Chief financial officer's review

Flexible business model and strong balance sheet

"In 2023 the business delivered a strong financial performance, in line with our expectations, in a tough inflationary and an uncertain macroeconomic environment, demonstrating that our strategy is working."

Jitesh Sodha
Chief Financial Officer

Dear shareholder,

In 2023 we delivered an excellent financial performance in an inflationary and challenging economic environment. All headline metrics rose with increases in volume and revenue. Adjusted EBITDA was the highest since we listed in 2014 and I was particularly pleased with the flow through to EBIT, PBT and PAT. The business continues to be cash generative with cash conversion from EBITDA at 98% and an increase in free cash flow. Vita Health Group (VHG) is an excellent addition to the business. Going forwards, the group will present numbers separately for its hospitals business and new services. The new services have lower EBITDA margins but because they have lower capex requirements, they will have good flowthrough to PBT.

Revenue was £1,359.0 million, up 13.4% on 2022, driven by steady demand for private healthcare. Private revenue rose by 9.5% to £959.7 million during 2023 and ARPC rose by 6.3% to £3,381.0, driven by our progress to a more complex treatment mix and active control over pricing.

Further good progress was made in 2023 to expand the group's business. In October 2023, we acquired VHG, a provider of mental health, musculoskeletal and dermatology services, and corporate and occupational health services, for a net cash consideration of £73.2 million. Integration of The Doctors Clinic Group (DCG), acquired in late 2022, continued during 2023, together with work on the group's new clinics.

Adjusted EBITDA rose YOY by 15% to £234.0 million while adjusted EBIT increased 23.5% to £130.4 million. Adjusted EBITDA margin for the group's hospitals business was 17.6%, up 0.6% compared to 2022. Adjusted EBIT margin for the hospitals business was 9.9% for the period, up from 8.8% in 2022. We have now laid the platform for further margin development to achieve our medium-term adjusted EBITDA target of at least 21% and adjusted EBIT target of more than 13% for our hospitals business.

There was steady progress in the delivery of our efficiency programme, resulting in cost savings of £15 million in 2023. Key initiatives included improving best-practice models for hospital operations, such as standard operating procedures and minimum staffing levels, the ongoing reorganisation of hospitals into hubs and procurement savings.

We continue to manage the ongoing shortage of skilled healthcare workers. It is pleasing to note that our turnover fell and colleague engagement scores increased YOY.

The group's leverage remained flat at 2.2x for 2023 and 2022 even though net bank debt has increased to £315.7 million in 2023 with the acquisition of VHG which was funded through cash and debt. £10.0 million of this debt was subsequently repaid by the year end. We also extended our senior finance facility by another year to February 2027.

We invested in our estate and improved capabilities with capital investment in 2023 of £84.4 million. Our strong operational performance and increase in adjusted EBIT led to an improvement in ROCE, up by 1.3 percentage points to 7.5%. The directors have recommended the payment of a final dividend of 2.1 pence per share for the year ending 31 December 2023.

Demand for independent healthcare will likely remain strong in 2024 and beyond. Our flexible business model enables us to manage market impacts. Our balance sheet remains strong and enables investment and expansion of our offering, managing these opportunities in a disciplined way. We expect to make further good progress and continued delivery of the group's strategy in 2024.

Having spent five years at Spire Healthcare as the chief financial officer, I will be stepping down from the board at the annual general meeting on 9 May 2024 and I am pleased to be able to support Harbant Samra in transitioning to his new role as my successor.

Jitesh Sodha
Chief Financial Officer

Selected financial information

(£m)	Year ended 31 December 2023			Year ended 31 December 2022		
	Total before Adjusting items	Adjusting items (note 9)	Total	Total before Adjusting items	Adjusting items (note 9)	Total
Revenue	**1,359.0**	**–**	**1,359.0**	1,198.5	–	1,198.5
Cost of sales	**(734.8)**	**–**	**(734.8)**	(660.1)	–	(660.1)
Gross profit	**624.2**	**–**	**624.2**	538.4	–	538.4
Other operating costs	**(497.4)**	**(6.7)**	**(504.1)**	(435.8)	(10.2)	(446.0)
Other income	**3.6**	**2.5**	**6.1**	3.0	–	3.0
Operating profit (EBIT)	**130.4**	**(4.2)**	**126.2**	105.6	(10.2)	95.4
Finance income	**1.4**	**–**	**1.4**	–	–	–
Net finance costs	**(93.0)**	**–**	**(93.0)**	(91.5)	–	(91.5)
Profit before taxation	**38.8**	**(4.2)**	**34.6**	14.1	(10.2)	3.9
Taxation	**(6.4)**	**(0.3)**	**(6.7)**	2.5	1.8	4.3
Profit for the period	**32.4**	**(4.5)**	**27.9**	16.6	(8.4)	8.2
Profit/(loss) for the year attributable to owners of the Parent	**31.8**	**(4.5)**	**27.3**	17.0	(8.4)	8.6
Profit for the year attributable to non-controlling interest	**0.6**	**–**	**0.6**	(0.4)	–	(0.4)
Adjusted EBITDA[1]			**234.0**			203.5
Basic earnings per share, pence			**6.8**			2.1
Adjusted FCF[2]			**48.0**			28.0
Net cash from operating activities			**215.5**			180.1
Net bank debt[3]			**315.7**			250.1

1. Adjusted EBITDA is calculated as Operating Profit, adjusted to add back depreciation, and adjusting items, referred to hereafter as 'Adjusted EBITDA'. For EBITDA for covenant purposes, refer to note 22.
2. Adjusted FCF (Free Cash Flow) is calculated as Adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the purchase of plant, property and equipment.
3. Net bank debt is defined as bank borrowings less cash and cash equivalents.

Revenue

Group revenues increased 13.4% to £1,359.0 million (2022: £1,198.5 million). The increase is driven by demand for private healthcare which remained strong throughout the year. The group's self-pay business remained robust with revenue up year-on-year delivered through a strong focus on mix, where it targeted more complex, higher margin treatments in orthopaedics, while scaling back in high volume but low value areas such as ophthalmology and cosmetics.

Included in other revenue is £31.4 million related to new services of which £18.3 million of revenue relates to our recent acquisition of VHG and £13.1 million (2022: £0.1 million) relates to The Doctors Clinic Group acquired in the prior year. Revenue from new services were not material in FY23. From FY24, new services will be presented separately.

Revenue by location and payor

(£m)	2023	2022	Variance % (2023-2022)
Total revenue	**1,359.0**	1,198.5	13.4%
Of which:			
Inpatient	**535.5**	487.5	9.8%
Daycase	**399.9**	348.0	14.9%
Outpatient	**365.4**	333.1	9.7%
Other	**58.2**	29.9	94.5%
Total revenue	**1,359.0**	1,198.5	13.4%
Of which:			
PMI	**615.7**	538.7	14.3%
Self-pay	**344.0**	338.0	1.8%
Total private	**959.7**	876.7	9.5%
Total NHS	**341.1**	295.4	15.5%
Other	**58.2**	26.4	120.5%
Total revenue	**1,359.0**	1,198.5	13.4%

Cost of sales and gross profit

Gross margin for the year is 45.9% compared to 2022 of 44.9%. Cost of sales increased in the period by £74.7 million or 11.3% to £734.8 million (2022: £660.1 million) on revenues that increased by 13.4% (2022: 8.3%). Increased costs are due to inflationary pressures, increased agency costs and continued wage rate expansion. The margin was higher in 2023 due to increased private volumes, and careful management of pricing, mix and cost savings.

Chief financial officer's review continued

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

	Year ended 31 December 2023		Year ended 31 December 2022	
	£m	% of revenue	£m	% of revenue
Clinical staff	**304.1**	**22.4%**	275.3	23.0%
Direct costs	**312.4**	**23.0%**	280.3	23.4%
Medical fees	**118.3**	**8.7%**	104.5	8.7%
Cost of sales	**734.8**	**54.1%**	660.1	55.1%
Gross profit	**624.2**	**45.9%**	538.4	44.9%

Other operating costs

Other operating costs, excluding adjusting items have increased by £61.6 million, or 14.1% to £497.4 million (2022: £435.8 million). The main driver is increased staff costs due to continued wage rate expansion and other inflationary pressures. Depreciation for the year was £103.6 million (2022: £97.9 million). The increase is in line with expectations and is largely due to additional leases relating to medical equipment and RPI increases on properties. As disclosed in 2022, the prior year benefits from a reduction in charge of £6.6 million (2022: £2.9 million) as a consequence of a revision of the useful life and residual value policy in respect of freehold properties so that it more closely aligned with external benchmark information. The useful life was extended from a maximum of 50 years to a maximum of 60 years, and the group has set the residual value equal to 20% of cost (previously nil).

Adjusting items included in operating costs are explained below. Other operating costs including Adjusting items for the year ended 31 December 2023 increased by £58.1 million or 13.0% to £504.1 million (2022: £446.0 million).

Operating margin for the year ended 31 December 2023 is 9.3% (2022: 8.0%). Operating margin, excluding adjusting items is 9.6%, up from 8.8% at 2022.

Adjusted EBITDA

Adjusted EBITDA for the group has increased by 15.0% in the period from £203.5 million to £234.0 million for 2023. The increase is due to continued growth in private revenue and good cost management.

Share-based payments

During the period, grants were made to executive directors and other employees under the company's Long Term Incentive Plan. For the year ended 31 December 2023, the charge to the income statement is £3.7 million (2022: £2.3 million), or £4.1 million inclusive of National Insurance (2022: £2.6 million). Further details are contained in note 27 of the annual report and accounts.

Adjusting items

	Year ended 31 December	
(£m)	2023	2022
Business reorganisation and corporate restructuring costs	**2.0**	4.5
Asset acquisitions, disposals, impairment and aborted project costs	**3.1**	4.3
Remediation of regulatory compliance or malpractice costs	**(0.9)**	1.1
Hospitals set up and closure costs	**–**	0.3
Total pre-tax adjusting items	**4.2**	10.2
Income tax charge/(credit) on adjusting items	**0.3**	(1.8)
Total post-tax adjusting items	**4.5**	8.4

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.

Asset acquisitions, disposals, impairment and aborted project costs of £3.1 million mainly relate to asset acquisitions. In October 2023, the group acquired 100% of the share capital in Vita Health Group Limited for £83.0 million as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £2.5 million have been incurred in the period. Costs for integration are expected to continue into FY24. £0.4 million of integration related costs have been incurred following the acquisition of The Doctors Clinic Group Ltd in December 2022.

In the prior year, the costs mainly related to Claremont Hospital and the purchase of the remaining non-controlling interest, and an impairment of £0.5 million was recognised on the St Saviours property which was sold in H2 2022.

During H2 21, the group announced a strategic, group-wide initiative that impacts the operating model of the group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £2.0 million (2022: £4.5 million) has been incurred. The initial phase of the initiative was completed in 2022, with the majority of the project completed in 2023. It is expected that some costs will be incurred in 2024 as the project enters into the next strategic phase.

The group has recognised a credit of £0.9 million during the year in respect of Remediation of Regulatory Compliance or Malpractice Costs relating to Paterson. This comprises £2.5 million funds received from its insurer and £0.9 million reduction in provision which had been held to resolve the matter. This is offset by an increased separate provision in respect of Paterson by £2.5 million (2022: £0.9 million), which relates to a detailed patient review initiative which commenced in 2021, supporting patients of Paterson. During 2023 the group has re-evaluated the expected cost of completing this complex project, and its associated settlement of patient claims.

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

Net finance costs

Net finance costs remain flat at £91.6 million (2022: £91.5 million). This is due to the effectiveness of the interest rate swaps, interest income on fixed deposits offset by increased interest on the draw down of the revolving credit facility and a one-off charge of £3.1 million in the prior year in respect of unamortised fees which were recognised in full following the refinancing of the senior loan facility.

Taxation

The effective tax rate assessed for the year, all of which arises in the UK, differs from the standard weighted rate of corporation tax in the UK. The reconciliation of the actual tax charge to that at the domestic corporation tax rate is as follows:

	Year ended 31 December	
(£m)	2023	2022
Profit before taxation	**34.6**	3.9
Tax at the standard rate	**8.1**	0.7
Effects of:		
Expenses and income not deductible or taxable	**3.2**	8.2
Tax adjustment for the super-deduction allowance	**(0.8)**	(2.6)
Impairment charge in respect of held for sale assets (not tax deductible)	**–**	0.1
One-off impact of revision to useful economic life and residual value of freehold property portfolio	**–**	(9.0)
Adjustments to prior year	**(4.2)**	(1.8)
Difference in tax rates	**(0.2)**	0.1
Deferred tax not previously recognised	**(1.2)**	–
Total tax charge/(credit)	**6.7**	(4.3)

Corporation tax is calculated at 23.5% (2022: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year is 19.4%, although not truly reflective of the current year position as a result of adjustments to the prior years (2022: not meaningful as a result of adjustments in respect of prior years and movements on deferred tax which are not directly linked to profit). Excluding the adjustments to prior years in 2023, the effective tax rate is 31.5%. The adjustments to prior years includes the recognition of a deferred tax asset in respect of Corporate Interest restrictions which has recognised a credit of £3.3m through adjustments to prior years for deferred tax purposes, as well as the recognition of deferred tax on acquired losses of £1.9m in respect of an acquisition. In the prior year, the group reassessed the useful life and residual value of its freehold property portfolio. This resulted in a one-off deferred tax credit of £9.0m. Deferred tax is detailed in note 23.

Profit after taxation

The profit after taxation for the year ended 31 December 2023 was £27.9 million (2022: £8.2 million).

