impact of a number of non-recurring items.

(£m)	Year ended 31 December 2022	2021
Profit / (loss) before tax	**3.9**	(1.9)
Adjustments for:		
Adjusting Items – operating costs / (income)	**10.2**	(5.9)
Adjusting items - interest payable	**-**	0.8
Adjusted profit / (loss) before tax	**14.1**	(7.0)
Taxation[1]	**2.5**	(20.8)
Adjusted profit / (loss) after tax	**16.6**	(27.8)
Profit / (loss) for the year attributable to owners of the parent	**17.0**	(28.6)
(Loss) / profit for the year attributable to non-controlling interests	**(0.4)**	0.8
Weighted average number of ordinary shares in issue (No.)	**402,679,296**	400,848,264
Adjusted earnings / (loss) per share (pence) attributable to the parent	**4.2**	(7.1)

1. Reported tax charge for the period adjusted for the tax effect of Adjusting Items

Return on capital employed

Return on capital employed ('ROCE') is the ratio of the Group's Adjusted EBIT to total assets less cash, capital investments made in the last 12 months and current liabilities. The calculation of return on capital employed is shown below:

(£m)	Year ended 31 December 2022	2021
Adjusted EBIT	**105.6**	81.1
Total Assets	**2,159.8**	2,237.4
Less: Cash and cash equivalents	**(74.2)**	(202.6)
Less: Capital investments	**(90.1)**	(77.1)
Less: Current Liabilities	**(283.4)**	(302.1)
Capital Employed	**1,712.1**	1,655.6
Return on capital employed %	**6.2%**	4.9%

Adjusted Free Cash flow

(£m)	Year ended 31 December 2022	2021
Adjusted EBITDA	**203.5**	178.2
Less: Rental payments	**(93.7)**	(81.5)
Less: Cash flow for the purchase of property, plant and equipment	**(87.7)**	(69.3)
Less: Working capital movement	**(15.0)**	11.4
Less: Adjustments for non-recurring items	**20.9**	(26.8)
Adjusted FCF	**28.0**	12.0

Cash flow analysis for the period

(£m)	Year ended 31 December 2022	2021
Opening Cash balance	**202.6**	106.3
Operating cash flows before Adjusting Items and income tax paid	**186.5**	189.0
Net cash flow from Adjusting Items (included in operating cash flows)	**(6.4)**	(5.2)
Income tax received / (paid)	**(0.1)**	-
Operating cash flows after operating Adjusting Items and income tax	**180.0**	183.8
Net cash flow from Adjusting Items (included in investing cash flows)	**3.2**	35.2
Net cash in investing activities	**(87.2)**	(68.8)
Cash outflow for acquisition of subsidiary	**(11.4)**	(14.7)
Investing cash flows after investing Adjusting Items	**(95.4)**	(48.3)

Net cash flow from Adjusting Items (included in financing cash flows)	**(2.7)**	55.5
Net cash in financing activities	**(210.3)**	(94.7)
Financing cash flows after financing Adjusting Items	**(213.0)**	(39.2)
Closing cash balance	**74.2**	202.6

Closing cash balance

The Group's year end cash balance stood at £74.2m, which reflects a reduction of £128.4m against the prior year balance of £202.6m. This movement contains 3 significant one-off items: repayment of £100m of the Group's senior finance facility as part of the refinancing agreement; a net cash outflow of £11.4m paid for the acquisition of the Doctors Clinic Group; and a payment of £13m paid to an insurer following the outcome of a Court of Appeal hearing in late 2021. Further detailed information on the cash flow during the period is set out in the following sections.

Operating cash flows before Adjusting items

The cash inflow from operating activities before tax and Adjusting items was £186.5m (2021: £189.0m), which constitutes a cash conversion rate from £203.5m Adjusted EBITDA of 92% (2021: 106% conversion of £178.2m Adjusted EBITDA). The net cash outflow from movements in working capital in the period was £16.6m (2021: £11.4 inflow). The movement is largely driven amounts paid to the Insurer following the Court of Appeal hearing of £13.0m which was provided for in 2021.

Investing and financing cash flows

Net cash outflow in investing activities for the period was £95.4m (2021: £48.3m). The cash outflow relates to the consideration paid for the acquisition of the Doctors Clinic Group of £11.4m net of cash acquired and the purchase of plant, property and equipment in the period totalled £87.7m (2021: £69.3m), relating to the completed major refurbishment at Spire Shawfair Park in Edinburgh and the ongoing major developments at Spire Yale in Wrexham, it also covers further investment in patient care and digital transformation and the replacement of nine X-ray rooms. The total capital investment in the year in respect of additions of plant, property and equipment amounted to £90.1m (2021: £77.1m). This was offset by an inflow of £3.2m from the sale of St Saviours which was classified as held for sale.

Net cash used in financing activities for the period was £213.0m (2021: £39.2m) Cash outflows include the repayment of £100.0m of the Group's senior finance facility as part of the refinancing agreement, and including interest paid and other financing costs of £94.6m (2021: £80.0m), and £18.5m (2021: £14.7m) of lease liability payments. During the year the Group acquired the remaining non-controlling interest in Claremont LLP for £2.7m and dividends of £0.3m have been paid to non-controlling interests of Didsbury MSK Limited (2021: nil).

Borrowings

At 31 December 2022, the Group has bank borrowings (inclusive of IFRS 9 adjustments) of £324.3m (2021: £427.5m), drawn under facilities which mature in February 2026.

	Year ended 31 December	
(£m)	**2022**	2021
Cash	**74.2**	202.6
Bank borrowings	**324.3**	427.5
Bank borrowings less cash and cash equivalents	**250.1**	224.9

As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance its Senior Loan Facilities. As part of this exercise, and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. As a consequence, the revised Senior Loan Facility was set at £325.0m and the Group continued to have access to an undrawn Revolving Credit Facility of £100.0m. This new arrangement has a maturity of 4 years, with the Group having the option to extend by a further year. The financial covenants relating to this new agreement are unchanged with leverage to be below 4.0x and interest cover to be in excess of 4.0x. As at 31 December 2022 the leverage measure stood at 2.2x and interest cover of 8.5x (2021:4.5x).

As at 31 December 2022 lease liabilities were £866.5m (2021: £837.8m).

Dividend

The Directors of Spire Healthcare have recommended the payment of a final dividend of 0.5 pence per share for the year ending 31 December 2022. Subject to shareholder approval at the forthcoming Annual General Meeting on 11 May 2023.

Related party transactions

There were no significant related party transactions during the period under review.

Principal Risks

We set out our principal risks with their material mitigations below.

1. Workforce	We seek to retain colleagues through: • A common purpose and a positive workplace culture • Competitive pay and reward benefits. In 2022, we announced a competitive pay award that focused in particular on the 4,000 lowest paid colleagues in Spire Healthcare. We announced the creation in 2023 of a national reward framework. We are piloting other new benefits e.g. providing subsidised prepared meals for employees to take home. • Offering greater flexibility in employees' roles, including encouraging them to move to our staff bank roles if they are to leaving permanent employment • Responding to key employee metrics, for example rolling out a network of trainer mental health first aiders • Continuous investment in our equipment, facilities and services to retain high-quality clinicians We seek to recruit colleagues through: • A centralised recruitment process • An overseas recruitment capability to secure skilled healthcare workers from outside the EU where necessary • Offering apprenticeship programmes to support the development of clinical and non-clinical teams across the business • Building of local bank staff pools The group manages immediate staff shortages using agency and bank workers.
2. Macroeconomics	The COVID-19 pandemic has left high levels of pent up demand for our services. We understand that private medical insurance policy renewals and sales are seeing growth, and we have seen strong activity growth in 2021-22. Self-pay enquiries remain at record levels despite growing impact of the economy on people's ability to afford treatment largely because of record waiting lists. NHS referrals continue to recover with record levels of orthopaedics through 2022. In response to macro inflationary pressure we will continue to benefit from a range of inflation mechanisms built into the PMI contracts and will benefit from our ability to change self-pay pricing quickly via our new pricing engine. Our conversion rate from outpatient appointment to inpatient procedure remains stable. Procurement maintains a constant review of pricing and seeks opportunities to mitigate inflationary increases. In addition, we continue to respond to changing economic circumstances by optimising our private and NHS funded work ensuring we are not over reliant on one income source, supported by an efficient cost base. We are also expanding our proposition into GP, day case clinic, digital and occupational health areas to meet changing demand, notably the acquisition of Doctors Clinic Group in late 2022.
3. Climate Change	An estate wide condition assessment of roofs completed in 2021 has informed a prioritised approach to capital investment to manage storm damage risk. Flood risk mitigation includes a continued periodic review of our estate in relation to existing and predicted flood risk zones. Extreme ambient temperature risk mitigation includes an informed investment plan for upgrade of failing and vulnerable plant. Design of the replacement and upgrade would account for the predicted increase in ambient temperature profiles expected within the lifespan of the plant e.g.15 years. Further mitigation measures include extreme weather warning protocol and business continuity plans to provide emergency loan HVAC plant. Energy price risk mitigation includes energy efficiency measures to reduce consumption and our energy hedging strategy that has seen all our current energy requirements secured until October 2024. Net zero targets form part of the remuneration of the executive directors.

