Independent Auditor's report
To the members of Spire Healthcare Group plc

Opinion
In our opinion:
- Spire Healthcare Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted International Accounting Standards as applied in accordance with section 408 of the Companies Act; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Spire Healthcare Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise:

Group	Parent company
Consolidated balance sheet as at 31 December 2021	Company balance sheet as at 31 December 2021
Consolidated income statement for the year then ended	Company statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Company statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes C1 to C13 to the financial statements including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted International Accounting Standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence
We are independent of the group and parent in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern
In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- The audit engagement partner and senior team members directed and supervised the audit procedures on going concern, in particularly assessing the going concern models, assumptions therein and the result of stress testing scenarios.
- In conjunction with our walk through of the Group's financial close process, we confirmed our understanding of management's going concern assessment process and also engaged with management early to ensure all key factors were considered in its assessment;
- In obtaining an understanding of management's rationale for the use of the going concern basis of accounting we have challenged the completeness of the assessment by ensuring that management had included all principal risks as well as emerging issues within the assessments. Additionally, through enquiries of our internal sector specialists, we independently identified factors not included in management's assessment that may indicate events or conditions that may cast doubt on the entity's ability to continue as a going concern;
- We have performed the following procedures:

  Managements' assessment and assumptions
  - We obtained management's board approved forecast cash flows and covenant calculations covering the period of assessment from the date of signing to the end of March 2023. We checked the models for arithmetical accuracy, whether they were approved by the Board and considered the Group's historical forecasting accuracy;
  - We evaluated the relevance and reliability of the underlying data used to make the assessment through obtaining corroborating evidence from external sources. We read analyst reports and consulted with EY healthcare experts to identify potentially contradictory evidence on future profitability to challenge the going concern assessment.

Debt covenants

- We obtained all the group's borrowing facility agreements and performed a detailed examination of all agreements, to assess their continued availability to the Group throughout the going concern period. We inspected all borrowing facility agreements including the refinancing agreements signed on 25 February 2022, which were examined by EY debt advisory specialists, to ensure completeness of covenants identified by management. We checked the accuracy of management's covenant forecast model, verifying inputs to board approved forecasts and facility agreement terms;
- We evaluated the compliance of the Group with debt covenants in the forecast period by reperforming calculations of the covenant tests. We further assessed the impact of the downside risk scenarios on covenant compliance and applied sensitivity analysis.

Stress testing and evaluation of management's plans for future actions

- We considered the reverse stress test performed by management to understand what it would take to breach available liquidity and exhaust covenant headroom.
- We considered management's plausible downside risk scenarios of the Group's cash flow forecast models and their impact on forecast liquidity and banking covenants, specifically whether the downside risks were reasonably possible. We considered the adverse effects that could arise from these risks individually and collectively;
- We considered the likelihood of management's ability to execute feasible mitigating actions available to respond to the downside risk scenarios based on our understanding of the Group and the sector, including considering whether those mitigating actions were controllable by management;
- We obtained written representations from management and those charged with governance regarding plans for future actions and the feasibility of those plans.

Disclosures

- We considered whether management's disclosures within the Annual Report and Accounts, sufficiently and appropriately capture the impacts of the groups principal risks on the going concern assessment and through consideration of relevant disclosure standards.

We observed that the modelling across a range of scenarios matched to each of the group's principal risks, including the impact of another COVID-19 national lockdown, indicate the ongoing viability of the group. The new financing agreements were appropriately included within the forecasts and demonstrated adequate headroom for the covenant requirements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period up to March 2023 from when the financial statements are authorised for issue.

In relation to the group and parent company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

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

Overview of our audit approach

Audit scope	– We performed an audit of the complete financial information of 2 components and audit procedures on specific balances for a further 21 components. – The components for which we performed full or specific audit procedures accounted for 96% of profit before tax, 97% of revenue and 99% of total assets.
Key audit matters	– Risk of impairment to intangible and tangible assets – Revenue recognition: Manipulation of NHS revenue by changes to the pricing master file
Materiality	– Overall group materiality of £4.5m which represents 2.5% of adjusted EBITDA.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each entity.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 42 (2020: 40) reporting components of the Group, we selected 23 (2020: 29) components, which represent the principal business units within the Group. The Group continues to operate solely within the UK.

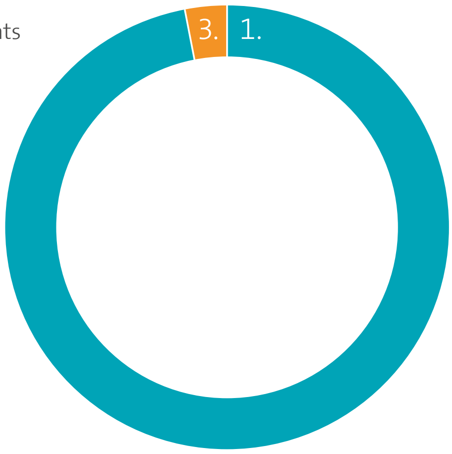
Of the 23 (2020: 29) components selected, we performed an audit of the complete financial information of two components ("full scope components") which were selected based on their size or risk characteristics. For the remaining 21 (2020: 27) components ("specific scope components"), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile.

The reporting components where we performed audit procedures accounted for 97% (2020: 98%) of the Group's revenue and 99% (2020: 99%) of the Group's total assets. For the current year, the full scope components contributed 97% (2020: 98%) of the Group's Revenue and 78% (2020: 75%) of the Group's total assets. The specific scope component contributed 22% (2020: 24%) of the Group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group. It is not possible to present the split between full and specific scope component on a profit before tax basis or adjusted EBITDA in a meaningful way. This is due to intra-group profits earned in certain specific scope components which result in the aggregate profit before tax amounting to more than 100%.

Of the remaining 19 (2020: 9) components that together represent 4% (2020: 4%) of the Group's adjusted EBITDA, none are individually greater than 1% of the Group's adjusted EBITDA. For these components, we performed other procedures, including analytical review, testing of consolidation journals and testing of intercompany eliminations to respond to any potential risks of material misstatement to the Group financial statements. The charts below illustrate the coverage obtained from the work performed by our audit teams.

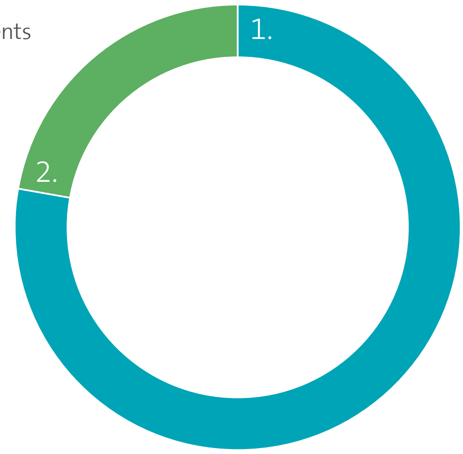
Revenue

1. Full scope components **97%**
2. Specific scope components **0%**
3. Other procedures **3%**



Total assets

1. Full scope components **78%**
2. Specific scope components **22%**
3. Other procedures **0%**



Changes from the prior year

Spire Healthcare Group plc acquired two new components in the current financial year which have been assigned as specific scope, being, Claremont Hospital Holdings Limited and Claremont Hospital LLP. Additionally, the Group undertook an entity rationalisation programme which reduced the number of entities in the Group.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Spire Healthcare Group plc. The Group has determined that the most significant future impacts from climate change on its operations will be from severe and extreme weather patterns and fluctuation in energy prices. These are explained on pages 51-52 in the Task Force for Climate related Financial Disclosures and on pages 53 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the Group's accounting policies and basis of preparation notes governmental and societal responses to climate change risks are still developing, and are interdependent upon each other, and consequently financial statements cannot capture all possible future outcomes as these are not yet known. The degree of certainty of these changes may also mean that they cannot be taken into account when determining asset and liability valuations and the timing of future cash flows under the requirements of UK adopted International Accounting Standards. In notes 13, 14, and 30 to the financial statements, significant judgements and estimates relating to climate change have been described on the impairment assessment of tangible and intangible assets in addition to financial assets and liabilities.

Our audit effort in considering climate change was focused on ensuring that the effects of material climate risks disclosed have been appropriately reflected in asset values and associated disclosures where values are determined through modelling future cash flows, being tangible and intangible assets, and in the timing and nature of liabilities recognised. Details of our procedures and findings are included in our key audit matters below. We also challenged the Directors' considerations of climate change in their assessment of going concern and viability and associated disclosures.

Whilst the group has stated its commitment to the aspirations to achieve net zero carbon emissions by 2030, the Group is currently unable to determine the full future economic impact on their business model, operational plans and customers to achieve this and therefore as set out above the potential impacts are not fully incorporated in these financial statements.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Risk of impairment to intangible and tangible assets At 31 December 2021 the carrying value of tangible and intangible assets was £1,888.3m (2020: £1,853.1m) of which £334.8m (2020: £317.8m) relates to goodwill and £1,553.5m (2020: £1,535.3m) relates to property, plant and equipment of which £603.2m (2020: £566.7m) relates to the right of use asset. *Refer to the Audit Committee Report (page 102); Accounting policies (page 143); and Note 13 and 14 of the Consolidated Financial Statements (page 151-153)* The changing business and economic environment as a consequence of COVID-19 presents various challenges in forecasting future hospital performance. This results in a high degree of estimation uncertainty which leads us to conclude there to be a higher likelihood of material misstatement within the forecasts used in management's impairment assessments. COVID-19 has continued to impact performance and forecasting accuracy throughout the financial year with margins impacted by measures to maintain a COVID-secure environment, increased costs of staff absence and late notice patient cancellations driven by growth in the spread of the virus. No impairment has been recognised in relation to tangible (2020 £0m impairment) or intangible assets (2020: £200m) in the current year.	We performed the following procedures: – We gained an understanding of the process management has in place over the impairment process through a walk through. – We validated that the methodology of the impairment exercise is consistent with the requirements of IAS 36 Impairment of Assets, including appropriate identification of cash generating units for value in use calculations, by assessing the methodology against the requirements of IAS 36. – We also confirmed the mathematical accuracy of the models. Below we summarise the procedures performed in relation to the key judgements for the impairment review of tangible and intangible assets: – We obtained management's long-term forecasts underlying the impairment review incorporating the COVID-19 impact on the UK economy and impact of climate related matters and agreed them to forecast approved by the Board. – We compared the long-term forecast to other external sources such as industry analyst reports and consulted with our internal health care specialist to assess the reasonableness of the assumptions applied as well to identify any contrary evidence to assist the audit team in determining the impact of this contrary evidence. We specifically understood any potential impacts of climate change on the wider industry through consultation with the internal health care specialist. – Challenged management's historical accuracy of forecasting through comparing the budgets to actual results in the current year to determine whether forecasted cash flows are reliable based on past experiences. Furthermore, we compared the longer-term forecasts to prior years to understand if and how these forecasts have changed and whether this is indicative of inaccurate forecasting – We performed sensitivity analysis by testing key assumptions in the model to recalculate a range of potential outcomes in relation to the size of the headroom between the carrying value and the net present value. The sensitivities performed were based on reasonable possible changes to key assumptions determined by management being discount rate, EBITDA growth rates, EBITDA long-term growth rate and capex long-term growth rate. We have corroborated that the reasonable possible change assumptions applied by management are reasonable, complete and have been correctly calculated. In addition, we worked with our EY internal valuation specialists to: – Assess the discount rate to supporting evidence and against industry averages and trends. – Independently calculate the discount rate and compare these to the discount rates applied in the models by management. We sensitised managements calculation to use the discount rate independently calculated. – Assess the multiples applied by management for reasonableness by benchmarking them against peer companies and recent transactions. – Engage with management's specialist in discussing the approach and assumptions made by them in determining the discount rate. Disclosures – We evaluated the disclosures in the financial statements against the requirements of IAS 36 Impairment of Assets, in particular respect of the requirement to disclose further sensitivities for the CGU where a reasonably possible change in key assumptions could cause an impairment. We performed full and specific scope audit procedures over this risk area in 17 components, which covered 98% of the risk amount.	We note the discount rate used by management in its impairment assessment of 8.5% falls below the lower end of an appropriate range determined by EY internal valuation specialists of 9.5% to 11.5%. We performed sensitivity analysis applying the mid to lower point of our range with no impairment observed. We highlighted that a reasonable possible change in certain key assumptions including a change in the discount rate and long-term growth rates could lead to impairment charges. We have concluded that appropriate disclosures have been included in the financial statements as required.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Revenue recognition: Manipulation of NHS revenue through changes to the pricing master file NHS revenue 2021: £314.5m (2020: £67.3m) *Refer to the Audit Committee Report (page 101); Accounting policies (page 137); and Note 5 of the Consolidated Financial Statements (page 146)* The high volume of patient transactions, for which pricing is derived from the NHS national tariff, leads to a higher likelihood of material misstatement through intentional changes to individual procedural pricing on the pricing master file. We consider the pressure to achieve forecast results or targets increases the risk of financial reporting manipulation by management.	We have performed the following procedures to gain assurance over NHS pricing: – We used data analytics to assess the accuracy of all the FY21 NHS billing data to publicly available NHS national tariff base prices, adjusted by Market Force factors. – For any material portion of the revenue population for which we were unable to agree the price billed to NHS national tariff base prices, e.g. where the price was agreed locally for a specific procedure, we have agreed a sample of this billing data to appropriate audit support. Specifically, we have agreed a sample of this billing data to the underlying signed agreement or, in instances where no current contract or correspondence was available, we traced the settlement of the invoice directly to cash. – We used data analytics, covering all NHS revenue transactions in the year, to test the correlation between revenue, accrued revenue, accounts receivable and cash. – We investigated whether there were any pricing disputes with the NHS during the year through discussions with legal counsel, review of minutes and verifying any matter noted to correspondence, where available. – We obtained a summary of aged NHS receivables and verified that the ageing is appropriate by testing a sample across the different ageing categories. We have performed a search for any large or unusually long outstanding receivables that are outside expected credit terms that may indicate that pricing disagreements exist. Whilst we have not relied on any of the work performed by internal audit, we reviewed the results from their individual site audits completed during FY21, to understand if there were any revenue findings specific to NHS pricing which require further enquiry and/or corroboration. We performed full scope audit procedures over this risk area in 1 component, which covered 97% of the risk amount.	We did not identify any material errors in the pricing master file, nor evidence of management manipulation of revenue through changes to the pricing master file. We did not identify any indicators of pricing disputes with the NHS. Based on our audit procedures performed, we concluded that revenue for the year is appropriately recognised and free from material misstatement.

In the prior year, our auditor's report included a key audit matters in relation to revenue earned from the NHS COVID-19 contract, misstatement due to management posting fraudulent manual journal entries to revenue and going concern. In the current year, the audit team does not consider these to be key audit matters.

The NHS COVID-19 contract was only in place for the first three months of the financial year compared to the full year in FY20, and no amount is accrued at this financial year end.

There have been limited manual journals to revenue in the current year and those identified have an immaterial net impact to revenue and as such the audit team have not allocated a significant level of resource to this area compared to the other matters stated.

In respect of going concern, the outlook for the industry arising from COVID-19 has become clearer in the current year and the group has significantly higher cash reserves.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £4.5m (2020: £3.2m, which is 2.5% (2020: 2%) of adjusted EBITDA. We believe that adjusted EBITDA provides us with the most important metric for the users of the financial statements, being the most important KPI for internal metrics and external analyst expectations.

We determined materiality for the Parent Company to be £11.1 million (2020: £10.7 million), which is 1% (2020: 1%) of equity.

Starting basis	– EBITDA: £184.1m
Adjustments	Adjusting items: – Remediation of regulatory compliance or non-routine malpractice (£11.4m) – Business reorganisation and restructuring (£1.2m) – Asset disposals, impairments and aborted project costs (-£18.8m)
Materiality	– Totals £177.9m adjusted EBITDA – Materiality of £4.4m (2.5% of adjusted EBITDA)

During the course of our audit, we reassessed initial materiality and reduced this in line with actual adjusted EBITDA to reflect the actual reported performance of the Group for the year.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 50% (2020: 50%) of our planning materiality, namely £2.2m (2020: £1.6m). We have set performance materiality at this percentage due to our assessment of the overall control environment and the history of audit adjustments identified.

Audit work at component level for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £0.4m to £2.2m (2020: £0.3m to £1.6m).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £0.2m (2020: £0.2m), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1-121, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

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

Matters on which we are required to report by exception

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

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

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

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 121 ;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 69 ;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 69 ;
- Directors' statement on fair, balanced and understandable set out on page 121 ;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 59 ;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 58-68; and;
- The section describing the work of the audit committee set out on page 99-103.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 121, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those relating to the reporting framework (IFRS, Companies Act 2006, 2018 UK Corporate Governance Code and those administered by the Care Quality Commission in England and equivalent in Scotland and Wales) and the relevant tax compliance regulations in the UK. In addition, we concluded that there are certain significant laws and regulations which may have an effect on the determination of the amounts and disclosures in the financial statements being the Listing Rules of the of the London Stock Exchange and the UK Bribery Act 2010.
- We understood how Spire Healthcare Group plc is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes, papers provided to the Audit and Risk Committees and correspondence received from regulatory bodies.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur by meeting with management within various parts of the business to understand where they considered there was susceptibility to fraud. We also considered performance targets and their influence on efforts made by management to manage earnings or influence the perceptions of analysts. We considered the programmes and controls that the Group has established to address the risk identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved; review of board minutes to identify non-compliance with such laws and regulations; review of reporting to the Audit and Risk Committee on compliance with regulations; enquiries with legal counsel, group management and internal audit; testing of manual journals.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters we are required to address

- Following a competitive tender process, we were reappointed by the company at its annual general meeting on 14 May 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.
- The period of total uninterrupted engagement including the period prior to the Company's admission to the London Stock Exchange in 2014 is 14 years, covering the years ending 31 December 2008 to 31 December 2021.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.
- The audit opinion is consistent with the additional report to the Audit and Risk Committee.