Adjusted financial information

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

Alternative performance (non-GAAP) financial measures

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

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

Adjusted EBITDA, Adjusted EBIT and Hospital Business Adjusted EBITDA margin

	Year ended 31 December	
(£m)	2023	2022
Operating profit	**126.2**	95.4
Remove effects of:		
Adjusting items before interest and tax	**4.2**	10.2
Adjusted EBIT	**130.4**	105.6
Depreciation	**103.0**	97.9
Amortisation	**0.6**	–
Adjusted EBITDA	**234.0**	203.5
For the Hospital Business		
Revenue	**1,327.6**	1,198.5
Adjusted EBITDA	**233.8**	203.5
Adjusted EBITDA margin	**17.6%**	17.0%

Chief financial officer's review continued

Adjusted profit after tax and adjusted earnings per share

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

	Year ended 31 December	
(£m)	2023	2022
Profit before tax	**34.6**	3.9
Adjustments for:		
Adjusting Items – operating costs	**4.2**	10.2
Adjusted profit before tax	**38.8**	14.1
Taxation[1]	**(6.4)**	2.5
Adjusted profit after tax	**32.4**	16.6
Profit for the year attributable to owners of the parent	**31.8**	17.0
Profit/(loss) for the year attributable to non-controlling interests	**0.6**	(0.4)
Weighted average number of ordinary shares in issue (No.)	**403,648,886**	402,679,296
Adjusted earnings per share (pence) attributable to the parent	**7.9**	4.2

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

Return on capital employed

Return on capital employed (ROCE) is the ratio of the group's Adjusted EBIT to total assets less cash, capital investments made in the last 12 months and current liabilities. In the current year the calculation annualises the EBIT of the VHG acquisition as it was not part of the group for the full year. The calculation of return on capital employed is shown below:

	Year ended 31 December	
(£m)	2023	2022
Adjusted EBIT	**130.4**	105.6
Adjusted: for full year pro-forma effect of VHG acquisition	**6.8**	–
Adjusted EBIT pre VHG	**137.2**	105.6
Total assets	**2,281.6**	2,159.8
Less: Cash and cash equivalents	**(49.6)**	(74.2)
Less: Capital investments	**(84.4)**	(90.1)
Less: Current Liabilities	**(316.1)**	(283.4)
Capital employed	**1,831.5**	1,712.1
Return on capital employed %	**7.5%**	6.2%

Adjusted free cash flow

Adjusted FCF (Free Cash Flow) is calculated as adjusted EBITDA, less rent, capital expenditure cash flows and changes in working capital after adjusting for one-off items which are not related to the normal trading activity of the business. Rent cash flows are defined as interest on, and payment of, lease liabilities. Capital expenditure cash flows are defined as the purchase of plant, property and equipment. The calculation of readjusted free cash flow is shown below:

	Year ended 31 December	
(£m)	2023	2022
Adjusted EBITDA	**234.0**	203.5
Less: Rental payments	**(100.2)**	(93.7)
Less: Cash flow for the purchase of property, plant and equipment	**(84.4)**	(87.7)
Less: Working capital movement	**(15.5)**	(15.0)
Less: Adjustments for non-recurring items	**14.1**	20.9
Adjusted free cash flow	**48.0**	28.0

Cash flow analysis for the period

	Year ended 31 December	
(£m)	**2023**	**2022**
Opening cash balance	**74.2**	202.6
Operating cash flows before adjusting Items and income tax paid	**218.3**	186.5
Net cash flow from adjusting Items (included in operating cash flows)	**(2.7)**	(6.4)
Income tax paid	**(0.1)**	(0.1)
Operating cash flows after operating adjusting Items and income tax	**215.5**	180.0
Net cash flow from adjusting Items (included in investing cash flows)	**–**	3.2
Net cash in investing activities	**(84.0)**	(87.2)
Cash outflow for acquisition of subsidiary	**(73.2)**	(11.4)
Investing cash flows after investing adjusting Items	**(157.2)**	(95.4)
Net cash flow from adjusting Items (included in financing cash flows)	**–**	(2.7)
Net cash in financing activities	**(82.9)**	(210.3)
Financing cash flows after financing adjusting Items	**(82.9)**	(213.0)
Closing cash balance	**49.6**	74.2

Closing cash balance
The group's year end cash balance stood at £49.6 million, which reflects a reduction of £24.6 million against the prior year balance of £74.2 million. This movement contains two significant one-off items being the acquisition of VHG for a net cash consideration of £73.2 million and a cash inflow of £40 million from the draw down of the revolving credit facility. Further detailed information on the cash flow during the period is set out in the following sections.

Operating cash flows before adjusting items
The cash inflow from operating activities before tax, Adjusting items and VHG was £228.2 million (2022: £186.5 million), which constitutes a cash conversion rate from £232.2 million Adjusted EBITDA pre VHG of 98% (2022: 92% conversion of £203.5 million Adjusted EBITDA). The net cash outflow from movements in working capital in the period was £15.5 million (2022: £15.0 million outflow).

Investing and financing cash flows
Net cash outflow in investing activities for the period was £157.2 million (2022: £95.4 million). The cash outflow relates to the net cash consideration paid for the acquisition of VHG of £73.2 million and the purchase of plant, property and equipment in the period totalled £84.4 million (2022: £87.7 million). Capital investment in the year includes the new outpatients and diagnostic centre at Yale, investment into cardiac theatres at Manchester and Nottingham, ophthalmic services at Cambridge and continued major hospital refurbishment programmes.

Net cash used in financing activities for the period was £82.9 million (2022: £213.0 million) Cash outflows include interest paid and other financing costs of £90.0 million (2022: £94.6 million), and £27.2 million (2022: £18.5 million) of lease liability payments and £3.1 million for the buyback of shares to settle share awards. This is offset by an inflow of £40 million from the draw down of the revolving credit facility.

Borrowings
At 31 December 2023, the group has bank borrowings (inclusive of IFRS 9 adjustments) of £365.3 million (2022: £324.3 million), drawn under facilities which mature in February 2027.

	Year ended 31 December	
(£m)	**2023**	**2022**
Cash	**49.6**	74.2
Bank borrowings	**365.3**	324.3
Bank borrowings less cash and cash equivalents	**315.7**	250.1

During the year, the Group exercised its option to extend the senior loan facility by a further year. The financial covenants and agreement terms relating to this agreement are unchanged, with leverage to be below 4.0x and interest cover to be in excess of 4.0x. As at 31 December 2023 the leverage measure stood at 2.2x (2022:2.2x) and interest cover of 8.2x (2022: 8.5x).

As at 31 December 2023 lease liabilities were £891.7 million (2022: £866.5 million).

Dividend
The directors of Spire Healthcare have recommended the payment of a final dividend of 2.1 pence per share for the year ending 31 December 2023. Subject to shareholder approval at the forthcoming Annual General Meeting on 9 May 2024.

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

Consolidated income statement

For the year ended 31 December 2023

(£m)	Note	2023 Total before Adjusting items	2023 Adjusting items (Note 10)	2023 Total	2022 Total before Adjusting items	2022 Adjusting items (Note 10)	2022 Total
Revenue	5	**1,359.0**	**–**	**1,359.0**	1,198.5	–	1,198.5
Cost of sales		**(734.8)**	**–**	**(734.8)**	(660.1)	–	(660.1)
Gross profit		**624.2**	**–**	**624.2**	538.4	–	538.4
Other operating costs		**(497.4)**	**(6.7)**	**(504.1)**	(435.8)	(10.2)	(446.0)
Other income	6	**3.6**	**2.5**	**6.1**	3.0	–	3.0
Operating profit (EBIT)	7	**130.4**	**(4.2)**	**126.2**	105.6	(10.2)	95.4
Finance income	8	**1.4**	**–**	**1.4**	–	–	–
Finance cost	8	**(93.0)**	**–**	**(93.0)**	(91.5)	–	(91.5)
Profit before taxation		**38.8**	**(4.2)**	**34.6**	14.1	(10.2)	3.9
Taxation	11	**(6.4)**	**(0.3)**	**(6.7)**	2.5	1.8	4.3
Profit for the year		**32.4**	**(4.5)**	**27.9**	16.6	(8.4)	8.2
Profit for the year attributable to owners of the parent		**31.8**	**(4.5)**	**27.3**	17.0	(8.4)	8.6
Profit/(loss) for the year attributable to non-controlling interests		**0.6**	**–**	**0.6**	(0.4)	–	(0.4)
Earnings per share (in pence per share)							
– basic	12	**7.9**	**(1.1)**	**6.8**	4.2	(2.1)	2.1
– diluted	12	**7.7**	**(1.1)**	**6.6**	4.1	(2.0)	2.1

The notes on pages 144-169 form an integral part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 December 2023

(£m)	Note	2023	2022
Profit for the year		**27.9**	8.2
Items that may be reclassified to profit or loss in subsequent periods			
(Loss)/gain on cash flow hedges	21	**(4.2)**	9.3
Taxation of cash flow hedges		**0.9**	(2.2)
Other comprehensive (loss)/profit for the year		**(3.3)**	7.1
Total comprehensive profit for the year, net of tax		**24.6**	15.3
Attributable to:			
Equity holders of the parent		**24.0**	15.7
Non-controlling interests		**0.6**	(0.4)
		24.6	15.3

The notes on pages 144-169 form an integral part of these financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2023

(£m)	Note	Share capital (Note 21)	Share premium (Note 21)	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 2022		4.0	826.9	376.1	(0.8)	(0.5)	(496.1)	709.6	(4.8)	704.8
Profit / (loss) for the year		–	–	–	–	–	8.6	8.6	(0.4)	8.2
Other comprehensive profit for the year		–	–	–	–	7.1	–	7.1	–	7.1
Total comprehensive profit		–	–	–	–	7.1	8.6	15.7	(0.4)	15.3
Dividends to non-controlling interests		–	–	–	–	–	–	–	(0.2)	(0.2)
Dividends paid in respect of vested share awards		–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Share-based payments	27	–	–	–	–	–	2.3	2.3	–	2.3
Deferred tax adjustment on share-based payments reserve		–	–	–	–	–	(0.1)	(0.1)	–	(0.1)
Issue of new shares		–	3.1	–	–	–	–	3.1	–	3.1
Utilisation of EBT shares for share awards		–	–	–	0.8	–	(0.8)	–	–	–
Purchase of non-controlling interest		–	–	–	–	–	0.5	0.5	(0.5)	–
As at 1 January 2023		**4.0**	**830.0**	**376.1**	**–**	**6.6**	**(485.7)**	**731.0**	**(5.9)**	**725.1**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**27.3**	**27.3**	**0.6**	**27.9**
Other comprehensive loss for the year		**–**	**–**	**–**	**–**	**(3.3)**	**–**	**(3.3)**	**–**	**(3.3)**
Total comprehensive profit		**–**	**–**	**–**	**–**	**(3.3)**	**27.3**	**24.0**	**0.6**	**24.6**
Dividends paid		**–**	**–**	**–**	**–**	**–**	**(2.0)**	**(2.0)**	**–**	**(2.0)**
Share-based payments	27	**–**	**–**	**–**	**–**	**–**	**3.7**	**3.7**	**–**	**3.7**
Deferred tax adjustment on share-based payments reserve		**–**	**–**	**–**	**–**	**–**	**(0.3)**	**(0.3)**	**–**	**(0.3)**
Settlement on vested share awards		**–**	**–**	**–**	**–**	**–**	**(0.6)**	**(0.6)**	**–**	**(0.6)**
Purchase of own shares by EBT		**–**	**–**	**–**	**(3.1)**	**–**	**–**	**(3.1)**	**–**	**(3.1)**
Issue of own shares by EBT in respect of share awards		**–**	**–**	**–**	**2.4**	**–**	**(2.4)**	**–**	**–**	**–**
Additional interest acquired of non-controlling interest		**–**	**–**	**–**	**–**	**–**	**(3.2)**	**(3.2)**	**3.2**	**–**
Financial liability to acquire non-controlling interests		**–**	**–**	**–**	**–**	**–**	**(9.6)**	**(9.6)**	**–**	**(9.6)**
As at 31 December 2023		**4.0**	**830.0**	**376.1**	**(0.7)**	**3.3**	**(472.8)**	**739.9**	**(2.1)**	**737.8**

The notes on pages 144-169 form an integral part of these financial statements.

Consolidated balance sheet

As at 31 December 2023

(£m)	Note	2023	2022
ASSETS			
Non-current assets			
Property, plant and equipment	13	**1,618.8**	1,584.4
Intangible assets	14	**438.3**	345.8
Derivatives	22	**0.4**	5.0
Financial assets	15	**10.0**	4.6
		2,067.5	1,939.8
Current assets			
Inventories	17	**44.3**	40.6
Trade and other receivables	18	**121.6**	100.5
Derivatives	22	**4.0**	3.6
Cash and cash equivalents	19	**49.6**	74.2
		219.5	218.9
Non-current assets held for sale	20	**1.1**	1.1
		220.6	220.0
Total assets		**2,288.1**	2,159.8
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**4.0**	4.0
Share premium	21	**830.0**	830.0
Capital reserves	21	**376.1**	376.1
EBT share reserves	21	**(0.7)**	–
Hedging reserve	21	**3.3**	6.6
Retained loss		**(472.8)**	(485.7)
Equity attributable to owners of the parent		**739.9**	731.0
Non-controlling interests		**(2.1)**	(5.9)
Total equity		**737.8**	725.1
Non-current liabilities			
Bank borrowings	22	**361.9**	321.4
Lease liabilities	22	**793.3**	773.7
Financial liabilities	32	**9.6**	–
Deferred tax liabilities	23	**67.9**	56.2
		1,232.7	1,151.3
Current liabilities			
Bank borrowings	22	**3.4**	2.9
Lease liabilities	22	**98.4**	92.8
Provisions	24	**16.4**	21.7
Trade and other payables	25	**197.1**	164.5
Income tax payable		**2.3**	1.5
		317.6	283.4
Total liabilities		**1,550.3**	1,434.7
Total equity and liabilities		**2,288.1**	2,159.8

These consolidated financial statements and the accompanying notes were approved for issue by the board on 28 February 2024 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sodha
Chief Financial Officer

The notes on pages 144-169 form an integral part of these financial statements.