4. Competitor Challenge	We maintain a watching brief on new and existing competitor activity and retain the ability to react quickly to changes in patient and market demand. We consider that a partial mitigation of the impact of competitor activity is ensured by providing patients with high-quality clinical care and by maintaining good working relationships with GPs and consultants. We continue to invest in the brand and deliver an effective acquisition capability both direct and via our partners in order to protect our market position. We have also strengthened our pricing and tendering capabilities. Despite the COVID-19 pandemic, we have maintained investment into the estate and clinical equipment to differentiate our proposition. We monitor the market for opportunities, should they arise, to acquire or open facilities in specific geographies or services creating incremental volume.
5. Information Governance & Security	We have a governance structure, with board oversight, that monitors the risk and mitigations for information governance. To support the governance structure we have a range of policies and practices covering information governance. All colleagues have to complete annual mandatory training on information governance and data protection. Our IT team have a cyber-security strategy for continuous improvement based on industry standards. It covers the processes from identifying specific risks, to protecting physical and digital data assets through to recovery in the event of a successful cyberattack. We work with a number of industry leading technical partners to provide: – Multiple layers of business protection through the use of advanced detection and protection systems – Regular third-party penetration testing on new and existing IT systems
6. COVID-19 new variants	We followed the UK Health and Security Agency's (UKHSA) guidance throughout the pandemic as well as the Infection Prevention Controls (IPC) set out in the NHSE's IPC Board Assurance Framework regarding COVID-19. IPC performance indicators are reported to the executive committee and board on a regular basis. We follow UKHSA guidance on screening patients pre-admission before in-patient procedures, and local sites have outbreak guidance in the event of a COVID-19 outbreak. We offered all clinical colleagues COVID-19 booster jabs and flu vaccinations in Q4 2022. We continue to educate and encourage all our employees to have all the COVID-19 vaccinations they are entitled to, and will encourage all employees to participate in future COVID-19 and flu national vaccination programmes.
7. Brand Reputation	Our primary mitigations against damage to our brand reputation is through the good management of our principal risks, in particular: • Patient safety and clinical quality • Cyber security and data protection • Workforce In addition, we continue to invest in the awareness and health of the brand through national advertising, public relations and centrally coordinated social media. We also continue to build our reputation amongst analysts and public commentators.
8. Supply Chain Disruption	We run a centralised supply chain with a national distribution centre (NDC) and our own vehicle and driver fleet. This allows us to maintain stock at a group level and source where the need is greatest. Medical consumables are held at the NDC with an average of eight weeks supply, medicines and prostheses are held at hospital sites. In 2021, and into 2022, we have had to respond to a number of product shortages and global recalls, and we have seen some minor shortfalls in order fulfilment. In all cases, our centralised procurement function has been able, with the support of a permanent presence from the clinical team, to find alternative supplies to maintain hospitals' activities. Fresh food is supplied through a national food distributor which has its own delivery fleet and directly employs its HGV drivers. Order fulfilment has remained in the high 90 percentile. Because of the group's Brexit planning, it does have contingency menu plans in case of fresh food shortages. NHS Supply Chain manages any national shortages in critical medicines and medical gases. We receive allocations based on our activity.

9. Government and NHS Policy	Historically, we have derived 70% of our revenues from PMI and self-pay patients that provided a natural -protection against a change in government and NHS policy. Post-pandemic, we are seeing strong private revenues that are expected to continue medium term. Through the COVID-19 pandemic, we strengthened our relationships with the Department of Health and Social Care (DHSC), and NHS England. Meanwhile hospitals have also strengthened their relationships with their local NHS commissioners. The Integrated Care Systems (ICSs) are all established and starting to commission referrals effectively. The impact on NHS referrals has been minimal. From a contract perspective we have now signed effective contracts with all ICSs. Our chief executive officer, Justin Ash, attended the launch of the government's Elective Recovery Taskforce, aimed at reducing waiting lists
10. Pandemic from new pathogen	We maintain awareness of early warnings of potential pandemics from organisations like the WHO, DHSC, NHS England. We have a developed emergency response plan in line with the NHS and our experience of managing the COVID-19 pandemic.
11. Diversification and disintermediation	We have: • An innovation board bringing together the CEO and executive committee members of the medical, clinical, commercial and finance functions to identify healthcare trends and opportunities to develop new services • A dedicated director of innovation and proposition development, sourcing specific opportunities to support the group strategy, leading on development, supported with dedicated IT and project resource • A dedicated director sourcing suitable target acquisitions supported by an expert external financial and tax adviser A property lead to handle the assessment and acquisition of new physical assets with the support of retained property advisors.
12. Patient Safety and Clinical Quality	We maintain the following controls to mitigate against a failure of patient safety and clinical quality: • A reporting culture of openness and shared learning from ward to board, with a FTSUG at each site • Timely Incident reporting via a database with central oversight and development of actions to ensure learning. • Continually monitoring clinical standards, reporting progress via the board's CGSC • Integrated quality reporting based on a quality assurance framework with a standard set of KPIs • Development of a board assurance framework to assess risks against clinical and medical strategic objectives • A schedule of robust and regular hospital audits including the patient safety and quality reviews, with an action plan for improvement that is monitored • Standard operating procedure for patient notification exercises that includes learning and continuous improvement methodologies • Colleague induction, clinical competencies requirements and mandated training • Reporting on clinical outcomes with workforce and consultants including the chairs of hospital medical advisory committees with a view to driving up safety and performance
13. PMI Market Dynamics	We work hard to maintain good relationships and a joint product/patient health offering with the PMI companies, which, in the opinion of the directors, assists the healthcare sector as a whole in delivering high-quality patient care. We ensure we have long-term contracts in place with our PMI partners that avoids co-termination of contractual arrangements. We believe continuing to invest in our well-placed portfolio of hospitals provides a natural fit to the local requirements of all the PMI providers long term. We continue to invest in efficiency programmes to ensure that we can offer the best combination of high quality patient care at competitive prices.

14. Major infrastructure failure	All our hospitals have a backup power source provided by diesel powered generators that operate major circuits of an hospital, but some key equipment is not covered, e.g. MRI scanners. Battery powered uninterrupted power is provided into specific equipment in theatres to ensure patients remain safe in the event of a generator failure. These backup power sources are designed to keep patients in the hospital safe, but are not a complete substitute for mains power. Our national distribution fleet refuel on a daily basis at the end of their shifts to ensure resilient operational capability. In theory, NHS hospitals will still have to take emergency transfers so Trusts should not withdraw SLAs but there may be increased frequency of delays to emergency transfers. Mitigation plans are in place and being rehearsed at hospitals as delays are being experienced occasionally because of the overstretched ambulance service across the UK. The chief operating officer is chairing a regular multi-disciplinary winter planning meeting to coordinate response activities to any infrastructure failures.
15. Antimicrobial resistance	Our mitigations are: • Executive level awareness of the government's five year AMR strategy. • Participation in, and collaboration with, government monitoring of AMR outbreaks • Require clinicians to follow national guidelines on the prescribing of antibiotics in line with government guidelines • Access to up-to-date antimicrobial prescribing via online systems and access to microbiologists at all sites • Appropriate investigations of post-surgery infections including review of antibiotics.

Directors' responsibilities statement

Viability

Assessment of prospects

In accordance with the 2018 UK Corporate Governance Code, the Directors assessed the viability of the Group and have maintained a period of three years for their assessment. Although longer periods are used when making significant strategic decisions, three years has been used as it is considered the longest period of time over which suitable certainty for key assumptions in the current climate can be made. The assessment conducted considered the Group's current financial position and forecasted revenue, EBITDA, cash flows, risk management controls and loan covenants over the three-year period (which is consistent with the approach for prior years).

Assessment of viability

Further detail on both Macroeconomic related risk and COVID-19 is provided in the Risk management and internal control section in the Strategic Report.

Other specific scenarios covered by our testing were as follows:

- 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 policy resulting in consultants going on payroll; and
- short term disruption to trade at a sub-set of hospitals owing to an extreme weather event.

This review included the following key assumptions:

- no change in capital structure given the Group has since the 2022 year end refinanced its existing senior finance facility and revolving credit facility; and
- the government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS.

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.

Going Concern (see note 2. Basis of Preparation for more detail)

The Group assessed going concern risk for a 12 month period through to 31 March 2024. As at 31 December 2022 the Group had cash of £74.2m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £100m. On 24 February 2022, the Group successfully refinanced its debt facilities with a syndicate of existing and new Lenders. As part of the refinancing exercise and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. The new arrangement has a maturity of 4 years. The financial covenants relating to this new agreement are materially unchanged.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 31 March 2024, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the Directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

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.

It should be noted that we are in a period of unprecedented geo-political and macro-economic uncertainty. Whilst the Directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly, the actual financial impact of these risks may materially vary against the current view of their plausible impact.

Each of the Directors confirms that, to the best of their knowledge:

- The preliminary financial statements, which have been prepared in accordance with UK- adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- The preliminary announcement includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

By order of the Board

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

1 March 2023

Consolidated income statement
For the year ended 31 December 2022

(£m)	Note	2022 Total before Adjusting items	2022 Adjusting items (note 9)	2022 Total	2021 Total before Adjusting items	2021 Adjusting items (note 9)	2021 Total
Revenue	5	**1,198.5**	**-**	**1,198.5**	1,106.2	–	1,106.2
Cost of sales		**(660.1)**	**-**	**(660.1)**	(615.0)	–	(615.0)
Gross profit		**538.4**	**-**	**538.4**	491.2	–	491.2
Other operating costs		**(435.8)**	**(10.2)**	**(446.0)**	(411.2)	(17.4)	(428.6)
Other income	6	**3.0**	**-**	**3.0**	1.1	23.3	24.4
Operating profit / (loss) (EBIT)	7	**105.6**	**(10.2)**	**95.4**	81.1	5.9	87.0
Finance income	8	**-**	**-**	**-**	–	–	–
Finance cost	8	**(91.5)**	**-**	**(91.5)**	(88.1)	(0.8)	(88.9)
Profit / (loss) before taxation		**14.1**	**(10.2)**	**3.9**	(7.0)	5.1	(1.9)
Taxation	10	**2.5**	**1.8**	**4.3**	(20.8)	13.8	(7.0)
Profit / (loss) for the year		**16.6**	**(8.4)**	**8.2**	(27.8)	18.9	(8.9)
Profit / (loss) for the year attributable to owners of the Parent		**17.0**	**(8.4)**	**8.6**	(28.6)	18.9	(9.7)
(Loss) / profit for the year attributable to non-controlling interest		**(0.4)**	**-**	**(0.4)**	0.8	–	0.8
Earnings / (loss) per share (in pence per share)							
– **basic**	11	**4.2**	**(2.1)**	**2.1**	(7.1)	4.7	(2.4)
– **diluted**	11	**4.1**	**(2.0)**	**2.1**	(7.1)	4.7	(2.4)

Consolidated statement of comprehensive income
For the year ended 31 December 2022