Use of our report

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

Stephney Dallmann (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 March 2022

Consolidated income statement

For the year ended 31 December 2021

(£m)	Note	2021 Total before Adjusting items	2021 Adjusting items (note 10)	2021 Total	2020 Total before Adjusting items	2020 Adjusting items (note 10)	2020 Total
Revenue	5	**1,106.2**	**–**	**1,106.2**	919.9	–	919.9
Cost of sales		**(615.0)**	**–**	**(615.0)**	(464.1)	–	(464.1)
Gross profit		**491.2**	**–**	**491.2**	455.8	–	455.8
Other operating costs		**(411.2)**	**(17.4)**	**(428.6)**	(389.1)	(213.3)	(602.4)
Other income	6	**1.1**	**23.3**	**24.4**	0.4	–	0.4
Operating profit/(loss) (EBIT)	7	**81.1**	**5.9**	**87.0**	67.1	(213.3)	(146.2)
Finance income	8	**–**	**–**	**–**	0.1	0.8	0.9
Finance cost	8	**(88.1)**	**(0.8)**	**(88.9)**	(85.7)	–	(85.7)
(Loss)/profit before taxation		**(7.0)**	**5.1**	**(1.9)**	(18.5)	(212.5)	(231.0)
Taxation	11	**(20.8)**	**13.8**	**(7.0)**	(2.2)	(0.7)	(2.9)
(Loss)/profit for the year		**(27.8)**	**18.9**	**(8.9)**	(20.7)	(213.2)	(233.9)
(Loss)/profit for the year attributable to owners of the Parent		**(28.6)**	**18.9**	**(9.7)**	(20.7)	(213.2)	(233.9)
Profit for the year attributable to non-controlling interests[1]		**0.8**	**–**	**0.8**	–	–	–
(Loss)/earnings per share (in pence per share)							
– basic	12	**(7.1)**	**4.7**	**(2.4)**	(5.2)	(53.2)	(58.4)
– diluted	12	**(7.1)**	**4.7**	**(2.4)**	(5.2)	(53.2)	(58.4)

1 (Loss)/profit for the year attributable to non-controlling interests was not disclosed in prior year as it was immaterial.

The notes on pages 136 to 171 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2021

(£m)	Note	2021	2020
Loss for the year		**(8.9)**	(233.9)
Items that may be reclassified to profit or loss in subsequent periods			
Net gain/(loss) on cash flow hedges (net of taxation)	21	**2.7**	(1.1)
Other comprehensive profit/(loss) for the year		**2.7**	(1.1)
Total comprehensive loss for the year, net of tax		**(6.2)**	(235.0)
Attributable to:			
Equity holders of the parent		**(7.0)**	(235.0)
Non-controlling interests[1]		**0.8**	–
		(6.2)	(235.0)

1 (Loss)/profit for the year attributable to non-controlling interests was not disclosed in prior year as it was immaterial.

The notes on pages 136 to 171 form an integral part of these financial statements.

Consolidated statement of changes in equity
For the year ended 31 December 2021

(£m)	Note	Share capital	Share premium	Capital reserves (note 21)	EBT share reserves (note 21)	Hedging reserve (note 21)	Retained earnings	Total	Non-controlling interests (note 16)	Total Equity
As at 1 January 2020		4.0	826.9	376.1	(0.8)	(2.1)	(264.2)	939.9	–	939.9
Loss for the year		–	–	–	–	–	(233.9)	(233.9)	–	(233.9)
Other comprehensive loss for the year		–	–	–	–	(1.1)	–	(1.1)	–	(1.1)
Total comprehensive loss		–	–	–	–	(1.1)	(233.9)	(235.0)	–	(235.0)
Share-based payments	27	–	–	–	–	–	1.7	1.7	–	1.7
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 adjustment[1]		**–**	**–**	**–**	**–**	**–**	**6.1**	**6.1**	**(6.1)**	**–**
Share-based payments	27	**–**	**–**	**–**	**–**	**–**	**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 31 December 2021		**4.0**	**826.9**	**376.1**	**(0.8)**	**(0.5)**	**(496.1)**	**709.6**	**(4.8)**	**704.8**

1 (Loss)/profit for the year attributable to non-controlling interests was not disclosed in prior year as it was immaterial.

The notes on pages 136 to 171 form an integral part of these financial statements.

Consolidated balance sheet
As at 31 December 2021

(£m)	Note	2021	2020
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,553.5**	1,535.3
Intangible assets	14	**334.8**	317.8
Financial assets	15	**2.3**	1.6
		1,890.6	1,854.7
Current assets			
Inventories	17	**40.2**	37.6
Trade and other receivables	18	**99.2**	101.4
Cash and cash equivalents	19	**202.6**	106.3
		342.0	245.3
Non-current assets held for sale	20	**4.8**	4.8
		346.8	250.1
Total assets		**2,237.4**	2,104.8
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**4.0**	4.0
Share premium		**826.9**	826.9
Capital reserves	21	**376.1**	376.1
EBT share reserves		**(0.8)**	(0.8)
Hedging reserve	21	**(0.5)**	(3.2)
Retained loss		**(496.1)**	(496.4)
Equity attributable to owners of the Parent		**709.6**	706.6
Non-controlling interests[1]		**(4.8)**	–
Total equity		**704.8**	706.6
Non-current liabilities			
Bank borrowings	22	**421.8**	418.6
Lease liabilities	22	**751.0**	670.3
Derivatives	22	**–**	1.5
Deferred tax liabilities	23	**57.7**	53.9
		1,230.5	1,144.3
Current liabilities			
Bank borrowings	22	**5.7**	2.2
Lease liabilities	22	**86.8**	79.2
Derivatives	22	**0.7**	2.5
Financial liabilities		**1.9**	–
Provisions	24	**44.8**	33.0
Trade and other payables	25	**159.1**	136.9
Income tax payable		**3.1**	0.1
		302.1	253.9
Total liabilities		**1,532.6**	1,398.2
Total equity and liabilities		**2,237.4**	2,104.8

1 (Loss)/profit for the year attributable to non-controlling interests was not disclosed in prior year as it was immaterial.

These consolidated financial statements and the accompanying notes were approved for issue by the Board on 2 March 2022 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Sir Ian Cheshire
Chairman

The notes on pages 136 to 171 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2021

(£m)	Note	2021	2020
Cash flows from operating activities			
Loss before taxation		**(1.9)**	(231.0)
Adjustments to reconcile profit before tax to net cash flows:			
Impairment of goodwill (Adjusting items) (see note 10)	14	**–**	200.0
Impairment of assets held for sale (Adjusting items) (see note 10)	20	**–**	0.3
Profit on disposal under sale and leaseback (Adjusting items) (see note 10)	7	**(23.5)**	–
Adjusting items – other		**11.1**	9.4
Depreciation of PPE & ROU assets	13	**97.1**	94.0
Profit on the early termination of a lease (Adjusting items) (see note 10)	7	**(0.2)**	–
Finance income	8	**–**	(0.1)
Finance costs	8	**88.1**	85.7
Other income	6	**(1.1)**	–
Share-based payments expense	27	**2.8**	1.7
Movements in working capital:			
Decrease/(increase) in trade receivables and prepayments		**1.7**	(15.5)
Increase in inventories		**(1.9)**	(5.6)
Increase in trade and other payables		**14.3**	18.5
Decrease in provisions		**(2.7)**	(1.3)
Cash generated from operations		**183.8**	156.1
Tax received		**–**	3.6
Net cash flows from operating activities		**183.8**	159.7
Cash flows from investing activities			
Interest received		**–**	0.1
Receipt from financial asset		**0.4**	0.2
Acquisition of a subsidiary, net of cash acquired		**(14.7)**	–
Proceeds from asset sold under 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**	–
Purchase of property plant and equipment		**(69.3)**	(46.6)
Proceeds on disposal of property plant and equipment		**0.1**	–
Net cash used in investing activities		**(48.3)**	(46.3)
Cash flows from financing activities			
Interest paid and other financing costs		**(13.2)**	(18.1)
Interest on lease liabilities		**(66.8)**	(66.4)
Payment of lease liabilities		**(14.7)**	(13.4)
Proceeds from asset sold under sale and leaseback (retained value) (Adjusting item)		**55.5**	–
Net cash used in financing activities		**(39.2)**	(97.9)
Net increase in cash and cash equivalents		**96.3**	15.5
Cash and cash equivalents at 1 January		**106.3**	90.8
Cash and cash equivalents at 31 December	19	**202.6**	106.3
Adjusting items (note 10)			
Adjusting items paid included in the cash flow		**85.5**	(2.8)
Total pre-tax adjusting items	10	**5.1**	(212.5)

The notes on pages 136 to 171 form an integral part of these financial statements.

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 2021 were authorised for issue by the Board of Directors of the Company on 2 March 2022.

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. Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards ('UK-adopted IFRS') as issued by the International Accounting Standards Board ('IASB') and in accordance with the Companies Act 2006.

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments and financial assets measured at fair value. The Group financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

The preparation of financial statements in accordance with UK-adopted IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Further details on the Group's critical judgements and estimates are included in note 3.

The Group has considered the future potential environmental impact on its current and future financial position and considered the impact to be low.

Going concern

As at 31 December 2021 the Group had cash of £202.6m, a Senior Loan Facility of £425.0m and an undrawn Revolving Credit Facility of £100.0m. These facilities were due to mature in July 2023. As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance this debt. 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 £100.0m 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 RCF of £100.0m. This new arrangement has a maturity of four years, with the Group having the option to extend by another year. The financial covenants relating to this new agreement are unchanged.

Given the economic uncertainty arising from the COVID-19 pandemic, the Group has maintained its position of not paying a dividend. The Group has not had to undertake any further action in regard of maintaining its liquidity.

The Group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions. Further information on these is provided in the section on Viability. Based on the current assessment of the likelihood of these risks arising by 31 March 2023, 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 the results of testing for a specific combination of these risks. This testing entailed modelling for the potential impact to the Group if, although considered highly remote, the three risks which individually give rise to the largest adverse financial impact were to take place in combination.

Viability

Further detail on both Macroeconomic related risk and COVID-19 is provided in the Risk management and internal control section on pages 63 and 66.

Other specific scenarios covered by our testing were as follows:
- a key hospital is subject to permanent or temporary suspension of trade, for example, due to a major fire or regulatory matter;
- the Group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems;
- the downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer;
- significant change in Government policy resulting in Consultants going on payroll;
- short-term disruption to trade at a sub-set of hospitals owing to an extreme weather event; and
- the business is subject to significant uninsured losses arising from medical malpractice, negligence or similar claims.

This review included the following key assumptions:
- no change in capital structure given the Group has refinanced its existing senior finance facility and revolving credit facility since the 2021 year end; and
- the Government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS.

2. Accounting policies continued

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

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

Revenue recognition

The Group derives its revenue primarily from providing private healthcare services to both the public sector and private patients in the UK. Revenue from charges to patients is recognised when the treatment is provided.

Revenue from contracts with customers

The criteria for revenue recognition are as follows; identify the contract with the customer, identify the performance obligation, determine the transaction price, allocate the transaction price to the performance obligations, and satisfying the performance obligation. It applies to all contracts with customers, except those in the scope of other standards.

Revenue is recorded as services are transferred to the patient, with the consideration based on the total amount the Group expects to receive, taking account of discounts where they are quantifiable and probable, and constraining variable consideration on the NHS COVID-19 contract to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty is resolved (generally when the matter is concluded).

Approximately 65% of the Group's revenue is derived from in-patient and day case admissions (pre-COVID: 70%). Revenue is recognised day by day, as services are provided to patients. These services are typically provided over a short timeframe, that is, one to three days. Out-patient cases and other revenue represent approximately 35% of the Group's revenue (pre-COVID: 30%). Out-patient cases generally do not involve surgical procedures and revenue is recognised on an individual component basis when performance obligations are satisfied. Similarly, other revenue, which includes Consultant revenue and other third-party revenue streams, is recognised when performance obligations are satisfied and the control of goods or services is transferred.

The Group reports disaggregated revenue by material revenue stream (i.e. type of payor: PMI, NHS & Self-pay) and other revenue which includes Consultant revenue, third-party revenue streams (e.g. pathology services) and 'commissioning for quality and innovation payments' (CQUIN). Material revenue streams are consistent in nature, being the consideration received in return for the provision of healthcare services to patients. The timing and uncertainty of cash flows is similar for PMI and NHS business while Self-pay revenue is received in advance or collected by credit card shortly after treatment. In addition, where possible and meaningful, Spire Healthcare reports revenue split between In-patient/Day case, Out-patient and Other. As noted above, in all cases, revenue is recognised as performance obligations are completed in the form of services being provided to patients. Unbilled revenue is accrued at period ends. Invoices for the combination of services provided to patients are generally produced within three days of discharge.

Revenue recognition – the NHS contracts

Approximately 5% of the Group's revenue is derived from the NHS COVID-19 contracts (2020: 39%). Revenue from the NHS COVID-19 contracts is recognised as the services are transferred to the customer over the life of the contract. As the contracts' transaction price is based on variable consideration, recognition of revenue is constrained to the extent that it is probable that a significant reversal will not occur when the uncertainty is resolved. During the prior year, in respect of the NHS England ('NHSE') contracts, the amount was subject to a 'true up' exercise at the end of the contract, subject to private volumes during the contract period. This final amount was not billed at the prior year end, and therefore was reflected as a contract asset included within unbilled receivables in the Trade and other receivables note and was received, with the excess agreed being recognised in revenue, during the current year.

In the prior year, during the peak surge period of the NHSE contract, which lasted for one month, Spire Healthcare needed to be ready to provide any capacity that was required by the NHS and therefore the NHS received substantially all the economic benefit of the Spire Healthcare sites, and as such, an embedded operating lease is assessed to have existed during this period. An amount of consideration for this period is therefore attributable to this lease based on an estimate of the lease's relative stand-alone selling price.

Interest income

Interest is recognised on an effective interest rate basis.

Cost of sales

Cost of sales principally comprises salaries of clinical staff, Consultant and clinical fees, medical services and inventories, including drugs, consumables and prostheses.

Other operating costs

Other operating costs mainly comprise non-clinical staff costs, rent associated with short or low value leases, the depreciation of property, plant and equipment and right of use assets and the maintenance and running costs of properties and equipment. It also includes administrative expenses, including the provision of central support services, IT and other administrative costs.

Other income

Other income comprises fair value movements on the financial asset, a profit share arrangement with Genesis Care.

2. Accounting policies continued

Operating profit

Operating profit is the profit arising from the normal, recurring operations of the business and after charging Adjusting items, as defined below. Operating profit is adjusted to exclude Adjusting items to calculate the Key Performance Indicator (KPI) 'Operating profit before Adjusting items (Adjusted EBIT)'.

Adjusting items

Adjusting items are those items which the Directors believe, by virtue of their nature, size or incidence, either individually or in aggregate, should be disclosed separately to allow a full understanding and comparison of the underlying performance of the Group. Examples of items which may be considered this way in nature include significant write-downs of goodwill and other assets, restructuring costs relating to strategy review, impairments, hospital closures and set-up costs, business acquisition costs, medical malpractice provisions, aborted project costs and compliance set-up costs.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the statement of cash flows. There are no bank overdrafts in either year presented.

Taxation including deferred taxation

Total income tax on the result for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity and other comprehensive income, in which case it is recognised directly in equity and other comprehensive income.

Current tax is the expected tax payable on the taxable result for the year, using tax rates enacted, or substantively enacted, at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Where there is an uncertain tax position, a provision shall be booked based on either the most likely amount where the range of results is binary, or as a weighted average of possible outcomes where a range of outcomes is possible.

Deferred tax is provided on all temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for:
- goodwill not deductible for tax purposes;
- the initial recognition of an asset or liability in a transaction that is not a business combination and which, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- investments in subsidiary companies where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

The amount of deferred tax recognised is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using tax rates enacted, or substantively enacted, at the balance sheet date. The Group offsets deferred tax assets and deferred tax liabilities, if and only if, it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports, which, among other things, reflect the potential impact of climate-related development on the business, such as increased costs as a result of measures to reduce carbon emission.