Consolidated statement of cash flows

For the year ended 31 December 2023

(£m)	Note	2023	2022
Cash generated from operations	28	**215.6**	181.7
Tax paid		**(0.1)**	(0.1)
Net cash flows from operating activities		**215.5**	181.6
Cash flows from investing activities			
Receipt from financial asset		**0.7**	0.5
Acquisition of a subsidiary, net of cash acquired		**(73.2)**	(11.3)
Purchase of property, plant and equipment		**(84.4)**	(87.7)
Proceeds of disposal of property, plant and equipment		**0.8**	–
Proceeds of disposal of assets held for sale (adjusting items)[1]		**–**	3.2
Interest received on bank deposits		**1.4**	–
Movement in restricted cash		**(2.5)**	–
Net cash used in investing activities		**(157.2)**	(95.3)
Cash flows from financing activities			
Interest paid and other financing costs		**(17.0)**	(21.1)
Interest on lease liabilities		**(73.0)**	(73.5)
Payment of lease liabilities		**(27.2)**	(20.2)
Proceeds from senior loan facility		**–**	325.0
Repayment of senior loan facility		**–**	(425.0)
Draw down on revolving credit facility		**60.0**	–
Repayment on revolving credit facility		**(20.0)**	–
Proceeds from the issue of new shares		**–**	3.1
Purchase of own shares by EBT		**(3.1)**	–
Purchase of non-controlling interests (adjusting item)[1]		**–**	(2.7)
Settlement on vested share awards		**(0.6)**	–
Dividend paid to non-controlling interests		**–**	(0.3)
Dividends paid to equity holders of the parent		**(2.0)**	–
Net cash used in financing activities		**(82.9)**	(214.7)
Net increase in cash and cash equivalents		**(24.6)**	(128.4)
Cash and cash equivalents at 1 January		**74.2**	202.6
Cash and cash equivalents at 31 December	19	**49.6**	74.2
Adjusting items (Note 10)			
Adjusting items paid included in the cash flow		**(2.7)**	(6.4)
Total pre-tax adjusting items	10	**(4.2)**	(10.2)

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

The notes on pages 144-169 form an integral part of these financial statements.

Notes to financial statements

For the year ended 31 December 2022

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 2023 were authorised for issue by the board of directors of the company on 28 February 2024.

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 material 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 and liabilities 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 below.

Going concern

The group assessed going concern risk for the period through to 30 June 2025. As at 31 December 2023 the group had cash of £49.6m, a Senior Loan Facility of £325m and an undrawn Revolving Credit Facility of £60m. An RCF drawing of £50m was used for the October 2023 acquisition of Vita Health Group with £10m of this being repaid by the end of the year. On 3 March 2023, the group exercised the option to extend the senior loan facility by a further year. The financial covenants relating to this new agreement are materially unchanged and there have been no modifications to the agreement terms.

The group has undertaken extensive activity to identify plausible risks which may arise and mitigating actions, which in the first instance would include management of working capital and constrained levels of capital investment. Based on the current assessment of the likelihood of these risks arising by 30 June 2025, together with their assessment of the planned mitigating actions being successful, the directors have concluded it is appropriate to prepare the accounts on a going concern basis. In arriving at their conclusion, the directors have also noted that, were these risks to arise in combination, it could result in a liquidity constraint or breach of covenant, however, the risk of this is considered remote.

The group has also assessed, as part of its reverse stress testing, what degree of downturn in trading it could sustain before it breaches its financial covenant. 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 21% fall in annual forecast revenue before the group breaches its financial covenant, we believe that the risk of an event giving rise to this size of reduction in revenue is remote.

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

Further detail on both macroeconomic related risk is provided in the risk management and internal control section on pages 64 to 74.

Other specific scenarios covered by our testing were as follows:

- The group is subject to temporary suspension of trade, with a temporary adverse impact on revenue, for example, as a result of a successful cyber-attack on key business systems
- The downside modelling of a number of risks which result in a decline in earnings, including the loss of a contractual relationship with a key insurer
- Significant change in government policy resulting in consultants going on payroll
- Short-term disruption to trade at a sub-set of hospitals owing to an extreme weather event

This review included the following key assumptions:

- No change in capital structure given the group has refinanced its existing senior finance facility and revolving credit facility in February 2022 and exercised the option to extend the senior finance facility for a further year; and
- The government will not make significant change to its existing policy towards utilising private provision of healthcare services to supplement the NHS

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.

2. Accounting policies continued

Revenue from contracts with customers continued

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. Approximately 70% of the group's revenue is derived from inpatient and daycase admissions. Revenue is recognised day by day, as services are provided to patients. These services are typically provided over a short time frame, that is, one to three days. Outpatient cases and other revenue represent approximately 30% of the group's revenue. Outpatient 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 continued obligations are satisfied and the control of goods or services is transferred.

The group reports disaggregated revenue by material revenue stream (ie type of payor: PMI, NHS and self-pay) and other revenue which includes consultant revenue, third-party revenue streams (eg pathology services), 'commissioning for quality and innovation payments' (CQUIN) and rehabilitation, counselling and physiotherapy revenue. 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 inpatient/daycase, outpatient 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.

As a result of the in-year acquisition other revenue for 2023 includes rehabilitation, counselling and physiotherapy revenue which is recognised over the period to which it relates. The majority of the revenue is received under multi-year contracts spread over the term of the contract.

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, and recovery of insurance claims.

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 strategic review, impairments, hospital closures and set-up costs, business acquisition costs, medical malpractice provisions, aborted project costs and compliance set-up costs.

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.

The group has applied the mandatory temporary exemption in IAS 12 Income Taxes to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

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 is recognised when it is not probable that the tax authority will accept the uncertain tax position, 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:

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 does not give rise to equal taxable and deductible temporary differences.
- 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

It should be noted that the initial recognition exception does not apply to the majority of the group's freehold property portfolio as these were acquired through the Bupa and Classics acquisitions in 2007 and 2008, which were accounted for as a business combination.

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.

Notes to financial statements continued

2. Accounting policies continued

Taxation including deferred taxation continued

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 property and improvements	– 5 to 60 years
Leasehold improvements	– lower of unexpired lease term or expected life, with a maximum of 35 years
Equipment	– 3 to 10 years

The expected useful lives and residual values of property, plant and equipment are reviewed semi-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.

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 (ie 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
- 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).

Intangible assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the fair value of the asset can be measured reliably; the intangible asset is separable or arises from contractual or other legal rights.

As at 31 December 2023 the intangible assets, other than goodwill are assessed to have finite lives.

Amortisation is recognised so as to write off the cost or carrying amounts of the assets, less their estimated residual values, over their expected useful lives, as follows:

Customer contracts	– 13 to 15 years
IT projects	– 20% straight line
Mobilisation costs	– in line with relevant customer contract length which is typically between 5 to 10 years’

2. Accounting policies continued

Intangible assets other than goodwill continued

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Mobilisation costs

Mobilisation costs within intangible assets have been recognised on acquisition of Vita Health Group Limited and relate to set-up costs when a new NHS contract is won. These costs are incurred for the benefit of running the contract over its entire term and are classified as intangible assets as these costs are incremental costs of obtaining the contract as determined under IFRS 15. The group's policy is to capitalise these costs and amortise them over the fixed term of the contract on a straight-line basis.

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.

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.

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 cost of living) and increased the loss rates accordingly.

Notes to financial statements continued

2. Accounting policies continued

Financial Instruments continued

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 to purchase own equity instruments

Financial agreements entered into with non-controlling interests for the future purchase of the remaining interest is recognised as a financial liability measured initially at fair value where there is an obligation on the group to settle a liability. On initial recognition the financial liability is recognised through equity. In subsequent periods, the liability will be measured at amortised cost with changed in the expected cash flows recognised in the income statement. Cash flows are discounted using the weighted average cost of debt.

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.

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 into 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.

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.

2. Accounting policies continued

Leases continued

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 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.

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 and 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.

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.

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 (eg 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.

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.

Impairment

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.

Notes to financial statements continued

2. Accounting policies continued

Impairment continued

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.

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 and estimates

New standards, interpretations and amendments applied

The following amendments to existing standards were effective for the group from 1 January 2023. Other than some additional disclosures, these amendments have not had a material impact.

	Effective date*
Amendments to IAS 8 – Definition of accounting estimates	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies	1 January 2023
Amendments to IAS 12 – Deferred tax related to assets and liabilities arising from a single transaction	1 January 2023
Amendments to IAS 12 – International Tax Reform—Pillar Two Model Rules	1 January 2023
IFRS 17 – Insurance contracts	1 January 2023

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

New standards, interpretations and amendments in issue, but not yet effective

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

	Effective date*
Amendments to IAS 1 – Classification of liabilities as current or non-current	1 January 2024
Amendments to IAS 7 and IFRS 7 – Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16 – Lease Liability in a sale and leaseback	1 January 2024
Amendments to IAS 21 – Lack of exchangeability	1 January 2025

* 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.

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.

Judgements

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.

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 and includes the 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.

Significant accounting estimates

The preparation of the group's consolidated financial statements includes the use of estimates and assumptions. The significant accounting estimates with a significant risk of a material change to the carrying value of assets and liabilities within the next year in terms of IAS 1, 'Presentation of Financial Statements', are:

Identified intangible assets in a business combination

Estimation is required in determining the fair value of assets and liabilities acquired in a business combination. In determining the fair value of intangible assets, being customer contracts, management have obtained an external valuation and made judgements in relation to the nature of the contracts, future expected cash flows related to current contracts, rate of customer contract renewal, estimated useful life of the contract and an appropriate discount rate for the acquiree.

3. Critical accounting judgements and estimates continued

Significant accounting estimates continued

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 are 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, requires the group to estimate cash flows expected to arise in the future, taking into account market conditions. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. The present value of these cash flows is determined using an appropriate discount rate.

The assumptions are considered to be most critical in reviewing properties for impairment are contained in Note 13.

Other areas of accounting estimates

The consolidated financial statements include other areas of judgement and accounting estimates. While these areas do not meet the definition under IAS 1 of significant accounting estimates and critical accounting judgements, the recognition and measurement of certain material assets and liabilities are based on assumptions and/or are subject to longer-term uncertainties. The other areas of accounting estimates and judgement are:

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. The ECL as at December 2023 is £5.5 million (December 2022: £5.0 million). See Note 18.

Provisions for medical malpractice

In response to the publication of the Public Inquiry report on Paterson on 4 February 2020 the group established a provision in respect of the implementation of the recommendations, which included a detailed patient review and support for patients. The provision is utilised for patient claim settlements. The variables include the number of patients which are found to have been harmed following review, the level of harm, and the associated compensation claim. The project is complex and the process for review and settlement takes time. It is possible that, as further information becomes available, an adjustment to this provision will be required, but at this time, it reflects management's best estimate of the costs and settlement of claims. This provision remains subject to ongoing review.

Details of the provision can be found in Note 24.

Climate-related risk and opportunities on the financial statements

To date, the board has not identified any climate-related risks or opportunities that would have a material impact on the assets or liabilities of the group, and therefore has not adjusted financial balances for climate-related risks or opportunities.

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)	2023	2022
Audit of these financial statements	**1.2**	1.0
Audit of the financial statements of subsidiaries of the company pursuant to legislation	**0.3**	0.3
Audit-related assurance services	**0.1**	0.1
Total	**1.6**	1.4

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.

Notes to financial statements continued

5. Segmental reporting continued

Revenue by location (inpatient, daycase or out-patient) and wider customer (payor) group is shown below:

(£m)	2023	2022
Inpatient	535.5	487.5
Daycase	399.9	348.0
Out-patient	365.4	333.1
Other[1]	58.2	29.9
Total revenue	**1,359.0**	1,198.5
Insured	615.7	538.7
Self-pay	344.0	338.0
NHS	341.1	295.4
Other[1]	58.2	26.4
Total revenue	**1,359.0**	1,198.5

1. Other revenue includes fees paid to the group by consultants (eg for the use of group facilities and services), third-party revenue (eg pathology services to third parties) and rehabilitation, counselling and physiotherapy revenue from the recent VHG acquisition.

Group revenues increased 13.4% to £1,359.0 million (2022: £1,198.5 million). The increase is driven by demand for private healthcare which remained strong throughout the year. The group's self-pay business remained robust with revenue up year-on-year delivered through a strong focus on mix, where it targeted more complex, higher margin treatments in orthopaedics, while scaling back in high volume but low value areas such as ophthalmology and cosmetics. Included in other revenue is £31.4 million related to new services of which £18.3 million of revenue relates to our recent acquisition of Vita Health Group and £13.1 million (2022: £0.1 million) relates to The Doctors Clinic Group acquired in the prior year. Revenue from new services were not material in FY23. From FY24, new services will be presented separately.