(£m)	2022	2021
Profit/(Loss) for the year	**8.2**	(8.9)
Items that may be reclassified to profit or loss in subsequent periods		
Net gain on cash flow hedges (net of taxation)	**7.1**	2.7
Other comprehensive profit for the year	**7.1**	2.7
Total comprehensive profit / (loss) for the year, net of tax	**15.3**	(6.2)
Attributable to:		
Equity holders of the parent	**15.7**	(7.0)
Non-controlling interests	**(0.4)**	0.8
	15.3	(6.2)

Consolidated statement of changes in equity

For the year ended 31 December 2022

(£m)	Note	Share Capital (note 16)	Share premium	Capital reserves (note 16)	EBT share reserves (note 16)	Hedging Reserve (note 16)	Retained earnings	Total Equity	Non-Controlling Interest	Total
As at 1 January 2021		4.0	826.9	376.1	(0.8)	(3.2)	(496.4)	706.6	–	706.6
(Loss)/Profit for the year		–	–	–	–	–	(9.7)	(9.7)	0.8	(8.9)
Other comprehensive profit for the year		–	–	–	–	2.7	–	2.7	–	2.7
Total comprehensive profit / (loss)		–	–	–	–	2.7	(9.7)	(7.0)	0.8	(6.2)
Non-controlling interests adjustment1		–	–	–	–	–	6.1	6.1	(6.1)	–
Share-based payments	20	–	–	–	–	–	2.8	2.8	–	2.8
Deferred tax adjustment on share-based payments reserve		–	–	–	–	–	3.0	3.0	–	3.0
Acquisition of a subsidiary		–	–	–	–	–	(1.9)	(1.9)	0.5	(1.4)
As at 1 January 2022		**4.0**	**826.9**	**376.1**	**(0.8)**	**(0.5)**	**(496.1)**	**709.6**	**(4.8)**	**704.8**
Profit/(Loss) for the year		-	-	-	-	-	8.6	8.6	(0.4)	8.2
Other comprehensive profit for the year		-	-	-	-	7.1	-	7.1	-	7.1
Total comprehensive profit / (loss)		-	-	-	-	7.1	8.6	15.7	(0.4)	15.3
Dividends to non-controlling interests		-	-	-	-	-	-	-	(0.2)	(0.2)
Dividends paid in respect of vested share awards		-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Share-based payments	20	-	-	-	-	-	2.3	2.3	-	2.3
Deferred tax adjustment on share-based payments reserve		-	-	-	-	-	(0.1)	(0.1)	-	(0.1)
Issue of new shares		-	3.1	-	-	-	-	3.1	-	3.1
Utilisation of EBT shares for share awards		-	-	-	0.8	-	(0.8)	-	-	-
Purchase of non-controlling interest		-	-	-	-	-	0.5	0.5	(0.5)	-
Balance at 31 December 2022		**4.0**	**830.0**	**376.1**	**-**	**6.6**	**(485.7)**	**731.0**	**(5.9)**	**725.1**

Consolidated balance sheet

For the year ended 31 December 2022

(£m)	Note	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	12	1,584.4	1,553.5
Intangible assets	13	345.8	334.8
Derivatives		5.0	-
Financial assets		4.6	2.3
		1,939.8	1,890.6
Current assets			
Inventories		40.6	40.2
Trade and other receivables	14	100.5	99.2
Derivatives		3.6	-
Cash and cash equivalents		74.2	202.6
		218.9	342.0
Non-current assets held for sale	15	1.1	4.8
		220.0	346.8
Total assets		2,159.8	2,237.4
EQUITY AND LIABILITIES			
Equity			
Share capital	16	4.0	4.0
Share premium		830.0	826.9
Capital reserves	16	376.1	376.1
EBT share reserves		-	(0.8)
Hedging reserve	16	6.6	(0.5)
Retained loss		(485.7)	(496.1)
Equity attributable to owners of the Parent		731.0	709.6
Non-controlling interests		(5.9)	(4.8)
Total equity		725.1	704.8
Non-current liabilities			
Bank Borrowings	17	321.4	421.8
Lease liabilities	17	773.7	751.0
Deferred tax liabilities		56.2	57.7
		1,151.3	1,230.5
Current liabilities			
Bank Borrowings		2.9	5.7
Lease liabilities	17	92.8	86.8
Derivatives	17	-	0.7
Financial liabilities		-	1.9
Provisions	18	21.7	44.8
Trade and other payables	19	164.5	159.1
Income tax payable		1.5	3.1
		283.4	302.1
Total liabilities		1,434.7	1,532.6
Total equity and liabilities		2,159.8	2,237.4

These Consolidated financial statements and the accompanying notes were approved for issue by the Board on 1 March 2023 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

Consolidated statement of cash flows

For the year ended 31 December 2022

(£m)	Note	2022	2021
Cash flows from operating activities			
Profit/(Loss) before taxation		3.9	(1.9)
Adjustments to reconcile profit before tax to net cash flows:			
Impairment of assets held for sale (Adjusting items) (see note 9)		0.5	–
Fair value adjustment on financial liability (Adjusting items) (see note 9)		0.8	–
Loss on disposal of Property, plant and Equipment		0.3	–
Adjusting items – other		2.5	11.1
Depreciation of Property, plant and equipment and Right of use assets		97.9	97.1
Profit on disposal under Sale and leaseback (Adjusting items) (see note 9)		–	(23.5)
Profit on early termination of a lease (Adjusting items) (see note 9)		–	(0.2)
Finance costs		91.5	88.1
Other income		(3.0)	(1.1)
Share-based payments expense		2.3	2.8
Movements in working capital:			
(Increase) /Decrease in trade receivables and prepayments		(6.9)	1.7
Decrease/(Increase) in inventories		(0.4)	(1.9)
Increase in trade and other payables		8.2	14.3
Decrease in provisions		(15.9)	(2.7)
Cash generated from operations		181.7	183.8
Tax paid		(0.1)	–
Net cash flows from operating activities		181.6	183.8
Cash flows from investing activities			
Receipt from financial asset		0.5	0.4
Acquisition of a subsidiary, net of cash acquired		(11.3)	(14.7)
Purchase of property, plant & equipment		(87.7)	(69.3)
Proceeds of disposal of property, plant and equipment		–	0.1
Proceeds of disposal of assets held for sale (Adjusting items)[1]		3.2	-
Proceeds from sale and leaseback, net of costs (Adjusting items)		–	33.4
Proceeds of asset under sale of operating unit, net of costs (Adjusting items)		–	1.8
Net cash used in investing activities		(95.3)	(48.3)
Cash flows from financing activities			
Interest paid and other financing costs		(21.1)	(13.2)
Interest on lease liabilities		(73.5)	(66.8)
Payment of lease liabilities		(20.2)	(14.7)
Proceeds from asset sold under Sale and leaseback (retained value) (Adjusting items)		–	55.5
Proceeds from senior loan facility		325.0	–
Repayment of senior loan facility		(425.0)	–
Proceeds from the issue of new shares		3.1	–
Purchase of non-controlling interests (Adjusting item)[1]		(2.7)	–
Dividend paid		(0.3)	–
Net cash used in financing activities		(214.7)	(39.2)
Net increase in cash and cash equivalents		(128.4)	96.3
Cash and cash equivalents at 1 January		202.6	106.3
Cash and cash equivalents at 31 December		74.2	202.6
Adjusting Items (note 9)			
Adjusting items paid included in the cash flow		(6.4)	85.5
Total pre-tax Adjusting items		(10.2)	5.1

1 Adjusting item was not charged to profit and loss in the current financial year and is therefore not included in the adjusting items paid included in the cash flow

Notes to the preliminary announcement

1. General information

Spire Healthcare Group plc (the 'Company') and its subsidiaries (collectively, the 'Group') owns and operates private hospitals and clinics in the UK and provides a range of private healthcare services.

The financial statements for the year ended 31 December 2022 were authorised for issue by the Board of Directors of the Company on 1 March 2023.

The Company is a public limited company, which is listed on the London Stock Exchange, incorporated, registered and domiciled in England and Wales (registered number: 09084066). The address of its registered office is 3 Dorset Rise, London, EC4Y 8EN.

2. Basis of preparation

The preliminary financial information for the year ended 31 December 2022 included in this report was approved by the Board on 1 March 2023. The financial information set out here does not constitute the Company's statutory accounts for the year ended 31 December 2022, but is derived from those accounts. Statutory accounts for 2022 will be delivered following the Company's annual general meeting. The auditor has reported on those accounts; their report was unqualified, and did not draw attention to any matters by way of emphasis and did not contain statements under s498 (2) or (3) of the Companies Act 2006.

Going concern

The Group assessed going concern risk for the period through to 31 March 2023. As at 31 December 2022 the Group had cash of £74.2m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £100m. On 24 February 2022, the Group successfully refinanced its debt facilities with a syndicate of existing and new Lenders. As part of the refinancing exercise and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100m of the Senior Loan Facility. The new arrangement has a maturity of 4 years. The financial covenants relating to this new agreement are materially unchanged.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 31 March 2024, together with their assessment of the planned mitigating actions being successful, the Directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the Directors have also noted that, were three of the most likely specific risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

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.

It should be noted that we are in a period of unprecedented geo-political and macro-economic uncertainty. Whilst the Directors continue to closely monitor these risks and their plausible impact, their severity is hard to predict and is dependent upon many external factors. Accordingly, the actual financial impact of these risks may materially vary against the current view of their plausible impact.

3. Accounting policies

In preparing this preliminary announcement, the same accounting policies, methods of computation and presentation have been applied as set out in the Group's Annual Report and Accounts for the year ended 31 December 2022, a copy of this report will shortly be available on the Company's website at www.spirehealthcare.com.

Changes in accounting policy - New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the Group from 1 January 2022. These amendments had no impact on the consolidated financial statements of the Group. As the Group was renegotiating its principal loans from which the interest determination is based on, there have been no changes to contracts impacted by LIBOR until the facilities are in place. All LIBOR linked contracts will be updated by 31 January 2022. The contracts with significant exposures relate to loans, leases and swaps.