A deferred tax asset, subject to the offsetting above, is only recognised to the extent that it is probable that future taxable profits will be available against which the asset can be used.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation. Major projects are treated as assets in the course of construction until completed when they are transferred to the appropriate asset class. No depreciation is charged on freehold land or assets in the course of construction. Other assets are depreciated so as to write off the carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Freehold buildings and improvements	–	5 to 50 years
Leasehold improvements	–	lower of unexpired lease term or expected life, with a maximum of 35 years
Plant and machinery	–	5 to 10 years
Fixtures, fittings and equipment	–	3 to 10 years

The expected useful lives and residual values of property, plant and equipment are reviewed annually and revised as appropriate. The review of the asset lives and residual values of properties takes into consideration the plans of the business and levels of expenditure incurred on an ongoing basis to maintain the properties in a fit and proper state for their ongoing use as hospitals. In addition, the potential impact of future climate change is considered. In the case of major facilities opening in new locations, depreciation may be applied to only those assets available for use at the official opening date to reflect that the site is not always fully operational at this opening date.

2. Accounting policies continued

Consolidation

The results of all subsidiary undertakings are included in the consolidated financial statements. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
– power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
– exposure, or rights, to variable returns from its involvement with the investee; and
– the ability to use its power over the investee to affect its returns.

The Employee Benefit Trust (EBT) is treated as an extension of the Group and the Company.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating costs.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill

Goodwill represents the excess of the cost of acquisition (being the fair value of consideration transferred) over the fair value of the assets, liabilities and contingent liabilities of acquired businesses at the date of acquisition. Goodwill is stated at cost less accumulated impairment losses.

Goodwill is allocated to one cash-generating unit and is not amortised but is tested annually for impairment, or more frequently if there is an indication that the value of the goodwill may be impaired (see Impairment policy).

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i) Financial assets other than derivatives

Initial recognition and measurement

Financial assets are classified as financial assets at fair value through profit or loss, amortised cost or fair value through other comprehensive income ('OCI').

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

The Company's financial assets include cash and short-term deposits, trade and other receivables, unbilled receivables and receivables from profit share arrangements. Unbilled receivables may include contract assets where the performance obligation has been met, but the invoice not raised due to agreement with the customer being required in respect of the variable consideration. Unbilled receivables can also include amounts where the performance obligation has been met, but the invoice not yet raised due to the timing of the reporting period.

2. Accounting policies continued

Financial instruments continued

Subsequent measurement

Trade receivables and unbilled receivables are accounted for at amortised cost. The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables. At each reporting period, the Group makes an assessment of the asset's recoverable amount based on forward-looking information. Losses arising from impairment are recognised in the consolidated income statement in other operating costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. On initial recognition, loans and receivables are measured at fair value plus directly attributable transaction costs. Subsequently, such assets are measured at amortised cost, using the effective interest rate ('EIR') method, less any allowance for impairment.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in interest receivable in the consolidated income statement.

Receivables relating to profit share arrangements are recognised as fair value through profit and loss. At each reporting period, the assets are revalued, with any movement in fair value being recognised in the consolidated income statement. Any cash received from profit share arrangements is presented within cash flows from investing activities within the cash flow statement.

Derecognition

A financial asset is derecognised when the rights to receive cash flows from the asset have expired, or the Group has transferred its rights to receive cash flows from the asset including transferring substantially all the risks and rewards of the asset.

Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables and contract assets (including unbilled receivables), the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the receivables and the economic environment. To measure the expected credit losses, trade receivables have been grouped based on shared characteristics and the days past due. The Group has concluded that the expected loss rates for trade receivables, are a reasonable approximation of the loss rates for each ageing bucket based on historical debt trends of our portfolio of customers for the last two reporting periods, with the exception of patient debt. Patient debt is more susceptible to the economic environment. As a result, the Group have reviewed the expected loss rates for this payor group, as well as considering forward-looking information (specifically the lockdown outlook and COVID-19) and increased the loss rates accordingly.

ii) Financial liabilities other than derivatives

Financial liabilities within the scope of IFRS 9 are classified as financial liabilities at fair value through profit or loss, or at amortised cost. The Group determines the classification of financial liabilities at initial recognition.

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings, and derivative financial instruments.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest receivable and interest payable in the consolidated income statement. Amortised cost is calculated by taking in to account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the consolidated income statement.

Financial liabilities on business combinations

On acquisition of a business combination, a financial liability may be recognised at fair value through profit and loss where there is an obligation on the Group to settle a liability. In subsequent periods, the liability will be remeasured based on its fair value, with movements being recognised in the income statement. Cash flows will be discounted as appropriate.

To determine the obligation, the Group will review whether the liability arises as a result of an action or decision of the Group, or if an action by a third party would result in an obligation crystallising.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the consolidated income statement.

2. Accounting policies continued

Financial instruments continued

iii) Derivative financial instruments

The Group may enter into derivative financial instrument arrangements to manage its exposure to interest rate risk. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered in to and subsequently remeasured at fair value at each balance sheet date. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Group applies cash flow hedge accounting to such derivatives if the criteria for doing so are met. At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge.

The effective portion of the changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The cash flow hedge reserve is adjusted to the lower of the cumulative gain or loss on the hedging instrument and the cumulative change in fair value of the hedged item.

Amounts deferred in equity are recycled in the income statement in the periods when the hedged item is recognised, in the same line of the income statement as the recognised hedged item. If cash flow hedge accounting is discontinued, the amount that has been accumulated in the consolidated statement of other comprehensive income is maintained if the hedged future cash flows are still expected to occur. Otherwise, the amount is immediately reclassified to profit or loss as a reclassification adjustment.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost means purchase price, less trade discounts, calculated on an average basis. Net realisable value means estimated selling price less incremental costs including trade discounts and all costs to be incurred in marketing, selling and distribution.

The Group holds consignment stock on sale or return. The Group is only required to pay for the equipment it chooses to use and therefore this stock is not recognised as an asset.

Interest-bearing borrowings

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

Borrowing costs

Borrowing costs that are directly attributable to the acquisition and construction of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Provisions

A provision is recognised in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected, risk-adjusted, future cash flows at a pre-tax risk-free rate. Management consider their best estimate of the likely outcomes of the obligation when determining the recognition. Where a material range of outcomes could arise, details are disclosed accordingly. Provisions are measured gross of any expected insurance recovery. Any such insurance recoveries are recognised in other receivables when the receipt of them is judged virtually certain.

Leases

At inception, the Group assesses whether a contract is or contains a lease. This assessment involves the exercise of judgement about whether the Group obtains substantially all the economic benefits from the use of that asset, and whether the Group has the right to direct the use of the asset when considering whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. After initial recognition, the lease liability is measured at amortised cost using the effective interest method. A reassessment of the lease liability occurs when there is a change in lease payments. The incremental borrowing rate is only revised where the change in payments is a result of a change in floating interest rates, lease term change or a change in assessment relating to the exercise of purchase option charges.

The Group has elected not to separate lease and non-lease components for leases of vehicles or buildings.

The Group recognises a Right Of Use (ROU) asset and a lease liability at the commencement of the lease. The ROU is initially measured based on the present value of lease payments, less any incentives received. Initial direct costs and costs to dismantle or restore an asset are included. The ROU is depreciated over the shorter of the lease term or the useful economic life of the underlying asset. The incremental borrowing rate is used to discount the assets over the relevant term. The ROU is subject to testing for impairment if there is an indicator for impairment.

2. Accounting policies continued

Leases continued

Lease payments generally include fixed payments and variable payments that depend on an index (such as inflation index) or rate. When the lease contains an extension or purchase option that the Group considered reasonably certain to be exercised, the cost of the option is included in the lease payments. The incremental borrowing rate is used to discount the lease payments over the term of the lease.

ROU assets are categorised to reflect the nature of the underlying asset and to be consistent with the Plant, Property & Equipment (PPE) note. The assets are depreciated over the term of the lease, accounting for break clauses or options to extend in line with the lease liability decision.

ROU assets are disclosed as PPE on the balance sheet (non-current) with a separate disclosure within the associated note, and the lease liability is included in the headings lease liability (current and non-current) on the consolidated balance sheet.

Sale and leaseback of properties

The Group has elected not to recognise ROU assets and liabilities for leases where the total lease term is less than 12 months, or for leases of low value equipment. The payments for such leases are recognised in the consolidated income statement on a straight-line basis over the lease term.

In circumstances where the Group sells a property to a third party and then enters into an agreement with the buyer to lease the asset back under a lease arrangement (a 'sale and leaseback transaction') which meets the criteria of a sale under IFRS 15, the Group derecognises the underlying asset from Plant, property and equipment, and instead recognises a Right of use asset measured at the retained portion of the previous carrying amount, recognising a gain or loss on the rights transferred to the lessor. Values recognised will be adjusted where the sale is not completed at fair value, or where lease payments do not reflect market value.

Where the sale of a property is not deemed a sale under IFRS 15, the Group will continue to recognise the underlying asset within PPE, and will also recognise a financial liability for any amount received from the buyer/lessor.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are deducted from share premium. Where the employee benefit trust 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 in both the Company and the consolidated balance sheet until the shares are cancelled or reissued.

Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividend is approved by the Company's shareholders. Interim dividends are recognised when paid.

Pensions

The Group operates the Spire Healthcare Pension Plan, a defined contribution scheme. The assets of the scheme are held separately from those of the Group in independently administered funds.

Obligations for contributions to defined contribution pension schemes are recognised as an expense in the income statement as incurred.

Other employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A provision is recognised for the amount expected to be paid under short-term cash bonuses if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

The Group operates a number of equity-settled share-based payment schemes under which the Group receives services from employees as consideration for equity instruments of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The Group has estimated the relevant fair value of the share options and awards, which are subject to total shareholder return ('TSR') market-related performance criteria, using a Monte Carlo simulation model (see note 27). This applies to LTIP Awards and Deferred Share Bonus Schemes.

The Group also operates a Save-As-You-Earn ('SAYE') scheme, which is open to all employees. Employees are required to save a fixed amount, up to a cap, every month for three years. At the end of the three-year period employees are entitled to use their savings to purchase shares in the Company at a stated exercise price. Employees are free to stop contributing to the scheme and obtain a refund of contributions at any time, but forfeit their entitlement to exercise the options if they do so. Payment of contributions into a SAYE scheme is not a vesting condition; it does not meet the definition of a performance condition because it has no link to service. Failure to meet a non-vesting condition (e.g. by ceasing to contribute to an SAYE scheme) is accounted for as a cancellation of the options so that the expense is accelerated and recognised in the income statement, with a corresponding adjustment to equity as required. 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.

At the end of each year, the Group revises its estimates of the number of options that are expected to vest based on the non-market conditions and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

2. Accounting policies continued

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Government grants

Where the Group receives a government grant, the income is recognised against the expense for which the grant is received in the income statement. Government grants include the Government Job Retention Scheme (for furloughed staff), the income is recognised against the staff expense.

Impairment

Where a commitment exists at the reporting date to repay a government grant received, the amount to be repaid is expensed to the income statement and presented as a liability.

The Group applies its impairment policy to non-financial assets, being intangible assets (goodwill), plant, property and equipment and right of use assets. The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal or its value in use. The recoverable amounts is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired, and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and risks specific to the asset. As part of this, the Group assesses where climate risks could have a significant impact, such as the introduction of emission-reduction legislation that may increase costs. These risks in relation to climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount. The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared for each CGU. The forecasts generally cover a five-year period. A long-term growth rate is calculated and applies to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the consolidated income statement in other operating costs. Impairment is likely to be considered an Adjusting item.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss.

Impairment continued

Goodwill is tested for impairment annually as at 31 December and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. Intangible assets with indefinite useful lives are tested for impairment annually as at 31 December at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Changes in accounting policy

New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the Group from 1 January 2021. Other than some additional disclosures, these amendments have not had a material impact.

	Effective date*
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2	1 January 2021

* 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 EU.

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

2. Accounting policies continued

Changes in accounting policy continued

These amendments had no impact on the consolidated financial statements of the Group. As the Group was renegotiating its principal loans on which the interest determination is based, there have been no changes to contracts impacted by LIBOR until the facilities are in place. All LIBOR linked contracts will be updated at the end of January 2022. The contracts with significant exposures relate to loans, leases and swaps. For the beginning of 2022, the interest rates applied on loans continue to be those under LIBOR using a synthetic LIBOR rate until the refinancing is completed. As these rates are LIBOR plus a margin, if SONIA (replacement rate) is higher or lower, the margin will be reduced or increased on an economically equivalent basis, and therefore there is no exposure. Leases are valued using incremental borrowing rates using gilt yields plus a margin and are therefore not linked to LIBOR. For the swap, the nominal amount exposure to hedging is disclosed in note 30.

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 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
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

* 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.

The amendments are not expected to have a material impact on the Group.

3. 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. The following accounting policies have been identified as involving particularly complex judgements or subjective estimates which have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year:

Judgements

Revenue recognition – NHS contracts

The Group operated under an NHS contract in Q1 21, which was volume-based, but with a minimum value guarantee. The minimum value was based on the FY20 contract in specific months, so there was uncertainty during the true up exercise. This uncertainty was removed by the end of the year.

During the prior year, the NHS contracts were based on a reimbursement of certain cash costs. The transaction price was therefore deemed to be variable consideration and recognised over time as healthcare services were provided.

In addition, during the prior year, as the NHS England ('NHSE') contract resulted in the use of the Spire Healthcare hospital portfolio, the Group reviewed if an embedded operating lease also applied as a result of the right to substantial economic benefits, and the ability to apply restrictions on Spire Healthcare's ability to carry out private work at any point during the contract.

The NHSE contract included three phases (surge, peak and de-escalation). During the peak phase of the NHSE contract, which lasted for one month, Spire Healthcare needed to be ready to provide any capacity that the NHS required. On the basis that the hospital activity was restricted by the NHS, in terms of what private work could take place, only during the peak phase, to ensure that capacity was retained for the NHS should it be required, the economic benefit of the Spire Healthcare hospitals was primarily to the NHS and therefore the revenue was treated as arising from an embedded operating lease as well as arising from non-lease components relating to the provision of healthcare services. The recognition profile of revenue does not change, purely the technical categorisation of revenue from contracts with a customer (IFRS 15) and lease income (IFRS 16) for the peak period of one month.

Adjusting items

Judgements are required as to whether items that are material in size, unusual or infrequent in nature should be disclosed as Adjusting items. Deciding which items meet the respective definitions requires the Group to exercise its judgement. Details of these items categorised as Adjusting items are outlined in note 10.

3. Critical accounting judgements and estimates continued

Judgements continued

Leases

The application of IFRS 16 requires the Group to make certain judgements which affect the value of the ROU asset and lease liability, and these include: determining contracts in the scope of IFRS 16 and the contract term.

The lease term is determined by the Group comprising non-cancellable period of lease contracts, periods covered by an option to extend the lease if the Group is reasonably certain to exercise that option and period covered by an option to terminate the lease if the Group is reasonably certain not to exercise that option. The Group reviews the business plan, investment in leasehold improvements and market conditions when considering the certainty of options to extend or terminate. For lease contracts with an indefinite term, the Group determines the length of the contract to be equal to the average or typical market contract term of the particular type of lease. The same life is then applied to determine the depreciation rate of ROU assets.

In the period, the Group undertook a sale and leaseback. The Group has determined the sale criteria has been met. There is no option to purchase, and any option to extend would be completed at fair value at the point of exercise of such option.

Financial liability on business combination

The Group acquired a majority holding in Claremont Hospital LLP on 30 November 2021. The LLP Agreement allows the minority interests to hold a vote on change in majority ownership which enacts the right to sell their minority interest at a fair value price. Should the minority interests vote result in a majority in favour of sale, the majority holder, Spire Healthcare, would be obligated to purchase the minority in full at the fair value set out by the Agreement. On acquisition of the majority shareholding, the Group agreed to extend this option to 31 March 2022, with a further extension to 30 September 2022 on agreement by all parties.

The Group has recognised a financial liability in respect of this option on the basis that the Group does not have control of the outcome and currently does not provide the Group with a present ownership interest in the non-controlling interest. The Group has recognised a non-controlling interest on acquisition which reflects the minority interest as it stands and the vote has not yet taken place. Equity has been adjusted accordingly. Should the Group acquire the minority interest the increase in ownership interest will result in an equity transaction with no adjustment to Goodwill recognised on acquisition. However, should the vote not result in a majority, the financial liability will be reversed, and equity adjusted accordingly.

The value of the financial liability has been based on the agreed formula to determine the value of each holding as set out in the Agreement. Due to the expiry of the option being less than one year, the potential cash outflow has not been discounted.

Assets held for sale

The Group recognised two assets held for sale. These assets have been recognised as held for sale for more than 12 months. However, the assets remain classified as held for sale, rather than reverting to Plant, Property and Equipment as they continue to meet the criteria for recognition. There has been a number of delays in the sale completion of these assets. The Group's management remain committed to sale of both assets and consider these highly probable, The Group is proceeding with the sale process with a buyer, with other parties also interested in acquiring these assets. Whilst progress has been slowed by challenges, including COVID-19 and a change in buyer during the year, the Group expects to complete on these sales in due course.

Estimates

Goodwill

Goodwill is tested for impairment at least annually or more frequently if there is an indication that goodwill may be impaired. This is achieved by comparing the carrying value in the accounts with the recoverable amount (being the value-in-use), as set out in the impairment policy. The value-in-use calculations require the Group to estimate future cash flows expected to arise in the future, taking into account market conditions. The current value of goodwill is underpinned by these forecasts. The present value of these cash flows is determined using an appropriate discount rate. The assumptions considered to be most critical in reviewing goodwill for impairment are contained in note 14.