6. Other income

(£m)	2023	2022
Fair value movement on financial asset	2.8	2.3
Realised profit in respect of financial asset	0.8	0.7
Settlement from an insurer (adjusting items)	2.5	–
Total other income	**6.1**	3.0

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

7. Operating profit

Arrived at after charging/(crediting):

(£m)	2023	2022
Depreciation of property, plant and equipment (see Note 13)	65.5	64.2
Depreciation of right-of-use assets (see Note 13)	37.5	33.7
Amortisation of intangible assets	0.6	–
Acquisition-related transaction costs (adjusting Item) (see Note 10)	2.5	1.8
Lease payments made in respect of low value and short leases	18.6	13.6
Provision following a court judgement related to Ian Paterson (adjusting Item) (see Note 10)	2.5	0.3
Impairment on assets held for sale (see Note 20)	–	0.5
Movement on the provision for expected credit losses of trade receivables (see Note 18)	0.5	0.9
(Profit) / loss on disposal of property, plant and equipment	(0.3)	0.3
Fair value adjustment on financial liability	–	0.8
Staff restructuring costs (see Notes 9)	2.0	4.5
Staff costs (net of staff restructuring costs and including share-based payment charge) (see Note 9 and 27)	475.2	413.9

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

8. Finance income and costs

(£m)	2023	2022
Finance income		
Interest income on bank deposits	1.4	–
Total finance income	**1.4**	–
Finance cost		
Interest on bank facilities	18.5	12.4
Refinancing fees	–	1.0
Amortisation of fee arising on facilities extensions/borrowing costs[1]	1.5	1.5
Accelerated amortisation and loss on extinguishment of loan[1]	–	3.1
Interest on obligations under leases	73.0	73.5
Total finance costs	**93.0**	91.5
Total net finance costs	**91.6**	91.5

1. £5.0 million of borrowing costs were capitalised on the refinancing of the senior facility, these are being amortised. In the prior year £3.1 million of unamortised fees on the old facility were charged to the profit and loss in the year on the extinguishment of the old facility.

9. Staff costs

(No.)	2023	2022
The average number of persons employed by the group (including directors) during the year:		
Clinical	**7,455**	7,388
Non-clinical	**5,514**	5,227
Central	**776**	614
Total	**13,745**	13,229

(No.)	2023	2022
The average number of full-time equivalent persons employed by the group during the year:		
Clinical	**5,831**	5,539
Non-clinical	**4,349**	4,017
Central	**695**	538
Total	**10,875**	10,094

The aggregate payroll costs of these persons were as follows:

(£m)	2023	2022
Wages and salaries	**398.7**	348.0
Social security costs	**38.9**	34.7
Pension costs, defined contribution scheme	**35.9**	33.4
Aggregate payroll costs excluding share based payments	**473.5**	416.1
Share based payment charge	**3.7**	2.3
Aggregate payroll costs	**477.2**	418.4

There were £1.6 million wages and salaries and social security costs for year ended 31 December 2023 in Adjusting items (2022: £4.7 million) of which £1.0 million relate to business restructuring costs and which are included in staff costs (2022: £4.5 million), and are set out in Note 7.

Pension costs are in respect of the defined contribution scheme; unpaid contributions at 31 December 2022 were £3.7 million (2022: £2.7 million).

10. Adjusting items

(£m)	2023	2022
Asset acquisitions, disposals, impairment and aborted project costs	**3.1**	4.3
Business reorganisation and corporate restructuring costs	**2.0**	4.5
Remediation of regulatory compliance or malpractice costs	**(0.9)**	1.1
Hospital set up and closure costs	**–**	0.3
Total pre-tax adjusting items	**4.2**	10.2
Income tax credit on adjusting items	**0.3**	(1.8)
Total post-tax adjusting items	**4.5**	8.4

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.

Asset acquisitions, disposals, impairment and aborted project costs of £3.1m mainly relate to asset acquisitions. In October 2023, the group acquired 100% of the share capital in Vita Health Group Limited for £83.0 million as part of its strategic investment in its broader healthcare offering. The costs of acquisition of £2.5 million have been incurred in the period. Costs for integration are expected to continue into FY24. £0.4 million of integration related costs have been incurred following the acquisition of The Doctors Clinic Group in December 2022.

In the prior year, the costs mainly related to Claremont Hospital and the purchase of the remaining non-controlling interest, and an impairment of £0.5 million was recognised on the St Saviours property which was sold in H2 2022.

During H2 21, the group announced a strategic, group-wide initiative that impacts the operating model of the group to allow a more efficient governance and reporting structure, as well as a drive on digital functionality. This initiative will be implemented over several phases. In the period, £2.0 million (2022: £4.5 million) has been incurred. The initial phase of the initiative was completed in 2022, with the majority of the project completed in 2023. It is expected that some costs will be incurred in 2024 as the project enters into the next strategic phase.

The group has recognised a credit of £0.9 million during the year in respect of Remediation of Regulatory Compliance or Malpractice Costs relating to Paterson. This comprises £2.5 million funds received from its insurer and £0.9 million reduction in provision which had been held to resolve the matter. This is offset by an increased separate provision in respect of Paterson by £2.5 million (2022: £0.9 million), which relates to a detailed patient review initiative which commenced in 2021, supporting patients of Paterson. During 2023 the group has re-evaluated the expected cost of completing this complex project, and its associated settlement of patient claims.

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

11. Taxation

(£m)	2023	2022
Current tax		
UK corporation tax expense	**0.9**	0.1
Adjustments in respect of prior years	**(1.3)**	(0.7)
Total current tax credit	**(0.4)**	(0.6)
Deferred tax		
Origination and reversal of temporary differences	**10.0**	(2.6)
Adjustments in respect of prior years	**(2.9)**	(1.1)
Total deferred tax charge/(credit)	**7.1**	(3.7)
Total tax charge/(credit)	**6.7**	(4.3)

In addition to the above, a credit of £0.9 million has been recognised in Other Comprehensive income (2022: £2.1 million charge) and £0.3 million credit (2022: £0.1 million charge) through equity. The £0.3 million credit through equity relates to movements on share-based payments, and reflects a £0.5 million deferred tax charge, offset by a current tax credit of £0.8 million.

Notes to financial statements continued

11. Taxation continued

Corporation tax is calculated at 23.5% (2022: 19.0%) of the estimated taxable profit or loss for the year. The effective tax rate on profit before taxation for the year is 19.4%, although not truly reflective of the current year position as a result of adjustments to the prior years (2022: not meaningful as a result of adjustments in respect of prior years and movements on deferred tax which are not directly linked to profit). Excluding the adjustments to prior years in 2023, the effective tax rate is 31.5%. The adjustments to prior years includes the recognition of a deferred tax asset in respect of Corporate Interest restrictions which has recognised a credit of £3.3 million for deferred tax purposes, as well as the recognition of deferred tax on acquired losses of £1.9 million in respect of an acquisition. In the prior year, the group reassessed the useful life and residual value of its freehold property portfolio. This resulted in a one-off deferred tax credit of £9.0 million. 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)	2023	2022
Profit before taxation	**34.6**	3.9
Tax at the standard rate	**8.1**	0.7
Effects of:		
Expenses and income not deductible or taxable	**3.2**	8.2
Tax adjustment for the super-deduction allowance	**(0.8)**	(2.6)
Impairment charge in respect of held for sale assets (not tax deductible)	**–**	0.1
One-off impact of revision to useful economic life and residual value of freehold property portfolio (deferred tax)	**–**	(9.0)
Reallocation to equity	**–**	–
Adjustments to prior year	**(4.2)**	(1.8)
Difference in tax rates	**0.2**	0.1
Deferred tax not previously recognised	**0.2**	–
Total tax charge/(credit)	**6.7**	(4.3)

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

The current year and prior year charges are driven by expenses not deductible for tax purposes, offset by adjustments to prior year and the claim of the super deduction for capital allowance purposes.

The group does not hold any uncertain tax positions under IFRIC 23 at the year-end (2022: none).

Pillar Two legislation, reflecting the OECDs Base Erosion Profit Shifting ('BEPs') framework, seeks to enforce a minimum tax rate on large and multinational groups in each jurisdiction in which it operates. This legislation has been enacted or substantively enacted in the UK, being the only jurisdiction in which the group operates.

The legislation will be effective for the group's financial year beginning 1 January 2024. The group has performed an assessment of the group's potential exposure to Pillar Two income taxes.

This assessment is based on the most recent information available regarding the financial performance of the constituent entities in the group. Based on the assessment performed, Pillar Two effective tax rates in the UK, being the only jurisdiction in which the group operates, has been above 15% in the current and previous financial years, and management is not currently aware of any circumstances under which this might change. Therefore, the group does not expect a potential exposure to Pillar Two top-up taxes.

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.

	2023	2022
Profit for the year attributable to ordinary equity holders of the parent (£m)	**27.3**	8.6
Weighted average number of ordinary shares for basic EPS (No.)	**404,117,249**	402,756,797
Adjustment for weighted average number of shares held in EBT	**(468,363)**	(77,501)
Weighted average number of ordinary shares in issue (No.)	**403,648,886**	402,679,296
Basic earnings per share (in pence per share)	**6.8**	2.1

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.

	2023	2022
Profit for the year attributable to ordinary equity holders of the parent (£m)	**27.3**	8.6
Weighted average number of ordinary shares in issue (No.)	**403,648,886**	402,679,296
Adjustment for weighted average number of contingently issuable shares	**9,494,645**	9,363,470
Diluted weighted average number of ordinary shares in issue (No.)	**413,143,531**	412,042,766
Diluted earnings per share (in pence per share)	**6.6**	2.1

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):

	2023	2022
Profit for the year attributable to owners of the parent (£m)	**27.3**	8.6
Adjusting items (see Note 10)	**4.5**	8.4
Adjusted profit (£m)	**31.8**	17.0
Weighted average number of Ordinary Shares in issue	**403,648,886**	402,679,296
Weighted average number of dilutive Ordinary Shares	**413,143,531**	412,042,766
Adjusted basic earnings per share (in pence per share)	**7.9**	4.2
Adjusted diluted earnings per share (in pence per share)	**7.7**	4.1

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 2022	845.3	177.7	480.6	10.9	825.9	2,340.4
Additions	8.5	6.4	55.9	19.3	–	90.1
Acquisition of a subsidiary (Note 32)	–	–	0.6	–	–	0.6
Additions to ROU assets	–	–	–	–	4.9	4.9
Adjustments to existing assets (eg indexation)	–	–	–	–	34.0	34.0
Disposals	(3.6)	(3.7)	(71.8)	–	(0.9)	(80.0)
Transfers	–	–	(10.0)	–	10.0	–
At 1 January 2023	**850.2**	**180.4**	**455.3**	**30.2**	**873.9**	**2,390.0**
Additions	**7.2**	**12.1**	**42.3**	**22.3**	**–**	**83.9**
Acquisition of a subsidiary (Note 32)	**–**	**–**	**1.3**	**–**	**1.3**	**2.6**
Additions to ROU assets	**–**	**–**	**–**	**–**	**14.7**	**14.7**
Adjustments to existing assets (eg indexation)	**–**	**–**	**–**	**–**	**36.7**	**36.7**
Disposals	**(0.7)**	**(2.4)**	**(21.6)**	**(0.4)**	**(0.1)**	**(25.2)**
Transfer	**3.7**	**13.3**	**9.9**	**(26.9)**	**–**	**–**
At 31 December 2023	**860.4**	**203.4**	**487.2**	**25.2**	**926.5**	**2,502.7**
Accumulated depreciation and impairment:						
At 1 January 2022	189.0	54.4	320.8	–	222.7	786.9
Charge for the year	12.3	9.3	42.6	–	33.7	97.9
Disposals	(3.1)	(3.6)	(71.6)	–	(0.9)	(79.2)
At 1 January 2023	**198.2**	**60.1**	**291.8**	**–**	**255.5**	**805.6**
Charge for the year	**12.2**	**9.8**	**43.5**	**–**	**37.5**	**103.0**
Disposals	**(0.6)**	**(2.4)**	**(21.6)**	**–**	**(0.1)**	**(24.7)**
Transfers	**(0.2)**	**–**	**0.2**	**–**	**–**	**–**
At 31 December 2023	**209.6**	**67.5**	**313.9**	**–**	**292.9**	**883.9**
Net book value:						
At 31 December 2023	**650.8**	**135.9**	**173.3**	**25.2**	**633.6**	**1,618.8**
At 31 December 2022	652.0	120.3	163.5	30.2	618.4	1,584.4

The net book value of land is £156.3 million (2022: £156.3 million). Nine of the group's freehold properties are pledged as security against the senior finance facility, the net book value of these properties are £124 million (2022: £157.6 million). There were no borrowing costs capitalised during the year ended 31 December 2023 (2022: Nil).

Impairment testing

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

In order to estimate the value-in-use, management has used trading projections covering the period to December 2028 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. To the extent that there was a shortfall between the recent actual cash flows and forecast, the future cash flows have been adjusted to reflect any initiatives implemented by management to address the underlying cause. In addition, management consider the potential financial impact from short-term climate change scenarios, and the cost of initiatives that have substantially commenced by the group to manage the longer-term climate impacts.

Key assumptions

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

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

The trading projections for the five-year period underlying the value-in-use reflect a growth in EBITDA. EBITDA is based on a number of elements of the operating model over the longer term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation.

The property triggered for detail review has headroom (amount that recoverable amount exceeded the carrying amount) of £3.9 million. The sensitivity analysis identified that a reasonably possible change in the EBITDA growth over the five year period for the triggered property, would result in the elimination of headroom. The average annual EBITDA growth over the five years is 8.8%. The annual EBITDA over the five year period would have to decrease by 16.0% per annum to eliminate the headroom.