	Effective date*
Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework	1 January 2022
Amendments to IAS 16 – Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Amendments to IAS 37 – Onerous Contracts – Costs of Fulfilling a Contract	1 January 2022
IFRS 9 Financial Instruments – Fees in the "10 per cent" test for derecognition of financial liabilities	1 January 2022

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations that are consistent with the endorsement process for use in the UK.

Changes in accounting policy - New standards, interpretations and amendments in issue, but not yet effective

As at date of approval of the Group financial statements, the following new and amended standards, interpretations and amendments in issue are applicable to the Group but not yet effective and thus, have not been applied by the Group:

	Effective date*
Amendments to IAS 1 – Classification of liabilities as Current or Non-Current	1 January 2023
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 12- Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
IFRS 17 – Insurance contracts	1 January 2023
Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	1 January 2024

* The effective dates stated above are those given in the original IASB/IFRIC standards and interpretations. As the Group prepares its financial statements in accordance with IFRS as issued by the IASB as endorsed by the UK, the application of new standards and interpretations will result in an effective date subject to that agreed by the UK Endorsement process.

IFRS 17 is under review by management and the impact if any is still to be quantified. All other amendments are not expected to have a material impact on the Group.

Changes in accounting estimates

In line with our accounting policy, management has reviewed the expected useful lives and residual values of property, plant and equipment. This exercise included a detailed benchmarking exercise. As a result, the useful life and residual value for freehold land and buildings has been revised, and with effect from 1 July 2022 the Group changed its estimate for freehold buildings from 5 – 50 years to 5- 60 years.

The benchmarking exercise confirmed that it would be appropriate to also revise the residual value on freehold hospital buildings to 20% from a nil residual value and this change took place with effect from 1 July 2022. Management has therefore concluded that it would be appropriate to apply a 20% residual value to the original cost of the freehold properties, and this change took effect on 1 July 2022.

Management has concluded that the impact of climate-related risks would not have a material impact on the extended useful life and residual value of its freehold land and buildings, as these risks have been mitigated.

The depreciation charged to the profit and loss in the current year was £97.9m (2021:£97.1m). The change in accounting estimate has resulted in a reduction in depreciation of £2.9m in the current year. In addition this has given rise to a one-off deferred tax credit of £9.0m. The effect of the change in future period is to decrease annual depreciation by c. £6.0m.

4. Critical accounting judgements and estimates

In the application of the Group'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.

In preparing this preliminary announcement, the significant judgements and estimates made by management in applying the Group's accounting policies and key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended 31 December 2022.

5. Segmental reporting

In determining the Group's operating segment, management has primarily considered the financial information in internal reports that are reviewed and used by the executive management team and Board of Directors (who together are the chief operating decision maker of Spire Healthcare) in assessing performance and in determining the allocation of resources. The financial information in those internal reports in respect of revenue and expenses has led management to conclude that the Group has a single operating segment, being the provision of healthcare services. All revenue is attributable to, and all non-current assets are located in, the United Kingdom.

The nature of the NHS COVID-19 specific contracts in Q1 2021, and specific agreement with one hospital in FY22, means that not all of the detail of revenue by location (inpatient, day case or Out-patient) is available. In Q1 2021, where a patient was admitted, this revenue has been recorded within the revenue by location. Amounts relating to the minimum income guarantee over and above admitted patients, or any other elements are reflected in the NHS COVID-19 line.

Revenue by location (inpatient, day case or Out-patient) and wider customer (payor) group is shown below:

(£m)	2022	2021
Inpatient	**487.5**	414.2
Day case	**348.0**	307.0
Out-patient	**333.1**	300.9
Other[1]	**26.4**	26.0
NHS – COVID-19	**3.5**	58.1
Total revenue	**1,198.5**	1,106.2

Notes to the preliminary announcement continued

5. Segmental reporting continued

Insured	**538.7**	473.7
Self-pay	**338.0**	292.0
NHS	**295.4**	314.5
Other[1]	**26.4**	26.0
Total	**1,198.5**	1,106.2

1 Other revenue includes fees paid to the Group by consultants (eg for the use of Group facilities and services) and third-party revenue (eg pathology services to third-parties).

Group revenues increased 8.3% to £1,198.5m (2021: £1,106.2m). The increase in revenue is due to the increased demand for private treatment with the continued growth in self-pay seen during the prior period, but also the recovery by Insured patients. NHS revenue of £295.4m includes £3.5m (2021: £314.5m and £58.1m respectively) revenue from specific COVID-19 contracts. In the prior year (Q1 2021) the Group operated under an NHS volume based contract with a minimum income guarantee, included in the £58.1m was £47.4m reflecting the "top up" to minimum income guaranteed under the contract.

6. Other income

(£m)	2022	2021
Fair value movement on financial asset	**2.3**	0.7
Realised profit in respect of financial asset	**0.7**	0.4
Profit on disposal relating to sale and leaseback, net of costs (Adjusting item) (see note 10)	**–**	23.3
Total other income	**3.0**	24.4

The fair value movement and realised profit in respect of the financial asset reflect the on-going profit share arrangement with Genesis Care which arose as part of the sale of the Bristol Cancer Centre sold in 2019.

7. Operating profit

Arrived at after charging / (crediting):

(£m)	**2022**	2021
Depreciation of property, plant and equipment (see note 12)	**64.2**	67.4
Depreciation of right of use assets (see note 12)	**33.7**	29.7
Acquisition-related transaction costs (Adjusting item) (see note 9)	**1.8**	1.5
Lease payments made in respect of low value and short leases	**13.6**	12.3
Provision following a court judgment related to Ian Paterson (Adjusting item) (see note 9)	**0.3**	12.2
Impairment on assets held for sale	**0.5**	–
Movement on the provision for expected credit losses of trade receivables	**0.9**	(1.2)
Loss on disposal of property, plant and equipment	**0.3**	–
Fair value adjustment on financial liability	**0.8**	–
Staff restructuring costs	**4.5**	1.2
Staff costs (net of staff restructuring costs and including share based payment charge)	**413.9**	396.4
Profit on disposal relating to sale and leaseback (Adjusting item) (see note 9)	**–**	(23.5)
Profit on disposal relating to a lease modification at Spire Sussex (Adjusting item) (see note 9)	**–**	(0.4)
Profit on the early termination of a lease (Adjusting item) (see note 9)	**–**	(0.2)

Impairment losses are included in other operating costs. Inventory recognised as an expense in the current year is disclosed in note 17 of the Annual Report and Accounts.

8. Finance income and costs

(£m)	**2022**	2021
Finance cost		
Interest on bank facilities	**12.4**	18.8
Interest on the RSA judgment repayable (included in Adjusting items)	**–**	0.8
Refinancing fees	**1.0**	–
Amortisation of fee arising on facilities extensions/borrowing costs [(1)]	**1.5**	1.0
Accelerated amortisation and loss on extinguishment of loan	**3.1**	–
IFRS 9 release arising on facilities extension [(1)]	**–**	0.1
Interest on obligations under leases	**73.5**	68.2
Total finance costs	**91.5**	88.9

8. Finance income and costs continued

Total net finance costs	**91.5**	88.9

1. £5.0m of borrowing costs were capitalised on the refinancing of the senior facility, these are being amortised. In the prior year £3.3m that was recorded at the date of the 2018 extension and £0.3m recorded at the date of the 2020 extension. The remaining balance of these fees were changed to the profit and loss in the year on the extinguishment of the old loan.

9. Adjusting items

(£m)	2022	2021
Business reorganisation and corporate restructuring costs	**4.5**	1.2
Asset acquisitions, disposals, impairment and aborted project costs	**4.3**	4.5
Remediation of regulatory compliance or malpractice costs	**1.1**	11.4
Hospital set up and closure costs	**0.3**	0.3
Income from asset disposals	**–**	(23.3)
Total Adjusting items in operating costs	**10.2**	(5.9)
Interest payable on Adjusting items	**–**	0.8
Total pre-tax Adjusting items	**10.2**	(5.1)
Income tax credit on Adjusting items	**(1.8)**	(13.8)
Total post-tax Adjusting items	**8.4**	(18.9)

Adjusting items comprise those matters where the Directors believe the financial effect should be adjusted for, due to their nature, size or incidence, in order to provide a more accurate comparison of the Group's underlying performance.

During H2 21, the Group announced a strategic, group wide initiative that impacts the operating model of the Group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £4.5m (2021: £1.2m) has been incurred. The initial phase of the initiative was completed in 2022, the estimated time frame to overall completion being the end of 2024.

Asset acquisitions, disposals, impairment and aborted project costs of £4.3m mainly comprise costs in respect of the acquisition of the Doctors Clinic Group, and the acquisition of the minority interest in Claremont, as well as its integration with the Group. In the prior year costs incurred by the Group relating to Merger and Acquisition (M&A) costs, related to the attempted takeover bid by Ramsay Health Care, and the acquisition and integration of Claremont.

In December 2022, the Group acquired 100% of the share capital in the Doctors Clinic Group Limited for £12m as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £1.8m have been incurred in the period. Costs for integration are expected to continue into FY23.

Following the acquisition of Claremont Hospital in November 2021, the Group has incurred costs of £0.5m for integration alongside some transitional services in the period. In addition, on 31 March 2022, the Group acquired the remaining minority interest for £2.7m, of which £1.9m had been provided for in FY21. Therefore, £0.8m is included in Adjusting items. Other costs incurred mainly relate to the final business transfer of the Sussex Hospital to the NHS Trust which completed on 31 March 2022, as announced during FY21. In addition, integration costs of £0.5m were incurred in the period.

In December 2022, the Group completed on the sale of St Saviours, an asset held for sale, for £3.2m, following a write down in value reported at H1 2022 of £0.5m recognised in other operating costs.

In the prior period, the Group agreed with sale and leaseback of its Cheshire Hospital for consideration of £89m. A gain on disposal of £23.5m has been recognised, offset by £0.2m of costs to sell.

Remediation of regulatory compliance or malpractice costs includes amounts paid to the Insurer following the Court of Appeal hearing. £13.0m was provided in FY21, with £13.3m being settled in FY22. The £0.3m recognised in the period reflects this additional amount. In the prior year, and in response to the Public Inquiry the Group commenced a detailed patient review initiative, during the year the Group has re-evaluated the expected cost of completing this complex project, and its associated settlement of claims. As a result, the Group has increased its provision by £0.9m for the project. In the prior year, a credit of £0.4m was recognised following the settlement of costs to Spire from its insurer following the original judgment finding in favour of the Group in FY20.