Property impairment

Property, including property ROU assets, is considered for indicators of impairment at each reporting date, or earlier if a trigger indicates, as set out in the impairment policy. The recoverable amount, being the value-in-use, require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. In some cases, the cash flow forecasts reflect significant improvement in hospital performance as management respond to local market conditions and short-term operational challenges. The present value of these cash flows is determined using an appropriate discount rate. The assumptions considered to be most critical in reviewing properties for impairment are contained in note 13.

Leases

The present value of the lease payment is determined using the discount factor (incremental borrowing rate) which is based on a risk free UK gilt rate plus an applicable credit spread or margin to reflect the credit standing of the Group observed in the period when the lease contract commences or is modified. The incremental borrowing rate applied reflects a rate for a similar term and security to that of the lease and is determined at inception. Details of incremental borrowing rates can be found in note 22.

Expected Credit Losses

The Group has not changed the methodology in respect of the Expected Credit Loss (ECL) calculations. The Group's customer profile includes large organisations that have stable credit ratings, and the payment profiles have remained stable for historical debts. The exception to this is patient debt where economic circumstances can have a significant impact and, given the current economic uncertainty, remains the highest risk for the Group. During the prior year, management reviewed the expected loss rates for this payor group in light of the economic environment, expected COVID-19 lockdown restrictions, and increased the provision rates applied to this payor group, resulting in an additional provision being recognised. During the current year, management reviewed the outlook and reduced the provision. The ECL as at December 2021 is £4.1m (December 2020: £5.3m. For more information, see note 18.

4. Auditor's remuneration

During the year, the Group (including its subsidiary undertakings) obtained the following services from the Group's external auditor as detailed below:

(£m)	**2021**	2020
Audit of these financial statements	**0.6**	0.6
Audit of the financial statements of subsidiaries of the Company pursuant to legislation	**0.2**	0.1
Audit-related assurance services	**0.1**	0.1
Total	**0.9**	0.8

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 FY20 and Q1 21 means that not all of the detail of revenue by location (in-patient, day case or Out-patient) is available. In Q1 21, 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 is reflected in the NHS COVID-19 line. In FY20, admission type was not tracked under the NHS cost recovery contract and therefore all revenue under the contract is reflected in the NHS COVID-19 line.

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

(£m)	**2021**	2020
In-patient	**414.2**	188.3
Day case	**307.0**	170.3
Out-patient	**300.9**	181.9
NHS – COVID-19	**58.1**	362.7
Other[1]	**26.0**	16.7
Total revenue	**1,106.2**	919.9
Insured	**473.7**	337.6
NHS	**314.5**	430.0
Self-pay	**292.0**	135.6
Other[1]	**26.0**	16.7
Total revenue	**1,106.2**	919.9

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

Group revenues increased 20.3% to £1,106.2m (2020: £919.9m). The Group operated under an NHS volume based contract in Q1 2021, with a minimum income guarantee. The increase in revenue during the year is mainly driven by the strong return of private patients from Q2 2021. NHS revenue of £314.5m includes £58.1m (2020: £430.0 and £362.7 respectively) revenue from the COVID-19 contracts, with £47.4m reflecting the "top up" to minimum income guaranteed under the Q1 2021 contract, and £10.7m relating to the FY20 NHS cost recovery contract being recognised in the period following customer agreement to variable consideration and final costings.

6. Other income

(£m)	**2021**	2020
Fair value movement on financial asset	**1.1**	0.4
Profit on disposal relating to sale and leaseback, net of costs (Adjusting item) (see note 10)	**23.3**	–
Total other income	**24.4**	0.4

The fair value movement in respect of the financial asset which was recognised to reflect the ongoing profit share arrangement with Genesis Care which arose as part of the sale of the Bristol Cancer Centre sold in 2019. All of the fair value movement is unrealised.

7. Operating profit/(loss)

Arrived at after charging/(crediting):

(£m)	2021	2020
Depreciation of property, plant and equipment (see note 13)	**67.4**	66.0
Depreciation of right of use assets (see note 13)	**29.7**	28.0
Acquisition-related transaction costs – Claremont Hospital (Adjusting Item) (see note 10)	**1.5**	–
Lease payments made in respect of low value and short leases	**12.3**	11.1
Income awarded from a judgment related to Ian Paterson offset by related costs in the period[1] (Adjusting Item) (see note 10)	**–**	11.4
Provision following a court judgment related to Ian Paterson (Adjusting Item) (see note 10)	**12.2**	–
Impairment on assets held for sale (see note 20)	**–**	0.3
Impairment charge in respect of goodwill (see note 14)	**–**	200.0
Movement on the provision for expected credit losses of trade receivables	**(1.2)**	1.6
Profit on disposal relating to sale and leaseback (Adjusting Item) (see note 10)	**(23.5)**	–
Profit on disposal relating to a lease modification at Spire Sussex (Adjusting Item) (see note 10)	**(0.4)**	–
Profit on the early termination of a lease (Adjusting Item) (see note 10)	**(0.2)**	–
Staff restructuring costs (see notes 9 and 24)	**1.2**	2.3
Staff costs (net of Government Job Retention Scheme grant and staff restructuring costs) (see note 9)	**396.4**	349.1
Repayment of Government Job Retention Scheme grant	**–**	0.2

1 In the prior year, the income awarded from a judgment totalled £11.6m, including £0.8m of interest receivable not included in operating profit. This was offset by £22.2m of Ian Paterson related costs.

Impairment losses and reversals of impairment are included in other operating costs.

Inventory recognised as an expense in the current year is disclosed in note 17.

8. Finance income and costs

(£m)	2021	2020
Finance income		
Interest on the RSA judgment (included in Adjusting items)	**–**	(0.8)
Interest income on bank deposits	**–**	(0.1)
Total finance income	**–**	(0.9)
Finance cost		
Interest on bank facilities	**18.8**	17.5
Amortisation of fee arising on facilities extensions[(1)]	**1.0**	0.9
Interest on the RSA judgment repayable (included in Adjusting items)	**0.8**	–
IFRS 9 release/(gain) arising on facilities extension[(1)]	**0.1**	(0.3)
Interest on obligations under leases	**68.2**	67.6
Total finance costs	**88.9**	85.7
Total net finance costs	**88.9**	84.8

1 £3.3m that was recorded at the date of the 2018 extension and £0.3m recorded at the date of the 2020 extension. These are being amortised. See note 22 for more detail.

9. Staff costs

(No.)	2021	2020
The average number of persons employed by the Group (including Directors) during the year:		
Clinical	**5,977**	5,696
Non-clinical	**4,672**	4,511
Central	**571**	528
Total	**11,220**	10,735

(No.)	2021	2020
The average number of full-time equivalent persons employed by the Group during the year:		
Clinical	**5,476**	4,735
Non-clinical	**4,134**	3,767
Central	**521**	493
Total	**10,131**	8,995

9. Staff costs continued

The aggregate payroll costs of these persons were as follows:

(£m)	2021	2020
Wages and salaries	**336.8**	297.6
Social security costs	**31.1**	27.5
Pension costs, defined contribution scheme	**29.7**	26.5
	397.6	351.6

There were £1.3m wages and salaries and social security costs for year ended 31 December 2021 in Adjusting items (2020: nil).

£1.2m business restructuring costs are included in staff costs (2020: £2.3m), and are set out in note 7.

Pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2021 were £2.8m (2020: £1.4m).

10. Adjusting items

(£m)	2021	2020
Remediation of regulatory compliance or malpractice costs	**11.4**	12.8
Costs from asset disposals, impairment and aborted project costs	**4.5**	200.3
Business reorganisation and corporate restructuring costs	**1.2**	–
Hospital set up and closure costs	**0.3**	0.2
Income from asset disposals and aborted projects	**(23.3)**	–
Total Adjusting items in operating costs	**(5.9)**	213.3
Interest payable/(receivable) on Adjusting items	**0.8**	(0.8)
Total pre-tax Adjusting items	**(5.1)**	212.5
Income tax (credit)/charge on Adjusting items	**(13.8)**	0.7
Total post-tax Adjusting items	**(18.9)**	213.2

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.

The Group has recognised £11.4m (2020: £12.8m) of charges relating to Remediation of Regulatory Compliance or Malpractice Costs.

- During 2020, the judgment was received in favour of the Group in its case against one of its insurers relating to Ian Paterson and the Group was awarded £11.6m, including £0.8m of interest. This income was recognised as the Group's best estimate at the time was that the possibility of a successful appeal was remote and therefore there was no significant risk of reversal. £10.8m reported within Remediation of Regulatory Compliance or Malpractice Costs and £0.8m was shown in the above table as interest receivable on Adjusting Items. Following this ruling, the Group received an additional £0.4m credit in respect of costs awarded by the Court in FY21.
- In January 2022, the judgment was received in favour of the insurer. As a result, the Group is required to repay amounts awarded by the High Court, as well as the Insurers costs. The Group has treated this judgment as an Adjusting post balance sheet event and provided £12.2m for repayment of compensation and costs, and £0.8m in interest payable which was received by the Group previously. The Group will seek leave to appeal which, if granted, would result in the case being heard in the Supreme Court.

The prior year charge of £12.8m reflects the £11.6m awarded in the High Court referred to above, and the following two items:

- The Group is committed to providing ongoing support to Paterson's patients, and following the release of the Paterson Public Inquiry in February 2020, the Group incurred, or provided for, costs of £22.2m during the year.
- The Group reached a settlement with the Competition and Marketing Authority (CMA) as disclosed in the RNS announcement released on 1 July 2020. Professional costs in respect of the CMA investigation were also recognised, bringing the total cost recognised in the period to £1.3m.

During the year, the Group incurred £4.7m of costs relating to Mergers and Acquisitions ('M&A') costs, largely relating to the attempted takeover bid by Ramsay Health Care, and the acquisition of Claremont, which the Group acquired in November 2021.

In March 2021, the Group agreed to terminate the lease for our Sussex Hospital, with the NHS Trust taking over the running of the hospital from 31 March 2022. As part of this agreement, the plant, property and equipment were sold to the Trust on 31 March 2021, the property lease shortened to a period of one year (reduced from 6 years) and a transitional arrangement was agreed. This has resulted in a £0.4m profit being reflected in asset disposals, offset by £0.2m of sale costs, which offsets the M&A costs.

In the period, 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 a result, of this initiative, costs of £0.6m have been incurred, and a further £0.6m has been provided for following internal announcements in the year. The majority of this initiative is expected to complete during 2022.

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

10. Adjusting items continued

In December 2021, the Group agreed the sale and leaseback of its Cheshire Hospital for consideration of £89.0m. A gain on disposal of £23.5m has been recognised, offset by £0.2m of costs to sell.

In the prior period, the Group booked an impairment charge in respect of goodwill of £200m (see note 14 for more detail) and a £0.3m (see note 20) impairment on an asset held for sale following a change to the property market brought about by the pandemic.

An income tax credit has been recognised relating mainly to the sale and leaseback of Spire Cheshire where a chargeable gain has crystallised, but is offset by movements in deferred tax.

The net cash inflow from Adjusting items is £85.5m, which mainly relates to the receipt of £89.0m on the sale and leaseback of Cheshire, income from the sale of Sussex £1.8m, offset by mainly merger and acquisition costs of £5.9m incurred during the year.

11. Taxation

(£m)	2021	2020
Current tax		
UK corporation tax expense	**0.8**	0.1
Total current tax charge	**0.8**	0.1
Deferred tax		
Origination and reversal of temporary differences	**(15.0)**	(0.6)
Effect of change in tax rate	**17.7**	5.8
Adjustments in respect of prior years	**3.5**	(2.4)
Total deferred tax charge	**6.2**	2.8
Total tax charge	**7.0**	2.9

In addition to the above, a charge of £0.6m has been recognised through Other Comprehensive Income (2020: £0.3m credit) and £3.0m credit (2020: nil) through Equity.

Corporation tax is calculated at 19.0% (2020: 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 (2020: (1.3)%), mainly due to the one-off tax rate impact to deferred tax of £17.7m as a result of the Government announcement to increase the corporation tax rate from 19% to 25% from April 2023, a prior year adjustment of £3.5m, and one-off tax credit movements of £16.0m in respect of the sale and leaseback of a freehold property. The prior year was driven by the effects of revaluing deferred tax assets and liabilities to 19% following the abolishment of the rate reduction to 17% due in April 2020, and the permanent difference relating to the £200m impairment charge. Without these items, the effective tax rate is (5.7%) (2020: 9.4%). Deferred tax is detailed in note 23.

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)	2021	2020
Loss before taxation	**(1.9)**	(231.0)
Tax at the standard rate	**(0.4)**	(43.9)
Effects of:		
Expenses and income not deductible or taxable	**4.5**	5.6
Tax adjustment for the Super-deduction allowance	**(2.2)**	–
Tax adjustment in respect of sale and leaseback	**(16.0)**	–
Impairment charge in respect of goodwill (not tax deductible)	**–**	38.0
Adjustments to prior year	**3.5**	(2.4)
Difference in tax rates	**17.7**	5.8
Deferred tax not previously recognised	**(0.1)**	(0.2)
Total tax charge	**7.0**	2.9

Expenses and income not deductible or taxable relate mostly to depreciation on non-qualifying fixed assets, disallowable entertaining and legal and professional fees.

The charge above in the prior year was driven mainly by the revaluation of deferred tax assets and liabilities to 19% from 17% as a result of the substantive enactment in March 2020 of the Government's decision to cancel the reduction to 17% from 1 April 2020, as well as the tax effect of the goodwill impairment. The current year charge driven by £17.7m reflects the substantive enactment of the increased corporation tax rate from 19% to 25% from 1 April 2023, offset by the tax effect of the sale and leaseback.

The Group does not hold any uncertain tax positions under IFRIC 23 at the year end (2020: none).

12. 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.

	2021	2020
Loss for the year attributable to ordinary equity holders of the Parent (£m)	**(9.7)**	(233.9)
Weighted average number of ordinary shares for basic EPS (No.)	**401,087,547**	401,081,391
Adjustment for weighted average number of shares held in EBT	**(239,283)**	(245,596)
Weighted average number of ordinary shares in issue (No.)	**400,848,264**	400,835,795
Basic earnings per share (in pence per share)	**(2.4)**	(58.4)

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 for the terms and conditions of instruments generating potential ordinary shares that affect the measurement of diluted EPS.

	2021	2020
Loss for the year attributable to ordinary equity holders of the Parent (£m)	**(9.7)**	(233.9)
Weighted average number of ordinary shares in issue (No.)	**400,848,264**	400,835,795
Adjustment for weighted average number of contingently issuable shares	**–**	–
Diluted weighted average number of ordinary shares in issue (No.)	**400,848,264**	400,835,795
Diluted earnings per share (in pence per share)	**(2.4)**	(58.4)

As the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However, 8,891,739 (2020: 9,372,916) shares are potentially dilutive in the future.

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"):

	2021	2020
Loss for the year attributable to owners of the Parent (£m)	**(9.7)**	(233.9)
Adjusting items (see note 10)	**(18.9)**	213.2
Adjusted loss (£m)	**(28.6)**	(20.7)
Weighted average number of ordinary shares in issue	**400,848,264**	400,835,795
Weighted average number of dilutive ordinary shares	**400,848,264**	400,835,795
Adjusted basic earnings per share (in pence per share)	**(7.1)**	(5.2)
Adjusted diluted earnings per share (in pence per share)	**(7.1)**	(5.2)

As the weighted average number for contingently issuable shares would be anti-dilutive, they are excluded from the above. However, 8,891,739 (2020: 9,372,916) shares are potentially dilutive in the future.

13. 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 2020	866.6	140.4	445.1	17.4	748.8	2,218.3
Reallocation between categories[1]	3.6	1.9	(5.5)	–	–	–
Additions	7.7	7.8	26.7	8.6	–	50.8
Additions to ROU assets	–	–	–	–	0.4	0.4
Adjustments to existing assets (e.g. indexation)	–	–	–	–	14.7	14.7
Disposals	(7.4)	(0.9)	(20.9)	–	–	(29.2)
Transfers	–	14.8	2.0	(16.8)	–	–
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 32)	**–**	**0.1**	**4.7**	**–**	**25.5**	**30.3**
Additions to ROU assets	**–**	**–**	**–**	**–**	**32.6**	**32.6**
Adjustments to existing assets (e.g. indexation)	**–**	**–**	**–**	**–**	**9.7**	**9.7**
Disposals	**(35.9)**	**(1.7)**	**(20.9)**	**–**	**(5.8)**	**(64.3)**
Transfers	**(0.7)**	**3.4**	**1.8**	**(4.5)**	**–**	**–**
At 31 December 2021	**845.3**	**177.7**	**480.6**	**10.9**	**825.9**	**2,340.4**
Accumulated depreciation and impairment:						
At 1 January 2020	166.3	38.7	280.7	–	169.2	654.9
Reallocation between categories[1]	1.2	0.8	(2.0)	–	–	–
Charge for year	17.6	8.0	40.4	–	28.0	94.0
Disposals	(7.4)	(0.9)	(20.9)	–	–	(29.2)
Transfers	2.6	0.3	(2.9)	–	–	–
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 32)	**–**	**–**	**4.1**	**–**	**–**	**4.1**
Disposals	**(9.2)**	**(0.9)**	**(19.7)**	**–**	**(4.2)**	**(34.0)**
At 31 December 2021	**189.0**	**54.4**	**320.8**	**–**	**222.7**	**786.9**
Net book value:						
At 31 December 2021	**656.3**	**123.3**	**159.8**	**10.9**	**603.2**	**1,553.5**
At 31 December 2020	690.2	117.1	152.1	9.2	566.7	1,535.3

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.