During the year the group moved to a post IFRS 16 discount rate, the group has used a pre-tax discount rate of 11.5% (2022: 10.6% adjusted for the effect of IFRS 16). A long-term growth rate of 2.0% has been applied to cash flows beyond 2028 based on a long-term view of inflation, revenue growth and market conditions. Capital maintenance spend is based on historic run rates and our expectations of the group's requirements. The sensitivity testing identified no reasonably possible changes in the discount rate, capital maintenance and long-term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

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

Notes to financial statements continued

13. Property, plant and equipment continued

Right-of-use (ROU) assets

(£m)	Leasehold property	Equipment and motor vehicles	Total
Cost:			
At 1 January 2022	815.5	10.4	825.9
New leases entered	0.4	4.5	4.9
Adjustments to existing assets (eg indexation)	34.0	–	34.0
Disposals	(0.1)	(0.8)	(0.9)
Transfers	–	10.0	10.0
At 1 January 2023	**849.8**	**24.1**	**873.9**
New leases entered	**4.3**	**10.4**	**14.7**
Acquisition of a subsidiary (Note 32)	**1.3**	**–**	**1.3**
Adjustments to existing assets (eg indexation)	**36.7**	**–**	**36.7**
Disposals	**–**	**(0.1)**	**(0.1)**
At 31 December 2023	**892.1**	**34.4**	**926.5**
Accumulated depreciation and impairment:			
At 1 January 2022	218.2	4.5	222.7
Charge for year	29.9	3.8	33.7
Disposals	(0.1)	(0.8)	(0.9)
At 1 January 2023	**248.0**	**7.5**	**255.5**
Charge for the year	**31.8**	**5.7**	**37.5**
Disposals	**–**	**(0.1)**	**(0.1)**
At 31 December 2023	**279.8**	**13.1**	**292.9**
Net book value:			
At 31 December 2023	**612.3**	**21.3**	**633.6**
At 31 December 2022	601.8	16.6	618.4

14. Intangible assets

(£m)	Goodwill	Customer contracts	IT projects	Mobilisation costs	Total
Cost or valuation:					
At 1 January 2022	535.8	–	–	–	535.8
Acquisition of a subsidiary	11.1	–	–	–	11.1
Adjustment to prior year goodwill acquired	(0.1)	–	–	–	(0.1)
At 31 December 2022	546.8	–	–	–	546.8
Acquisition of a subsidiary	**65.3**	**20.6**	**4.3**	**2.4**	**92.6**
Additions	**–**	**–**	**0.3**	**0.2**	**0.5**
At 31 December 2023	**612.1**	**20.6**	**4.6**	**2.6**	**639.9**
Impairment:					
At 1 January 2022 and 31 December 2022	**201.0**	**–**	**–**	**–**	**201.0**
Amortisation charge during the year	**–**	**0.2**	**0.3**	**0.1**	**0.6**
At 31 December 2023	**201.0**	**0.2**	**0.3**	**0.1**	**201.6**
Carrying amount:					
At 31 December 2023	**411.1**	**20.4**	**4.3**	**2.5**	**438.3**
At 31 December 2022	345.8	–	–	–	345.8

Acquisition during the year

On 18 October 2023, the group acquired 100% of the voting shares of Vita Health Group, a non-listed company based in England who are a provider of mental and physical health services in the UK, for a net cash consideration of £73.2 million generating goodwill of £65.3 million. On acquisition the group acquired £27.3 million of other intangible assets relating to IT projects, mobilisation costs related to NHS contracts and customer relationship contracts. In determining the fair value of intangible assets acquired in line with IFRS 3 the group obtained an independent valuation of customer contracts relating to NHS and corporate contracts and recognised acquired intangibles of £20.1 million.

Impairment testing

The directors treat the hospital business and The Doctors Clinic Group as separate cash-generating units for the purposes of testing goodwill for impairment as the goodwill can be reliably allocated. The goodwill recognised for the VHG acquisition has not yet been allocated as the initial accounting is not yet complete. 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 2028 from the most recent board-approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. In addition, management consider the potential financial impact from short-term climate change scenarios, and the cost of initiatives by the group to manage the longer-term climate impacts.

14. Intangible assets continued

Key assumptions

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

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

The table below provides the headroom and the reasonably possible change identified in the sensitivity analysis mentioned above which would result in the elimination of headroom.

	Headroom £m	Average EBITDA growth over the five year period	Sensitivity for decrease of EBITDA per annum
Hospital business	**793.7**	**9.0%**	**23.2%**
The Doctors Clinic Group ("DCG")	**7.2**	**87.9%**	**30.3%**

The trading projections for the five-year period underlying the value-in-use reflect a growth in EBITDA. EBITDA is dependent on a number of elements of the operating model over the longer term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. During the year DCG made a small loss owing to the effect of integration costs, one off investments in new clinics and a planned delay in the offer of in-house laboratory services. This is now rolling out and 2024 is expected to see a return to profitability, which is factored into the growth in EBITDA.

During the year the group moved to a post IFRS 16 discount rate, and has used a pre-tax discount of 11.5% (2022: 10.6% adjusted for the effect of IFRS 16).

A long-term growth rate of 2.0% has been applied to cash flows beyond 2028 based on long-term view of inflation and market conditions. Capital maintenance spend is based on historic run rates and our expectation of the group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long-term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

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

15. Financial assets

Financial assets consist of a £7.5 million (2022:£4.6 million) profit share arrangement and a prepayment of the Montefiore option to purchase the remaining 25% interest £2.5 million (2022:nil). Refer to Note 32 for further information relating to the non-controlling interest option.

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. Under the agreement after the ten-year anniversary of the agreement the buyer (Genesis Care) may exit the arrangement by serving notice and paying a multiple of ten times the Gross Margin in the preceding 12 months.

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 the expected present value technique – method 2 in determining the fair value. Management uses forward looking and historical trends of gross profits, growth rate, risk premium and an appropriate discount rate to determine the fair value. At the inception of the transaction we applied a risk premium to the fair value of the asset reflecting the fact that it was a new venture and so any future forecasted cashflows contained an element of uncertainty. This risk premium has been reduced over time and reflects our growing confidence in the operation's ability to hit its future forecasts. Sensitivities are also taken into account when reviewing the fair 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)	2023	2022
Valuation at 1 January	**4.6**	2.3
Cash receipt	**(0.8)**	(0.7)
Fair value adjustments	**3.7**	3.0
Carrying amount at 31 December (Note 30)	**7.5**	4.6

Management completes relevant sensitivities on the inputs when assessing the fair value.

With all other inputs remaining constant:

- A 1.2% increase (decrease) in the discount rate used, would see a decrease (increase) in fair value of £0.8 million (£0.6 million) (2022: 1.2% increase (decrease) £0.6 million (£0.3 million))
- A 20% increase (decrease) in the forecast annual cash flow of £0.16 million (2022: £0.14 million), would see an increase (decrease) in fair value of £1.4 million (£1.4 million) (2022: £0.6 million (£1.1 million))

16. Subsidiary undertakings and non-controlling interest

As at 31 December 2023, 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
Claremont Hospital Holdings Limited	Holding company	Ordinary
Claremont Hospital LLP!^	Health provision	N/A
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
Lifescan Limited#	Non-trading company	Ordinary
Maitland Medical Service Limited	Health provision	Ordinary
Medicainsure Limited	Non-trading company	Ordinary
Montefiore House Limited+	Health provision	Ordinary
SHC Holdings Limited^	Holding company	Ordinary
Soma Health Limited	Health provision	Ordinary
Spire Cambridge (Disposal) Limited#	Non-trading company	Ordinary

Notes to financial statements continued

16. Subsidiary undertakings and non-controlling interest continued

Incorporated in England and Wales and registered at 3 Dorset Rise, London, EC4Y 8EN, unless otherwise stated	Principal activity	Class of share
Spire Fertility (Disposal) Limited#	Non-trading company	Ordinary
Spire Healthcare (Holdings) Limited	Holding company	Ordinary
Spire Healthcare Finance Limited*	Holding company	Ordinary
Spire Healthcare Holdings 1&#	Holding company	Ordinary
Spire Healthcare Property Developments Limited	Development company	Ordinary
Spire Healthcare Holdings 2 Limited^	Holding company	Ordinary
Spire Healthcare Limited	Health provision	Ordinary
Spire Healthcare Properties Limited	Property 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 4 Limited	Holding company	Ordinary
The Doctors Clinic Group Ltd	Holding company and health provision	Ordinary
The London Doctors Clinic Ltd	Non-trading company	Ordinary
Kingfisher Topco Limited	Holding company	Ordinary
Kingfisher Midco Limited	Holding company	Ordinary
Kingfisher Bidco Limited	Holding company	Ordinary
Vita Health Group Limited	Health provision	Ordinary
Crystal Palace Physio Holdings Limited	Holding company	Ordinary
Vita Health Solutions Limited	Health provision	Ordinary
Pennine MSK Partnership Limited	Health provision	A Ordinary & B Ordinary
Physio For All Limited	Health provision	Ordinary
Physiotherapy2fit Ltd	Health provision	A Ordinary & B Ordinary
Physiotherapy Specialists Ltd	Health provision	Ordinary
The Abbey Clinic Limited	Health provision	Ordinary
The Bisham Abbey Knee Clinic Limited	Health provision	Ordinary
Vita Health Wellness Limited	Health provision	Ordinary

° Ownership interest is 51.0%.
+ Ownership interest is 50.1%.
* Direct shareholding of the company.
& Spire Healthcare Holdings 1 is an undertaking with unlimited liability.
! The LLP has 'Members' capital classified as equity' in lieu of 'Class of shares'.
In liquidation and expected to be dissolved during 2024.
^ The company was dissolved on 23 December 2023

In FY21, 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 2024.

Non-controlling interest

Financial information of subsidiaries that have a material non-controlling interest is provided below. The entities, as set out above, are Montefiore House Limited and Didsbury MSK Limited. During the period, Spire Healthcare acquired an additional 24.9% interest in Montefiore House Limited, and now owns 75% of this entity. The accumulated interest relating to Montefiore has therefore been reclassified to retained earnings. Accumulated balances of material non-controlling interest:

(£m)	Montefiore House Limited	Didsbury MSK Limited	Claremont Hospital LLP	Total
Accumulated balances of non-controlling interest at 1 January 2022	(5.6)	0.3	0.5	(4.8)
Profit/(loss) allocated to non-controlling interests	(0.8)	0.4	-	(0.4)
Recycled profit for non-controlling interest purchased by parent	–	–	(0.5)	(0.5)
Accumulated balances of material non-controlling interest at 1 January 2023	**(6.4)**	**0.5**	**–**	**(5.9)**
Profit allocated to non-controlling interests	**–**	**0.6**	**–**	**0.6**
Recycled loss for non-controlling interest purchased by parent	**3.2**	**–**	**–**	**3.2**
Accumulated balances of non-controlling interest at 31 December 2023	**(3.2)**	**1.1**	**–**	**(2.1)**

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 cash flows are generated through operations. In the period, the group entered into an agreement with the non-controlling interest of Montefiore House Limited, in which both parties can exercise an option for Spire to purchase the remaining 25% interest in the subsidiary at a future date. The purchase price is calculated in line with pre-determined metrics which are based on the subsidiary's EBITDA performance and the group multiple.

Guarantees with group undertakings for the year ended 31 December 2023

Spire Healthcare Group Plc agreed to provide a guarantee, in the course of ordinary business to the below subsidiaries to take exemption from having their financial statements audited under section 479A to 479C of the Companies Act 2006. The guarantee to these subsidiaries is to guarantee outstanding liabilities, including contingent and prospective liabilities, for the financial year ended 31 December 2023. In respect to this guarantee, it is judged to be remote that any cash outflow will arise.

Subsidiary	Companies house registration number
Spire Healthcare Properties Limited	01829406
Spire Healthcare Property Developments Limited	08996103
Claremont Hospital Holdings Limited	08534235
Spire Thames Valley Hospital Propco Limited	06480375
Fox Healthcare Acquisitions Limited	06487777
Classic Hospitals Property Limited	05389607

16. Subsidiary undertakings and non-controlling interest continued

Guarantees with group undertakings for the year ended 31 December 2023 continued

Subsidiary	Companies house registration number
Spire UK Holdco 4 Limited	06342689
Spire Property 1 Limited	06408718
Spire Property 4 Limited	06408872
Spire Property 5 Limited	06408908
Spire Property 6 Limited	06408930
Spire Property 13 Limited	06409008
Spire Property 16 Limited	06409066
Spire Property 18 Limited	06409117
Spire Property 19 Limited	06409119
Spire Property 23 Limited	06409139

17. Inventories

(£m)	2023	2022
Prostheses, drugs, medical and other consumables	**44.3**	40.6

Cost of sales for the year ended 31 December 2023 includes inventories recognised as an expense amounting to £265.0 million (2022: £244.0 million).

18. Trade and other receivables

(£m)	2023	2022
Amounts falling due within one year:		
Trade receivables	**74.8**	59.8
Unbilled receivables	**20.2**	18.2
Prepayments	**21.9**	15.7
Other receivables	**10.2**	11.8
	127.1	105.5
Allowance for expected credit losses	**(5.5)**	(5.0)
Total current trade and other receivables	**121.6**	100.5

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

Other receivables includes the £4.6 million insurance reimbursement right (2022: £5.4 million); as well as £4.1 million (2022: £2.6 million) reimbursement right related to the Paterson fund, which is being held by solicitors on account until payments are made, with any amount not paid out being returned to Spire Healthcare. During the year, £3.9 million was paid out of this fund and an additional £5.5 million was paid into the fund. The amounts paid to the new Paterson fund do not reflect an investment in a financial asset, but merely a right to reimbursement should the fund not be utilised in full.

Trade and other receivables of £12.7 million have been recognised on the acquisition of Vita Health Group during the year (Note 34).

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

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

The ageing of trade receivables is shown below and shows amounts that are past due at the reporting date (excluding payments on account where there is no right to offset these at the reporting date). 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 2023 for trade receivables was determined as follows:

	Current	0-30 days	31-90 days	91-364 days	1-2 years	Total
Expected loss rate	**0.0%**	**2.7%**	**16.3%**	**29.0%**	**41.9%**	**5.1%**
Gross debt (£m)	75.3	14.8	4.3	6.2	6.2	106.8
Less payments on account (£m)						(32.0)
Carrying amount of trade receivables (£m)						74.8
Loss allowance (£m)	–	0.4	0.7	1.8	2.6	5.5

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

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

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.

18. Trade and other receivables continued

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

(£m)	2023	2022
Private medical insurers	**29.5**	30.4
NHS	**25.0**	8.2
Patient debt	**4.1**	7.2
Other	**10.7**	9.0
	69.3	54.8

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

(£m)	2023	2022
At 1 January	**5.0**	4.1
Provided in the year	**1.6**	1.1
Utilised during the year	**(0.3)**	(0.2)
Released during the year	**(0.9)**	–
At 31 December	**5.5**	5.0

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 dependent 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.