Hospital set up and closure costs mainly relate to the maintenance costs of non-operational sites.

Notes to the preliminary announcement continued

10. Taxation

(£m)	2022	2021
Current tax		
UK corporation tax expense	0.1	0.8
Adjustments in respect of prior years	(0.7)	-
Total current tax (credit) / charge	(0.6)	0.8
Deferred tax		
Origination and reversal of temporary differences	(2.6)	(15.0)
Effect of change in tax rate	-	17.7
Adjustments in respect of prior years	(1.1)	3.5
Total deferred tax (credit) / charge	(3.7)	6.2
Total tax (credit) / charge	(4.3)	7.0

In addition to the above, a charge of £2.1m has been recognised in Other Comprehensive income (2021: £0.6m charge) and £0.1m charge (2021: £3.0m credit) through Equity.

Corporation tax is calculated at 19.0% (2021: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year was not meaningful (2021: not meaningful) as a result of prior year adjustments and movements on deferred tax which are not directly linked to profit. During the period, the Group has reassessed the useful life and residual value of its freehold property portfolio. This has results in a one-off deferred tax credit of £9.0m. The prior year deferred tax charge was largely driven by the effects of revaluing deferred tax assets and liabilities from 19% to 25% due in April 2023, and the deferred tax movement as a result of the sale and leaseback of Spire Cheshire. The effective tax assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK.

The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

(£m)	2022	2021
Profit / (loss) before taxation	3.9	(1.9)
Tax at the standard rate	0.7	(0.4)
Effects of:		
Expenses and income not deductible or taxable	8.2	4.5
Tax adjustment for the Super-deduction allowance	(2.6)	(2.2)
Tax adjustment in respect of sale and leaseback	-	(16.0)
Impairment charge in respect of held for sale assets (not tax deductible)	0.1	-
One-off impact of revision to useful life and residual value of freehold property portfolio (deferred tax)	(9.0)	-
Adjustments to prior year	(1.8)	3.5
Difference in tax rates	0.1	17.7
Deferred tax not previously recognised	-	(0.1)
Total tax (credit) / charge	(4.3)	7.0

Expenses and income not deductible or taxable relate mostly to depreciation on non-qualifying fixed assets, disallowable entertaining and legal and professional fees. The one-off impact of revision to useful life and residual value of the freehold property portfolio is described in note 23 of the annual report and accounts.

The charge above in the prior year was driven mainly by the revaluation of deferred tax assets and liabilities to 25% from 19% as a result of the substantive enactment of the Government's decision to increase the corporation tax rate from 1 April 2023, as well as the deferred tax movement as a result of the sale and leaseback of Spire Cheshire. The current year charge driven by expenses not deductible for tax purposes, offset by the one-off deferred tax credit of £9.0m as a result in the revision to the useful life and residual value of the freehold property portfolio, an adjustment in respect of prior year and the claim of the super deduction for capital allowance purposes.

The Group does not hold any uncertain tax positions under IFRIC 23 at the year-end (2021: none).

11. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

	2022	2021
Profit/(Loss) for the year attributable to ordinary equity holders of the Parent (£m)	8.6	(9.7)
Weighted average number of ordinary shares for basic EPS (No.)	402,756,797	401,087,547
Adjustment for weighted average number of shares held in EBT	(77,501)	(239,283)

Notes to the preliminary announcement continued

11. Earnings per share (EPS) continued

Weighted average number of ordinary shares in issue (No.)	402,679,296	400,848,264
Basic earnings per share (in pence per share)	2.1	(2.4)

For dilutive EPS, the weighted average number of ordinary shares in issue is adjusted to include all dilutive potential ordinary shares arising from share options. Refer to the Remuneration Committee Report in the Annual Report and Accounts for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS.

	2022	2021
Profit/(Loss) for the year attributable to ordinary equity holders of the Parent (£m)	8.6	(9.7)
Weighted average number of ordinary shares in issue (No.)	402,679,296	400,848,264
Adjustment for weighted average number of contingently issuable shares	9,363,470	-
Diluted weighted average number of ordinary shares in issue (No.)	412,042,766	400,848,264
Diluted earnings per share (in pence per share)	2.1	(2.4)

In the prior year the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However, 8,891,739 shares are potentially dilutive.

The Directors believe that EPS excluding Adjusting items ("Adjusted EPS") better reflects the underlying performance of the business and assists in providing a clearer view of the performance of the Group.

Reconciliation of profit after taxation to profit after taxation excluding Adjusting items ("Adjusted profit"):

	2022	2021
Profit/(Loss) for the year attributable to owners of the Parent (£m)	8.6	(9.7)
Adjusting items (see note 9)	8.4	(18.9)
Adjusted profit/(loss) (£m)	17.0	(28.6)
Weighted average number of Ordinary Shares in issue	402,679,296	400,848,264
Weighted average number of dilutive Ordinary Shares	412,042,766	400,848,264
Adjusted basic earnings per share (in pence per share)	4.2	(7.1)
Adjusted diluted earnings per share (in pence per share)	4.1	(7.1)

In the prior year the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However, 8,891,739 shares are potentially dilutive.

12. Property, plant and equipment

(£m)	Freehold property	Leasehold improvements	Equipment	Assets in the course of construction	Right of use (ROU)	Total
Cost:						
At 1 January 2021	870.5	164.0	447.4	9.2	763.9	2,255.0
Additions	11.4	11.9	47.6	6.2	–	77.1
Acquisition of a subsidiary (Note 22)	–	0.1	4.7	–	25.5	30.3
Additions to ROU assets	–	–	–	–	32.6	32.6
Adjustments to existing assets (eg indexation)	–	–	–	–	9.7	9.7
Disposals	(35.9)	(1.7)	(20.9)	–	(5.8)	(64.3)
Transfers[1]	(0.7)	3.4	1.8	(4.5)	–	–
At 1 January 2022	845.3	177.7	480.6	10.9	825.9	2,340.4
Additions	8.5	6.4	55.9	19.3	-	90.1
Acquisition of a subsidiary (Note 22)	-	-	0.6	-	-	0.6
Additions to ROU assets	-	-	-	-	4. 9	4.9
Adjustments to existing assets (eg indexation)	-	-	-	-	34.0	34.0
Disposals	(3.6)	(3.7)	(71.8)	-	(0.9)	(80.0)
Transfer	-	-	(10.0)	-	10.0	-
At 31 December 2022	850.2	180.4	455.3	30.2	873.9	2,390.0

12. Property, plant and equipment continued

Accumulated depreciation and impairment:						
At 1 January 2021	180.3	46.9	295.3	–	197.2	719.7
Charge for the year	17.9	8.4	41.1	–	29.7	97.1
Acquisition of a subsidiary (Note 22)	–	–	4.1	–	–	4.1
Disposals	(9.2)	(0.9)	(19.7)	–	(4.2)	(34.0)
At 1 January 2022	**189.0**	**54.4**	**320.8**	**-**	**222.7**	**786.9**
Charge for the year	**12.3**	**9.3**	**42.6**	**-**	**33.7**	**97.9**
Disposals	**(3.1)**	**(3.6)**	**(71.6)**	**-**	**(0.9)**	**(79.2)**
At 31 December 2022	**198.2**	**60.1**	**291.8**	**-**	**255.5**	**805.6**
Net book value:						
At 31 December 2022	**652.0**	**120.3**	**163.5**	**30.2**	**618.4**	**1,584.4**
At 31 December 2021	656.3	123.3	159.8	10.9	603.2	1,553.5

1 Management identified a number of assets which should be reclassified from Equipment to Leasehold improvements and Freehold property to better reflect the life of the assets. These have been reflected in the reclassification line in the note above. There is no overall impact to the carrying value of plant, property and equipment

The net book value of land is £156.3m (2021:£156.3m). During the year the Group refinanced it senior finance facility and pledged 9 of its freehold properties as security, the net book value of these properties are £157.6m as at 31 December 2022. No assets in the prior year were subject to restriction on title or pledged as security for liabilities. There were no borrowing costs capitalised during the year ended 31 December 2022 (2021: Nil).

Impairment testing

The Directors consider property and property right of use assets for indicators of impairment semi-annually. As equipment and leasehold improvements do not generate independent cash flows, they are considered alongside the property as a single cash-generating unit ("CGU"). When making the assessment, the value-in-use of the property is compared with its carrying value in the accounts. Where headroom is significant, no further work is undertaken. Where headroom is minimal, a detailed assessment is performed for the property, which includes identifying the factors resulting in limited headroom and undertaking financial forecasts to assess the level of sensitivity this has to key assumptions.

In order to estimate the value-in-use, management has used trading projections covering the period to December 2027 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. To the extent that there was a shortfall between the recent actual cash flows and forecast, the future cash flows have been adjusted to reflect any initiatives implemented by management to address the underlying cause. In addition, Management consider the potential financial impact from short term climate change scenarios, and the cost of initiatives by the Group to manage the longer term climate impacts.

Key assumptions

Management identified a number of key assumptions relevant to the value-in-use calculations, being EBITDA growth over the five year period, capital maintenance spend, discount rates and long term growth rates. The assumptions are based on past experience and external sources of information.

There were three properties triggered for detailed review in the period owing to the relatively lower level of headroom. Management has performed a sensitivity analysis on these properties using reasonably possible changes for each key assumption, keeping all other assumptions constant. The sensitivity analysis included an assessment of the break-even point for each of the key assumptions.

The trading projections for the five year period underlying the value in use reflect a growth in EBITDA. EBITDA is based on a number of elements of the operating model over the longer-term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. The sensitivity analysis identified that a reasonably possible change that would result the elimination of headroom for each property as shown in the table below.

The Group has used a pre-tax discount rate of 10.6% (2021: 8.5%), adjusted for the effect of IFRS 16. The sensitivity analysis identified that a reasonably possible change in the pre-tax discount rate, would result in the elimination of headroom as shown in the table below.