No assets are subject to restrictions on title or pledged as security for liabilities. There were no borrowing costs capitalised during the year ended 31 December 2021 (2020: nil).

Impairment testing

The Directors consider property and property right of use assets for indicators of impairment at least annually, or when there is an indicator of impairment. 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. The value-in-use was calculated in line with the Group's forecast and sensitivities reflected in the Intangible impairment review. Where headroom is significant, no further work is undertaken. Where headroom is minimal, the property is reviewed in more detail, reviewing the factors driving underperformance. No impairment charge was taken in the period.

The value-in-use calculations require the Group to estimate cash flows expected to arise in the future, taking into account market conditions. In some cases, the cash flow forecasts reflect significant improvement in hospital performance as management respond to local market challenges or short-term operational challenges. The present value of these cash flows is determined using an appropriate discount rate and market conditions covering the five-year period to December 2026. The Group has used a discount rate reflecting the Group's cost of capital of 8.5% (2020 year end: 9.4%), adjusted for the effects of IFRS 16. A long-term growth rate of 2% has been applied to cash flows beyond 2026.

13. Property, plant and equipment continued

Impairment testing continued

Management identified a number of key assumptions relevant to the property impairment calculations, being EBITDA growth, which is impacted by an interaction of a number of elements and assumptions regarding revenue, cost inflation, capex maintenance spend, discount rates and terminal growth rates. In addition, Management consider the potential financial impact from short-term climate change scenarios, and costs of initiatives planned by the Group to manage the longer-term climate impacts. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market conditions. Management undertook sensitivity analysis and determined that should the discount rate increase by 200 basis points (bp), or the growth rate reduce to 1.50%, with all other assumptions remaining equal, sufficient headroom would remain. Due to the headroom for most CGUs, short-term disruptions, such as those set out in the Viability section, would not result in significant impairment risk across the portfolio, and has been reflected in the sensitivity for the growth rate. Should a significant event cause a permanent or temporary suspension on trading, for example, due to a major fire or regulatory matter, the CGU would be reviewed on a case by case basis to assess the impact of such an event should it arise.

Right of use (ROU) assets

(£m)	Leasehold property	Equipment & motor vehicles	Total
Cost:			
At 1 January 2020	745.7	3.1	748.8
New leases entered	–	0.4	0.4
Adjustments to existing assets (e.g. indexation)	14.7	–	14.7
At 1 January 2021	**760.4**	**3.5**	**763.9**
New leases entered	**25.5**	**7.1**	**32.6**
Acquisition of a subsidiary (note 32)	**25.5**	**–**	**25.5**
Adjustments to existing assets (e.g. indexation)	**9.7**	**–**	**9.7**
Disposals	**(5.6)**	**(0.2)**	**(5.8)**
Transfers	**–**	**–**	**–**
At 31 December 2021	**815.5**	**10.4**	**825.9**
Accumulated depreciation and impairment:			
At 1 January 2020	167.3	1.9	169.2
Charge for year	27.5	0.5	28.0
At 1 January 2021	**194.8**	**2.4**	**197.2**
Charge for the year	**27.4**	**2.3**	**29.7**
Disposals	**(4.0)**	**(0.2)**	**(4.2)**
At 31 December 2021	**218.2**	**4.5**	**222.7**
Net book value:			
At 31 December 2021	**597.3**	**5.9**	**603.2**
At 31 December 2020	565.6	1.1	566.7

In December 2021, the Group completed a sale and leaseback on its Cheshire freehold. The freehold was sold for £89.0m, prior to costs and taxation. The sale allowed greater liquidity and flexibility in light of ongoing COVID-19 challenges, but also assisted in the refinancing as announced in February 2022. The lease is a 25 year term, with an annual starting rent of £3.75m and annual inflationary increases with a floor and cap applied. A right of use asset of £16.6m has been recognised in the period, and associated lease liability of £55.6m (see note 22).

14. Intangible assets

(£m)	Goodwill
Cost or valuation:	
At 1 January 2020 and 31 December 2020	518.8
Acquisition of a subsidiary (note 32)	17.0
At 31 December 2021	**535.8**
Impairment:	
At 1 January 2020	**1.0**
Impairment charged during 2020	**200.0**
At 31 December 2020 and 31 December 2021	**201.0**
Carrying amount:	
At 31 December 2021	**334.8**
At 31 December 2020	317.8
At 1 January 2020	517.8

Acquisition during the year
On 30 November 2021, the Group acquired 100% of the voting shares of Claremont Hospital Holdings Limited (which in turn owns 88.0% of the shares of Claremont Hospital LLP), a non-listed company based in England which owns and operates the Claremont Private Hospital in Sheffield, for £16.9m generating goodwill of £17.0m. The Group acquired the Claremont Private Hospital as it is an excellent location for Spire Healthcare and is already rated as Outstanding by the CQC (see note 32 for detail).

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 Claremont. 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 2026.

Management identified a number of key assumptions relevant to the value-in-use calculations, being revenue growth, which is impacted by an interaction of a number of elements of the operating model, including pricing trends, volume growth and the mix and complexity of discharges, assumptions regarding cost inflation and discount rate. In addition, Management consider the potential financial impact from short-term climate change scenarios, and costs of initiatives planned by the Group to manage the longer-term climate impacts. These variables are interdependent and the forecast cash flows reflect management's expectations based on current market trends.

The Group has used a discount rate reflecting the Group's cost of capital of 8.5% (2020: 9.4%), adjusted for the effects of IFRS 16. A long-term growth rate of 2.0% has been applied to cash flows beyond 2026.

In assessing the carrying value of the historical goodwill balance during the prior year, the Group recognised the effect that financial market conditions had on the cost of capital which it used to discount future cash flows to current value; accordingly it took an impairment charge in the period to reduce historical goodwill from £517.8m to £317.8m. The impairment charge of £200m was treated as an Adjusting item.

A sensitivity analysis has been performed in order to review the impact of changes in key assumptions. For example, an increase of 200 basis points (bp) in the pre-tax discount rate, with all other assumptions held constant would result in the elimination of headroom. Reducing the terminal growth rate to 1.50% in the period beyond 2026, with all other assumptions held constant, would not result in an impairment charge.

15. Financial assets
On 31 October 2019, the Group entered into a profit share arrangement with Genesis Care. The agreement provides the Group with an entitlement to a gross profit share relating to the Chemotherapy business transferred to Genesis Care as part of the sale of the Bristol Cancer Centre in perpetuity.

The Group has recognised a financial asset in respect of this gross profit share and the asset is classed as a fair value through profit and loss asset. The financial asset is valued using forward-looking information to establish cash flows, and discounted back to net present value. This valuation is reviewed at each reporting date, with movements in fair value being recognised through the consolidated income statement. Cash received is adjusted against the financial asset, and is included within cash flows from investing activities on the consolidated statement of cash flows.

(£m)	**2021**	2020
Valuation at 1 January	**1.6**	1.5
Utilised	**(0.4)**	(0.3)
Unrealised fair value adjustments	**1.1**	0.4
Carrying amount at 31 December (note 30)	**2.3**	1.6

Management completes relevant sensitivities on the inputs when assessing the fair value.
With all other inputs remaining constant:
– A 1.3% increase (decrease) in the discount rate used, would see a decrease (increase) in fair value of £0.3m (£0.4m) (2020: £0.2m (£0.2m)).
– A 20% increase (decrease) in the forecast annual cash flow of £0.36m (2020: £0.30m), would see an increase (decrease) in fair value of £0.4m (£0.4m) (2020: £0.4m (£0.3m)).

16. Subsidiary undertakings and non-controlling interest

As at 31 December 2021, these consolidated financial statements of the Group comprise the Company and the following companies, most of which are incorporated in, and whose operations are conducted in, the United Kingdom. All subsidiaries are 100% owned unless otherwise indicated.

Incorporated in England and Wales and registered at 3 Dorset Rise, London, EC4Y 8EN, unless otherwise stated	Principal activity	Class of share
Classic Hospitals Group Limited#	Holding company	Ordinary
Classic Hospitals Limited#	Non-trading company	Ordinary
Classic Hospitals Property Limited	Property company	Ordinary
Didsbury MSK Limited°	Health provision	Ordinary
Fox Healthcare Acquisitions Limited	Leasing company	Ordinary
Fox Healthcare Holdco 2 Limited#	Holding company	Ordinary
Lifescan Limited#	Non-trading company	Ordinary
Medicainsure Limited	Non-trading company	Ordinary
Montefiore House Limited+	Health provision	Ordinary
SHC Holdings Limited#	Holding company	Ordinary
Spire Cambridge (Disposal) Limited#	Non-trading company	Ordinary
Spire Fertility (Disposal) Limited#	Non-trading company	Ordinary
Spire Healthcare (Holdings) Limited	Holding company	Ordinary
Spire Healthcare Finance Limited*	Holding company	Ordinary
Spire Healthcare Group UK Limited#	Holding company	Ordinary
Spire Healthcare Holdings 1&#	Holding company	Ordinary
Spire Healthcare Holdings 2 Limited#	Holding company	Ordinary
Spire Healthcare Holdings 3 Limited#	Holding company	Ordinary
Spire Healthcare Limited	Health provision	Ordinary
Spire Healthcare Properties Limited	Property company	Ordinary
Spire Healthcare Property Developments Limited	Development company	Ordinary
Spire Property 1 Limited	Property company	Ordinary
Spire Property 4 Limited	Property company	Ordinary
Spire Property 5 Limited	Property company	Ordinary
Spire Property 6 Limited	Property company	Ordinary
Spire Property 13 Limited	Property company	Ordinary
Spire Property 16 Limited	Property company	Ordinary
Spire Property 18 Limited	Property company	Ordinary
Spire Property 19 Limited	Property company	Ordinary
Spire Property 23 Limited	Property company	Ordinary
Spire Thames Valley Hospital Limited#	Non-trading company	Ordinary
Spire Thames Valley Hospital Propco Limited	Property company	Ordinary
Spire UK Holdco 2A Limited#	Holding company	Ordinary
Spire UK Holdco 4 Limited	Holding company	Ordinary
Claremont Hospital Holdings Limited	Holding company	Ordinary
Claremont Hospital LLP!^	Health provision	N/A

° Ownership interest is 51.0%.
+ Ownership interest is 50.1%.
^ Ownership interest is 88.0%.
* Direct shareholding of the Company.
& Spire Healthcare Holdings 1 is an undertaking with unlimited liability. The registered address of the undertaking is 3 Dorset Rise, London, EC4Y 8EN.
! The LLP has "Members' capital classified as equity" in lieu of "Class of shares".
In liquidation and expected to be dissolved during 2022.

During the year, in order to simplify the structure of the Group and reduce costs, the Group undertook a process in which a number of companies within the Group were identified for members' voluntary liquidation.

The entities in members' voluntary liquidation at year end are shown above and they are expected to be formally dissolved at Companies House during 2022.

16. Subsidiary undertakings and non-controlling interest continued

Financial information of subsidiaries that have a material non-controlling interest is provided below. The entities, as set out above, are Montefiore House Limited, Didsbury MSK Limited and Claremont Hospital LLP. Claremont Hospital LLP was acquired on 30 November 2021. Amounts were not previously disclosed as they were not considered material.

Accumulated balances of material non-controlling interest:

(£m)	2021
Profit/(Loss) allocated to material non-controlling interests:	
Montefiore House Limited	**0.3**
Didsbury MSK Limited	**0.5**
Claremont Hospital LLP	**–**
Accumulated balances of material non-controlling interests:	
Montefiore House Limited	**(5.6)**
Didsbury MSK Limited	**0.3**
Claremont Hospital LLP	**0.5**

Within the entities, the most material assets and liabilities relate to right of use assets and lease liabilities in respect of property. Except for the lease rental payments, the majority of the cash flows are generated through operations.

17. Inventories

(£m)	2021	2020
Prostheses, drugs, medical and other consumables	**40.2**	37.6

Cost of sales for the year ended 31 December 2021 includes inventories recognised as an expense amounting to £216.1m (2020: £155.8m).

Inventories of £0.7m have been added on the acquisition of the Claremont Hospital during the year (note 32).

18. Trade and other receivables

(£m)	2021	2020
Amounts falling due within one year:		
Trade receivables	**54.7**	35.4
Unbilled receivables	**12.3**	35.0
Prepayments	**18.4**	18.3
Other receivables	**17.9**	18.0
	103.3	106.7
Allowance for expected credit losses	**(4.1)**	(5.3)
Total current trade and other receivables	**99.2**	101.4

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.

Unbilled receivables during the prior year included one-off accrued income of £30m due from NHS England following the contract variation which took effect from 1 July 2020. This amount was settled in H1 2021.

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 (see note 32); £7.9m paid into the new Paterson Fund, which is being held by solicitors on account until payments start to be made, with any amount not paid out being returned to Spire; as well as the £7.4m insurance reimbursement right (2020: £5.0m). 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 £5.0m insurance reimbursement right, other receivables included the £11.6m receivable following the RSA judgment, with the cash being received in January 2021 (see note 10 for more detail).

Trade and other receivables of £1.5m have been added on the acquisition of the Claremont Hospital during the year (note 32).

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.

18. Trade and other receivables continued

Under normal trading conditions, which applied during 2020 until the end of March, some of the agreements with NHS customers operate on the basis of monthly payments on account with quarterly reconciliations, which can lead to invoices being paid after their due date. From March 2020, under the COVID-19 NHS contracts, invoices were raised and settled on a weekly basis. The NHSE contract included volume-based adjustments which were subject to calculation and agreement at the end of the contract, and therefore included in unbilled receivables at the prior year end, with payment received during the current year. The unbilled receivables have been assessed for expected credit losses, but the losses are considered immaterial.

The Company 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. This has generated an increase in payments on account in the current year, as volumes under the Framework have generally been lower than anticipated. For contracts under the Framework without an estimated contract value, 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 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

The loss allowance as at 31 December 2020 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	**1.9%**	**14.7%**	**33.3%**	**45.5%**	**21.9%**	**12.2%**
Gross debt (£m)	26.5	3.4	2.7	4.4	6.4	43.4
Less payments on account (£m)						(8.0)
Carrying amount of trade receivables (£m)						35.4
Loss allowance (£m)	0.5	0.5	0.9	2.0	1.4	5.3

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 two 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)	**2021**	2020
Private medical insurers	**27.4**	21.5
NHS	**9.2**	1.0
Patient debt	**8.9**	3.4
Other	**5.1**	4.2
	50.6	30.1

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

(£m)	**2021**	2020
At 1 January	**5.3**	3.7
Provided in the year	**–**	1.9
Utilised during the year	**(0.2)**	(0.3)
Released during the year	**(1.0)**	–
At 31 December	**4.1**	5.3

18. Trade and other receivables continued

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 with the exception this year for the impact of COVID-19 on patient debt. The ECL matrix is refreshed at each reporting date. Trade receivables are not modified after initial recognition. Payments on account are excluded from the calculation. No collateral is held in respect of trade receivables. Expected credit losses are calculated on a collective basis and are not allocated to individual financial assets.

The Group has not changed the methodology in respect of the Expected Credit Loss (ECL) calculations due to the COVID-19 pandemic. The Group's customer profile includes large organisations that have stable credit ratings, and the payment profiles have remained stable for historical debts. The exception to this reflects Patient Debt where economic circumstances can have a significant impact and given the current economic uncertainty from COVID-19, remains the highest risk for the Group. Therefore management have reviewed this Group in isolation and provided for additional coverage based on the impact of the economic uncertainty by increasing the expected loss rate during the prior year, some of which has been released during the current year.

19. Cash and cash equivalents

(£m)	2021	2020
Cash at bank	165.5	69.2
Short-term deposits	37.1	37.1
	202.6	106.3

Cash and cash equivalents comprise cash balances, short-term deposits and other short-term highly liquid investments (including money market funds) with maturities not exceeding three months placed with investment grade counterparties which are subject to an insignificant risk of change in value.

Cash and cash equivalents of £4.4m has been added on the acquisition of the Claremont Hospital during the year (note 32).

20. Non-current assets held for sale

As at December 2021, the Group's management remain committed to sell one property, Spire St Saviours Hospital, which closed in 2015. The property is still highly probable to be sold, and expected to be sold within 12 months. The timescales have been delayed as a result of the pandemic and a change in buyer during the period, but there is no change in assessment and the sale process continues. It therefore remains classified as held for sale and is presented separately in the consolidated balance sheet. No impairment has been charged during the year (2020: £0.3m) (see note 10) to reduce the carrying value to the proceeds now expected from the sale.