19. Cash and cash equivalents

(£m)	2023	2022
Cash at bank	**20.7**	67.1
Short-term deposits	**28.9**	7.1
	49.6	74.2

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 £9.8 million has been added on the acquisition of Vita Health Group during the year (Note 34).

20. Non-current assets held for sale

As at 31 December 2023 the group's management have committed to sell a parcel of land at Bostocks Lane as the group has accepted an offer on the property. The sale is considered highly probable and the assessment has not changed. It therefore remains as classified as held for sale.

(£m)	2023	2022
Bostocks Lane (East Midlands Cancer Centre)	**1.1**	1.1
	1.1	1.1

21. Share capital and reserves

	2023	2022
Authorised shares		
Ordinary share of £0.01 each	**404,126,630**	404,108,470
	404,126,630	404,108,470

	£0.01 ordinary shares	
	Shares	£'000
Issued and fully paid		
At 31 December 2023	**404,126,630**	**4,042**
At 31 December 2022	404,108,470	4,041

During the year, the authorised share capital was increased by £181.60 by the issue of 18,160 ordinary shares of £0.01 each.

Share premium

(£m)	2023	2022
At 1 January	**830.0**	826.9
Issue of new shares	**–**	3.1
At 31 December	**830.0**	830.0

During the year the group issued 18,160 shares to settle share awards of which 18,160 shares were exercised under the save as you earn 2019 scheme at an average price of £1.09 per share. The proceeds from the issue of shares were £29,163.

Capital reserves

This reserve represents the loans of £376.1 million 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.

21. Share capital and reserves continued

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 benefitting employees and former employees of the group and certain of their dependants. The EBT is treated as an extension of the group and the company.

During the year, the EBT purchased 1,339,634 shares and exercised 1,054,620 shares (2022: 88,354 shares issued and 300,491 exercised) in order to settle share awards in relation to the directors' share bonus award and Long-Term Incentive Plan.

Where the EBT purchases the company's equity share capital the consideration paid, including any directly attributable incremental costs, is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. As at 31 December 2023, 312,160 shares (2022: 27,146) were held by the EBT in relation to the directors' share bonus award and Long-Term Incentive Plan. The EBT share reserve represents the consideration paid when the EBT purchases the company's equity share capital, until the shares are reissued.

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

(Number of shares)	2023		2022	
	(£m)	(Number of shares)	(£m)	(Number of shares)
At 1 January	**–**	**27,146**	0.8	239,283
Purchased	**3.1**	**1,339,634**	–	88,354
Exercised	**(2.4)**	**(1,054,620)**	(0.8)	(300,491)
At 31 December	**0.7**	**312,160**	–	27,146

Hedging reserve

The balance of £3.3 million at 31 December 2023 (2022: £6.6 million) reflects the £4.4 million debit (2022: £1.2 million credit) recycled in the period, the fair value credit of £0.2 million (2022: £8.1 million credit) and the £0.9 million tax credit on the profit (2022: £2.2 million charge) to give a net movement of a decrease of £3.3 million during the year (2022: an increase of £7.1 million) 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 2023 were £1,257.0 million (2022: £1,190.8 million). More detail in respect of these two forms of borrowings are set out below.

Bank borrowings

The bank loans are secured on fixed and floating charges over both the present and future assets of material subsidiaries of the group. On 24 February 2022, the group successfully refinanced its debt facilities with a syndicate of existing and new lenders. As part of the exercise and in recognition of the fact that the group had substantial cash reserves at 31 December 2021, the group repaid £100.0 million of the Senior Loan Facility. During the year the group exercised its option to extend the facility by one year the arrangement has a maturity of February 2027. The financial covenants relating to this new agreement are materially unchanged. The loan is non-amortising and carries interest at a margin of 2.05% over SONIA (2022: 2.05% over SONIA).

The group drew down £60.0 million on its revolving credit facility to acquire Vita Health Group in October 2023. Since the acquisition the group has repaid £20.0 million.

(£m)	2023	2022
Amount due for settlement within 12 months	**3.4**	2.9
Amount due for settlement after 12 months	**361.9**	321.4
Total bank borrowings	**365.3**	324.3

Terms and debt repayment schedule

The maturity date is the date on which the relevant bank loans are due to be fully repaid.

The carrying amounts drawn (after issue costs and including interest accrued) under facilities in place at the balance sheet date were as follows:

(£m)	Maturity	Margin over SONIA	2023	2022
Senior finance facility	February 2027	2.05%	**325.3**	324.3
Revolving credit facility	February 2027	1.95%	**40.0**	–

Net debt for the purposes of the covenant test in respect of the Senior Loan Facility was £315.4 million (December 2022: £250.8 million) and the net debt to EBITDA ratio was 2.2x (December 2022: 2.2x). The net debt for covenant purposes comprises the senior facility of £325.0 million, drawn revolving credit facility of £40.0 million less cash and cash equivalents of £49.6 million. EBITDA for covenant purposes comprises Adjusted EBITDA for Last Twelve Months (LTM) of pre-IFRS 16 Adjusted EBITDA of £152.9 million (December 2022: £123.9 million) less the rental of a finance lease pre-IFRS 16 of £10.0 million (2022: £9.5 million).

The interest cover for covenant purposes was 8.5x (2022: 8.5x) and is calculated as the pre-IFRS 16 EBITDA described above over pre-IFRS 16 finance costs paid.

The senior finance facility includes a sustainability-linked element connected to environmental and quality factors. The group also has access to a further £60.0 million through a committed and undrawn revolving credit facility to February 2027.

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 £891.7 million (2022: £866.5 million), expire in various years to 2046 and carry incremental borrowing rates in the range 3.2% – 14.6% (2022: 3.1% – 14.6%). Rents in respect of hospital property leases are reviewed annually with reference to RPI or CPI, subject to assorted floors and caps. The discount rates used are calculated on a lease by lease basis, and are based on estimates of incremental borrowing rates. A movement in the incremental borrowing rate of 1% would result in an 7.5% movement in lease liability.

In the year, the group recognised charges of £3.8 million (2022: £3.3 million) of lease expenses relating to low value leases and £14.8 million (2022: £10.3 million) of lease expense in respect of short-term 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 £118.8 million (2022: £105.6 million). The group has not made any variable lease payments in the year. The group is not a lessor for any leases to external parties. Where new leases have the right to extend and management is not reasonably certain to exercise the

22. Borrowings continued

Lease liabilities continued

extension option, those future cash flows are not reflected in the above.

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, extension or break clause options as management is reasonably certain that the options will not be exercised. There are no significant restrictions or covenants which impact the cash flows in respect of these leases.

See Note 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.

Changes in bank borrowings and lease liabilities arising from financing activities

(£m)	1 January	Cash flows	Non cash changes[1]	Additions[2]	31 December
2023					
Bank loans	**324.3**	**(17.0)**	**18.0**	**40.0**	**365.3**
Lease liabilities	**866.5**	**(100.2)**	**73.0**	**52.4**	**891.7**
Total	**1,190.8**	**(117.2)**	**91.0**	**90.8**	**1,257.0**

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

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

Derivatives

The following derivatives were in place at 31 December:

	Interest rate	Maturity date	Notional amount	Carrying value Asset
31 December 2023 (£m)				
Interest rate swaps	2.7780%	Feb 2026	243.8	4.4
31 December 2022 (£m)				
Interest rate swaps	2.7780%	Feb 2026	243.8	8.6

(£m)	2023	2022
Amount due for settlement within 12 months	**4.0**	3.6
Amount due for settlement after 12 months	**0.4**	5.0
Total derivatives (asset)/liability	**4.4**	8.6

The group entered into interest rate swaps on the 25 July 2022. The movement in respect of derivatives reflects £4.4 million (December 2022: £1.2 million) recycled in the period and a £0.2 million credit (December 2022: £8.1 million credit) in fair value. All movements are reflected within other comprehensive income.

23. Deferred tax

(£m)	Property, plant and equipment	Intangible	IFRS 16 leases – spreading	IFRS 16	Share-based payments	Losses	Provisions and other temporary differences	Total
At 1 January 2022	87.3	–	(47.0)	28.7	(4.2)	(4.8)	(2.3)	57.7
(Credit)/charge to the profit or loss	(7.1)	–	1.8	2.8	0.1	(0.8)	0.6	(2.6)
Charge to other comprehensive income and equity	–	–	–	–	0.1	–	2.1	2.2
Adjustment in respect of prior year	(2.2)	–	–	1.5	–	(0.6)	0.2	(1.1)
At 1 January 2023	**78.0**	**–**	**(45.2)**	**33.0**	**(4.0)**	**(6.2)**	**0.6**	**56.2**
(Credit)/charge to the profit or loss	**7.2**	**–**	**2.3**	**1.4**	**(0.6)**	**–**	**(0.3)**	**10.0**
(Credit)/charge to other comprehensive income and equity	**–**	**–**	**–**	**–**	**0.5**	**–**	**(0.9)**	**(0.4)**
Adjustment in respect of prior year	**0.3**	**–**	**–**	**–**	**–**	**–**	**(3.2)**	**(2.9)**
Recognised on acquisition	**1.1**	**5.0**	**–**	**–**	**–**	**(1.1)**	**–**	**5.0**
At 31 December 2023	**86.6**	**5.0**	**(42.9)**	**34.4**	**(4.1)**	**(7.3)**	**(3.8)**	**67.9**
Disclosed within liabilities	**86.6**	**5.0**	**(42.9)**	**34.4**	**(4.1)**	**(7.3)**	**(3.8)**	**67.9**

Deferred tax on property, plant and equipment has arisen on differences between the carrying value of the relevant assets and the tax base. In the prior year, a one off credit to the profit and loss of £9.0 million in respect of the change in useful life and residual value of the freehold properties was recognised.

In the current period, the group has recognised a deferred tax asset in respect of the corporate interest restriction of £3.3 million which is reflected in the adjustments to prior year line.

On the acquisition of Vita Health Group Limited, a deferred tax asset has been recognised for losses as they are expected to be available for utilisation across the wider group from the fifth anniversary of the acquisition date. In addition, a deferred tax liability has been recognised in respect of fixed assets. On acquisition, the group has recognised an intangible asset in respect of customer contracts. A deferred tax liability of £5 million has been recognised in respect of this asset, and will unwind in line with amortisation of the intangible in future years.

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. Deferred tax in the current period continues to be measured at 25%.

Deferred tax assets are recognised on the basis that the deferred tax liabilities represent forecast profits of the appropriate type (either capital or trading) and therefore represent a suitable taxable profit against the reversal of the deferred tax assets can be offset. Deferred tax assets and liabilities in relation to property are only offset to the extent that they relate to the same site.

23. Deferred tax continued

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

	2023		2022	
(£m)	Gross	Tax effected	Gross	Tax effected
Trading losses	**11.7**	**2.6**	8.0	2.0
Tax basis for future capital disposals	**11.6**	**2.9**	11.6	2.9
Total	**23.3**	**5.5**	19.6	4.9

These amounts are the expected tax value of the gross temporary difference at the enacted long-term tax rate of 25% (2022: 25%) 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 tax basis for capital disposals could be utilised.

24. Provisions

(£m)	Medical malpractice	Business restructuring and other	Total
At 1 January 2023	**19.4**	**2.3**	**21.7**
Increase in existing provisions	**3.8**	**–**	**3.8**
Provisions utilised	**(7.1)**	**(1.0)**	**(8.1)**
Provisions released	**(1.0)**	**–**	**(1.0)**
At 31 December 2023	**15.1**	**1.3**	**16.4**

Medical malpractice relates to estimated liabilities arising from claims for damages in respect of services previously supplied to patients. During the period £3.8 million was added due to additional claims received, and £7.1 million utilised and £1.0 million was released. Amounts are shown gross of insured liabilities. Any such insurance recoveries of £4.6 million (December 2022: £5.4 million) are recognised in other receivables.

In response to the publication of the Public Inquiry report on Paterson on 4 February 2020, Spire Healthcare established a provision in respect of implementing the recommendations including a detailed patient review and support for patients. The provision is being utilised, including £9.2 million in patient claim settlements. The provision to complete the reviews, settle any claims and costs in respect of other Paterson items has been increased by £2.5 million. The project is complex and the process for review and settlement takes some time. It is possible that, as further information becomes available, an adjustment to this provision will be required, but at this time, it reflects management's best estimate of the costs and settlement of claims at this point. The variables include the number of patients which are found to have been harmed following review, the level of harm, and the associated compensation claim, as well as the time to review each case can vary significantly. This provision remains subject to ongoing review. In addition, and as disclosed in Note 10 adjusting items, this was offset by the release of a £0.9 million provision which had been held to resolve a matter with an insurer.

As at 31 December 2023, the business restructuring and other provisions primarily includes acquisition related provisions related to tax matters other than income tax which is expected to be utilised or released as the relevant tax years close for review. During the year the group settled non-patient claims as appropriate and sought external counsel on this settlement.

Provisions as at 31 December 2023 are materially considered to be current and expected to be utilised at any time within the next twelve months, subject to external factors beyond the group's control.

25. Trade and other payables

(£m)	2023	2022
Trade payables	**63.9**	67.2
Accrued expenses	**65.9**	58.4
Deferred income	**10.4**	–
Social security and other taxes	**15.2**	9.7
Other payables	**41.7**	29.2
Trade and other payables	**197.1**	164.5

Trade and other payables of £26.1 million have been added on the acquisition of Vita Health Group during the year (see Note 34) of which £10.4 million relates to deferred income related to contract revenue.
Accrued expenses includes general operating expenses incurred but not invoiced as at the year end, as well as holiday pay accrued of £2.1 million (2022: £5.2million), and bonuses accrued during the year and paid during the following year of £12.7 million (2022: £7.0 million).