For the properties triggered for review the table below provides the headroom and the reasonably possible change identified in the sensitivity analysis mentioned analysis mentioned above which would result in the elimination of headroom.

12. Property, plant and equipment continued

	Headroom (the amount that recoverable amount exceeded the carrying amount)	EBITDA growth for the five year period	Sensitivity for decrease of EBITDA growth per annum	Sensitivity for increase of the pre-tax discount rate sensitivity
Property CGU 1	£5.7m	2% - 62%	8.6%	270 bps
Property CGU 2	£5.0m	2% - 70%	4.5%	299 bps
Property CGU 3	£7.4m	0% - 79%	2.6%	135 bps

A long-term growth rate of 2.0% has been applied to cash flows beyond 2027 based on long term view of inflation, revenue growth and market conditions. Capital maintenance spend is based on historic run rates and our expectations of the Group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

As a result, management believe that some of the key impairment review assumptions constitute a major source of estimation uncertainty as they consider that there is a significant risk of a material change to its estimate of these assumptions within the next 12 months.

13. Intangible assets

(£m)	Goodwill
Cost or valuation:	
At 1 January 2021	518.8
Acquisition of a subsidiary	17.0
At 31 December 2021	**535.8**
Acquisition of a subsidiary	**11.1**
Adjustment to prior year goodwill acquired	**(0.1)**
At 31 December 2022	**546.8**
Impairment:	
At 31 December 2021 and 31 December 2022	**201.0**
Carrying amount:	
At 31 December 2022	**345.8**
At 31 December 2021	334.8

Acquisition during the year

On 16 December 2022, the Group acquired 100% of the voting shares of The Doctors Clinic Group, a non-listed company based in England who are an integrated provider of occupational health services and private GP services, for £12m generating goodwill of £11.1m.

Impairment testing

The Directors treat the business as a single cash-generating unit for the purposes of testing goodwill for impairment prior to the acquisition of The Doctors Clinic Group. The recoverable amount of goodwill is calculated by reference to its estimated value-in-use. In order to estimate the value-in-use, management has used trading projections covering the period to December 2027 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. In addition, Management consider the potential financial impact from short term climate change scenarios, and the cost of initiatives by the Group to manage the longer term climate impacts. The recoverable amount exceeded the carrying amount by c.£400m.

Key assumptions

Management identified a number of key assumptions relevant to the value-in-use calculations, being EBITDA margin growth over the five year period, capital maintenance spend, discount rates and long term growth rates. The assumptions are based on past experience and external sources of information.

Management has performed a sensitivity analysis using reasonably possible changes for each key assumption, keeping all other assumptions constant. The sensitivity analysis included an assessment of the break-even point for each of the key assumptions.

The trading projections for the five year period underlying the value in use reflect a growth in EBITDA margin. EBITDA Margin is dependent on a number of elements of the operating model over the longer-term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. The growth in EBITDA margin over the next 5 years ranges between 0.5% and 1.8% per

13. Intangible assets continued

annum. The sensitivity analysis identified that a reasonably possible decrease of 12% in the annual EBITDA forecast within the trading projection (2023-2027) would result in the elimination of headroom.

The Group has used a pre-tax discount rate of 10.6% (2021: 8.5%), adjusted for the effect of IFRS 16. The sensitivity analysis identified that a reasonably possible increase of 250 bps in the pre-tax discount rate, would result in the elimination of headroom.

A long-term growth rate of 2.0% has been applied to cash flows beyond 2027 based on long term view of inflation and market conditions. Capital maintenance spend is based on historic run rates and our expectation of the Group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

As a result, management believe that some of the key impairment review assumptions constitute a major source of estimation uncertainty as they consider that there is a significant risk of a material change to its estimate of these assumptions within the next 12 months

14. Trade and other receivables

(£m)	2022	2021
Amounts falling due within one year:		
Trade receivables	**59.8**	54.7
Unbilled receivables	**18.2**	12.3
Prepayments	**15.7**	18.4
Other receivables	**11.8**	17.9
	105.5	103.3
Allowance for expected credit losses	**(5.0)**	(4.1)
Total current trade and other receivables	**100.5**	99.2

Unbilled receivables reflects work in progress where a patient had treatment, or was receiving treatment, at the end of the period and the invoice had not yet been raised.

Other receivables includes the £5.4m insurance reimbursement right (2021: £7.4m); as well as £2.6m (2021:£7.9m) reimbursement right related to the new Paterson Fund, which is being held by solicitors on account until payments are made, with any amount not paid out being returned to Spire. During the year, £5.3m was paid out of this fund. The amounts paid to the new Paterson fund do not reflect an investment in a financial asset, but merely a right to reimbursement should the fund not be utilised in full.

In the prior year, as well as the £7.4m insurance reimbursement right, other receivables includes a £2.2m receivable from the vendor of Claremont Hospital, which was acquired by the Group during the year, and is the difference between the original estimated purchase price of £19.1m and the final agreed purchase price of £16.9m.

Trade and other receivables of £1.5m have been recognised on the acquisition of the Doctors Clinic Group during the year (Note 22).

Trade receivables comprise amounts due from private medical insurers, the NHS, self-pay patients, consultants and other third parties who use the Group's facilities. Invoices to customers fall due within 60 days of the date of issue.

The Group was successful in its bid to be included on the NHSE Framework for purchasing additional activity from the independent sector, which commenced in April 2021. Inclusion on the Framework is at an agreed price for activity, based on the NHS tariff, but carries no guaranteed volumes. For contracts under the Framework that include an estimated contract value, billing is in advance for the expected volume, with a quarterly true-up for actual volumes undertaken. For contracts under the Framework without an estimated contract value (which can include local agreements), billing is in arrears based on actual volumes only.

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date (excluding payments on account). A provision for expected credit losses has been recognised at the reporting date through consideration of the ageing profile of the Group's trade receivables and the perceived credit quality of its customers reflecting net debt due. The carrying amount of trade receivables, net of expected credit losses, is considered to be an approximation to its fair value.

The loss allowance as at 31 December 2022 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	**0.0%**	**1.8%**	**8.3%**	**29.2%**	**17.5%**	**7.2%**
Gross debt (£m)	27.8	16.8	8.4	8.9	8.0	69.9
Less payments on account (£m)						(10.1)
Carrying amount of trade receivables (£m)						59.8
Loss allowance (£m)	-	0.3	0.7	2.6	1.4	5.0

14. Trade and other receivables continued

The loss allowance as at 31 December 2021 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	0.7%	2.2%	5.1%	19.5%	23.6%	5.5%
Gross debt (£m)	27.1	22.9	13.7	7.7	5.5	76.9
Less payments on account (£m)						(22.2)
Carrying amount of trade receivables (£m)						54.7
Loss allowance (£m)	0.2	0.5	0.7	1.5	1.2	4.1

Trade receivables are written off when there is no longer a reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and failure to make contractual payments for a period of greater than 2 years past due.

The Group assesses on a forward looking basis expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied for trade receivables is the simplified approach, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables.

Trade receivables after expected credit losses comprise the following wider customer/payor groups:

(£m)	2022	2021
Private medical insurers	30.4	27.4
NHS	8.2	9.2
Patient debt	7.2	8.9
Other	9.0	5.1
	54.8	50.6

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

(£m)	2022	2021
At 1 January	4.1	5.3
Provided in the year	1.1	–
Utilised during the year	(0.2)	(0.2)
Released during the year	–	(1.0)
At 31 December	5.0	4.1

The Group applies the IFRS 9 simplified approach to measuring Expected Credit Losses (ECLs) for trade receivables. Under this standard, lifetime ECL provisions are recognised for trade receivables using a matrix of rates dependant on age thresholds and customer types. The ECL rates are determined with reference to historical performance of each payor age group during the last two years.

To develop the ECL matrix, trade receivables were grouped according to shared characteristics (payor/payor type) and the days past due. As the majority of the Group's debt is receivable from large, well-funded insurance companies, the National Health Service or from a large number of individuals, the Group has concluded that historical debt performance of the portfolio during the last two reporting periods provides a reasonable approximation of the future expected loss rates for each payor age category.

15. Non-current assets held for sale

During the year the Group completed the sale of its Spire St Saviours property and received proceeds of £3.2m. In June 2022 an impairment of £0.5m was recognised on the property, as the sales price less costs to sell on the property was lower than the carrying value. No impairment was recognised in the prior year (see Note 9).

As at 31 December 2022 the Group's management have committed to sell a parcel of land at Bostocks Lane. Negotiations are complete and the buyer has submitted a planning application to the authorities. The sale is considered highly probable and the assessment has not changed. It therefore remains as classified as held for sale.

(£m)	2022	2021
Spire St Saviours Hospital property (note 9)	–	3.7
Bostocks Lane (East Midlands Cancer Centre)	1.1	1.1
	1.1	4.8

Notes to the preliminary announcement continued

16. Share capital and reserves

	2022	2021
Authorised shares		
Ordinary share of £0.01 each	**404,108,470**	401,104,036
	404,108,470	401,104,036

Issued and fully paid	£0.01 ordinary shares	
	Shares	£'000
At 31 December 2022	**404,108,470**	**4,041**
At 31 December 2021	401,104,036	4,010

During the year, the authorised share capital was increased by £31,000 by the issue of 3,004,434 ordinary shares of £0.01 each.

Share premium

(£m)	2022	2021
At 1 January	**826.9**	826.9
Issue of new shares	**3.1**	-
At 31 December	**830.0**	826.9

During the year the Group issued 3,004,434 shares to settle share awards of which 2,916,000 shares were exercised under the save as you earn 2019 scheme at an average price of £1.09 per share. The proceeds from the issue of shares was £3.1m.

Capital reserves

This reserve represents the loans of £376.1m (2021: £376.1m) due to the former ultimate parent undertaking and management that were forgiven by those counterparties as part of the reorganisation of the Group prior to the IPO in 2014.

EBT share reserves

Equiniti Trust (Jersey) Limited is acting in its capacity as trustee of the Company's Employee Benefit Trust ('EBT'). The purpose of the EBT is to further the interests of the Company by benefiting employees and former employees of the Group and certain of their dependants. The EBT is treated as an extension of the Group and the Company.