In addition, 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)	2021	2020
Spire St Saviours Hospital property	3.7	3.7
Bostocks Lane (East Midlands Cancer Centre)	1.1	1.1
	4.8	4.8

21. Share capital and reserves

	2021	2020
Authorised shares		
Ordinary share of £0.01 each	401,104,036	401,081,391
	401,104,036	401,081,391

	£0.01 ordinary shares	
	Shares	£'000
Issued and fully paid		
At 31 December 2021	401,104,036	4,011
At 31 December 2020	401,081,391	4,010

21. Share capital and reserves continued

Capital reserves

This reserve represents the loans of £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 2021, the EBT purchased no shares (2020: nil shares acquired).

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 2021, 239,283 shares (2020: 239,283) were held by the EBT in relation to the Directors' Share Bonus award and Long-Term Incentive Plan.

(Number of shares)	2021	2020
At 1 January	**239,283**	252,652
Exercised – 2017 LTIP	–	(13,369)
	239,283	239,283

At 1 January 2021, the EBT held 239,283 shares. During the year 2021, no shares were exercised. There were no new purchases of shares and at 31 December 2021 the EBT held 239,283 shares.

At 1 January 2020, the EBT held 252,652 shares. During the year 2020, 13,369 shares were exercised. There were no new purchases of shares and at 31 December 2020 the EBT held 239,283 shares.

The EBT share reserve represents the consideration paid when the EBT purchases the Company's equity share capital, until the shares are reissued.

Hedging reserve

The balance of £0.5m at 31 December 2021 (2020: £3.2m) reflects the £2.5m (2020: £1.4m) recycled in the period, the fair value credit of £0.8m (2020: £2.9m charge) and the £0.6m tax charge on the profit (2020: £0.4m tax credit on the loss) to give a net movement of a decrease of £2.7m during the year (2020: an increase of £1.1m) on a hedged transaction. See note 22 for further information.

22. 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 2021 were £1,265.3m (2020: £1,170.3m). 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 by a share pledge over the shareholdings of material subsidiaries of the Group. On 23 July 2014, the Group was refinanced, and it entered into a bank loan facility with a syndicate of banks, comprising a five-year, £425.0m term loan and a five-year £100.0m Revolving Credit Facility (RCF). The loan is non-amortising and carries interest at a margin of 2.25% over LIBOR (2020: 2.25% over LIBOR).

In July 2018, the Group extended the maturity of its bank loan facility for a further three years from July 2019 to July 2022 and recorded this as a non-substantial loan modification not resulting in de-recognition. A modification gain of £3.3m was recorded at the date of extension, which in turn decreased the carrying value of the loan held.

In September 2020 the Group further extended the maturity of its senior loan facility of £425.0m for a further year from July 2022 to July 2023. The RCF was due to remain at £100.0m until July 2022 when it would then reduce to £87.0m until July 2023. This was also recorded as a non-substantial loan modification not resulting in de-recognition and a modification gain of £0.3m was recorded at the date of extension, which in turn decreased the carrying value of the loan held.

The Group entered into an agreement on 24 February 2022 to refinance this debt. Details of this refinance can be found in note 34 – Events after the Reporting Period. There is no impact to the current year as a result of this refinancing agreement.

(£m)	2021	2020
Amount due for settlement within 12 months	**5.7**	2.2
Amount due for settlement after 12 months	**421.8**	418.6
Total bank borrowings	**427.5**	420.8

22. Borrowings continued
Bank borrowings continued
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 LIBOR	2021	2020
Senior finance facility[1]	July 2023	2.25%	**428.2**	422.6

1 the difference between the carrying amount of the facility and the value of the debt repayment schedule relates to the fees on the loan extensions, which are amortised in accordance with IFRS 9

The Group also has access to a further £100.0m through a committed and undrawn revolving credit facility to July 2022, which prior to the refinancing, would have reduced as detailed above. However, as a result of the refinancing, the facility will remain at £100.0m until July 2026.

Changes in bank borrowings arising from financing activities

(£m)	1 January	Cash flows	Non-cash changes[1]	Loan modification[2]	31 December
2021					
Bank loans	**420.8**	**(13.2)**	**18.8**	**1.1**	**427.5**
Total	**420.8**	**(13.2)**	**18.8**	**1.1**	**427.5**

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.

(£m)	1 January	Cash flows	Non cash changes	Loan modification	31 December
2020					
Bank loans	420.8	(18.1)	17.5	0.6	420.8
Total	420.8	(18.1)	17.5	0.6	420.8

Lease liabilities
Obligations under finance leases
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 £837.8m (2020: £749.5m), expire in various years to 2046 and carry incremental borrowing rates in the range 3.1-14.6% (2020: 4.5-12.9%). Rent in respect of hospital property leases are reviewed annually with reference to RPI, 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 in an 8% movement in the lease liability.

Changes in lease liabilities arising from financing activities

(£m)	1 January	Cash flows	Non-cash changes	Additions[1]	Disposals	31 December
2021						
Lease liabilities	**749.5**	**(26.0)**	**67.7**	**48.4**	**(1.8)**	**837.8**
Total	**749.5**	**(26.0)**	**67.7**	**48.4**	**(1.8)**	**837.8**

1 Additions include both new leases entered into, indexation of existing leases, sale and leaseback transactions and acquisitions of subsidiaries.

(£m)	1 January	Cash flows	Non-cash changes	Additions	Disposals	31 December
2020						
Lease liabilities	745.3	(79.8)	68.9	15.1	–	749.5
Total	745.3	(79.8)	68.9	15.1	–	749.5

In the year, the Group recognised charges of £12.3m (2020: £11.1m) 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 £38.3m (2020: £90.9m). 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 one (2020: none) sale and leaseback transaction in this period, of the Cheshire Hospital for consideration of £89.0m. A gain on disposal of £23.5m has been recognised, offset by £0.2m of costs to sell, recorded in Adjusting Items. In addition, the lease in respect of Sussex was modified to reduce the term from 6 years to 12 months following the agreement for the transfer of the business to the NHS Trust in March 2022; and the previous lease at Dorset Rise was disposed of and a new lease, for more space at Dorset Rise, was entered into. Claremont hospital was acquired during the year, which included the addition of a £25.6m new lease (see note 32). Where new leases have the right to extend, the future cash flows are not reflected in the above. The new leases do not include any restrictions or covenants.

22. Borrowings continued
Lease liabilities continued

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. There are no significant restrictions or covenants which impact the cash flows in respect of these leases.

See note 13 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.

Derivatives
The following derivatives were in place at 31 December:

	Interest rate	Maturity date	Notional amount	Carrying value Liability
31 December 2021 (£m)				
Interest rate swaps	**1.2168%**	**July 2022**	**213.0**	**(0.7)**
31 December 2020 (£m)				
Interest rate swaps	1.2168%	July 2022	213.0	(4.0)

(£m)	2021	2020
Amount due for settlement within 12 months	**0.7**	2.5
Amount due for settlement after 12 months	**–**	1.5
Total derivatives	**0.7**	4.0

The movement in respect of the derivative reflects £2.5m (2020: £1.4m) recycled in the period and a £0.8m (credit) (2020: £2.9m (charge)) change in fair value. All movements are reflected within other comprehensive income.

23. Deferred tax

(£m)	Property, plant and equipment	IFRS 16 leases – spreading	IFRS 16	Share-based payments	Losses	Provisions and other temporary differences	Total
At 1 January 2020	69.3	(35.1)	20.7	(0.3)	(1.4)	(1.8)	51.4
(Credit)/charge to the profit or loss	(2.8)	1.4	1.7	(0.8)	–	(0.1)	(0.6)
Credit to other comprehensive income	–	–	–	–	–	(0.3)	(0.3)
Prior year adjustment	(0.9)	(0.5)	–	–	(0.6)	(0.4)	(2.4)
Change in tax rates	7.7	(4.1)	2.6	–	(0.2)	(0.2)	5.8
At 1 January 2021	**73.3**	**(38.3)**	**25.0**	**(1.1)**	**(2.2)**	**(2.8)**	**53.9**
(Credit)/charge to the profit or loss	**(12.7)**	**1.9**	**(2.6)**	**–**	**(1.9)**	**0.3**	**(15.0)**
(Credit)/charge to other comprehensive income and equity	**–**	**–**	**–**	**(3.0)**	**–**	**0.6**	**(2.4)**
Prior year adjustment	**4.1**	**0.2**	**(0.8)**	**–**	**–**	**–**	**3.5**
Change in tax rates	**22.6**	**(10.8)**	**7.1**	**(0.1)**	**(0.7)**	**(0.4)**	**17.7**
At 31 December 2021	**87.3**	**(47.0)**	**28.7**	**(4.2)**	**(4.8)**	**(2.3)**	**57.7**
Disclosed within liabilities	**87.3**	**(47.0)**	**28.7**	**(4.2)**	**(4.8)**	**(2.3)**	**57.7**

Deferred tax on property, plant and equipment has arisen on differences between the carrying value of the relevant assets and the tax base.

The losses recognised above relate entirely to non-trade losses.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability settled, based on tax rates that have been enacted, or substantively enacted, at the balance sheet date. The Group has separately calculated the tax rates applicable in respect of Adjusting items for the period as well as the tax rate change as a result of the substantive enactment in March 2020 of the Government's decision to cancel the reduction to 17% from 1 April 2020. The UK corporation tax rate therefore continues to be the existing 19% rate and the rate change therefore reflects the reassessment of deferred tax assets and liabilities to 25% from 19%.

23. Deferred tax continued

The Group has unrecognised deferred tax assets (which do not expire) as follows:

	2021		2020	
(£m)	Gross	Tax effected	Gross	Tax effected
Trading losses	**9.9**	**2.5**	4.1	1.1
Capital losses	**1.2**	**0.3**	1.2	0.2
Tax basis for future capital disposals	**34.4**	**8.6**	34.4	6.5
Total	**45.5**	**11.4**	39.7	7.8

These amounts are the expected tax value of the gross temporary difference at the enacted long-term tax rate of 25% (2020: 19%) following the substantive enactment of the increased corporation tax rate of 25% effective from 1 April 2023. A deferred tax asset has not been recognised in respect of these amounts due to uncertainties as to the timing of future profits that the trading losses could be offset against and whether capital gains will arise against which the capital losses and tax basis for capital disposals could be utilised.

24. Provisions

(£m)	Medical malpractice	Business restructuring and other	Total
At 1 January 2021	**29.9**	**3.1**	**33.0**
Increase in existing provisions	**21.3**	**2.0**	**23.3**
Recognition of provision on acquisition of a business (under IFRS 3) (see note 32)	**–**	**1.5**	**1.5**
Provisions utilised	**(9.1)**	**(2.5)**	**(11.6)**
Provisions released	**(0.1)**	**(1.3)**	**(1.4)**
At 31 December 2021	**42.0**	**2.8**	**44.8**

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. Amounts are shown gross of insured liabilities. Only when the reimbursement right from insurance recoveries is virtually certain is a separate asset recognised, as such insurance recoveries of £7.4m (2020: £5.0m) are recognised in other receivables.

Following the completion of criminal proceedings against Ian Paterson, a Consultant who previously had practising privileges at Spire Healthcare, in 2018, management agreed settlement of all known civil claimants (and other co-defendants). Spire Healthcare continues to provide on an ongoing support to Paterson's patients, and following the publication of the Public Inquiry report issued on 4 February 2020, continues to hold a provision for its current estimate of the future anticipated costs. 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 obligation.

In FY20, the Group was awarded c. £11.6m in compensation and interest from one of its Insurers by the High Court. The Group recognised the income and did not provide for the risk of repayment in FY20. This judgment reflected the Group's best estimate at the time that a successful appeal by the Insurer was not probable, but did state that there was a risk of repayment should the Appeal find in favour of the Insurer. The Insurer was granted an appeal and the case was heard in the Court of Appeal in December 2021. The Court of Appeal issued their judgment in January 2022, and found in favour of the Insurer. As a result, the Group is required to repay the amounts awarded in 2020 to the Insurer. Whilst the judgment was not known at the year end, the judgment is considered an adjusting post balance sheet event, and the Group has therefore provided for £13m in the FY21 period, which reflects management's best estimate of the amount to be repaid. The Group will seek leave to appeal. Any appeal, if granted, would result in the case being heard by the Supreme Court.

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

Business restructuring and other primarily includes staff restructuring costs and other non-medical claims, of which £2.0m has been provided, £2.5m settled and £1.3m released during the period. In addition, on acquisition of Claremont Hospital on 30 November 2021, and in line with IFRS 3, £1.5m has been provided to reflect management's best estimate for the potential costs of certain legacy matters which the Group identified during its due diligence activities, increasing the amount of Goodwill recognised on acquisition (refer to note 32). These matters continue to be reviewed and will be adjusted as required as the risks are assessed in full and, in accordance with IFRS 3, should any adjustment be required to this provision within one year of acquisition, the Goodwill recognised will be adjusted.

Provisions as at 31 December 2021 are materially considered to be current and expected to be utilised at any time within the next 12 months.

25. Trade and other payables

(£m)	2021	2020
Trade payables	**51.7**	58.0
Accrued expenses	**52.6**	48.3
Social security and other taxes	**8.3**	9.8
Other payables	**46.5**	20.8
Trade and other payables	**159.1**	136.9

Trade and other payables of £2.9m have been added on the acquisition of the Claremont Hospital during the year (see note 32).

Accrued expenses includes general operating expenses incurred, but where an invoice was yet to be received at the year end, as well as holiday pay accrued of £9.1m (2020: £3.8m) 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.

During the prior year, accrued expenses also included the repayment, made during 2021, of the government grant previously received, for furloughed staff, amounting to £0.2m.

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 £9.9m (2020: £7.5m), and other credit balances reclassed from trade debtors, largely relating to NHS credits, were £25.8m (2020: £10.3m).

26. Dividends

No interim dividend was proposed, nor is a final dividend for the years ended 31 December 2020 or 31 December 2021 in light of the COVID-19 environment.

27. 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 £2.8m in the year ended 31 December 2021 (2020: £1.7m). 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 £0.4m (2020: £0.3m).

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

	2021		2020	
	Charge £m	Number of options (thousands)	Charge £m	Number of options (thousands)
Long Term Incentive Plan	**2.5**	**11,449**	1.6	10,193
Deferred Share Bonus Plan	**–**	**383**	–	244
Save As You Earn (SAYE)	**0.3**	**3,114**	0.1	3,222
	2.8	**14,946**	1.7	13,659

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.

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.

27. Share-based payments continued

Long Term Incentive Plan continued

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 two-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 2020, 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 2021, and 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 three years from grant. The requirement to save is a non-vesting condition.

On 3 May 2019, the Company launched the SAYE scheme. The Company has not launched any new SAYE schemes in the period. There are no performance conditions in respect of the scheme and the vesting date is 1 June 2022. 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.

The aggregate number of share awards outstanding for the Group and their weighted average exercise price is shown below:

	2021					
	LTIP (ROCE condition) (thousands)	**LTIP (TSR condition) (thousands)**	**LTIP (EPS condition) (thousands)**	**LTIP (OE condition) (thousands)**	**Deferred Share Bonus Plan (thousands)**	**SAYE (thousands)**
At 1 January	**–**	**3,854**	**2,727**	**3,612**	**244**	**3,222**
Granted	**1,258**	**1,258**	**–**	**1,079**	**139**	**–**
Exercised	**–**	**–**	**–**	**–**	**–**	**(23)**
Surrendered	**(106)**	**(217)**	**(55)**	**(201)**	**–**	**–**
Cancelled	**(19)**	**(720)**	**(697)**	**(324)**	**–**	**(85)**
At 31 December	**1,133**	**4,175**	**1,975**	**4,166**	**383**	**3,114**
Exercisable at 31 December	**–**	**39**	**–**	**326**	**–**	**37**
Weighted average contractual life	**2.2 years**	**2.2 years**	**1.2 years**	**2.2 years**	**3.0 years**	**0.9 years**

	2020				
	LTIP (TSR condition) (thousands)	LTIP (EPS condition) (thousands)	LTIP (OE condition) (thousands)	Deferred Share Bonus Plan (thousands)	SAYE (thousands)
At 1 January	1,797	1,797	1,526	–	3,764
Granted	2,255	1,128	2,255	244	–
Surrendered	(95)	(95)	(82)	–	–
Cancelled	(103)	(103)	(87)	–	(542)
At 31 December	3,854	2,727	3,612	244	3,222
Exercisable at 31 December	32	–	–	–	–
Weighted average contractual life	2.2 years	2.2 years	2.2 years	3.0 years	2.4 years

The weighted average remaining contractual life for the share options outstanding as at 31 December 2021 was 2.2 years (2020: 2.2 years) in respect of LTIPs, and 0.9 years for SAYE (2020: 2.4 years).