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 £10.3 million (2022: £11.9 million). In addition other credit balances re-classed from trade debtors were £32.0 million (2022: £28.2 million), which largely relate to NHS credits. Payments on account are expected to be utilised against patient procedures within the following 12 months. The balance of payments on account as at 31 December 2022 were utilised in the current year when the patient attended the procedure, and not cancelling or deferring treatment, such payments on account could result in repayment to the patient should they request so.

26. Dividends

(£m)	2023	2022
Final dividend for the year ended 31 December 2022 (0.5 pence per share)	**2.0**	–
Dividend paid to non-controlling interests	**–**	0.2
Dividend paid in respect of grants under the LTIP share scheme that have vested	**–**	0.1
Total dividends paid	**2.0**	0.3

Since the end of the financial year, the directors have proposed a final dividend of approximately 2.1 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 December 2023.

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 £3.7 million in the year ended 31 December 2022 (2022: £2.3 million). 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,

Notes to financial statements continued

27. Share-based payments continued

based on the share price at the reporting date. The total National Insurance charge for the year was £0.4 million (2022: £0.3 million).

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

	2023		2022	
	Charge £m	Number of options (thousands)	Charge £m	Number of options (thousands)
Long Term Incentive Plan	3.0	12,394	1.8	12,787
Deferred Share Bonus Plan	–	449	–	525
Save As You Earn (SAYE)	0.7	3,252	0.5	3,652
	3.7	16,095	2.3	16,964

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. No 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 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.

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

On 15 March 2023, the company granted a total of 2,980,384 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 2025, relative total shareholder return (TSR) (35%) targets on performance over the three-year period to 31 December 2025 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 2033. 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 18 March 2021, the company granted a total of 138,888 options to executive directors, with a vesting date of 18 March 2024. The options will vest based on a target EBITDA net debt leverage ratio for the year ending 31 December 2022, and subject to continued employment.

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

On 15 March 2023, the company granted a total of 168,042 options to executive directors, with a vesting date of 14 March 2026. There are no performance conditions in respect of the scheme and is subject to continued employment.

Save As You Earn

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

On 24 April 2022, the company granted 3,800,557 options to employees with a vesting date of 1 June 2025. There are no performance conditions in respect of the scheme. Upon vesting, the options will remain exercisable for six 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 contractual life is shown below:

	2023					
	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	2,169	4,726	1,540	4,343	525	3,652
Granted	1,043	1,043	–	894	168	–
Exercised	–	(652)	(380)	(636)	(244)	(18)
Surrendered[1]	(69)	(69)	–	(59)	–	–
Cancelled[2]	(67)	(590)	(258)	(584)	–	(382)
At 31 December	3,076	4,457	903	3,958	449	3,252
Exercisable at 31 December	–	–	–	–	–	14
Weighted average contractual life	2.6 years	2.0 years	0.7 years	2.0 years	1.3 years	1.4 years

27. Share-based payments continued

	2022					
	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	1,133	4,175	1,975	4,166	383	3,114
Granted	1,084	1,079	–	925	142	3,811
Exercised	–	(208)	–	(93)	–	(2,916)
Surrendered[1]	(48)	(205)	(77)	(198)	–	–
Cancelled[2]	–	(115)	(358)	(457)	–	(357)
At 31 December	2,169	4,726	1,540	4,343	525	3,652
Exercisable at 31 December	–	–	–	–	–	37
Weighted average contractual life	2.4 years	3.2 years	0.4 years	2.8 years	1.1 years	2.5 years

1. These are shares where the participants are considered to be good leavers and forfeit a proportion of their shares on pro-rata basis.
2. These are shares where the participants forfeit all share options.

The weighted average share price for the share awards exercised during the period is £2.18 per share.

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

Grant – vest	Expiry date	Exercise price (£)	Share options thousands 2023	Share options thousands 2022
LTIP grants				
30/09/2014 – December 2016	30/09/2024	–	**–**	32
30/03/2017 – March 2020	30/03/2027	–	**2**	2
28/03/2018 – March 2021	28/03/2028	–	**18**	326
25/03/2019 – March 2022	25/03/2029	–	**1,188**	1,118
06/04/2020 – April 2023	06/04/2030	–	**2,396**	5,112
18/03/2021 – March 2024	18/03/2031	–	**3,038**	3,199
14/03/2022 – March 2025	14/03/2032	–	**2,860**	2,997
15/03/2023 – March 2026	15/03/2033	–	**2,892**	–
Deferred Share Bonus Plan				
06/04/2020 – April 2023	05/04/2030	–	**–**	244
18/03/2021 – March 2024	17/03/2031	–	**139**	139
14/03/2022 – April 2025	01/04/2032	–	**142**	142
15/03/2023 – March 2026	15/03/2033	–	**168**	–
Save As You Earn				
03/05/2019 – June 2022	31/11/2022	1.09	**–**	18
26/04/2022 – June 2025	31/11/2025	1.98	**3,252**	3,634

During the year, 1,054,620 shares, relating to LTIPs, were exercised from the company's Employee Benefit Trust (EBT), during the year (see Note 21 for more information). Where considered the most appropriate use of surplus cash, the company will continue to fund the Spire Healthcare Employee Benefit Trust (EBT), a discretionary trust held for the benefit of the group's employees, for the ongoing acquisition of shares to satisfy the exercise of share plan awards by employees.

The following information is relevant to the determination of the fair value of the awards granted for the years ended 31 December 2023 and 2022, respectively, under the schemes:

2023	LTIP (TSR condition)	LTIP (ROCE condition)	LTIP (OE condition)	Deferred Share Bonus Plan	Save as you Earn
Option pricing model	**Monte Carlo**	**Fair value at grant date**	**Fair value at grant date**	**n/a**	**Black-Schöles model**
Fair value at grant date (£)	**1.26**	**2.10**	**2.10**	**n/a**	**0.71**
Fair value at grant date for shares subject to holding period(£)	**1.07**	**1.78**	**1.78**	**n/a**	**n/a**
Weighted average share price at grant date (£)	**2.10**	**2.10**	**2.10**	**n/a**	**2.10**
Exercise price (£)	**Nil**	**Nil**	**Nil**	**Nil**	**1.98**
Weighted average contractual life	**3.1 years**	**3.1 years**	**3.1 years**	**1.8 years**	**1.4 years**
Expected dividend yield	**n/a**	**n/a**	**n/a**	**n/a**	**n/a**
Risk-free interest rate	**3.4%**	**n/a**	**n/a**	**n/a**	**n/a**
Volatility[1]	**49%**	**49%**	**49%**	**n/a**	**n/a**

2022	LTIP (TSR condition)	LTIP (ROCE condition)	LTIP (OE condition)	Deferred Share Bonus Plan	Save as you Earn
Option pricing model	Monte Carlo	Fair value at grant date	Fair value at grant date	n/a	Black-Schöles model
Fair value at grant date (£)	1.75	2.44	2.44	n/a	0.71
Fair value at grant date for shares subject to holding period(£)	1.48	2.06	2.06	n/a	n/a
Weighted average share price at grant date (£)	2.44	2.44	2.44	n/a	2.21
Exercise price (£)	Nil	Nil	Nil	Nil	1.98
Weighted average contractual life	2.2 years	2.2 years	0.2 years	3.0 years	2.5 years
Expected dividend yield	n/a	n/a	n/a	n/a	n/a
Risk-free interest rate	1.4%	n/a	n/a	n/a	n/a
Volatility[1]	53%	53%	53%	n/a	n/a

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

Notes to financial statements continued

28. Reconciliation of cash generated from operations

(£m)	Note	2023	2022
Cash flows from operating activities			
Profit before taxation		**34.6**	3.9
Adjustments to reconcile profit before tax to net cash flows:			
Impairment of assets held for sale (adjusting items) (see Note 10)	20	**–**	0.5
Fair value adjustment on financial liability (adjusting items) (see Note 10)		**–**	0.8
(Profit)/loss on disposal of property, plant and equipment		**(0.3)**	0.3
Adjusting items – other		**1.5**	2.5
Depreciation of property, plant and equipment and right-of-use assets	13	**103.0**	97.9
Amortisation on intangible assets	12	**0.6**	–
Finance income	8	**(1.4)**	–
Finance costs	8	**93.0**	91.5
Other income	6	**(3.6)**	(3.0)
Share-based payments expense	27	**3.7**	2.3
Movements in working capital:			
Increase in trade receivables and prepayments		**(12.7)**	(6.9)
Increase in inventories		**(3.7)**	(0.4)
Increase in trade and other payables		**2.2**	8.2
Decrease in provisions		**(1.3)**	(15.9)
Cash generated from operations		**215.6**	181.7

29. Commitments

Consignment stock

At 31 December 2023, the group held consignment stock on sale or return of £24.5 million (2022: £24.3 million). 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)	2023	2022
Contracted but not provided for	**31.6**	27.0

30. Contingent liabilities

The group had the following guarantees at 31 December 2023:

- The bankers to Spire Healthcare Limited have issued a letter of credit in the maximum amount of £1.5 million (2022: £1.5 million) in relation to contractual pension obligations
- Under certain lease agreements entered into on 26 January 2010, the group has given undertakings relating to obligations in the lease documentation and the assets of the group are subject to a fixed and floating charge
- See Note C11 for details of contingent liability in respect of lease arrangements and agreements.

31. 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
- 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.

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.

During the period, trade receivables have increased in line with revenue, but aged debt has reduced. Individual self-pay patients continues to be the largest risk for the group given the current economic uncertainty. The group has considered the provision required and maintained a provision accordingly through the expected loss rate percentages, which is in line with the position at December 2022. The Expected Credit Loss (ECL) as at year end is £5.5 million (December 2022: £5.0 million).

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.

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.

31. Financial risk management and impairment of financial assets continued

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 SONIA 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 2023 (£m)	**365.0**	**365.0**	**60.0**
Effective interest rate (%)	**5.63%**	**5.63%**	
31 December 2022 (£m)	325.0	325.0	100.0
Effective interest rate (%)	4.85%	4.85%	

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 asset of £4.4 million (2022: £8.6 million liability) 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 SONIA

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 2023				
Variable rate instruments	**(0.3)**	**0.3**	**(0.3)**	**0.3**
At 31 December 2022				
Variable rate instruments	(0.2)	0.2	(0.2)	0.2

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.

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:

– £60.0 million of revolving credit facility, which was undrawn as at 31 December 2023 (2022: £60.0 million undrawn)

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

			Maturity analysis					
At 31 December 2023 (£m)	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Trade and other payables	**171.5**	**171.5**	**171.5**	**–**	**–**	**–**	**–**	**–**
Bank borrowings	**365.3**	**434.3**	**24.7**	**19.9**	**18.7**	**371.0**	**–**	**–**
Lease liabilities	**891.7**	**1,818.7**	**99.8**	**100.0**	**98.1**	**97.8**	**97.7**	**1,325.3**
	1,428.5	**2,424.5**	**296.0**	**119.9**	**116.8**	**468.8**	**97.7**	**1,325.3**
Derivative financial assets								
Interest rate swaps	**(4.4)**	**(5.0)**	**(4.1)**	**(0.8)**	**(0.1)**	**–**	**–**	**–**
	1,424.1	**2,419.5**	**291.9**	**119.1**	**116.7**	**468.8**	**97.7**	**1,325.3**

			Maturity analysis					
At 31 December 2022 (£m)	Carrying amount	Contractual cash flows	Within 1 year	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	More than 5 years
Trade and other payables	154.8	154.8	154.8	–	–	–	–	–
Bank borrowings	324.3	394.4	20.2	22.1	20.5	331.6	–	–
Lease liabilities	866.5	1,819.1	92.8	93.2	93.6	92.2	92.2	1,355.1
	1,345.6	2,368.3	267.8	115.3	114.1	423.8	92.2	1,355.1
Derivative financial assets								
Interest rate swaps	(8.6)	(9.2)	(2.9)	(3.6)	(2.1)	(0.6)	–	–
	(8.6)	(9.2)	(2.9)	(3.6)	(2.1)	(0.6)	–	–

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 2023 were £737.8 million (2022: £725.1 million) and net debt, calculated as bank borrowings of £365.3 million (2022: £324.3 million) less cash and cash equivalents of £49.6 million (2022: £74.2 million amounted to £315.7 million (2022: £250.1 million).
The principal focus of capital management revolves around working capital management and compliance with externally imposed financial covenants see Note 22 for more detail.

Notes to financial statements continued

31. Financial risk management and impairment of financial assets continued

Capital management continued

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)	2023	2022
Committed undrawn revolving credit facility	**60.0**	100.0
Cash and cash equivalents	**49.6**	74.2

Fair value measurement

As of 31 December 2023, except for an interest rate swap 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 2023, 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.

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 (Note 15).

As at 31 December 2023, the group held the following financial instruments measured at fair value:

	Maturity analysis			
Financial instruments measured at fair value (£m)	Value as at 31 December 2023	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss				
Profit share arrangement (Note 15)	**7.5**	–	–	**7.5**
Interest rate swaps	**4.4**	–	**4.4**	–
Financial assets measured at fair value	**11.9**	–	**4.4**	**7.5**

During the year, Spire Healthcare received a profit share in respect of the financial asset of £0.8 million (2022: £0.7 million). In addition an unrealised fair value movement of £3.0 million (2022: £3.0 million) 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 2022, the group held the following financial instruments measured at fair value:

	Maturity analysis			
Financial instruments measured at fair value (£m)	Value as at 31 December 2022	Level 1	Level 2	Level 3
Financial assets at fair value through profit and loss				
Profit share arrangement (Note 15)	**4.6**	–	–	**4.6**
Interest rate swaps	**8.6**	–	**8.6**	–
Financial assets measured at fair value	**13.2**	–	**8.6**	–

Cash flow hedge

The group designate, as cash flow hedges, interest rate swaps entered into with three counterparties maturing in February 2026. 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 2023 and 2022, 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.