During the year, the EBT purchased 88,354 shares and exercised 300,491 (2021: nil shares acquired and nil exercised) in order to settle share awards in relation to the Directors' Share Bonus award and Long-Term Incentive Plan.

Where the EBT purchases the Company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. As at 31 December 2022, 27,146 shares (2021: 239,283) were held by the EBT in relation to the Directors' Share Bonus award and Long-Term Incentive Plan. The EBT share reserve represents the consideration paid when the EBT purchases the Company's equity share capital, until the shares are reissued.

As with prior years, the Company will continue to fund the Spire Healthcare Employee Benefit Trust ('EBT'), a discretionary trust held for the benefit of the group's employees, for the ongoing acquisition of shares to satisfy the exercise of share plan awards by employees.

	2022	2022	2021	2021
	number of shares	£m	number of shares	£m
At 1 January	**239,283**	0.8	239,283	0.8
Purchased	**88,354**	-	-	-
Exercised	**(300,491)**	(0.8)	–	-
At 31 December	**27,146**	-	239,283	0.8

Hedging reserve

The balance of £6.6m at 31 December 2022 (2021: £0.5m) reflects the £1.2m (2021: £2.5m) recycled in the period, the fair value credit of £8.1m (2021: £0.8m credit) and the £2.2m tax charge on the profit (2021: £0.6m tax charge on the profit) to give a net movement of an increase of £7.1m during the year (2021: a decrease of £2.7m) on a hedged transaction. See note 17 for further information.

17. Borrowings

The Group has borrowings in two forms, bank borrowings and lease liabilities as disclosed on the consolidated balance sheet. Total borrowings at 31 December 2022 were £1,190.8m (2021: £1,265.3m). More detail in respect of these two forms of borrowings are set out below.

Bank borrowings

The bank loans are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the Group. On 24 February 2022, the Group successfully refinanced its debt facilities with a syndicate of existing and new Lenders. As part of the exercise and in recognition of the fact that the Group had substantial cash reserves at 31 December 2021, the Group repaid £100.0m of the Senior Loan Facility. The new arrangement has a maturity of 4 years. The financial covenants relating to this new agreement are materially unchanged. The loan is non-amortising and carries interest at a margin of 2.05% over SONIA (2021: 2.25% over LIBOR).

For accounting purposes, the loan and associated deferred and amortised fees have been treated as an extinguishment under IFRS 9, as a result £3.1m has been recognised within finance costs in the income statement.

(£m)	2022	2021
Amount due for settlement within 12 months	2.9	5.7
Amount due for settlement after 12 months	321.4	421.8
Total bank borrowings	**324.3**	427.5

Terms and debt repayment schedule

The maturity date is the date on which the relevant bank loans are due to be fully repaid. The carrying amounts drawn (after issue costs and including interest accrued) under facilities in place at the balance sheet date were as follows:

(£m)	Maturity	Margin over SONIA	2022	2021
Senior finance facility[1]	February 2026	2.05%	324.3	-
Senior finance facility[1]	July 2023	2.25%[2]	-	428.2

1 In the prior period the difference between the carrying amount of the facility and the value of the debt repayment schedule is a modification fee on the loan extension and is deferred and amortised in accordance with IFRS 9 loan modification accounting. On refinancing in the current period, these amounts have been accelerated and recognised in the Income Statement as a result of the refinancing being treated as an extinguishment for accounting purposes.
2 Margin over LIBOR

Net debt for the purposes of the covenant test in respect of the Senior Loan Facility was £250.8m (December 2021: £222.4m) and the net debt to EBITDA ratio was 2.2x (December 2021: 2.3x). The net debt for covenant purposes comprises the senior facility of £325.0m less cash and cash equivalents of £74.2m. EBITDA for covenant purposes comprises Adjusted EBITDA for Last Twelve Months (LTM) of pre-IFRS 16 Adjusted EBITDA of £123.9m (December 2021: 106.0m) less the rental of a finance lease pre-IFRS 16 of £9.5m (2021: £9.1m).

The interest cover for covenant purposes was 8.5x (2021: 4.5x 2020: 4.0x, 2019 4.8x) and is calculated as the pre-IFRS 16 EBITDA described above over pre-IFRS 16 finance costs paid.

The new facilities include a sustainability-linked element connected to environmental and quality factors.

The Group also has access to a further £100.0m through a committed and undrawn revolving credit facility to February 2026.

Lease liabilities

The Group has finance in respect of hospital properties, vehicles, office and medical equipment. The leases are secured on fixed and floating charges over both the present and future assets of material subsidiaries in the Group. Leases, with a present value liability of £866.5m (2021: £837.8m), expire in various years to 2046 and carry incremental borrowing rates in the range 3.1-14.6% (2021: 3.1-14.6%). Rent in respect of hospital property leases are reviewed annually with reference to RPI or CPI, subject to assorted floors and caps. The discount rates used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates. A movement in the incremental borrowing rate of 1% would result is an 8% movement in lease liability.

In the year, the Group recognised charges of £13.6m (2021: £12.3m) of lease expenses relating to short term and low value leases for which the exemption under IFRS 16 has been taken. Cash outflows in respect of these are materially in line with the expense recognised, resulting in a total cash outflow of £105.6m (2021: £38.3m). The Group has not made any variable lease payments in the year. The Group is not a lessor for any leases to external parties. There has been no (2021: one) sale and leaseback transaction in this period. Where new leases have the right to extend and management is not reasonably certain to exercise the extension option, those future cash flows are not reflected in the above. The new leases do not include any restrictions or covenants.

Some leases receive RPI increases on an annual basis which affects both the cash flow and interest charged on those leases. Except for this increase, cash flows and charges are expected to remain in line with current year. The cash flows above do not reflect any termination or extension options as management is reasonably certain that the options will not be exercised. There are no significant restrictions or covenants which impact the cash flows in respect of these leases.

See note 12 for more detail on the depreciation of the Right of Use (ROU) assets and note 8 for more detail on the interest expense relating to leases.

Notes to the preliminary announcement continued

17. Borrowings continued

Changes in bank borrowings and leases liabilities arising from financing activities

(£m)	1 January	Cash flows	Non cash changes[1]	Additions[2]	31 December
2022					
Bank loans	**427.5**	**(121.1)**	**17.9**	**-**	**324.3**
Lease liabilities	**837.8**	**(93.7)**	**73.5**	**48.9**	**866.5**
Total	**1,265.3**	**(214.8)**	**91.4**	**48.9**	**1,190.8**

1 Non-cash changes reflect interest charged on the loan
2 Additions include both new leases entered into, indexation of existing leases, transactions and acquisitions of subsidiaries.

(£m)	1 January	Cash flows	Non cash changes[1]	Loan modification[2]	Additions[3]	Disposals	31 December
2021							
Bank loans	420.8	(13.2)	18.8	1.1	-	-	427.5
Lease liabilities	749.5	(26.0)	67.7	-	48.4	(1.8)	837.8
Total	1,170.3	(39.2)	86.5	1.1	48.4	(1.8)	1,265.3

1 Non-cash changes reflect interest charged on the loan
2 the loan modification relates to the fees incurred on the loan extensions, which are amortised in accordance with IFRS 9
3 Additions include both new leases entered into, indexation of existing leases, sale and leaseback transactions and acquisitions of subsidiaries.

Derivatives

The following derivatives were in place at 31 December:

	Interest rate	Maturity date	Notional amount	Carrying value liability / (Asset)
31 December 2022 (£m)				
Interest rate swaps	2.7780%	Feb 2026	243.8	(8.6)
31 December 2021 (£m)				
Interest rate swaps	1.2168%	July 2022	213.0	0.7

(£m)	**2022**	2021
Amount due for settlement within 12 months	**(3.6)**	0.7
Amount due for settlement after 12 months	**(5.0)**	–
Total derivatives	**(8.6)**	0.7

The interest rate swap from the prior year matured on the 22 July 2022. The Group entered into new interest rate swaps on the 25 July 2022. The movement in respect of derivatives reflects £1.2m (December 2021: £1.2m) recycled in the period and a £8.1m credit (December 2021: £0.4m credit) in fair value. All movements are reflected within other comprehensive income.

18. Provisions

(£m)	Medical malpractice	Business restructuring and other	Total
At 1 January 2022	**42.0**	**2.8**	**44.8**
Increase in existing provisions	**7.9**	**0.5**	**8.4**
Provisions utilised	**(30.1)**	**(1.0)**	**(31.1)**
Provisions released	**(0.4)**	**-**	**(0.4)**
At 31 December 2022	**19.4**	**2.3**	**21.7**

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. During the period £6.4m was added due to additional claims received, and £9.1m utilised. Amounts are shown gross of insured liabilities. Any such insurance recoveries of £5.4m (December 2021: £7.4m) are recognised in other receivables. This drives the majority of the movement in the Medical Malpractice provision with the exception of the Insurer settlement and the Paterson actions following the Public Inquiry. Following the Court of Appeal judgment in H2 2021, relating to the ongoing legal action between the Group and its Insurer, finding in favour of the insurer, Spire provided for £13.0m in the period, and settled £13m in the current period which is reflecting as utilised during the period.

18. Provisions continued

Following the completion of the criminal proceedings against Ian Paterson, a consultant who previously had practicing privileges at Spire Healthcare, management agreed settlement with all current and known civil claimants (and the other co-defendants) and made a provision for the expected remaining costs in FY20. The provision is being utilised, including £5.3m in patient claim settlements. The provision to complete the reviews, settle any claims and cost in respect of other Paterson items has been increased by £0.9m. This provision remains subject to ongoing review following the publication of the Public Inquiry report on Paterson issued on 4 February 2020, as the Group continues to assess the potential impact of the recommendations. The project is complex and the process for review and settlement takes some time. It is possible that, as further information becomes available, an adjustment to this provision will be required, but at this time, it reflects management's best estimate of the costs and settlement of claims at this point. The variables include the number of patients which are found to have been harmed following review, the level of harm, and the associated compensation claim, as well as the time to review each case can vary significantly.

The provision in relation to the Ian Paterson costs has been determined before taking account of any potential further recoveries from insurers.