27. Share-based payments continued

Save As You Earn continued

Share options outstanding at the end of the year have the following expiry date:

Grant – vest	Expiry date	Exercise price (£)	Share options thousands 2021	Share options thousands 2020
LTIP grants				
30/09/2014 – December 2016	30/09/2024	–	**32**	32
30/03/2018 – March 2021	30/03/2028	–	**7**	1,209
30/03/2018 – March 2021	30/03/2028	–	**326**	587
30/03/2019 – March 2022	30/03/2029	–	**2,702**	2,727
30/03/2020 – March 2023	30/03/2030	–	**5,145**	5,638
30/03/2021 – March 2024	30/03/2031	–	**3,237**	–
Deferred Share Bonus Plan				
06/04/2020 – April 2023	05/04/2030	–	**244**	244
18/03/2021 – March 2024	17/03/2031	–	**139**	–
Save As You Earn				
03/05/2019 – June 2022	01/12/2022	1.09	**3,114**	3,222

During the prior year, 13,369 shares, relating to 2017, were exercised from the Company's Employee Benefit Trust ('EBT'), during the year (see note 21 for more information).

The following information is relevant to the determination of the fair value of the awards granted for the years ended 31 December 2021 and 2020, respectively, under the schemes:

2021	**LTIP (ROCE condition)**	**LTIP (TSR condition)**	**LTIP (OE condition)**	**Deferred Share Bonus Plan**
Option pricing model	**Fair value at grant date**	**Monte Carlo**	**Fair value at grant date**	**n/a**
Fair value at grant date (£)	**1.65/1.41**	**1.17/1.00**	**1.65/1.41**	**n/a**
Weighted average share price at grant date (£)	**1.65**	**1.65**	**1.65**	**n/a**
Exercise price (£)	**Nil**	**Nil**	**Nil**	**Nil**
Weighted average contractual life	**2.2 years**	**2.2 years**	**2.2 years**	**3.0 years**
Expected dividend yield	**n/a**	**n/a**	**n/a**	**n/a**
Risk-free interest rate	**n/a**	**0.2%**	**n/a**	**n/a**
Volatility[1]	**49%**	**49%**	**49%**	**n/a**

2020	LTIP (TSR condition)	LTIP (EPS condition)	LTIP (OE condition)	Deferred Bonus Plan	SAYE
Option pricing model	Monte Carlo	Fair value at grant date	Fair value at grant date	n/a	Fair value at grant date
Fair value at grant date (£)	0.57/0.49	0.87/0.75	0.87/0.75	n/a	0.35
Weighted average share price at grant date (£)	0.87	0.87	0.87	n/a	1.35
Exercise price (£)	Nil	Nil	Nil	Nil	1.09
Weighted average contractual life	2.2 years	2.2 years	2.2 years	3.0 years	2.4 years
Expected dividend yield	n/a	n/a	n/a	n/a	2.8%
Risk-free interest rate	0.1%	n/a	n/a	n/a	0.8%
Volatility[1]	49%	49%	49%	n/a	39%

1. The expected volatility is based on the historical volatility of the Company and a comparator group of other international healthcare companies.

28. Commitments

Consignment stock

At 31 December 2021, the Group held consignment stock on sale or return of £23.5m (2020: £22.8m). 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)	2021	2020
Contracted but not provided for	29.1	20.9

29. Contingent liabilities

The Group had the following guarantees at 31 December 2021:

- the bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5m (2020: £1.5m) in relation to contractual pension obligations and statutory insurance cover in respect of the Group's potential liability to claims made by employees under the Employers' Liability (Compulsory Insurance) Act 1969;
- 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 for details of contingent liability in respect of lease arrangements and agreements.

30. Financial risk management and impairment of financial assets

The Group has exposure to the following risks from its use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout these financial statements.

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

Credit risk and impairment

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Group's exposure to credit risk from trade receivables is considered to be low because of the nature of its customers and policies in place to prevent credit risk occurring in normal circumstances.

Most revenues arise from insured patients' business and the NHS. Insured revenues give rise to trade receivables which are mainly due from large insurance institutions, which have high credit worthiness. The remainder of revenues arise from individual self-pay patients and Consultants.

During the period, trade receivables have increased as private work has increased as a result of COVID-19 restrictions being removed, but aged debt has reduced. Individual self-pay patients continues to be the largest risk for the Group given the current economic uncertainty. Given the COVID-19 induced economic uncertainty, the Group has considered the provision required, specifically for self-pay patients, and maintained a provision accordingly through the expected loss rate percentages. The Expected Credit Loss (ECL) as at year end is £4.1m (December 2020: £5.3m).

The Group establishes an allowance for impairment that represents its ECL in respect of trade and other receivables.

This allowance is composed of specific losses that relate to individual exposures and also an ECL component established using rates reflecting historical information for payor groups, and forward-looking information. Given the continued economic uncertainty, the Group has considered the provision required, specifically for self-pay patients and maintained an adjustment to the provision accordingly, which is in line with the position at December 2020.

Note 18 shows the ageing and customer profiles of trade receivables outstanding at the year end.

Unbilled receivables are considered for expected credit losses, but these are not considered material and therefore not recognised.

30. Financial risk management and impairment of financial assets continued

Credit risk and impairment continued

Investments

The Group limits its exposure to credit risk by only investing in short-term money market deposits with large financial institutions, which must be rated at least Investment Grade by key rating agencies.

Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest rate risk

The Group is exposed to interest rate risk arising from fluctuations in market rates. This affects future cash flows from money market investments and the cost of floating rate borrowings.

From time-to-time, the Group considers the cost benefit of entering into derivative financial instruments to hedge its exposure to interest rate volatility based on existing variable rates, current and predicted interest yield curves and the cost of associated medium-term derivative financial instruments.

Interest rates on variable rate loans are determined by LIBOR fixings on a quarterly basis. Interest is settled on all loans in line with agreements and is settled at least annually.

	Variable	Total	Undrawn facility[1]
31 December 2021 (£m)	**425.0**	**425.0**	**100.0**
Effective interest rate (%)	**2.96%**	**2.96%**	
31 December 2020 (£m)	425.0	425.0	100.0
Effective interest rate (%)	2.88%	2.88%	

1. If this facility was drawn the interest rate would be in line with the variable rate loans.

The Group has an interest rate swap derivative of £0.7m (2020: £4.0m) in place (refer to note 22).

The fair value of this instrument is considered the same as its carrying value and level 2 of the fair value hierarchy is used to measure the fair value of the instrument. The variable rate consideration received by the Group is Sterling three-month LIBOR, being lower than the hedged rate, resulting in some exposure on the hedged amount.

Sensitivity analysis

A change of 25 basis points ('bp') in interest rates at the reporting date would have increased/(decreased) equity and reported results by the amounts shown below. This analysis assumes that all other variables remain constant.

	Profit or loss		Equity	
(£m)	25bp increase	25bp decrease	25bp increase	25bp decrease
At 31 December 2021				
Variable rate instruments	**(0.5)**	**0.5**	**(0.5)**	**0.5**
At 31 December 2020				
Variable rate instruments	(0.5)	0.5	(0.5)	0.5

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Liquidity is managed across the Group and consideration is taken of the segregation of accounts for regulatory purposes. Short-term operational working capital requirements are met by cash in hand and overdraft facilities.

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 90 days, including the servicing of financial obligations. In addition to cash on demand, the Group has available the following line of credit:

- £100.0m of revolving credit facility, which was fully undrawn as at 31 December 2021 (2020: £100.0m undrawn).

It should be noted that the Group has reached an agreement to refinance its debt in February 2022. Further details can be found in note 34.

30. Financial risk management and impairment of financial assets continued

Liquidity risk continued

The following are contractual maturities, at as the balance sheet date, of financial liabilities, including interest payments and excluding the impact of netting agreements:

At 31 December 2021 (£m)	**Carrying amount**	**Contractual cash flows**	**Maturity analysis Within 1 year**	**Between 1 and 2 years**	**More than 2 years**
Trade and other payables	**150.8**	**150.8**	**150.8**	**–**	**–**
Bank borrowings	**427.5**	**449.6**	**12.8**	**436.8**	**–**
Lease liabilities	**837.8**	**1,819.3**	**86.8**	**87.0**	**1,645.5**
Financial liability	**1.9**	**1.9**	**1.9**	**–**	**–**
	1,418.0	**2,421.6**	**252.3**	**523.8**	**1,645.5**
Derivative financial liabilities					
Interest rate swaps	**0.7**	**1.2**	**1.2**	**–**	**–**
	0.7	**1.2**	**1.2**	**–**	**–**

At 31 December 2020 (£m)	Carrying amount	Contractual cash flows	Maturity analysis Within 1 year	Between 1 and 2 years	More than 2 years
Trade and other payables	127.1	127.1	127.1	–	–
Bank borrowings	420.8	453.4	10.4	10.1	432.9
Lease liabilities	749.5	1,729.1	79.2	79.0	1,570.9
	1,297.4	2,309.6	216.7	89.1	2,003.8
Derivative financial liabilities					
Interest rate swap	4.0	4.5	2.6	1.9	–
	4.0	4.5	2.6	1.9	–

It should be noted that the Group has reached an agreement to refinance its debt in February 2022. Further details can be found in note 34.

Capital management

The Group's objective is to maintain an appropriate balance of debt and equity financing to enable the Group to continue as a going concern, to continue the future development of the business and to optimise returns to shareholders and benefits to other stakeholders.

The Board closely manages trading capital, defined as net assets plus net debt. The Group's net assets at 31 December 2021 were £704.8m (2020: £706.6m) and net debt, calculated as borrowings, less cash and cash equivalents and the amortised fees of £0.7m (2020: £1.8m) that was recorded at the date of the loan extensions, amounted to £225.6m (2020: £316.3m).

The principal focus of capital management revolves around working capital management and compliance with externally imposed financial covenants. During 2020, due to the COVID-19 pandemic, the Group obtained agreement from its lenders to waive the net debt/EBITDA ratio and interest cover test for June 2021, and a new liquidity measure replaced these tests which required cash and cash equivalents, including headroom under undrawn committed facilities, to remain above £50m. For December 2021, the agreement allowed for a maximum net debt/EBITDA ratio of 6x, if this measure had not already dipped below 4x at any month end from June to November 2021. As the ratio stood at 2.7x at 30 June 2021, the limit reverted to 4.0x at 31 December 2021, and the new liquidity measure referred to above fell away from 30 June 2021.

It should be noted that the Group has reached an agreement to refinance its debt in February 2022. Further details can be found in note 34.

Major investment decisions are based on reviewing the expected future cash flows and all major capital expenditure requires approval by the Board.

At the balance sheet date, the Group's committed undrawn facilities, and cash and cash equivalents were as follows:

(£m)	**2021**	2020
Committed undrawn revolving credit facility	**100.0**	100.0
Cash and cash equivalents	**202.6**	106.3

30. Financial risk management and impairment of financial assets continued

Fair value measurement

As of 31 December 2021, except for an interest rate swap, share put option and financial asset relating to a gross profit share, the Group did not hold financial instruments that are included in level 1, 2 or 3 of the hierarchy.

Management assessed that cash and short-term deposits, trade and other receivables unbilled receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments. The carrying value of debt is approximately equal to its fair value. During the year ended 31 December 2021, there were no transfers between the levels in the fair value hierarchy.

In determining fair value measurement, the impact of potential climate-related matters, including legislation, which may affect the fair value measurement of assets and liabilities in the financial statements has been considered. These risks in respect of climate-related matters are included as key assumptions where they materially impact the measure of recoverable amount. These assumptions have been included in the cash-flow forecasts in assessing value-in-use amounts.

At present, the impact of climate-related matters is not material to the Group's financial statements.

A derivative is a financial instrument whose value is based on one or more underlying variables. The Group uses derivative financial instruments to hedge its exposure to interest rate risk. Derivatives are not held for speculative reasons. Fair values are obtained from market observable pricing information including interest rate yield curves and have been calculated as follows; fair value of interest rate swaps is determined as the present value of the estimated future cash flows based on observable yield curves.

The financial asset reflects a profit share arrangement with a partner. There are no market observable prices for the valuation. Management therefore assesses forward-looking information and appropriate discount rates and risk factors to determine the fair value. Sensitivities are also taken into account when reviewing the fair value.

As at 31 December 2021, the Group held the following financial instrument measured at fair value (2020: £1.6m).

	Maturity analysis			
Assets measured at fair value (£m)	**Value as at 31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Financial assets at fair value through profit and loss				
Profit share arrangement (note 15)	2.3	–	–	2.3
	2.3	–	–	2.3

The financial asset is valued using forward-looking information to establish cash flows, the Group's weighted average cost of capital and an appropriate risk factor. Management completes relevant sensitivities on these inputs when assessing the fair value (see note 15).

During the year, Spire Healthcare received a profit share in respect of the financial asset of £0.4m (2020: £0.3m). In addition an unrealised fair value movement of £1.1m (2020: £0.4m) was recognised in income upon review of the financial asset to increase the value of the financial asset on the balance sheet.

As at 31 December 2021, the Group held the following financial instruments measured at fair value (2020: £4.0m).

	Maturity analysis			
Liabilities measured at fair value (£m)	**Value as at 31 December 2021**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities at fair value through profit and loss and using hedge accounting				
Interest rate swaps	0.7	–	0.7	–
Financial liabilities at fair value on acquisition of a subsidiary				
Share put options (note 33)	1.9	–	–	1.9
	2.6	–	0.7	1.9

The movement on the financial liabilities related wholly to fair value movements, and is unrealised.

30. Financial risk management and impairment of financial assets continued

Cash flow hedge

The Group designate, as cash flow hedges, interest rate swaps entered into with three counterparties maturing in July 2022. These interest rate swaps convert floating interest rate liabilities into fixed interest rate liabilities. The swaps run concurrently with the hedged item, being the Group's floating rate liabilities under the senior finance facility.

For the years ended December 2021 and 2020, there were no significant amounts recognised in the profit or loss relating to the ineffective portion of hedges or portions excluded from the assessment of hedge effectiveness. The movement in the interest rate swap relates to fair value movement and is recognised through other comprehensive income.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:
Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

As at 31 December 2021, the Group held financial instruments measured at fair value, being an asset of £2.3m (2020: £1.6m) and a liabilities of £2.6m (2020: £4.0m).

31. Related party transactions

Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly. They include the Board and Executive Committee, as identified on pages 120 to 123.

Compensation for key management personnel is set out in the table below:

Key management compensation

(£m)	2021	2020
Salaries and other short-term employee benefits	**4.5**	4.4
Post-employment benefits	**0.5**	0.5
Termination benefits	**–**	0.4
Share-based payments	**1.0**	0.8
	6.0	6.1

Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 146 to 155.

There were no transactions with related parties external to the Group in the year to 31 December 2021 (2020: nil).

32. Business combinations and acquisition of non-controlling interests

Acquisitions in 2021

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

On 30 November 2021, the Group acquired 100% of the voting shares of Claremont Hospital Holdings Limited (which in turn owns 88.0% of the shares of Claremont Hospital LLP), a non-listed company based in England which operates the Claremont Private Hospital in Sheffield, for £16.9m. The Group acquired the Claremont Private Hospital as it is an excellent location for Spire Healthcare and is already rated as Outstanding by the CQC.

The Group has elected to measure the non-controlling interests in the acquiree at net asset value.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Claremont Hospital as at the date of acquisition were:

(£m)	Fair value recognised on acquisition
Assets	
Right of use (note 13)	25.5
Plant, property and equipment (note 13)	0.7
Trade and other receivables (note 18)	1.5
Inventories (note 17)	0.7
Cash (note 19)	4.4
	32.8
Liabilities	
Lease liability (note 22)	(25.6)
Payables (note 25)	(2.9)
	(28.5)
Total identifiable net assets at fair value before adjustments	**4.3**
Provision recognised (note 24)	(1.5)
Corporation tax liability	(2.4)
Total identifiable net assets at fair value after adjustments	**0.4**
Non-controlling interest measured at net asset value (12.0%)	(0.5)
Goodwill arising on acquisition (note 14)	17.0
Purchase consideration transferred	**16.9**
Financial liability recognised through equity (note 33)	(1.9)

The Group paid an initial amount of £19.1m prior to agreement of the completion accounts. Based on the revised completion statement, the Group has recognised a receivable of £2.2m to reflect the revised value of £16.9m to be settled.

The amounts recognised, including the provision, are subject to adjustment in line with IFRS 3 for up to 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.

The Group measured the acquired lease liability using the present value of the remaining lease payments at the date of acquisition. The right of use assets were measured at an amount equal to the lease liability.

From the date of acquisition, Claremont Hospital contributed £1.7m of revenue and £nil 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 £22.3m and profit before tax from continuing operations for the Group would have been £2.0m.

Goodwill has been recognised to reflect the synergies which the Group believes are available from integrating the hospital with the wider Group, as well as its reputation and Outstanding CQC rating which reflect intangibles that cannot be separately quantified. This goodwill is not deductible for tax purposes.

The non-controlling interest reflects the valuation of the net assets which are applicable to the minority shareholders, adjusting for any amounts which are solely in respect of the majority shareholder. The same method was applied for determining the value of the business as a whole, and the value applied to the majority share acquired by the Group.

Purchase consideration transferred

(£m)	**Cash flow on acquisition**
Net cash acquired with the subsidiary	4.4
Cash paid	19.1
Net cash flow on acquisition	14.7

32. Business combinations and acquisition of non-controlling interests continued

Transaction costs of £1.5m were expensed and are included within Adjusting Items. Following the receipt of the completion accounts at the beginning of 2022, the final purchase price has been agreed at £16.9m and a receivable of £2.2m has been booked.