32. Financial liabilities

Financial instruments to purchase non-controlling interest

In the period, the group entered into an agreement with the non-controlling interest of one of its subsidiaries, Montefiore House Limited, in which both parties can exercise an option for Spire Healthcare to purchase the remaining 25% interest in the subsidiary at a future date. The purchase price is calculated in line with pre-determined metrics which are based on the subsidiary's EBITDA performance and the group multiple. The option can be exercised between two to five years. The expected future cash flow to settle the obligation is discounted at the group cost of debt of 8.1%. The financial liability is initially recognised through equity at the present value of future cash flows and subsequently recognised at amortised cost.

32. Financial liabilities continued

(£m)	2023	2022
Valuation at 1 January	–	–
Option to purchase non-controlling interests	9.6	–
Valuation at 31 December	**9.6**	–

33. 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 95 to 98.

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

Key management compensation

(£m)	2023	2022
Salaries and other short-term employee benefits	5.2	5.0
Post-employment benefits	0.4	0.5
Share-based payments	1.3	1.1
	6.9	6.6

Further information about the remuneration of individual directors is provided in the audited part of the directors' remuneration report on pages 110 to 128.

There were no transactions with related parties external to the group in the year to 31 December 2023 (2022: nil).

34. Business combinations

Acquisitions in 2023

Acquisition of Kingfisher TopCo Limited (together 'Vita Health Group')

On 18 October 2023, the group acquired 100% of the voting shares of Kingfisher TopCo Limited (which in turn owns 100% of the shares of Vita Health Group), a non-listed company based in England a market-leading provider of mental and physical health services in the UK, for £83.0 million and a net cash consideration of £73.2 million. This acquisition complements our existing business and aligns well with our strategy of developing new services and moving into adjacent markets.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of Vita Health Group as at the date of acquisition were:

(£m)	Fair value recognised on acquisition
Assets	
Intangible assets (Note 14)	27.3
Plant, property and equipment (Note 13)	1.3
Right of use assets (Note 13)	1.3
Trade and other receivables (Note 18)	12.7
Cash and cash equivalents (Note 19)	9.8
Liabilities	
Trade and other Payables (Note 25)	26.1
Income tax and withholding tax payable	2.3
Deferred tax liability (Note 23)	5.0
Lease liabilities (Note 22)	1.3
Total identifiable net assets at fair value	**17.7**
Goodwill arising on acquisition (Note 14)	65.3
Purchase consideration transferred	**83.0**

The initial accounting for the business combination is not complete due to the timing of the acquisition which occurred close to the year end. Amounts recognised, are subject to adjustment in line with IFRS 3 for up to 12 months from acquisition, with goodwill being adjusted accordingly. Therefore, goodwill has not been allocated.

The fair value of the trade receivables amounts to £12.7 million. The gross amount of trade receivables is £13.2 million and it is expected that the full contractual amounts can be collected.

From the date of acquisition, Vita Health Group contributed £18.3 million of revenue and profit of £1.1 million 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 £1,450.5 million and loss before tax from continuing operations for the group would have been £40.1 million.

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

Purchase consideration transferred

(£m)	Cash flow on acquisition
Net cash acquired with the subsidiary	9.8
Cash paid	83.0
Net cash flow on acquisition	73.2

Transaction costs of £2.5 million were expensed and are included within adjusting Items.

Prior year Acquisition of The Doctors Clinic Group Ltd (together 'The Doctors Clinic Group')

During the year, the group reviewed its goodwill position in respect of The Doctors Clinic Group in line with IFRS 3 and no adjustment has been recognised.

35. Events after the reporting period

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

Company balance sheet

As at 31 December 2023
(Registered number 09084066)

(£m)	Note	2023	2022
ASSETS			
Non-current assets			
Investments	C9	**840.6**	840.5
Other receivables	C7	**179.8**	168.3
		1,020.4	1,008.8
Current assets			
Other receivables	C7	**226.9**	170.2
Cash and cash equivalents	C6	**0.1**	0.2
		227.0	170.4
Total assets		**1,247.4**	1,179.2
EQUITY AND LIABILITIES			
Equity			
Share capital	21	**4.0**	4.0
Share premium		**830.0**	830.0
EBT share reserves	21	**(0.7)**	–
Retained earnings		**404.2**	337.8
Total equity		**1,237.5**	1,171.8
Current liabilities			
Income tax payable		**9.3**	1.8
Trade and other payables	C8	**0.6**	5.6
Total liabilities		**9.9**	7.4
Total equity and liabilities		**1,247.4**	1,179.2

The profit attributable to the owners of the company for the year ended 31 December 2023 was £67.1 million (2022: £51.4 million).

The financial statements on pages 170 to 174 were approved by the board of directors on 28 February 2024 and signed on its behalf by:

Justin Ash
Chief Executive Officer

Jitesh Sohda
Chief Financial Officer

Company statements of changes in equity

For the year ended 31 December 2023

(£m)	Share capital	Share premium	EBT share reserves	Retained earnings	Total equity
At 1 January 2022	4.0	826.9	(0.8)	285.0	1,115.1
Profit for the year	–	–	–	51.4	51.4
Issue of new shares	–	3.1	–	–	3.1
Share-based payment	–	–	–	2.3	2.3
Utilisation of EBT shares	–	–	0.8	(0.8)	–
Dividend paid	–	–	–	(0.1)	(0.1)
As at 1 January 2023	**4.0**	**830.0**	**–**	**337.8**	**1,171.8**
Profit for the year	**–**	**–**	**–**	**67.1**	**67.1**
Purchase of own shares by EBT	**–**	**–**	**(3.1)**	**–**	**(3.1)**
Share-based payment	**–**	**–**	**–**	**3.7**	**3.7**
Utilisation of EBT shares	**–**	**–**	**2.4**	**(2.4)**	**–**
Dividend paid	**–**	**–**	**–**	**(2.0)**	**(2.0)**
As at 31 December 2023	**4.0**	**830.0**	**(0.7)**	**404.2**	**1,237.5**

Company statement of cash flows

For the year ended 31 December 2023

(£m)	2023	2022
Cash flows from operating activities		
Profit before taxation	**74.5**	52.1
Dividend received	**(52.1)**	(46.9)
Profit before taxation (excluding dividend received)	**22.4**	5.2
Adjustments for:		
Share-based payments	**3.6**	–
Interest income	**(27.6)**	(9.8)
Finance costs	**–**	3.4
	(1.6)	(1.2)
Movements in working capital:		
Increase in trade and other receivables	**(45.6)**	(45.9)
Increase in trade and other payables	**0.1**	0.3
Net cash used in operating activities	**(47.1)**	(46.8)
Cash flows from investing activities		
Dividend received	**52.1**	46.9
Net cash generated from investing activities	**52.1**	46.9
Cash flows from financing activities		
Purchase of own shares by EBT	**(3.1)**	–
Dividend paid to equity holders of the Parent	**(2.0)**	(0.1)
Net cash used in financing activities	**(5.1)**	(0.1)
Net decrease in cash and cash equivalents	**(0.1)**	–
Cash and cash equivalents at beginning of year	**0.2**	0.2
Cash and cash equivalents at end of year	**0.1**	0.2

Notes to the parent company financial statements

For the year ended 31 December 2023

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 June 2025 (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 market capitalisation of the company is compared to the investments of the company to determine if there is a trigger for impairment review. 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 adjusted for the assumption that internal and external borrowings have been settled. See Note C9 for more detail.

Notes to the parent company financial statements continued

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)	2023	2022
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)	2023	2022
Cash at bank	**0.1**	0.2
	0.1	0.2

C7. Other receivables

(£m)	2023	2022
Amounts owed by subsidiary undertakings – current	**226.9**	170.2
	226.9	170.2

The amounts owed by subsidiary undertakings bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). No allowance for expected credit losses has been included for amounts receivable from subsidiary undertakings as the provision rates 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.

(£m)	2023	2022
Amounts owed by subsidiary undertakings – non-current	**179.8**	168.3
	179.8	168.3

The amounts owed by subsidiary undertakings bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). The amounts are unsecured and repayable on demand.

C8. Trade and other payables

(£m)	2023	2022
Amounts owed to subsidiary undertakings	**–**	5.1
Accruals	**0.6**	0.5
	0.6	5.6

The amounts owed to subsidiary undertakings bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). The amounts are unsecured and repayable on demand.

C9. Investment in subsidiaries

(£m)	Subsidiary undertakings
Net book value	
At 1 January 2022	**838.2**
Additions – IFRS 2 costs	**2.3**
At 1 January 2023	**840.5**
Additions – IFRS 2 costs	**0.1**
At 31 December 2023	**840.6**

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 indicators of impairment at the year end, being, the net assets of the company are higher than that of the group's consolidated net assets and that the market capitalisation exceeds the investment value including intercompany receivables.

The recoverable amount of investments is calculated by reference to its estimated value-in-use calculation adjusted for the assumption that internal and external borrowings have been settled.

In order to estimate the value-in-use, management has used trading projections covering the period to December 2028 from the most recent board approved strategic plan. The variables in the cash flows are interdependent and reflect management's expectations based on past experience and current market trends, it takes into account both current business and committed initiatives. In addition, management consider the potential financial impact from short-term climate change scenarios, and the cost of initiatives by the group to manage the longer-term climate impacts.

Management determined that no impairment was required as the recoverable amount exceeds the carrying amount by £1,364.0 million.

Key assumptions

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

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

The trading projections for the five-year period underlying the value in use reflect a growth in EBITDA. EBITDA is dependent on a number of elements of the operating model over the longer term, including pricing trends, volume growth and the mix and complexity of procedures and assumptions regarding cost inflation. The average annual EBITDA growth over the five years is 10.9%. The annual EBITDA over the five year period would have to decrease by 36.8% per annum to eliminate the headroom.

During the year the group moved to a post IFRS 16 discount rate, and has used a pre-tax discount of 11.5% (2022: 10.6% adjusted for the effect of IFRS 16).

C9. Investment in subsidiaries continued

A long-term growth rate of 2.0% has been applied to cash flows beyond 2028 based on long term view of inflation and market conditions. Capital maintenance spend is based on historic run rates and our expectation of the group's requirements. The sensitivity testing identified no reasonably possible changes in the capital maintenance and long-term growth rates that would cause the carrying amount of any CGU to exceed its recoverable amount.

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

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 £1,237.5 million (2021: £1,171.8 million) as at 31 December 2023, and cash amounted to £0.1 million (2021: £0.2 million).

Credit risk

As at 31 December 2023, the company had amounts owed by subsidiary undertakings of £406.7 million (2022: £338.5 million). The company's maximum exposure to credit risk from these amounts is £406.7 million (2022: £338.5 million).

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.

Dividends paid in the year:

(£m)	2023	2022
Final dividend for the year ended 31 December 2022 (0.5 pence per share)	**2.0**	–
Dividend paid in respect of grants under the LTIP share scheme that have vested	**–**	0.1
Total dividends paid	**2.0**	0.1

Since the end of the financial year, the directors have proposed a final dividend of approximately 2.1 pence per share. The dividend is subject to approval by shareholders at the Annual General Meeting and is therefore not included in the balance sheet as a liability at 31 December 2023.

(£m)	2023	2022
Financial assets: carrying amount and fair value:		
Loans and receivables		
Cash and cash equivalents	**0.1**	0.2
Amounts owed by subsidiary undertakings	**406.7**	338.5
	406.8	338.7

The above financial assets are not impaired.

(£m)	2023	2022
Financial liabilities: carrying amount and fair value:		
Amortised cost		
Amounts owed to subsidiary undertakings	**–**	5.1
	–	5.1

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 2023 the company had short-term borrowings of Nil (2022: £5.1 million) owed to subsidiary undertakings, which are repayable on demand and bear interest at SONIA plus 2.05% (2022: SONIA plus 2.05%). Interest on these borrowings in the year amounted to Nil (2022: £3.4 million) 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 £406.7 million (2022 £338.5 million) and Nil (2022: £5.1 million) respectively. The directors do not believe that a change of 25 basis points in the SONIA interest rates will have a material impact on the company's income statement or shareholders' equity.

C11. Contingent liabilities

The below financial guarantees have been assessed in line with the requirements of IFRS 17 insurance contracts and are exempt as the guarantees have not been asserted explicitly as insurance contracts and as such the accounting for insurance contracts is not applicable.

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 £51.3 million 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, £5.0 million of maintenance capital expenditure and £3.0 million 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 2023 the group complied with the required covenants and the lease liability held on the consolidated balance sheet is £628.7 million (2022: £611.4 million).

Notes to the parent company financial statements continued

C11. Contingent liabilities continued

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 £6.3 million 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 2023, there was no breach in the required covenants and the lease liability held on the Consolidated balance sheet is £81.2 million (2022: £80.8million).

Based on the liquidity and expected cash generation of Spire Healthcare Limited, the expected credit loss in respect of these financial guarantees, as at 31 December 2023, is not considered to be significant. As a result, no liability has been recorded (2022: Nil).

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)	2023	2022
Amounts owed from subsidiary undertakings – Spire Healthcare Finance Limited, Spire Healthcare Limited and Spire Healthcare (Holdings) Limited	**406.7**	338.5
Amounts owed to subsidiary undertakings – Spire Healthcare Limited	**–**	(5.1)
	406.7	333.4

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)	2023	2022
Amounts invoiced to subsidiaries	**73.3**	57.8
Amounts invoiced by subsidiaries	**–**	–
Dividend received from subsidiaries	**52.1**	46.9

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 110 to 128.

(£m)	2023	2022
Short-term employee benefits*	**1.1**	1.0
Share-based payments	**1.0**	–
Total	**2.1**	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 (ie 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.

C13. Events after the reporting period

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