As at 31 December 2022, the remaining Business Restructuring and Other provisions primarily includes non-patient claims made against the Group. The Group is in the process of settling or defending such claims as appropriate. Management have sought external counsel, where appropriate, to determine the appropriate provision levels.

Provisions as at 31 December 2022 are materially considered to be current and expected to be utilised at any time within the next twelve months, subject to external factors beyond the Group's control.

19. Trade and other payables

(£m)	2022	2021
Trade payables	67.2	51.7
Accrued expenses	58.4	52.6
Social security and other taxes	9.7	8.3
Other payables	29.2	46.5
Trade and other payables	164.5	159.1

Trade and other payables of £1.9m have been added on the acquisition of the Doctors Clinic Group during the year (see Note 22).

Accrued expenses includes general operating expenses incurred, but not invoiced as at the year end, as well as holiday pay accrued of £5.2m (2021: £9.1m) due to staff deferring leave to maintain operations throughout the COVID-19 pandemic, and bonuses accrued during the year and paid during the following year of £7.0m (FY21: £6.4m).

Other payables include an accrual for pensions and payments on account. Revenue is not recognised in respect of payments on account until the performance obligation has been met. At year end the balance of payments on account was £11.9m (2021: £9.9m) partly, and other credit balances reclassed from trade debtors were £28.2m (2021: £25.8m), which largely relate to NHS credits. Payments on account are expected to be utilised against patient procedures within the following 12 months. The balance of payments on account as at 31 December 2021 have been fully utilised in the current year. However, this is subject to the patient attending for the procedure, and not cancelling or deferring treatment, which could result in repayment to the patient should they request so.

20. Share-based payments

The Group operates a number of share-based payment schemes for Executive Directors and other employees, all of which are equity settled.

The Group has no legal or constructive obligation to repurchase or settle any of the options in cash. The total cost in respect of LTIPs and SAYE recognised in the income statement was £2.3m in the year ended 31 December 2022 (2021: £2.8m). Employer's National Insurance is being accrued, where applicable, at the rate of 14.3%, which management expects to be the prevailing rate at the time the options are exercised, based on the share price at the reporting date. The total National Insurance charge for the year was £0.3m (2021: £0.4m).

The following table analyses the total cost between each of the relevant schemes, together with the number of options outstanding:

	2022		2021	
	Charge £m	Number of options (thousands)	Charge £m	Number of options (thousands)
Long Term Incentive Plan	1.8	12,787	2.5	11,449
Deferred Share Bonus Plan	-	525	–	383
Save As You Earn (SAYE)	0.5	3,652	0.3	3,114
	2.3	16,964	2.8	14,946

A summary of the main features of the scheme is shown below:

Long Term Incentive Plan

The Long Term Incentive Plan ('LTIP') is open to Executive Directors and designated senior managers, and awards are made at the discretion of the Remuneration Committee. Awards are subject to market and non-market performance criteria.

Awards granted under the LTIP vest subject to achievement of performance conditions measured over a period of at least three years, unless the Committee determines otherwise. Awards may be in the form of conditional share awards or nil-cost options or any other form allowed by the Plan rules.

20. Share-based payments continued

Vesting of awards will be dependent on a range of financial, operational or share price measures, as set by the Committee, which are aligned with the long-term strategic objectives of the Group and shareholder value creation. Not less than 30% of an award will be based on share price measures. The remainder will be based on either financial and/or operational measures. At the threshold performance, no more than 25% of the award will vest, rising to 100% for maximum performance.

On 6 April 2020, the Company granted a total of 5,638,223 options to the Executive directors and other senior management. The options will vest based on earnings per share ('EPS') (20%) targets for the financial year ending 31 December 2022, relative total shareholder return ('TSR') (40%) targets on performance over the three year period to 31 December 2022 and operational excellence ('OE') (40%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until 1 April 2030.

On 18 March 2021, the Company granted a total of 3,595,102 options to the Executive directors and other senior management. The options will vest based on return on capital employed ('ROCE') (35%) targets for the financial year ending 31 December 2023, relative total shareholder return ('TSR') (35%) targets on performance over the three year period to 31 December 2023 and operational excellence ('OE') (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2031. The Executive Directors are subject to a 2 year holding period, whilst other senior management are not.

On 14 March 2022, the Company granted a total of 3,097,060 options to the Executive directors and other senior management. The options will vest based on return on capital employed ('ROCE') (35%) targets for the financial year ending 31 December 2024, relative total shareholder return ('TSR') (35%) targets on performance over the three year period to 31 December 2024 and operational excellence ('OE') (30%) targets based on employee engagement targets and regulatory ratings for the current portfolio of hospitals, subject to continued employment. Upon vesting, the options will remain exercisable until March 2032. The Executive Directors are subject to a 2 year holding period, whilst other senior management are not.

Deferred Share Bonus Plan
The Deferred Share Bonus Plan is a discretionary executive share bonus plan under which the Remuneration Committee determines that a proportion of a participant's annual bonus will be deferred. The market value of the shares granted to any employee will be equal to one-third of the total annual bonus that would otherwise have been payable to the individual. The awards will be granted on the day after the announcement of the Group's annual results. The awards will normally vest over a three-year period.

On 6 April 2020, the Company granted a total of 243,973 options to Executive directors, with a vesting date of 6 April 2023. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2021, and subject to continued employment.

On 18 March 2021, the Company granted a total of 138,888 options to Executive directors, with a vesting date of 18 March 2024. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2022, and subject to continued employment.

On 14 March 2022, the Company granted a total of 142,427 options to Executive directors, with a vesting date of 14 March 2025. There are no performance conditions in respect of the scheme and is subject to continued employment.

Save As You Earn
The Save As You Earn ('SAYE') is open to all Spire Healthcare employees. Vesting will be dependent on continued employment for a period of 3 years from grant. The requirement to save is a non-vesting condition.

On 3 May 2019, the Company launched the SAYE scheme. There are no performance conditions in respect of the scheme and the scheme vested on 1 June 2022. The options remained exercisable for 6 months to 31 December 2022.

On the 24 April 2022, the Company granted 3,800,557 options to employees with a vesting date of 1 June 2025. There are no performance conditions in respect of the scheme. Upon vesting, the options will remain exercisable for 6 months. The IFRS 2 charge has been calculated using an adjusted Black Scholes model with judgements including leavers of the scheme (employees who may cease to save) and dividend yields.

21. Commitments

Consignment stock

At 31 December 2022, the Group held consignment stock on sale or return of £24.3m (2021: £23.5m). The Group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

Capital commitments

Capital commitments comprise amounts payable under capital contracts which are duly authorised and in progress at the consolidated balance sheet date. They include the full cost of goods and services to be provided under the contracts through to completion. The Group has rights within its contracts to terminate at short notice and, therefore, cancellation payments are minimal.

Capital commitments at the end of the year were as follows:

(£m)	2022	2021
Contracted but not provided for	27.0	29.1

Notes to the preliminary announcement continued

22. Business combinations and acquisition of non-controlling interests

Acquisitions in 2022

Acquisition of Doctors Clinic Group (together "Doctors Clinic Group")

On 16 December 2022, the Group acquired 100% of the voting shares of The Doctors Clinic Group Limited (which in turn owns 100% of the shares of The London Doctors Clinic Limited, Maitland Medical Service Limited and Soma Health Limited), a non-listed company based in England which operates GP and occupational health services in the UK, for £11.6m. The Group acquired the companies to expand its offering for GP and occupational health services in line with its strategic plan.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of The Doctors Clinic Group Limited as at the date of acquisition were:

(£m)	Fair value recognised on acquisition
Assets	
Plant, property and equipment (Note 12)	0.6
Trade and other receivables (Note 14)	1.5
Cash	0.3
	2.4
Liabilities	
Payables	(1.9)
Total identifiable net assets at fair value	**0.5**
Goodwill arising on acquisition (Note 13)	11.1
Purchase consideration transferred	11.6

The amounts recognised, are subject to adjustment in line with IFRS 3 for up to a 12 months from acquisition, with goodwill being adjusted accordingly.

The fair value of the trade receivables amounts to £1.5m. The gross amount of trade receivables is £1.5m and it is expected that the full contractual amounts can be collected.

From the date of acquisition, The Doctors Clinic contributed £0.4m of revenue and loss of £0.1 to profit before tax from continuing operations of the Group. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been £10m and loss before tax from continuing operations for the Group would have been £2.5m.

Goodwill has been recognised to reflect the synergies which the Group believes are available to expand its offering for GP and occupational health services in line with its strategic plan which reflect intangibles that cannot be separately quantified. This goodwill is not deductible for tax purposes.

Purchase consideration transferred

(£m)	Cash flow on acquisition
Net cash acquired with the subsidiary	0.3
Cash paid	11.6
Net cash flow on acquisition	11.3

Transaction costs of £1.7m were expensed and are included within Adjusting items. The acquisition is subject to a completion accounts process which is due to take place during H1 2023. Following this, the final purchase price adjustments will be agreed, and goodwill updated accordingly in line with IFRS 3, which allows 12 months from the acquisition date to finalise the goodwill position.

Prior year Acquisition of Claremont Hospital Holdings Limited and Claremont Hospital LLP (together "Claremont Hospital")

During the year the Group reviewed its goodwill position in respect of Claremont Hospital in line with IFRS 3 and adjustment of £0.1m has been recognised in respect of provisions originally recognised on acquisition.

Notes to the preliminary announcement continued

23. Contingent liabilities

The Group had the following guarantees at 31 December 2022:

- the bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5m (2021: £1.5m) in relation to contractual pension obligations.
- under certain lease agreements entered into on 26 January 2010, the Group has given undertakings relating to obligations in the lease documentation and the assets of the Group are subject to a fixed and floating charge; and
- See note C11 in the company only accounts of the annual report and accounts for details of contingent liability in respect of lease arrangements and agreements.

24. Events after the reporting period

There have been no other events to disclose after the reporting date.

Shareholders' information

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Corporate Website

Shareholder and other information about the Company can be accessed on the Company's website:
www.spirehealthcare.com

Financial Calendar

2023 Annual General Meeting (London) 11 May 2023
Announcement of 2023 half year results September 2023