33. Financial liabilities

On acquisition of the Claremont Hospital (see Note 32 for detail), a short-term financial liability, measured at fair value, arose, and has been recognised through equity.

A clause in the Claremont Hospital LLP agreement contains a put option, on a change of ownership, which allows the minority interest holders to require the majority interest, Spire Healthcare, to purchase all of their shares should they vote in favour of exercising their option by a majority. If exercised, Spire Healthcare would own 100% of the shares of Claremont Hospital LLP.

The financial liability has been valued in line with the calculation set out in the agreement, and considers the net assets of the Claremont business, the value in the business which is calculated in line with the Group's acquisition of the majority holding, and is not discounted as it is expected to crystallise within one year.

The put option expires no later than ten months after the acquisition completion date of 30 November 2021.

(£m)	**2021**	2020
Valuation at 1 January	**–**	–
Acquisition of a subsidiary (Note 32)	**1.9**	–
Carrying amount at 31 December (Note 30)	**1.9**	–

34. Events after the reporting period

On 14 January 2022, the Court of Appeal published its judgment regarding the Group's case against its insurer relating to Ian Paterson. The ruling of this appeal found in favour of the insurer, and as a result, the Group was required to repay the amounts awarded to it in the initial High Court ruling received in December 2020. This judgment has been treated an adjusting event, and therefore £13.0m has been recognised as a provision in the FY21 financial statements. The Group will seek leave to appeal which, if granted, would result in the case being heard by the Supreme Court.

As announced by the Group on 25 February 2022, the Group entered into an agreement on 24 February 2022 to refinance this debt. 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 £100.0m 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 RCF of £100.0m. This new arrangement has a maturity of 4 years, with the Group having the option to extend by another year. The financial covenants relating to this new agreement are unchanged.

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

Company balance sheet

As at 31 December 2021
(Registered number: 09084066)

(£m)	Note	2021	2020
ASSETS			
Non-current assets			
Investments	C9	**838.2**	835.4
		838.2	835.4
Current assets			
Other receivables	C7	**279.6**	323.6
Cash and cash equivalents	C6	**0.2**	0.6
		279.8	324.2
Total assets		**1,118.0**	1,159.6
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**4.0**	4.0
Share premium		**826.9**	826.9
EBT share reserves	21	**(0.8)**	(0.8)
Retained earnings		**285.0**	238.7
Total equity		**1,115.1**	1,068.8
Current liabilities			
Income tax payable		**1.1**	1.1
Trade and other payables	C8	**1.8**	89.7
Total liabilities		**2.9**	90.8
Total equity and liabilities		**1,118.0**	1,159.6

The profit attributable to the owners of the Company for the year ended 31 December 2021 was £43.5m (2020: £49.1m).

The financial statements on pages 175 to 178 were approved by the Board of Directors on 2 March 2022 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Sir Ian Cheshire
Chairman

Company statement of changes in equity

For the year ended 31 December 2021

(£m)	Share capital	Share premium	EBT share reserves	Retained earnings	Total equity
At 1 January 2020	4.0	826.9	(0.8)	187.9	1,018.0
Profit for the year	–	–	–	49.1	49.1
Other comprehensive income for the year	–	–	–	–	–
Share-based payment	–	–	–	1.7	1.7
Dividend paid	–	–	–	–	–
As at 1 January 2021	**4.0**	**826.9**	**(0.8)**	**238.7**	**1,068.8**
Profit for the year	**–**	**–**	**–**	**43.5**	**43.5**
Other comprehensive income for the year	**–**	**–**	**–**	**–**	**–**
Share-based payment	**–**	**–**	**–**	**2.8**	**2.8**
Dividend paid	**–**	**–**	**–**	**–**	**–**
As at 31 December 2021	**4.0**	**826.9**	**(0.8)**	**285.0**	**1,115.1**

Company statement of cash flows

For the year ended 31 December 2021

(£m)	2021	2020
Cash flows from operating activities		
Profit before taxation	**43.6**	49.8
Dividend received	**(43.4)**	(46.5)
Profit before taxation (excluding dividend received)	**0.2**	3.3
Adjustments for:		
Interest income	**(6.8)**	(7.2)
Finance costs	**2.4**	2.2
	(4.2)	(1.7)
Movements in working capital:		
Increase in trade and other receivables	**(41.7)**	(44.5)
Increase in trade and other payables	**2.1**	0.2
Net cash used in operating activities	**(43.8)**	(46.0)
Cash flows from investing activities		
Dividend received	**43.4**	46.5
Net cash generated from investing activities	**43.4**	46.5
Cash flows from financing activities		
Dividend paid to equity holders of the Parent	**–**	–
Net cash used in financing activities	**–**	–
Net decrease in cash and cash equivalents	**(0.4)**	0.5
Cash and cash equivalents at beginning of year	**0.6**	0.1
Cash and cash equivalents at end of year	**0.2**	0.6

This section contains the notes to the Company financial statements. The issued share capital and EBT share reserves are consistent with the Spire Healthcare Group plc Group financial statements. Refer to note 21 of the Group financial statements.

C1. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted International Accounting Standards ('IAS') in accordance with the Companies Act 2006 and on an historical cost basis. The financial statements are presented in UK sterling and all values are rounded to the nearest million pounds (£m), except when otherwise indicated.

See note 1 for general information about the Company.

The financial statements have been prepared on a going concern basis as the Directors believe there are no material uncertainties that lead to significant doubt that the Company can continue as a going concern until March 2023 (see the Going Concern section in note 2 for more detail).

The Company applies consistent accounting policies, as applied by the Group. To the extent that an accounting policy is relevant to both Group and Company financial statements, refer to the Group financial statements for disclosure of the accounting policy. Material policies that apply to the Company only are included as appropriate.

The Company has used the exemption granted under s408 of the Companies Act 2006 that allows for the non-disclosure of the income statement of the Parent Company.

The Company did not have items to be reported as other comprehensive income; therefore, no statement of comprehensive income was prepared.

C2. Significant accounting policies in this section

Investment in subsidiaries

The Company's investments in subsidiaries are carried at cost less provisions resulting from impairment. In testing for impairment, the carrying value of the investment is compared to its recoverable amount, being its value-in-use. In addition, market capitalisation is compared to the investments of the Company when assessing impairment requirements.

Share-based payments

The financial effect of awards by the Company of options over its equity shares to employees of subsidiary undertakings is recognised by the Company in its individual financial statements as an increase in its investment in subsidiaries with a credit to equity equivalent to the IFRS 2 cost in subsidiary undertakings. The subsidiary, in turn, will recognise the IFRS 2 cost in its income statement with a credit to equity to reflect the deemed capital contribution from the Company.

C3. Key estimates and assumptions in this section

Impairment testing of investments in subsidiaries

The Company's investments in subsidiaries have been tested for impairment by comparison against the underlying value of the subsidiaries' assets based on value-in-use calculated using the same assumptions as noted for the testing of goodwill impairment in note 14 of the Group financial statements. In addition, the market capitalisation is also compared to the investments of the Company to determine if there is a trigger for impairment review. See note C9 for more detail.

C4. Staff costs and Directors' remuneration

The Company had no employees during the year, except for the Directors. The information on compensation for the Directors, being considered as the key management personnel of the Company, is disclosed in note C12.

C5. Auditor's remuneration

During the year, the Company obtained the following services from the Company's external auditor, as detailed below:

(£'000)	2021	2020
Amounts payable to auditor in respect of:		
Audit of the Company's annual financial statements	**15.0**	15.0
	15.0	15.0

C6. Cash and cash equivalents

(£m)	2021	2020
Cash at bank	**0.2**	0.6
	0.2	0.6

C7. Other receivables

(£m)	2021	2020
Amounts owed by subsidiary undertakings	**279.6**	323.6
	279.6	323.6

The amounts owed by subsidiary undertakings bear interest at LIBOR plus 2.25% (2020: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand. No allowance for expected credit losses has been included for amounts receivable from subsidiary undertakings as the provision rates calculated based on two years are immaterial. As described in the Directors' report, the Group has sufficient resources to satisfy Going Concern and Viability considerations. All subsidiaries are under common control and resources could be made available for settlement of debts as and when required. During the year the Company settled £88.0m of its receivable from Spire Healthcare Limited with the Loan payable by the Company (refer to note C8 for the reduction of the loan). This is offset by an amount of £44.0m which has been provided to Spire Healthcare Limited following receipt of a dividend in the year.

C8. Trade and other payables

(£m)	2021	2020
Amounts owed to subsidiary undertakings	**1.7**	89.4
Accruals	**0.1**	0.3
	1.8	89.7

The amounts owed to subsidiary undertakings bear interest at LIBOR plus 2.25% (2020: LIBOR plus 2.25%). The amounts are unsecured and repayable on demand. During the year the Company settled £88.0m of its loan from Spire Healthcare Limited with the receivable by the Company (refer to note C7 for the reduction of the receivable).

C9. Investment in subsidiaries

(£m)	Subsidiary undertakings	Total
Net book value		
At 1 January 2020	**833.7**	833.7
Additions – IFRS 2 costs	**1.7**	1.7
At 1 January 2021	**835.4**	835.4
Additions – IFRS 2 costs	**2.8**	2.8
At 31 December 2021	**838.2**	838.2

Details of the Company's subsidiaries at the balance sheet date are in note 16 to the Group financial statements.

At the year end, investments in subsidiaries were reviewed for indicators of impairment.

Management acknowledged one indicator of impairment at the year end, being, the net assets of the Company are higher than that of the Group's consolidated net assets. In the current period, market capitalisation exceeds the investment value. During the prior year, the Group recognised an impairment charge of £200m in the period, which could also have been considered an indicator of impairment in that period.

The Company undertakes a five-year forecast (using the cash flow method) when assessing the recoverable amount of the investment consistent with the forecast in note 14 to the Group financial statements. Management determined that no impairment was required.

C10. Capital management and financial instruments

The capital structure of the Company comprises issued capital, reserves and retained earnings as disclosed in the Company statement of changes in equity totalling £1,115.1m (2020: £1,068.8m) as at 31 December 2021, and cash amounted to £0.2m (2020: £0.6m).

Credit risk

As at 31 December 2021, the Company had amounts owed by subsidiary undertakings of £279.6m (2020: £323.6m). The Company's maximum exposure to credit risk from these amounts is £279.6m (2020: £323.6m).

Liquidity risk

The Company finances its activities through its investments in subsidiary undertakings.

The Company anticipates that its funding sources will be sufficient to meet its anticipated future administrative expenses and dividend obligations as they become due over the next 12 months. No dividend is proposed for the year ended 31 December 2021.

C10. Capital management and financial instruments continued

Liquidity risk continued

(£m)	2021	2020
Financial assets: Carrying amount and fair value:		
Loans and receivables		
Cash and cash equivalents	**0.2**	0.6
Amounts owed by subsidiary undertakings	**279.6**	323.6
	279.8	324.2

All of the above financial assets are current and not impaired.

(£m)	2021	2020
Financial liabilities: Carrying amount and fair value:		
Amortised cost		
Amounts owed to subsidiary undertakings	**1.7**	89.4
	1.7	89.4

All of the above financial liabilities have a maturity of less than one year.

The fair value of financial assets and liabilities approximates their carrying value.

Market risk

Interest rate risk and sensitivity analysis

As at 31 December 2021 the Company had short-term borrowings of £1.7m (2020: £89.4m) owed to subsidiary undertakings, which are repayable on demand and bear interest at LIBOR plus 2.25% (2020: LIBOR plus 2.25%). Interest on these borrowings in the year amounted to £2.4m (2020: £2.2m) and the Directors do not perceive that servicing this debt poses any significant risk to the Company given its size in relation to the Company's net assets.

IFRS 7 *Financial Instruments: Disclosures* required a market risk sensitivity analysis illustrating the fair values of the Company's financial instruments and the impact on the Company's income statement and shareholders' equity of reasonably possible changes in selected market risks. Excluding cash and cash equivalents, the Company has no financial assets or liabilities that expose it to market risk, other than the amounts owed by/to subsidiary undertakings of £279.6m (2020: £323.6m) and £1.7m (2020: £89.4m) respectively. The Directors do not believe that a change of 25 basis points in the LIBOR interest rates will have a material impact on the Company's income statement or shareholders' equity.

C11. Contingent liabilities

Lease arrangements with a consortium of investors

The Company has given a guarantee to a consortium of investors, comprising Malaysia's Employees Provident Fund (EPF), affiliated funds of Och-Ziff Capital Management Group and Moor Park Capital, in relation to the sale of 12 of the Spire Healthcare Group's property-owning companies on 17 January 2013. With effect from 17 January 2013, the total third-party annual commitments of the Group under these leases increased by £51.3m per annum.

As a result of the sale, the Group has long-term institutional lease arrangements (up to December 2042, subject to renewal or extension), with the landlord for each of the 12 properties. The leases include key terms such as annual rental covenants and minimum levels of capital expenditure invested by the Group. The capital expenditure covenants measured on an average basis over each five-year period during the term of the leases, require the Group to incur, in total, £5.0m of maintenance capital expenditure and £3.0m of additional capital expenditure on the portfolio of 12 hospitals each year, such being subject to indexation in line with RPI. If the minimum rent cover ratio is not met, the Group is required to enter into an asset performance recovery plan in order to comply with the covenants, but no default would be deemed to have occurred. The Company is a party to this guarantee. As at 31 December 2021, the Group complied with the required covenants and the lease liability held on the consolidated balance sheet is £593.4m (2020: £595.7m).

Lease agreements entered into by Classic Hospitals Limited (novated to Spire Healthcare Limited during the year)

Under lease agreements entered into on 26 January 2010 by Classic Hospitals Limited, a subsidiary undertaking of the Company, the Company has undertaken to guarantee the payment of rentals over the lease term to August 2040, and to ensure that the other covenants in the lease are observed. The lease has been moved to Spire Healthcare Limited, another subsidiary undertaking of the Company, to allow Classic Hospitals Limited to enter Members' Voluntary Liquidation as part of the entity rationalisation carried out during the year. The initial rentals payable under the leases in 2010 were £6.3m per annum, which will be subject to an increase in future years. As part of these arrangements, the assets of the Company are subject to a fixed and floating charge in the event of a default. As at 31 December 2021, there was no breach in the required covenants and the lease liability held on the consolidated balance sheet is £79.9m (2020: £79.5m).

C12. Related party transactions

The Company's subsidiaries are listed in note 16 to the Group financial statements. The following table provides the Company's balances that are outstanding with subsidiary companies at the balance sheet date:

(£m)	2021	2020
Amounts owed from subsidiary undertakings – Spire Healthcare Finance Limited, Spire Healthcare Limited & Spire Healthcare (Holdings) Limited	**279.6**	323.6
Amounts owed to subsidiary undertakings – Spire Healthcare Limited	**(1.7)**	(89.4)
	277.9	234.2

The amounts outstanding are unsecured and repayable on demand.

The following table provides the Company's transactions with subsidiary companies recorded in the profit for the year:

(£m)	2021	2020
Amounts invoiced to subsidiaries	**46.5**	51.4
Amounts invoiced by subsidiaries	**–**	(0.1)
Dividend received from subsidiaries	**43.4**	46.5

Amounts invoiced to/by subsidiaries relate to general corporate purposes.

Directors' remuneration

The remuneration of the Non-Executive Directors of the Company is set out below. Further information about the remuneration of individual Directors is provided in the audited part of the Directors' Remuneration Report on pages 146 to 155.

(£m)	2021	2020
Short-term employee benefits*	**3.9**	1.0
Pension contributions	**–**	–
Share-based payments*	**–**	–
Total	**3.9**	1.0

* Emoluments and share-based payment charges for the Executive Directors are borne by a subsidiary company, Spire Healthcare Limited. Share-based payment related charges for the Executive Chairman prior to Admission (i.e., Directors' Share Bonus Plan) are also borne by a subsidiary company, Spire Healthcare Limited. Please refer to note 27 of the Group consolidation statements.

Directors' interests in share-based payment schemes

Refer to note 27 to the Group financial statements for further details of the main features of the schemes relating to share options held by the Chairman, Executive Directors and Senior Management Team.

Other transactions

During the year, the Company did not make any purchases in the ordinary course of business from an entity under common control. A subsidiary company sold its shareholding in its subsidiary, Spire Property 17 Limited, as part of the sale and leaseback on Spire Cheshire Hospital.

In order to simplify the structure of the Group and reduce costs, the Company undertook a process in which a number of companies within the Group were identified for members' voluntary liquidation, as follows:
- Classic Hospitals Group Limited
- Fox Healthcare Holdco 2 Limited
- Spire UK Holdco 2A Limited
- Spire Healthcare Holdings 1
- Spire Cambridge (Disposal) Limited
- Spire Fertility (Disposal) Limited
- Spire Healthcare Group UK Limited
- SHC Holdings Limited
- Spire Healthcare Holdings 3 Limited
- Spire Healthcare Holdings 2 Limited
- Classic Hospitals Limited
- Lifescan Limited
- Spire Thames Valley Hospital Limited

These entities were all in members' voluntary liquidation at year end and are expected to be formally dissolved at Companies House during 2022.

C13. Events after the reporting period

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